

## An Analytical Study of Quality Assessment among SHG's of NABARD & MYRADA

Sanjay Kanti Das<sup>1</sup>

1. Asstt. Prof. & Head, Department of Commerce, Lumding College, Lumding, Nagaon, Assam.

*Corresponding author e-mail: sanjay19711123@rediffmail.com*

### ABSTRACT

*Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. The SHG movement has come of age after nearly two decades of experimentation. Its initial success has attracted considerable attention of development practitioners, policy makers, fund providers, academicians, researchers and even corporate bodies. The SHGs today have become a vehicle to pursue diverse developmental agendas and even for the profit motive. To avert such a situation, growth with quality has become the paramount agenda of today among different stakeholders, as there is an over reaching concern about sustainability of the SHG movement in India. In other words, the proliferation of SHG has posed a serious challenge to sustain this movement by maintaining quality of SHGs and hence, the quality assessment of SHGs is now being considered as a key concern. But the assessment tools are devised by different agencies for different purposes and different sets of users. An effort is made in this paper to make a comparative analysis of the two selected quality assessment tools of SHGs and key issues impending in the growth of SHGs and their normal practices. It is evidenced in this paper that the two separate assessment tools i.e. NABARD & MYRADA shows the different languages about the quality or grades of selected SHGs in the study area. However, it is concluded that some of the possible reasons for and possible implications of such grades differences. However, the study suggested the need for developing common understanding on SHG quality assessment.*

**Key words:** *Micro finance; Quality parameter; Quality assessment ; SHG-bank linkage programme; Self Help Groups;*

**M**icro Finance is emerging as a powerful tool for poverty alleviation in the economy. In India, Micro finance scene is dominated by SHG-Bank linkage programme as a cost effective mechanism for providing financial services to the 'unreached poor'. The SHG movement has come of age after nearly two decades of experimentation. Its initial success has attracted considerable attention of development practitioners, policy makers, fund providers, academicians, researchers and even corporate bodies. The SHGs today have become a vehicle to pursue diverse developmental agendas and even for the profit motive. To avert such a situation, growth with quality has become the paramount agenda of today among different stakeholders, as there is an overreaching concern about sustainability of the SHG movement in India. In other words, the proliferation of SHG has posed a serious challenge to sustain this movement by maintaining quality of SHGs and hence, the quality assessment of SHGs is now being considered

as a key concern. Though SHG movement is growing at a phenomenal pace and resulting in far reaching benefits to its members and also rural bank branches, it is facing a number of serious challenges. All these challenges could be summarized into two major challenges. These are-

1. Uneven growth of SHGs in different parts and states of the country.
2. Uneven quality of SHGs across the country and issues related to their sustainability.

Rating of SHGs assumes importance as it not only a pre-appraisal tool but as well a self evaluation which is a continuous process. Quality assessment of SHGs has come to be accepted as an important tool to ensure standards in SHGs. In the enthusiasm to ensure monitoring of SHGs every stakeholder had their own innovation in designing a new tool for grading of SHGs. This has resulted in flooding of market with rating tools with slight variation here and there.

Only a few quality assessment studies were made in the country in general and Assam in particular. But the assessment tools are devised by different agencies for different purposes and different sets of users. Several rating systems for micro-finance interventions and Self-Help Groups (SHGs) have been developed in the past. But most of these were restricted to understanding the creditworthiness of SHGs and employed indicators on performance on basic group functions and credit absorption capabilities. Social, empowerment and behavioural aspects of SHG functioning rarely found a place in the rating system. Further, these rating tools speak different languages in assessing the quality of SHGs. Here, an effort is made in this paper to make a comparative study of two selected SHG quality assessment tools. The objectives of this study are-

1. To make a comparative study of quality of selected SHGs under NABARD & MYRADA assessment tools.
2. To study the issues relating to SHG quality assessment.
3. To outline conclusions based on the findings of the study to put forward some suggestions in the context of quality assessment.

