

**Assessment of Self Help Groups formed by HGVS  
under various SRTT Funded Projects with special  
reference to Groups formed under the Microfinance  
Pilot Initiative 2009-2010**



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## **EXECUTIVE SUMMARY**

Sir Ratan Tata Trust (“**SRTT**”)/Himnotthan Pariyojn (“**HMP**”) commissioned a status study on Self Help Groups (“**SHGs**”) formed by Himalaya Gram Vikas Samiti (“**HGVS**”) under the aegis of SRTT funded projects namely:

- (i) Water and Sanitation Programmes 1 & 2 (“**WATSAN I and II**”),
- (ii) Integrated Fodder and Livestock Development Programme (“**IFLDP**”); and
- (iii) Microfinance Pilot Project (“**MF-Pilot**”).

The field work for the study was carried out in the last week of March and the first week of April 2010. This report presents the findings of the status study and gives special reference to the groups formed under the MF-Pilot project.

The Study assessed the status of the Microfinance Pilot against the goals set out in project design and by examining the progress made by the project in the context of Self-Help Groups (SHG) formed under other SRTT funded projects namely, Water and Sanitation (WATSAN) I and II and Integrated Fodder and Livestock Development Project (IFLDP). A number of SHGs were selected from each project. The sampling approach was ‘judgment’ and the tools for data collection were desk review, Focus Group Discussion (FGD) and Key Informant Interview (KII).

The project was successful in meeting the outreach target of forming 80 groups across 29 villages and internal savings target of Rs.360, 000. It was less successful in meeting the target of reaching 1200 beneficiary households and of forging 50 bank linkages. While it triggered some good initiatives via the newly formed Federations, such as potato purchase and sale in collaboration with Birthi Cluster Federation, the project could not build a consensus on a viable microfinance delivery model for Uttarakhand.

The project components that drew upon the strengths of the implementing organization, such as outreach, group formation, internal savings, were more successful than the components that required the implementing organization to innovate or operate differently. The examples of these would be forging linkages, identifying business opportunities, process documentation, etc. HGVS, the implementing organization, has been forming and working

with SHGs for many years now. Most of these were formed as a project component and not exclusively or largely to promote microfinance initiatives. As a result the facilitation processes and strategies were quite different from what would be needed in a microfinance focused initiative. The project could have benefitted from regular inputs from a support setup. This would have helped bridge the gap between capacity and expected results.

HGVS is, at the moment, not in a position to run a full fledged microfinance project. However, given that a lot of resources have gone into the pilot, that microfinance is a potential tool for enterprise promotion, and that interesting findings have emerged from the pilot, the study recommends a 12-18 month extension of the pilot. The study report delineates one of the possible ways forward.

# 1. INTRODUCTION

## 1.1 Background

1.1.1 Sir Ratan Tata Trust (“**SRTT**”)/Himnotthan Pariyojn (“**HMP**”) commissioned a status study on Self Help Groups (“**SHGs**”) formed by Himalaya Gram Vikas Samiti (“**HGVS**”) under the aegis of the following SRTT funded projects:

- (iv) Water and Sanitation Programmes 1 & 2 (“**WATSAN I and II**”),
- (v) Integrated Fodder and Livestock Development Programme (“**IFLDP**”), and
- (vi) Microfinance Pilot Project (“**MF-Pilot**”).

1.1.2 The field work for the study was carried out in the last week of March 2010 and the first week of April 2010. This report presents the findings of the status study and pays particular attention to the SHGs formed under the MF-Pilot project.

## 1.2 MF-Pilot Background and Targets

1.2.1 In 2009-2010 HGVS proposed and implemented the MF-Pilot, which aimed to increase the financial inclusion of the poor in the villages of Gangolihat and Munsiyari administrative units of Pithoragarh district of Uttarakhand<sup>1</sup>. Among other things, the MF-Pilot aimed to promote:

- (i) access to savings and credit;
- (ii) SHGs and SHG Federations for collective action;
- (iii) linkages between SHGs and local banks; and
- (iv) capacity of staff and community in relation to SHGs and microfinance.

1.2.2 More specifically, through promoting 80 SHGs the project was expected to cover 6000 individuals across 1200 households and 29 villages. The SHGs would be further organized into 8 cluster level SHG Federations (“**SHG Federations**”) to facilitate collective action by providing economies of scale.

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<sup>1</sup> HGVS has been involved in SHG formation for a long time. Not including the groups formed under the microfinance pilot project, HGVS has supported the formation of 155 SHGs and 65 CBOs with a collective membership of 1983. These SHGs and CBOs have mobilized Rs. 2.8 million as savings and extended loans to the tune of Rs. 3.2 million. Having said this, these groups were formed as part of various projects and as such, HGVS does not have organizational design for SHG based microfinance. Hence the need for a pilot project

1.2.3 The financial targets of the MF Pilot were that SHG members would mobilize savings of Rs.360, 000 and that 50 SHGs would be linked to local commercial banks from where they would mobilize credit amounting to Rs. 1 million for specific income generating activities.

1.2.4 It was intended that the MF Pilot would be instrumental in helping HGVS and HMP design statewide projects on SHGs and microfinance through the identification of intervention strategy, implementation structure, staffing, context, cost of promoting groups, networking, linkages with banks, and advancement of livelihoods.

### **1.3 SRTT Mid-Term Review of MF-Pilot Project**

1.3.1 From 30 November to 6 December 2009, SRTT conducted a mid-term review of the MF-Pilot. While noting that income generating activities had been initiated at the level of individual SHGs and SHG Federations, the report also highlighted areas of concern. These were:

- (i) the inability of HGVS to develop a procedure to identify the poor;
- (ii) the lack of adequate training for microfinance resource persons; and
- (iii) low SHG membership at the village level when compared against the number of households in the project villages.

1.3.2 The mid-term review also identified areas that HGVS should focus on for the remaining duration of the MF-Pilot. These were:

- (i) exposure visit for microfinance resource persons and SHG/ SHG Federation office bearers;
- (ii) identification and analysis of potential economic activities;
- (iii) a study of existing savings, credit, and remittance systems used by SHG members; and
- (iv) identification of one collective activity in five of the eight Federations.

### **1.4 Impact Assessment of the MF-Pilot Project**

1.4.1 The MF-Pilot project documents lay down a clear guideline for impact assessment upon the conclusion of the MF Pilot. The impact assessment would cover:

- (i) outreach and coverage of programme;
- (ii) mobilization of savings and linkages with banks;

- (iii) change in knowledge level and strategy development skills of HGVS on community based microfinance projects; and
- (iv) specific project design and implementation strategy to scale up the SHG programme.

However, given that the SHGs formed under the MF-Pilot are only a year old, it was decided in consultation with SRTT and HMP that the study would be of greater utility if it were to examine the groups formed under the MF Pilot project in the larger context of the experience of HGVS in forming and managing SHGs under various projects. This, it was agreed, would have four benefits:

- (i) it would enable a comparison between groups of different age;
- (ii) it would enable a comparison between the trajectory of groups formed as a part of a project and groups formed with microfinance as the central theme;
- (iii) it would increase the likelihood of identifying replicable best practices as well as common hurdles to effective functioning of SHGs; and
- (iv) it would enable an independent assessment of various groups, which would highlight strengths and weaknesses of different projects, changes in attitude towards SHGs, and in the capacity of the implementing organization.