## METHODOLOGY

The research design and methodology devised in this paper is being presented which has been designed keeping in mind the focused objectives and with the aim of acquiring accurate and authentic data. The study was restricted to only three development blocks out of eighteen development blocks of the Nagaon district of Assam under both judgment and convenience sampling methods. Some specific revenue villages were selected for the purpose of the study wherein the concentration of SHG is very high. Data has been collected from both primary and secondary sources. Only SHGs under SGSY which are enlisted with directorate of SHGs under SGSY, Nagaon District for the year 2008-09 & completed one years of existence are covered within the purview of the study and primary data are collected during the first half of 2011. Initially 75 SHGs from each block covering both male and women SHGs are randomly selected from selected revenue villages out of which researchers could collect 50 useful filled questionnaires from each development block, due to time, apathy of group members, defunct SHGs and distance constraints.

The two questionnaires are being prepared for assessing the quality of the SHGs of the study area. These questionnaires are framed suitably according to the specified grading criteria viz. NABARD CRI rating tools and MYRADA rating tools. Both these questionnaires are pre- tested through a pilot study and later such questionnaires are little bit modified with the suggestions of micro finance Experts and academicians of Assam University. Questionnaire-I contained fifteen statements for studying quality/grading of selected SHG under NABARD CRI and questionnaire- II contained twenty one statements for studying quality/grading of selected SHGs under MYRADA assessment tools in the selected development block under Nagaon districts of Assam.

**Table 1. NABARD CRI rating grade scale**

Numerical Score	Grade	Analysis Grade
120 & above	A	Good
75-120	B	Average
50-75	C	Poor
Below 75	D	Very Poor

For assessing the quality of selected SHGs in the selected development block under NABARD assessment tools fifteen variables are taken into consideration as par NABARD's CRI. The NABARD's CRI is basically consists of two sets of variables viz. governance & systems related variables & financial variables. Governance related parameters are frequency and regularity of meetings, attendance in the meetings, decision making methods, lending norms etc. Financial parameters include frequency & regularity of savings, use of savings, regularity of loan repayments etc. Most of these variables are also considered in other similar studies for assessing the performance of different groups (*Kumar et al., 2001; Ghosh et al., 2010; Ghosh et al., 2011*). CRI is the aggregate of the points scored on above described parameters. According to the aggregate score, each group is assigned grades 'A', 'B' and 'C'. grade 'A' groups could be given loans; grade 'B' groups need capacity building & grade 'C' imply intensive capacity building is required. However, for suitability of the comparative study under NABARD's CRI, the following scale is used keeping conformity with the above cited grades.

Similarly, for assessing the quality of selected SHGs in the selected development block under MYRADA assessment tools, twenty one variables are taken into

consideration as per MYRADA assessment tools. The degree of each statement was determined using a four point rating scale as indicated in Table 2.

**Table 2. MYRADA rating Score**

Rating Scale	Numerical Score
Good	3
Average	2
Poor	1
Very Poor	0

Further, for suitability of the comparative study under MYRADA rating tool, the following scale (Table 3) is used keeping conformity with the above cited rating scale.

**Table 3. MYRADA rating grade scale**

Numerical Score	Grade	Analysis Grade
50 & above	A	Good
30-50	B	Average
20-30	C	Poor
Below 20	D	Very Poor

Source: Author.

## RESULTS AND DISCUSSION

(A). *SHG assessment tools: A comparative study* : It is observed that NABARD CRI and MYRADA Quality assessment tools of SHG uses separate rating norms. However, after comparative analysis of the selected assessment tools, the following common variables of Quality Assessment Parameters are found out.

**Table 4. Some common variables in both MYRADA & NABARD Tools**

Common variables in Quality Assessment Parameters	
Group Constitutions	<ul style="list-style-type: none"> <li>• Size of SHGs</li> <li>• Group composition</li> </ul>
Organizational discipline	<ul style="list-style-type: none"> <li>• Frequency &amp; regularity of meetings</li> <li>• Attendance at meetings</li> <li>• Participation of members</li> <li>• Regularity &amp; amount of savings</li> </ul>
Organizational Systems	<ul style="list-style-type: none"> <li>• Level of awareness of rules</li> <li>• Level of maintenance of records</li> <li>• Transparency in operations</li> </ul>
Financial Management & Performance Capabilities & Achievements	<ul style="list-style-type: none"> <li>• Management of group funds</li> <li>• Loan repayment by members</li> <li>• Literacy of SHG members</li> </ul>

Under NABARD CRI assessment tools, the selected SHGs of selected development blocks are assessed by using the rating scale fixed by NABARD

found that there is no sample SHG in Lumding development block and Udali development block which are found 'Good' except five SHGs in Dhalpukuri development block, only 28 per cent of the selected SHGs of Lumding development block, 32 per cent in Udali development block and 26 per cent in Dhalpukuri development block are found 'Average' and 52 per cent of the selected SHGs of Lumding Development Block, 44 per cent in Udali development block and 48 per cent in Dhalpukuri development block are found 'Poor'. Further, 20 per cent of the selected SHGs of Lumding development block, 24 per cent in Udali Development Blocks and 16 per cent Dhalpukuri development block are earmarked as 'very poor'. This above categorization is made by using 'rating marks' fixed by NABARD and numerical score is fixed as was stated in the research methodology.

Further, by using MYRADA assessment tools, the selected SHGs of selected development blocks are assessed by using the rating scale fixed by MYRADA assessment tools found that there is no sample SHG in Lumding development block and Udali development block which are found 'Good' except three SHGs in Dhalpukuri development block, only 22 per cent of the selected SHGs of Lumding development block, 26 per cent in Udali development block and 22 per cent in Dhalpukuri development block are found 'Average' and 18 per cent of the selected SHGs of Lumding development block, 28 per cent in Udali development block and 34 per cent in Dhalpukuri development block are found 'Poor'. Further, 60 per cent of the selected SHGs of Lumding development block, 46 per cent in Udali development block and 18 per cent Dhalpukuri development block are earmarked as 'very poor'. This above categorisation is made by using 'rating marks' fixed by NABARD and numerical score is fixed as was stated in the research methodology.

(B) *Normal practices of SHGs in the study area* : The variations in practices at SHG level have been spurring innovations in terms of products, systems and methodologies and encouraging new standards in SHG promotion and practices; nevertheless it has brought lot of incongruity in the established practices. However, from the present study in selected development blocks in Nagaon districts, it is observed that each and every SHG are performing some common practices which are depicted in as below:

*Issues impacting performance of SHGs :* The detailed study findings on the performance of SHGs were presented in below wherein the areas of relatively low performance by SHGs were identified.

The issues have been categorized under these heads and presented in detail in the subsequent paragraphs. However, it needs to be borne in mind that most of these issues are not stand-alone in nature but have a cascading impact on other issues. A macro-issue in project design could have a bearing on certain organisational support issues, which in turn could result in some internal issues to the SHG.

*Quantity rather than quality:* With more stress on the number of SHGs to be formed, the quality of the SHGs formed certainly took a back seat. The NGOs, the MFIs and even the Govt. machinery were more involved in meeting the annual targets set. In many cases, many SHGs also came forward on their own to be recognised as voluntary SHGs which are existed only in paper. While SHGs were formed, coverage of the specific target population desired was an issue.

*Lack of standardisation / uniformity in practices:* In the context of providing flexibility, there is lack of standard guidelines on internal system and processes project aspects like auditing, elections and rotation of office-bearers etc which hinders the performances of SHGs. Lack of proper and periodic orientation on essential practices, lack of effective performance monitoring etc hinders sustainability of the SHGs performances.

*Lack of planning for evolution of SHGs as income generating units:* SHGs were motivated to take up income-generating economic activities. However, the project had not conceptualised the capacity building and other support systems like networking and marketing support that the SHGs would need.

*Lack of performance monitoring and evaluation:* As against the envisaged role, the biggest gap was in monitoring and evaluation. MFI's or NGO's solely relied on the monthly formats provided by them. Even in this, many critical areas of SHG performance like conduct of elections, auditing, income generating activities etc., were not captured. They did not have the time / human resources to directly assess the performance of SHGs, especially given their large numbers. Further, there was no mechanism to identify the weaker SHGs. Hence, monitoring with a view to bringing about course correction / strengthening weak SHGs could not be followed. In some instances, even when awareness of the poor performance of NGOs existed, it was not acted upon.

*Gaps in establishing linkages:* Performance on credit linkage was not uniform across development blocks. There were few development blocks where a substantial number of SHGs were not able to take advantage of bank credit. The absence of regular monitoring of the NGO by the PIU and in turn the SHGs by the NGO took away any sort of accountability for performance. The lack of accountability brought in inefficiencies.