## 2. RESEARCH METHODOLOGY

### 2.1 Introduction

The study was divided into four stages as set out in the table below:

<b>Stage I</b>	Review of project documents and interview of project staff.
<b>Stage II</b>	Designing tools of information collection. Identifying stakeholders, sampling, and preparing logistics
<b>Stage III</b>	Information gathering on demand side (project beneficiaries) and supply side (HGVS)
<b>Stage IV</b>	Data cleaning and collation Report writing and circulation

### 2.2 Stage I – Document Review and Interviewing Project Staff

#### 2.2.1 Documents Reviewed

- (i) Project proposal and grant sanction documents
- (ii) Quarterly Progress Reports (“QPR”)
- (iii) Orientation and training documents
- (iv) Baseline surveys (household and village level surveys)
- (v) Poverty assessment tool of HGVS
- (vi) SHG rating format of HGVS
- (vii) WATSAN I and II documents including QPR
- (viii) IFLDP grant document
- (ix) Mid-term evaluation report on the MF-Pilot

#### 2.2.2 Staff Interviewed

- (i) Chairman, HGVS
- (ii) Programme manager, MF-Pilot Project
- (iii) MF-Pilot Project team members

### 2.3 Stage II – Survey Design, Sampling and Logistics

#### 2.3.1 Sampling Type

- (i) Judgment<sup>2</sup> at the level of village and SHG/ SHG Federation selection
- (ii) Random for in-depth interviews of beneficiaries

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<sup>2</sup> In order to have a representative sample, a few villages for each of the three projects looked at were purposively selected.



2.3.2 Conceptualized Sample: The table below indicates the sample as conceptualized following the desk review of relevant documents.

<b>Project Name</b>	<b>No. of SHG Formed</b>	<b>Average Age of SHG</b>	<b>Sample SHG</b>
WATSAN I	16	6-7 years	4
WATSAN II	30	2-3 years	4
IFLDP	15	1 years	4
MF-Pilot	80	1 year	4

2.3.3 Achieved Sample Plan: The table below indicates the sample by reference to villages undertaken during this evaluation.

<b>Project Name</b>	<b>Gangolihat</b>	<b>Munsiyari</b>	<b>Berinag</b>
WATSAN I	Sonkihat Kothera	Khetbarar	
WATSAN II	Chauki Devradi	Hupli Katyuda	
IFLDP	Futsil		Paatal Bhuvneshwar
MF-Pilot		Nachni Bhainskhal	Rai Haat Bhandar

## 2.4 Stage III – Information Collection

### 2.4.1 Data Collection:

- (i) Desk review
- (ii) Staff interview
- (iii) Focus group discussion- SHG and SHG Federation members
- (iv) Semi-structured interview- SHG members
- (v) Document/record audit

### 2.4.2 Key Areas of Enquiry

<b>Beneficiaries ("Demand Side")</b>	<b>Economic</b>	
		Income Asset building New economic activity and expansion of existing activities Innovative initiatives New avenues of employment Changes in cash inflow and outflow Changes in nature of loans, purpose of loans, and sources of loans Inter-loaning and savings

	<b>Social</b>	<p>HH dynamics including decision making, etc.</p> <p>Workload distribution</p> <p>Awareness changes</p> <p>Education</p> <p>Health</p> <p>Advocacy themes covered</p> <p>Coverage of different economic groups by SHG movement</p>
	<b>Governance</b>	<p>Capacity building of members</p> <p>Attendance</p> <p>Record keeping</p> <p>Election</p> <p>Group culture</p> <p>Themes discussed</p>
	<b>Institutional and networking</b>	<p>Linkages with Service providers</p> <p>Linkages with banks</p> <p>New institutions like Federations</p>
<b>HGVS (“Supply Side”)</b>		<p>Capacity of staff</p> <p>Capacity building of staff</p> <p>Productivity of staff and changes in the same</p> <p>New products and designs (on the ground or at conception stage)</p> <p>New MF/SHG initiatives inspired by the project</p>

### 3. MF-PILOT PERFORMANCE: PROGRESS AGAINST KEY INDICATORS

#### 3.1 Indicators in Grant Document

3.1.1. The grant document lists targets for key indicators that the MF-Pilot was expected to meet. Progress against these targets is presented in the table below:

Indicator	Target	Achieved
Groups Formed	80	80
Villages Covered	29	29
Household Covered	1200	815 (APL 279; BPL 536)
Savings	360,000	523,182
Bank Linkages	50 SHG	8 SHG
Credit Mobilization from Banks	Rs. 1 Million	-
Interloaning	-	Rs. 497,845
Number of Loans	-	378
Loans Returned		Rs. 340,679

3.1.2. A quick look at the figures above reveal a number of interesting details:

- Outreach and group formation has posed little challenge to HGVS, indicating good organizational setup and outreach.
- Mobilization of people to join the SHGs has been far less effective. About 2/3<sup>rd</sup> of the membership target was achieved. This could be because of failure of HGVS to motivate villagers or because of fatigue among villagers with SHGs or both.
- Mid-term evaluation report recommends that at least 80% of the poor households should be involved with the MF Pilot. The MF-Pilot villages have 1091 BPL households<sup>3</sup>. Of these households, only 536 or less than 50% have joined the project. However it should also be noted that of the 686 APL households only 279, or 40%, have joined the project. So even though financial inclusion of the poor, the poor being defined as households with BPL status, has not been as successful as envisaged by project design, the MF-Pilot

<sup>3</sup> HGVS village survey and baseline records

has been more favourable for the BPL households as compared with the APL households.

- Even though the monthly savings per member range from Rs. 20/- to Rs. 100/- the groups have saved close to Rs. 525,000/- as against the project target of Rs. 360,000/-. Savings mobilization has exceeded the target and has been achieved with impressive regularity at the level of groups and individual members.
- Bank linkages have been very low, especially when compared to the planned linkages. This could be for various reasons; indifference of banks to SHG-Bank linkage, inability of HGVS to forge such linkages, or lack of demand for SHG-Bank linkages.
- 378 loans have been extended. In other words, at the most, 46% of the members, have taken loans.
- The low demand for credit is also reflected in the low utilisation of the SHG savings as loans to members. While net SHG savings stand at Rs. 525,000/-, the total loans extended stands at only Rs. 498,000/-.
- Given the low demand for credit from SHGs savings it might be impractical to have expected that SHGs would seek credit from commercial banks at the level of Rs. 1 Million.
- Average loan size is Rs. 1317/- while the average repayment at the time of data collection was Rs. 900/-. This shows the ability to repay loans.

## 4. STUDY FINDINGS

### 4.1 Trends in Group Performance

4.1.1 Other things being equal, the quality of groups as measured against the level of savings and inter loaning, average loan size, record keeping, confidence of members and their ability to articulate, improves with age.

Gr. Type	Age (Yr.)	Savings	Av Loan No/member	Loan Size	Record Keeping	Confidence
WATSAN I	7	Medium	3 or more	Up to 20,000	Self	High
WATSAN II	3	Medium	2 or more	5000-6000	Self	High (variable)
MF- Pilot	1	Small	.5	500-1500	HGVS staff	Variable
IFLDP	1	Small	-	-	HGVS staff	Low (variable)

4.1.2 It is to the credit of HGVS that groups formed 7 years ago under WATSAN I do not only exist but are actually functional.

*Geetanjali* SHG, Khetbarar, formed in 2003 under WATSAN-I is 7 years old. The group has 17 members. The group meets once a month where, in addition to conducting the usual business of the SHG, it also manages the water scheme built under WATSAN-I and issues arising out of the management of the scheme. The elected Village Management Committee for the scheme is a sub-set of the SHG.

On the financial front, the SHG has disbursed profits among members twice in the last 7 years, the second disbursement of Rs. 2416/- carried out in 2005. All members of the group have life insurance from *Birla Sun Life*. The scheme involves a one time payment of Rs. 200 per member. The member's life is then insured for Rs. 20,000/- for the next 3 years. In the absence of claim, the member gets back Rs. 220/- while the Federation through which the insurance is arranged gets Rs. 5/-

The group does not have a Cash Credit Limit set up with a bank. However, the quantum of savings accumulated over time is quite substantive. This allows repeat loans that are not of insignificant size. *Parwati Bisht* took a loan of Rs. 10,000/- to buy a cow. *Kamala Devi*, an SC woman, has expanded her shop with the help of loans from SHG. She and her husband now sell, among other things, poultry, for which there is a high demand in the local market.

While there is some diversity in economic pursuits of members, which include, among other things, weaving and knitting, most members continue to pursue traditional activities such as livestock rearing and vegetable cultivation. However, to their credit, when asked to think of innovative and more profitable business ventures, the members replied "the maximum profit is in alcohol but it is not a good business". This speaks for both awareness and social consciousness.

## 4.2 Noise in Trend

- 4.2.1 Notwithstanding the general trend of improvement with time, individual and group capacities differ at the outset and this disturbs the linearity of trend in capacity against time. This makes assessment of progress attributable to the project both difficult and dangerous.

*Bhagwati* SHG, Rasiabagar, formed under the MF-Pilot in 2009 is about a year old. This group comprises *Bhotia* women entirely. The women are confident and articulate and their economic well being is reflected in their beautiful *pucca* houses and the general standard of living. The members of the group weave carpets and mats which are sold locally in Tejam and in further away in Haldwani. *Bhotias* are egalitarian and have a long history of enterprise. This is reflected in the success of the SHG as well. Most group members also have personal bank accounts in SBI Nachni. A few reported having taken loans to the tune of Rs. 25,000/- from SBI to buy wool for carpet weaving.

*Indira* SHG in the same village formed at the same time and under the same project but comprising general caste women presents a completely different picture. The group has already split once, purportedly for reasons of distance. The area in which the members live is not clean, and their economic status is weak as compared to the *Bhotia* members of *Bhagwati* SHG. The members of this group are engaged in selling milk while some have also started selling seeds after setting up polyhouses. Each member pays Rs. 120/- per month to have milk sent to the market of Nachni, 4 kilometres away. There is no collective action to make a viable arrangement to send milk to the local market or have it tested for fat content. Apart from difference in initiative, the difference between the two groups is also evident in the level of confidence of the members and such indicators as bank accounts.

## 4.3 The Issue of Different Starting Points

- 4.3.1 Different individuals and groups are starting at different points and, therefore, cannot be compared. The confidence of the *Bhotia* women of *Bhagwati* SHG is not because of the MF-Pilot, just as limited initiative in *Indira* SHG is not an indication of project failure. *Bhotia* women of Rasiabagar would probably have continued their lives in comfort without the SHG they have formed in the last one year. But when an opportunity to widen their resource base came their way, they availed themselves quite happily.
- 4.3.2 For any effective comparison, homogeneity is a prerequisite, which demands categorization and targeting. HGVS has developed a wealth ranking tool following the recommendations of the mid-term review. While being a good effort at developing

a set of indicators to categorize households on the basis of economic well being, it could benefit from further improvement. For example, it gives disproportionately high weightage to four wheel vehicle ownership while understating the importance of land ownership. It also fails to capture human capital, remittance and social networks - vital to an economy dependent on migration and remittance.

#### 4.4 Economic/Income Generation Activities

4.4.1 In both new and old groups one sees expansion of existing economic activities and initiation of new economic activities. However, there is no evidence of innovative economic activities on any scale. The economic activities are mostly variations of traditional activities such as cultivation and animal rearing. A sample list of economic activities at various levels is presented below:

- Vegetable cultivation and animal rearing at the level of individual households.
- Birthi SHG Federation bought potatoes in bulk from Munsiyari area and sold it for a profit with the help of HGVS.
- IFLDP SHGs are running a dairy at Futsil.
- SHGs are collecting and selling local food produce.
- Chauki SHG Federation sold *ghee* and maize.

4.4.2 While there are few innovative activities traditional activities have been expanded. Better seeds and polyhouses have improved yields. New varieties, such as broccoli, have been introduced. Similarly improved breeds of cows, trough feeding, chaff cutters, and access to *para-vets* have improved milk yields. Aided by market demand, this has expanded the dairy business.

Saraswati Devi of *Jal Devi* SHG Katyuda took a loan of Rs. 1000/- to buy four lambs. She reared them and sold them locally for a good profit. She repaid her loan and took a fresh loan of Rs. 5000/- to buy a buffalo. The buffalo cost her Rs. 11,000/-, the balance 6,000/- coming from personal sources and savings. In addition to milk, Saraswati Devi sold 4 kg *ghee* at the prevailing market rate of Rs. 200-250/- per kg thus earning Rs. 800-1000/- every month. Saraswati Devi has repaid the second loan.

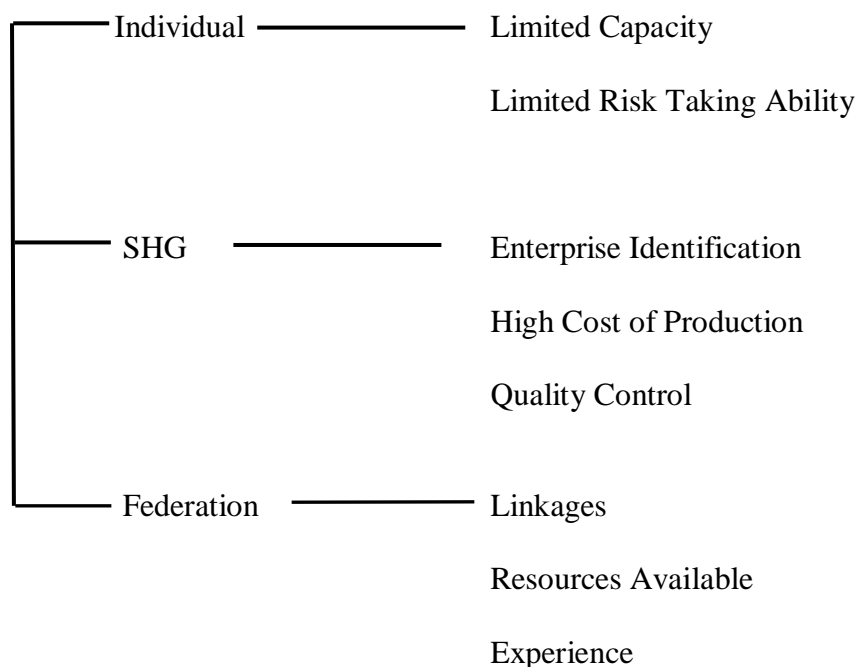
4.4.3 Most of the increased economic activity is conducted at the household level and such does not offer avenues for employment generation. This, however, also puts a limit to

business expansion as it is the women of the household who are engaged in economic activities and there are already multiple constraints on their time. Any economic/income generation activity will, of necessity, have to be small scale and secondary in importance. There are individuals who have introduced innovative activities or taken existing activities to a new level (see the case studies in the box below). The advantage that these individuals have, however, is that they are well educated and linked and pursue activities on a commercial level not as an additional source of income.