*Sustaining group cohesion:* The formation, functioning and sustenance of the group depended to a large extent on group cohesion and dynamics. Since functioning and decision-making were based on consensus, unity of the group with a common ideology was important. Over a period of time, maintaining this cohesion was an issue. Quite a few groups experienced conflict before / at the time of / after venturing into income generating activities. Lack of agreement on the activity to be undertaken was the start of the problem. Conflicts arose in business decisions and management leading to lack of trust within the group. Lack of any sort of training on group dynamics, management also contributed to this.

**Table 5. Quality of SHGs in different development blocks**

GRADE	Lumding development block		Udali development block		Dhalpukuri development block	
	NABARD	MYRADA	NABARD	MYRADA	NABARD	MYRADA
Good- 'A'	Nil	Nil	Nil	Nil	05 (10%)	03 (06%)
Average- 'B'	14 (28%)	11 (22%)	16 (32%)	13 (26%)	13 (26%)	11 (22%)
Poor - 'C'	26 (52%)	9 (18%)	22 (44%)	14 (28%)	24 (48%)	17 (34%)
Very Poor- 'D'	10 (20%)	30 (60%)	12 (24%)	23 (46%)	08 (16%)	09 (18%)
Total	50	50	50	50	50	50

**Table 6. Analysis of some existing practices (Details of quality)**

Assessment Parameters	Normal Practices
Group Meetings	SHGs take it as a rigor to meet frequently.
Subsidy dependence	SHGs deriving more subsidies and more and more moving on towards subsidy regime.
New financial services	SHGs are comfortable only with credit and savings and consider other services as not falling within the mandate for which they etc., and need not directly deal with such are established.
Affiliation to federation	SHGs remain, as stand-alone piece without any affiliation to SHG-upstream like clusters/ federations and more often feel their role will be limited in a federal setup.
Inter group lending	SHGs do not lend to other groups as a matter of policy though more of idle funds are locked an up within SHG, as the scope of lending within the group is limited beyond certain extent.
Rotation of leadership	Rotation of leadership is seriously taken, with the result clients with poor leadership qualities come to manage the SHGs very often on turn basis.
Multiple membership within the family	Sometimes, promoters find it easy to include members from the same family for easy management of groups.
Common economic activity	Common economic activity is preferred in some cases like SGSY groups due to project compulsions.
Encouraging visitors	SHGs believe that visitors may borrow their own concepts and keep certain things within as tricks of trade and do not encourage visitors.

*Capability of members:* Marginalized/ backward community members including tribals are the target groups. Considering that very few women in these communities are literate, building the capacity of such groups in itself is an issue. Since the training programmes are usually standard and not customized as per the target audience, the improvement here has been marginal. As a result, power remains centered around the marginally better off members in these groups.

*Inadequate capacity building:* Given the low capacity of members, capacity building of members was vital. This was also an important objective of the project and thereby a focus area. The training modules envisaged included Group Training, Animator & Representative Training, EDP Training, Vocational Training, Skill Training etc. However, there are few broad issues pertaining to this viz. Lack of coverage of certain important aspects in the training, inadequate coverage of all stakeholders and Backlog in the training envisaged. Various critical areas like managerial skills, communication skills, inter-personal skills, financial management skills, project monitoring skills, lack of refresher training, absence of training for new member etc., were important but were left uncovered.

*Operational and functional practices of SHGs:* It is observed from the comparative study that all of the SHGs under SGSY in selected Development Block are found homogeneous in respect to gender. Again, most of them are composed of same economic status but having varied social status. However, the size of the

SHGs in Lumding development block are too some extent similar in nature (10 to 12 members).

It is also observed from the study that most of the SHGs in selected Development Block are organized with pre-determined objectives and visions either in written or in verbal form. It is observed from the study that a good number of SHGs in selected development block are defunct in nature and they are just in records only. This feature is found more in Lumding and Udali development blocks in good number.

It is further observed from the study that though most of the SHGs in selected development block have some guidelines regarding holding of fortnightly meeting of members but it is found that most of them can not hold such fortnightly meetings of members. However, at an average one meeting in a month is held but there is no regularity in holding such meetings. However, the SHGs in Dhalpukuri development block wherein most of the SHGs holds regular meeting among their members.