Jeevan Singh Danu of Nachni area has been involved with growing and promoting broccoli in the area for the last two years. In the last agricultural season, Jeevan Singh Danu sold broccoli worth more than Rs. 50,000/- in the local market and in Pithoragarh. He has also experimented with a number of other initiatives such as storing *malta* after harvest in the right conditions and selling it during the off seasons. The profits, according to Danu, were more than increased by 150-200%

Surendra Singh of Sonkihat village is a post graduate. He is involved with using locally available ingredients to make such products as pickles, herbal tea, medicine for piles, aloe vera juice and other similar products. His products are sold by word of mouth and through his personal contacts. In the last season Surendra Singh sold 200 kg of mango pickle thereby generating revenue in excess of Rs. 20,000/-

4.4.4 Exceptions notwithstanding, most individuals and groups face constraints to starting and expanding business. Constraints are both generic and unique.





4.4.5 SHG Federations have been set up and SHG integrated under SHG Federations to give economy of scale to operations as also to initiate new activities. SHG Federations have been involved in buying and selling basic goods such as *ghee*, umbrellas, and slippers. Apart from debating whether this approach should be pursued as even though business changes hands, the market size stays unchanged, this has the potential for friction and discord as the SHGs Federations are performing functions that were previously undertaken by the local shopkeeper. This issue aside and whilst some initiatives have been taken, over all it was evident that the SHG Federations lack experience, linkages, and resources to plan and execute business plans.

As the MF-Pilot evolved, HGVS decided that as a way forward each Federation would identify one or two economic activities that it would focus on. Procuring *rajma* from Munsiyari region and selling it was identified as the business opportunity for the Birthi Federation. After the success of its potato procurement and sale project, one would have seen no problems in executing the *rajma* project. However, this was the undoing of the Federation. By the time it approached *rajma* producers to procure their produce; most had already committed it to traders from Haldwani and other places. What was left was so expensive as to be beyond the reach of the Federation. Even if it had been able to procure *rajma* at the inflated price, it would have found it difficult to sell the product profitably. As a result, the business plan was dropped and a good opportunity missed.

4.4.6 In promoting SHG based microfinance activities, generally centred on routine savings and interloaning, one implicit assumption is that women do not have access to credit and therefore easy access to credit would facilitate income generating activities. There are, depending on the motivation of the implementing agency and the project design many other considerations as well. These include, capacity building, confidence building, social capital formation, bringing women into public space, etc. However, mobilizing savings and facilitating interloaning with the view to promote income generation remain central to the concept.

4.4.7 The groups formed by HGVS have shown the tendency to save between Rs. 20 – 100/- a month. The savings are regular in almost all cases. For most groups the trend is that the quantum of monthly savings per member increases with the age of the group. This is primarily a function of habit and increase in confidence, as well as improved economic situation due to larger changes. This may not necessarily be a

function of improved income as a result of SHG based interventions. Where members do not attend meetings or default on loan instalment repayment, they are required to pay a penalty to the SHG. As a result, savings are, in almost all cases, regular and healthy. This is also reflected in the ease with which the MF-Pilot target for savings was met.

- 4.4.8 The other component, interloaning, has shown less encouraging trends. We noted earlier that under the MF-Pilot, the amount of interloaning, Rs. 498,000/- (approximately) was less than the amount of savings, Rs. 523,000/- (approximately). The same story is repeated across SHGs of all ages; there is more money saved with the SHGs than they are able to loan out to members.

*Mother Teresa* SHG of Sonkihat village was formed in 2003 under WATSAN-I. The group has had a good run since then. The records are maintained, meetings held, savings deposited and loans extended. The members are articulate and the group has even taken the responsibility of collecting the O&M payment and record keeping for the water and sanitation scheme. However, the members do not know what to do with the surplus savings. The group has total savings of Rs. 54,000/-. Of this amount, Rs. 29,000/- or 54% of the savings are sitting in the bank account of the SHG. Rs. 24,500/- or 47% is circulating in the form of loans. The rest is cash in hand. If there were a good demand for credit, the proportion of total savings sitting in the bank account of the group would be a lot lower.

- 4.4.9 The inability to re-invest savings brings us back to the issue of constraints faced by members, SHGs, and SHG Federations, which inhibit the growth of these entities. Making credit available is only a part of the solution. To be able to take full advantage of credit availability, there has to be a number of other initiatives to ensure that the beneficiaries get linked to markets and that markets work for them. It is in this area that government and non-government organizations ought to focus their attention.
- 4.4.10 This does not mean that the savings and interloaning in SHGs has not been of use. It has helped expand existing activities, start new activities, bridge cash flow gaps, and generally increased the confidence of women. It is to this aspect that we turn next.

## 4.5 Social Advancement

- 4.5.1 The Self Help Group model is expected to facilitate social advancement alongside improved access to finances and improved economic well being. This would be achieved through building capacity of members, discussions on key social issues, discussion on health and hygiene, training on health and hygiene, building solidarity, and so on.
- 4.5.2 The SHGs formed under various projects strive to facilitate social advancement with varying degrees of success. Other things being equal, the older SHGs are more confident than younger SHGs about what they are doing and why. The younger SHGs appear to be undertaking activities simply because they are a project requirement.
- 4.5.3 All SHGs have been given training in health and hygiene. In almost all cases monthly group meeting is followed by a cleanliness drive. However, in older groups, such drives fall by the wayside when other priorities, such as agricultural activities during the peak agricultural season, take precedence. This is not necessarily a bad thing. If members of SHG have been able to achieve confidence level to prioritize and decide then it may actually be a positive sign. Having said this, some critical activities cease as soon as project ends. For example, WATSAN-I and II have quarterly health surveys as an integral project component alongside cleanliness drives. While cleanliness drives continue upon project completion, health surveys stop in all instances. Once again this *per se* is not a negative development. It is possible that the effects of behavioural change in health and hygiene practices and of cleanliness drives are permanent and visible and therefore the need for quarterly health surveys is not felt. It is also possible that villagers do not have the time or other resources and capacity to conduct such surveys. Whatever may be the case, it is important that the discontinued activities are recorded and reasons for discontinuation documented. This will help formulate realistic expectations at the time of assessment.
- 4.5.4 One of the activities of the SHGs is self ranking of effectiveness on various parameters such as savings, interloaning, attendance, discussion on social issues, etc. Most groups in Nachni region including *Jal Devi* SHG, Katyuda self assessed themselves unsatisfactory on discussion on social issues. The same trend is observed in other regions as well. However, the problem is more acute than just unsatisfactory. The impression that the researcher formed during the field visit was that social issues

are not discussed at all. None of the groups (with the exception of *Mother Teresa* SHG, Sonkihat where water shortage was discussed) could recall what issues they had discussed in the last monthly meeting. The likely story is that the monthly meetings of most groups are confined to financial transactions and record keeping of these transactions in addition to some general socializing and women's 'time out'. If this is indeed the case then it is an indictment not so much of the group as of the facilitators.<sup>4</sup>

4.5.5 A lot is written about how development initiatives should lead to women's empowerment, and many are reputed to do so. The same is expected of SHG based interventions. However, there is no satisfactory tool that effectively captures empowerment. The most commonly used tool to capture empowerment is likert scale and the most commonly asked question is on decision making on a sliding scale with independent decision making marking one end of the continuum (and considered most desirable) and no decision making marking the other end of the continuum (considered the least desirable outcome). Capturing examples of empowerment and process documentation is a far more effective tool for capturing empowerment than a simple scale.

Haripriya Devi of *Gaura Devi* SHG, Khatbarar formed under WATSAN-I in 2003, wears earrings that she bought with the help of an SHG loan. Haripriya Devi has been a member of the SHG from the beginning. She has taken four loans till date: first loan of Rs. 2500/- to buy a cow, second loan of Rs. 2000/- to build a toilet, third loan of Rs. 3000/- to have an operation done, and, recently, a fourth loan of Rs. 2,000/- to buy herself gold earrings. In addition to being a smart investment- the price of gold has been increasing- it also is a good example of the freedom enjoyed by Haripriya Devi to spend on herself and decide what she would like to buy. Haripriya Devi came to the meeting wearing the earrings and when the interviewer asked what the fourth loan was for, the SHG members started cheering and clapping as she pulled back her sari to reveal the gold earrings.

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<sup>4</sup> It is possible however, that such SHGs do provide a place for discussion of social issues and that the issues are of such a nature, for example, domestic violence or alcoholism, that the members do not want to reveal this during the interview process.

- 4.5.6 Another measure of empowerment is change in gender relationships and, as a consequence, a shift in gender defined roles.

In the hills, women are disproportionately burdened with chores. They have to cook, take care of the animals, fetch fodder, fuel wood, and water, work in the fields (except ploughing), and take care of the family. It is not surprising that the task of monthly cleanliness drive was also thrust upon women via the medium of SHGs. Women clean the villages once month in most cases but not everywhere. In the case of *Mother Teresa* SHG, Sonkihat, formed under WATSAN-I in 2003, women take care of the O&M of the water and sanitation scheme through the SHG. Records are maintained and the smooth functioning of the scheme is ensured. Men, on the other hand, take the lead in cleaning the village.

- 4.5.7 Once again, the older SHGs are more socially conscious than the younger SHGs and have a greater ability to articulate their social concerns. This is an expected trend as the older SHGs have received more inputs by way of trainings and capacity building, exposure visits, and by virtue of having been involved with the SHG for a longer duration.

## **4.6 Governance**

- 4.6.1 There has been some work done on building the capacity of members. In every village where an SHG has been formed, the formation of SHG was preceded by a two-days training on SHG and gender. Office bearers of SHGs also undertook a two-day leadership and accounting training at the HGVS campus, Dasaithal. There was also a three-day training for office bearers of SHG on the roles and responsibility of SHG and office bearers. This training was organized at Bhainskhal under the banner of NABARD. 64 members of various federations were given three-day training on various aspects of federations. This training was organized by the National Bank for Agriculture and Rural Development (“NABARD”).
- 4.6.2 The outstanding feature of trainings and capacity building is that most are organized for office bearers. Office bearers are normally people who are better skilled to begin with. Given that there are limited resources it makes for sound logic to invest where the results are likely to be the best in the hope that the benefits of training would percolate down to the general members of the SHG and a next rung of leadership would emerge. However, that seldom happens. Groups can function for years and yet the gap between the articulate and the inarticulate may not diminish. Facilitators again

have a role to play here and must take responsibility for the wide gap in capacity with a group. Furthermore, it appears that trainings have become routine, a box to be ticked. This is evidenced by the fact that there is no indication that there has been a regular assessment of training needs and revision of training manuals. As a result the trainings are less effective than they could be.

- 4.6.3 The keeping of records by the SHGs was satisfactory. Account books are maintained regularly and meeting register maintained and updated. There were instances, such as in MF-Pilot *Bhagwati* SHG, Rasiabagar where the records for the month of March had not been updated but such instances were few and far between. There is however, the problem of standardization of record format. The record formats across SHGs of various projects are not standardized. This makes for confusion and difficulty in staff replacement.
- 4.6.4 The SHG culture varies little across SHGs formed under different projects. The SHGs appear to be informal in the interaction between members. However, across groups of all ages, one notices a few articulate individuals who dominate the group. Others appear to be happy to sit back and let them take charge. These people are mostly from better off households and better exposed/educated. While, leadership of any institution should go to the best people, there is a need to ensure that all get a chance to grow and that inherited benefits do not get entrenched further. Facilitators have a key role to play in this.
- 4.6.5 The members of the SHG are generally not aware of the rules governing the group. They know when the loan is to be repaid, what is the date of meeting, what is the interest rate, and so on but are less likely to know when an election can be called, who can contest, what are the rules for membership, and so on. This is not because they cannot comprehend these rules but rather because of a lack of interest in the management of the group. This in turn may suggest lack of ownership at the level of individual members and poses questions for long term sustainability of the SHG.
- 4.6.6 When it comes to repayment, the SHGs follow one of two approaches: the duration of repayment is not specified and so long as interest is paid the loan repayment can continue. The second approach specifies the duration of payment after which the

interest rate increases. This again is only in theory for in practice the increased interest rate is not charged. This approach has its pitfalls for the group culture. Ideally rules on finances such as repayment duration, amount to be loaned, guarantee needed, interest rate, etc. should be uniform across SHGs to prevent discriminatory treatment of members and the creation of dependent relationships as referred to in paragraph 5.2 below, and to facilitate linking to Federations. Issues such as membership criteria, amount to be saved, date of meeting, penalty for not attending meetings, etc. need not be uniform and can be left to individual groups.

- 4.6.7 Most SHGs hold monthly meetings at the beginning of each month. The attendance is very good and where a member fails to attend a monthly meeting she has to pay a fine, which is Rs. 5/- in most cases.

#### **4.7 Linkages**

- 4.7.1 As discussed earlier, the absence of linkages is a major stumbling block for institutions and enterprises in the hills. These include both forward and backward linkages and could be linkages with the market, suppliers, facilitators, service providers, financial institutions and so on.
- 4.7.2 HGVS has attempted to forge linkages with service providers, markets, and banks. 8 SHGs have been linked to banks through cash credit limit (“CCL”). Whilst this is short of the target of linking 50 SHG to banks through CCL as mentioned in paragraph 3.1.2 this could be for various reasons; indifference of banks to SHG-Bank linkage, inability of HGVS to forge such linkages, or lack of demand for SHG-Bank linkages. In such a context the linking of 8 SHGs should be considered as a good beginning.
- 4.7.3 HGVS has also tried to dovetail interventions with the projects of government agencies. For instance it has facilitated a convergence with a NABARD run development project in which modern techniques of agriculture are being promoted. NABARD has released Rs. 251,700/- as part of this convergence. District Development Manager, NABRAD Pithoragarh visited Bhainskhal based SHGs to learn about their functioning. Similarly Lead Bank Officer, Pithoragarh visited SHGs in Nachni region and discussed issues related to CCL. Talks are also currently



underway to link IFLDP with National Rural Employment Guarantee Scheme (“NREGS”). SHGs formed by HGVS are also being used by various governmental agencies as entry and promotion point. The agriculture department extension workers visited Nachni village during one of the meetings with the SHGs of the area and made a presentation on various new rain fed varieties of rice as well as other crops, organic pesticides and so on.

- 4.7.4 On linkages with the market HGVS took the initiative of helping Birthi SHG Federation procure potatoes from Munsiyari region. This was then carted by HGVS to Gangolihat and sold in the local markets for a profit. Various federations formed by HGVS have also been involved in bulk procuring and selling items such as *ghee*, umbrellas, and slippers. However, these are currently only *ad hoc* initiatives and would need to be systematized. In order for that to happen the learning from such exercises should be documented. This does not seem to be happening. Another area would be the scale of such operations and their range. A challenge to the systematization is also that the scale and frequency of the initiatives are both low and the range is limited and this will be an obstacle in interesting market players.

*Kamdhenu* SHG Federation, Futsil comprises 15 SHGs. The Federation collects milk from member SHG and sells it in Gangolihat. There is a milk outlet in Gangolihat and a roadside collection centre in Futsil. Pushpa Dhariyal manages the collection centre and is paid Rs. 0.5/litre of milk that she routes through the collection centre. Pushpa opens the collection centre at 6 AM, makes sure that cans returned from Gangolihat outlet are clean, collects milk and updates records, checks milk samples with lactometer and dispatches milk at 7:30 in a taxi. Fat content of milk is checked randomly on 3-4 occasions every month. Gangolihat outlet is run by a federation appointed salesman who is paid Rs. 2500/month. The Federation buys milk at Rs. 20/litre and sells it at Rs. 26/litre.

- 4.7.5 HGVS has linked Livestock Producers’ Groups to paravets trained earlier and, in one instance, to the market through *Kamdhenu* SHG Cluster Federation, Futsil.
- 4.7.6 While these initiatives are laudable and indicate HGVS’s commitment and ability to guide and assist the SHGs, these measures are, as stated earlier, *ad hoc* and small scale. They do not cover the entire gamut of the needs of SHG and Federation.



#### **4.8 Supply Side Effect**

- 4.8.1 The MF-Pilot Project team at HGVS was led by a Project Coordinator (“PC”). The team was sub-divided into two cluster level teams, one for Chaudmunia Cluster and the other for Nachni Cluster. Each cluster level team comprised one Cluster Associate (“CA”) and four Village Associates (“VAs”).
- 4.8.2 HGVS took a number of measures to build the capacity of the MF-Pilot team. Five day in-house training of the MF-Pilot team on various aspects of SHG and livelihoods was conducted by HGVS in April 2009. The main focus of the five day training was on operational aspects of SHG with some discussion on microfinance and possibilities of using it as a development strategy in the hills. This training was followed by four day training of the MF-Pilot team on community based microfinance. The training was conducted by Dr. C.D. Sontha at the HGVS campus at the end of October 2009. Two day training on income generation and group strengthening activities was conducted at the beginning of January 2010. A 20 member team of HGVS visited Ibtida, an Alwar based organization, for a three day exposure visit/training programme at the end of January 2010. In addition to the above mentioned trainings, the MF-Pilot team must have benefited from the visits of the microfinance advisor of SRTT. For instance, a number of issues were raised by the mid-term review and possible course of action discussed.
- 4.8.3 However, in spite of all these initiatives and prior experience of establishing and facilitating SHGs, the MF-Pilot project was constrained by lack of staff capacity. The HGVS staff is committed but in the absence of guidance, they ran the MF-Pilot in exactly the same manner as the earlier SHGs. It is true that Federations have been introduced and as per discussions with the HGVS management and staff new features such as consumption loans, medical loans, and sanitation loans have been introduced. Some groups have also introduced the concept of flexible monthly savings. However, was a large pilot really needed to achieve this?
- 4.8.4 Of the 11 members of the MF-Pilot team, 5 are women. This is a positive sign as it reflects an instance of gender mainstreaming at the organizational level and also sets a good example for the local communities. However, the women staff is young and inexperienced. For example, of the three women staff in the Nachni Cluster Team,

one worked with SHGs for eight months before joining HGVS while the other two are working for the first time. Unfortunately, all three joined HGVS in January 2010 and so missed most of the capacity building trainings. The fact that these women staff joined as the project was heading towards completion also indicates problems of employee turnover.

- 4.8.5 The MF-Pilot team is cast in the mould of project based SHGs where groups are one small component of a large project and not critical to the assessed success or failure of the project. However, MF-based SHGs are formed and function around microfinance. This requires a different approach in terms of facilitating groups, moderating discussions, helping groups think in the right direction about products, activities, profits, scale, etc. The MF-Pilot team, exceptions notwithstanding, is deficient in facilitation skills particularly among new staff members.

*Laxmi Bai* SHG, Hupli, formed under WATSAN-II in 2007 comprises 10 members. Even though the group appears to be functioning smoothly, there are undercurrents of tension and conflict, which have permeated the group as a consequence of a conflict in the village. One SHG member's husband damaged the property of a fellow villager and was sent to jail. There was no other male member in the SHG member's house and when the time to till the fields came, the villagers refused to help her till the fields. The SHG member then tilled the fields herself. In the process she violated centuries old tradition, which prohibits women from tilling the field. The SHG member was ostracized. When this SHG member came to attend the meeting she sat alone on one side and was clearly avoided by other members. The other members did not let her speak. She was also avoided by HGVS staff. The staff did not avoid her because they were insensitive or hostile to her but because they did not know how to handle the situation. If the staff were trained in facilitation and conflict resolution, this issue might not have festered for so long.

- 4.8.6 While it is difficult to measure change in staff productivity in the absence of baseline data on the indicator, productivity *per se* is an area of concern. The MF-Pilot team comprising 11 members covered 80 SHG in two 'clusters', comprising 815 members. This translates to 74 SHG members per member of staff or 7 groups per member of staff. If one does not factor the Project Coordinator into the equation, whose main responsibility may be considered administrative, one arrives at a figure 81 SHG members and 8 SHG per member of staff. This is a very low number of members and SHGs per member of staff, considering the fact that we are looking at a dedicated project team. Another way of looking at the productivity estimates is to compare

salary against savings. The salary component of the project budget, Rs. 480,000/- matches almost 1:1 with loan disbursement of Rs. 498,000/- and savings of Rs. 523,000/-

4.8.7 The MF-Pilot has not led to any new products or designs. The Federation model was built into the project design and has, in any case, been experimented with in the past. While some loans may have been extended to build toilets, as also for consumptive and medical purposes, these are, strictly speaking, not new products. A new product should be designed to promote an enterprise and the design should reflect the unique needs of that enterprise. These get reflected in such things as differential rate of interest, loan size and repayment schedule. Some of the SHGs (of WATSAN projects) have linked their members to Birla Sun life's life insurance cover through their respective Federations. This is a positive outcome and needs to be built upon. Similarly, many SHGs formed under IFLDP are negotiating insurance for livestock. This again is a positive step. No such initiative appears to be forthcoming in the MF-Pilot. There was a plan to identify one or two economic activities for each SHG Federation for which market studies were to be conducted. Activities were identified for some Federations but this was done on anecdotal basis rather than any systematic assessment. In some Federations, the identified activities were not carried out.

## **5. CONCLUSION**

### **5.1 Relevance of SHGs and Microfinance in the Hills**

- 5.1.1 Hills have not, historically, suffered the menace of moneylenders though some groups reported their existence. Most people would tide over financial stress by borrowing from informal sources such as friends and relatives. On the face of it, such loan would not carry any interest liability. However, such loans sources were erratic and unreliable. Furthermore, the social cost of such loans was quite high. Loans from informal sources would establish a hierarchical patron-client relationship and the borrower would feel indebted and socially obliged long after having repaid the debt. This also created friction in social ties. The loans from SHG, whether large or small, are just the opposite. Such loans carry an interest of 2% per month but can be obtained on demand. In taking such loans, the borrower feels that she is exercising her right. There is no sense of being beholden to anyone. Even if there is an interest component, most members felt that the interest that they pay eventually comes back to them in the form of profit sharing.
- 5.1.2 Banks and other formal sources of loans, though used by some SHG members in the past, were dropped in favour of SHG loans. This is because the transaction cost of a small bank loan, especially when one considers the cost in terms of time, is rather high. Bank loans are also inflexible in the purposes they can be taken for.
- 5.1.3 All of these factors make SHG loans popular among the members. SHG loans also have a number of other benefits. Loans from informal sources would mostly be taken to tide over a desperate situation. Such loans would not lead to asset building. Most SHG loans are planned ahead and are taken for productive purposes thus leading to asset building. SHGs also promote enterprise through capacity building, linkages, and by bringing together the more enterprising and the less enterprising. Such enterprises are the decision of the members and are run by them. The income from such enterprises is also controlled by them though this may have more to do with cultural factors than anything else. Women in the hill societies enjoy greater autonomy than their counterparts in the rest of the country. This autonomy extends to financial matters as well.

5.1.4 SHGs can also play a vital social function by building the capacity of members to form and run a viable community based institution. Such an institution can offer a platform for prioritizing needs and for collective action. We have already mentioned the role that SHGs play in sanitation, village level cleanliness drives, and managing water and sanitation schemes. They are also being used as entry points by service providers, both governmental and non-governmental. The importance of these vital social functions in the overall well being of the village households is often not factored in an assessment where financial component of savings and interloaning take the centre stage.

## 5.2 Assessment of HGVS

5.2.1 HGVS has been doing excellent work in Pithoragarh district of Uttarakhand for over two decades. The quality of its work is reflected in the continuation of projects implemented by HGVS long back. For example SHGs formed by HGVS under WATSAN-I continue to function seven years later, a good four years after the project ended. HGVS has a dedicated hard working staff that enjoys considerable respect in the eyes of the local community. It is, therefore, quite easy for HGVS to reach out to the local community. HGVS has formed over 200 SHGs and community based organizations. Most of these were formed under different projects as one of the many project components. To set up an SHG based microfinance project in place, however, requires more than a dedicated team and outreach. In implementing the MF-Pilot, therefore, HGVS met with success in certain aspects that were aligned to its core strength and with less success in aspects that were not aligned to its core strength. These are presented below:

Activity	Component	Success	Reason
<b>Outreach</b>	Village Survey	High	Prior experience
	Dissemination of project information	High	Goodwill and staff, prior experience
	Formation of SHG	High	Goodwill and staff, prior experience
	Rules and Regulation	Medium	Not standardized
<b>Operation</b>	Meetings	High	Past experience on part of HGVS and villagers

<b>Activity</b>	<b>Component</b>	<b>Success</b>	<b>Reason</b>
	Savings	High	Modest amount, past experience
	Interloaning	Medium	Low demand as limited avenues
	Record keeping	Medium	Formats not standardized
	Bank Linkages	Low	Limited demand for credit, low co-op from banks
	Linkages with market	Low	Lack of prior experience, scale
	Linkages with service providers	Low	Limited experience, high cost
	New economic activities	Low	Inability to identify, high cost of production
	Expansion of existing activities	Medium	Limited loan uptake
<b>Outcome</b>	Information collection	Low	Weak documentation
	Market studies	Low	Limited capacity
	Best practices	Low	Weak documentation, limited capacity, non-existent external support
	New products	Low	Weak documentation, limited capacity, non-existent external support, limited understanding of MF
	New design	Low	Weak documentation, limited capacity, non-existent external support, limited understanding of MF
	A statewide model for MF	Low	Weak documentation, limited capacity, and understanding of MF, single design, no disaggregation, no innovation

- 5.2.2 To sum up the table, HGVS performed well in reaching out to people and putting systems in place but performed less satisfactorily where the key issues was facilitation, innovation, and strategizing. This was on account of limited capacity within HGVS to run a microfinance pilot and lack of sufficient external support. So while 29 villages were reached and 80 groups formed, a membership of 1200 became difficult to achieve. While savings were regular, loan absorption through enterprise creation was weak. Linkages and scale up, though tried, could not be systematized for lack of prior experience and identification of necessary linkages. In the case of linkages with banks, lack of demand for linkages coupled with a lack of cooperation from banks also played a role in the inability of HGVS to forge linkages.
- 5.2.3 There is limited demand for loans as there are not enough identified income generation opportunities. Most groups extend small loans to begin with. The size of the loans generally increases with the age of the SHG. This is because there is more money at the disposal of SHG and improvement in the confidence level of members after regular repayment of small loans. The loans are generally taken for productive purposes and therefore lead to asset creation either directly in the form of such assets as livestock and polyhouses or indirectly in the form of income earned from growing vegetables or money saved from meeting household food requirement or part of it.

## **6. RECOMMENDATIONS**

### **6.1 Future Course of Action**

- 6.1.1 In spite of the good work done by HGVS, the organization has, in light of the targets met and strategies developed, limited capacity to scale up the microfinance initiative. As such the study recommends that the MF-Pilot should not be scaled up at this stage. Rather, given the importance of SHGs and microfinance, as elicited in the report, and in order to build on the efforts of the MF-Pilot/HGVS, SRTT/HMP should consider extending the MF-Pilot project by one year to eighteen months. Please see Annexure I which sets out an outline for the continuation of the MF-Pilot.
- 6.1.2 The following recommendations, it is hoped, would help in the continuation of the MF-Pilot and future project design and implementation.

### **6.2 Project Targets**

- 6.2.1 To begin with, the targets set, hopefully by consensus between SRTT/HMP on the one hand and HGVS on the other, were rather difficult to achieve. Given the past experience with bank linkages, and capacity to absorb bank loans, it should have been known that the target of 50 bank linkages, from amongst 80 groups formed, and disbursement and absorption of Rs. 1 million worth of bank loans would be very difficult to achieve. As the implementing agency familiar with their work context, HGVS should have taken a lead in setting achievable targets.

### **6.3 Project Design**

- 6.3.1 One of the most important outputs expected of the project was a viable microfinance model that could be scaled up across Uttarakhand. The project has not been successful in delivering this output. A viable model demands experimenting with a number of different options – the SHG-Federation model is just one such option. Co-operative model, Joint Liability Group model, SME model, and various other models should have been tried to see what aspects of different models work and how a hybrid model for the hills can be developed. The MF-Pilot also did not experiment with different loan products. For example, a loan for toilet construction at the same rate of interest and terms of repayment as any other loan is not a new loan product. It is the same product being offered for different purposes. Developing different loan products



would require a calibrated understanding of the needs of different market segments. The same holds true for products for savings, investment, insurance, etc. In the absence of all the above, HGVS implemented a model that has been used in the hills for more than a decade and, therefore, not surprisingly, could not come up with a new model for microfinance.

#### **6.4 Specialist Support**

- 6.4.1 It is important to appreciate that if SRTT/HMP were to decide that extending the pilot by experimenting with different models of microfinance delivery is indeed the way forward, then HGVS does not have the capacity to implement such a project. HGVS has outreach, committed staff, and good intentions but not the resources to translate these into a successful innovative pilot project in the field of microfinance. To achieve that would require an experienced microfinance person as Project Manager at HGVS, considerable handholding in the form of technical inputs, capacity building of staff, exposure visits, and back stopping at the level of SRTT/HMP.

#### **6.5 Documentation and Research**

- 6.5.1 A pilot project is helpful in subsequent project design only if it is documented properly. This requires regular monitoring of what is happening on the ground and why. What is working and what is not? Such documentation then feeds into post pilot project design.

One of the major shortcomings of enterprise promotion in the hills has been the failure to identify viable economic/income generating activities. This results in a lack of demand for loans. Enterprise identification requires market studies, SWOT, value chain analysis, resource inventory estimation, and so on. In the case of HGVS, such documentation and research/analysis would require regular external support.

#### **6.6 Capacity Building**

- 6.6.1 Capacity building of the staff is an area of concern. This is so for two reasons: one, staff capacity is one of the most important ingredient in projects that are driven by soft skills of staff, and two, the outcome of such projects depends on staff skills and the manner in which such capacity is built. The timing of trainings is also important. In the case of the MF Pilot exposure visit (probably the single most important component of capacity building) took place at the end of January 2010, two months

before the project ended. While this would help in subsequent work, one fails to see how this timing was beneficial to the MF-Pilot itself and why this could not have been organized sooner.

## **6.7 Data collection and Grading**

6.7.1 HGVS collects baseline data on households and villages before starting interventions. Similarly there are formats for wealth ranking households and for grading SHGs. These are important steps, which should be applauded. But HGVS could benefit from inputs from SRTT/HMP on how to improve these formats and integrate them to Management Information System (“MIS”) so as to make them effective. Earlier in this report, we discussed how disproportionate weight is assigned to four wheeler ownership in wealth ranking. There are also issues in baseline data collection where too many indicators are being used but little thought has gone into why information is being collected and how it would be used. For example, can the MF-Pilot increase the number of people from a household in government jobs, at least in the short to medium term? Is it one of the objectives of the MF-Pilot? If not then why is information being collected on this parameter? Indeed how quickly can this variable change?

## **6.8 Targeting**

6.8.1 One of the objectives of the project was ‘financial inclusion of the poor households’ and HGVS strived towards achieving this objective. The important question is whether the objective should have been there in the first place or whether it should have been implicit in project design? To have financial inclusion of the poor as an explicit objective in the pilot phase meant that a lot of energy and resources were directed towards motivating the “poor” households to join the project. In the process little attention was paid to why the poor households do not join in the first place, if at all they do not join. If one knew why they did not join, if the reasons had been studied, then one could have devised ways to address those barriers to entry in subsequent projects. However, in the rush to have the poor on board, the project failed to further understanding of why the poor stay excluded and how they can be brought in.

6.8.2 HGVS has developed a wealth ranking tool following the recommendations of the mid-term review. While being a good effort at developing a set of indicators to categorize households on the basis of economic well being, it could benefit from further improvement. It is important that there should be a few easily captured indicators and that proper weights are assigned to these. As of now, the HGVS wealth ranking format assigns disproportionately high weight to four wheeler ownership while underplaying land ownership.

## **6.9 Context Assessment**

**6.9.1** An assessment of context has, in some cases been ignored over project objectives with a less than healthy outcome for the same objectives. In the case of IFLDP SHGs in Futsil and Paatal Bhuvneshwar, not one member had taken a loan. Some had bought cows since the inception of groups but with informal loans. These IFLDP groups also compared poorly with groups formed under other projects on such parameters as group cohesion, articulation, confidence level, etc. Project staff attributed this to a large number of activities under IFLDP and little time with women to carry them out effectively. The livestock producer group (“**LPG**”) members when quizzed on lack of interloaning explained the situation by citing a mismatch between the limited amount of money available to the group and the large amount of money needed to buy improved cattle.

## ANNEXURE I - EXTENSION OF MF-PILOT

**Goal:** Operationalization of MF as a Development Intervention in Uttarakhand

**Objective 1:** Viable model of MF for Uttarakhand

**Objective 2:** Capacity within HGVS to act as a nodal agency for MF initiative in Uttarakhand

Project Duration: 12 months-18 months

Outreach: Existing 80 project villages

Households 900-1200

Bank Linkages 5-8

Staff 10+1

Preparatory: Existing 80 SHGs graded and grouped  
MF delivery Models to be piloted identified  
SHGs matched against models  
One team of two Village Associates attached to each model  
Two teams under one Cluster Associate  
Team trained in the basics of the particular MF delivery model  
MIS systems set up  
External resource persons identified

Operational: Group activities monitored regularly  
Processes documented regularly  
External resource person (from SRTT/HMP) visits every 2<sup>nd</sup> month where process is studied, implications discussed, and in depth analysis of key developments carried out  
Monitoring team (from external organization) visits every 3<sup>rd</sup> month where, in addition to regular monitoring, it also works on enterprise identification, market research, value chain analysis, etc. in close co-operation with HGVS

Exposure visit of each HGVS team to one institution which has successfully implemented the particular MF Model it is working with- at the beginning project, after six months, and at the end-after 12 months

Post-Pilot

Synthesis of pilot process documentation

Identification of best practices

A package of best practices

A model of MF for Uttarakhand