Regarding attendance of members in the meetings, it is observed that in most of the SHGs in selected Development Block where approximately 75 per cent of the members attended the meetings regularly. This feature is very common in SHGs in Dhalpukuri development block wherein cent percent attendance is recorded in majority of the SHGs. Regarding participation of members in decision making process, it is observed that in most of the SHGs in selected development block where a few members of the SHGs are actively

engaged in decision making process. These a few active members who influences decisions but majority of them aware about the issues for organizing and managing the SHGs. Though in most of the SHGs in selected development block are guided by well established rules and regulations for organizing and managing the same, but these are in many cases not known to majority of members.

One time saving in a month' is the maxim in most of the SHGs in selected development blocks but majority of the SHGs members does not follow the principle. In fact, most of the members are aware that they have to save but no minimum amount for monthly savings is fixed. Regarding savings and its frequency, minimum amount and mode of collection are often discussed in the member's meetings. It is further observed that most of savings collections are done on door to door system.

It is further observed from the study that in most of the SHGs in selected development block where selection of borrowers is made in group meetings. It is further observed that utilization of SHG Funds and recovery of member's loans are reviewed in group meetings. But most of the members are indifferent to loan purposes of borrowers. Finally, it is further observed that the recovery rate is not upto the mark i.e. below 60 per cent. The recovery rate in Dhalpukuri development block is found much higher (95%) in comparison to other two development blocks.

Regarding maintenance of records and accounts, it is observed that in most of the SHGs in selected development blocks are not properly maintained. After due observation of books and accounts, it is found that in most of the SHGs in selected development blocks where accounts books like cash book, loan register, minute books etc are maintained but these books are not found updated. SHGs in Dhalpukuri development block wherein it is found that most of the SHGs are adopting regular recording of accounts and found serious in maintaining books of accounts in a proper manner.

It is also observed that most of the SHGs in the selected development blocks promoted to economic units. However, it is aptly observed that the rate of conversion to grade I is very high while the said conversion of grade I to grade II is very low in all the selected development blocks. Further, it is observed that only a few SHGs in Lumding development block and Udali development block converted there units into

economic units, but a large percentage of SHGs in Dhalpukuri development block converted into viable economic units. Dairy farming, piggery, weaving, goatary & poultry are the major economic units that are promoted by SHGs in Dhalpukuri development block. However, dairy farming appears to be the most lucrative project of the SHGs. Two milk production associations namely *Bhimmarali-Kapili Dogdha Utpadan Sanstha* & *Milik Basti Laxmi Dogdha Utpadan Sanstha* in the Dhalpukuri development block are the major dairy project in the block formed by SHGs members.

## CONCLUSION

The quality of groups is quite low in the selected development blocks compare to other blocks or states. Strict random selection of sample could be one of the reasons. Overall environment in the blocks/district and popular perceptions about the status of SHG movement in the state appears to be aptly reflected by the grades of the groups. In most other studies, the quality of groups does not follow any definite pattern. This is also evidenced in this paper that the two separate assessment tools i.e. NABARD & MYRADA shows the different languages about the quality of grades of selected SHGs. However, it is concluded that some of the possible reasons for and possible implications of such grades are-

1. Most of the SHGs which are formed in the block are organized mainly to get financial benefits and subsidies.
2. The attraction to avail short term gains is another major hurdle in the progress of the SHG movement in the study area.
3. It is also reported that some groups break down immediately after getting either revolving funds or start new group with new set of leaders to get another dose of fund and /or subsidy, which lacks constant effort for quality enhancement of SHGs.
4. As it is observed that 20% to 30% sample SHGs are leveled as grade 'Average', hence constant support from SHPI is necessary to make them improved. Moreover, some technical factors are also responsible for poor gradation of SHGs in the study area i.e. interest collection first then principal, lack of economic homogeneity among members and loan accommodation mechanism etc.

*Paper received on* : April 12, 2012

*Accepted on* : July 13, 2012

## REFERENCES

- APMAS & NABARD on Quality and sustainability of SHGs in Assam, Hyderabad, Sept 2009, [www.shgateway.in](http://www.shgateway.in) [accessed on 12-05-2010]
- Devaprakash, R (2005), Balancing Quality & Quantity in SHGs in India, IBA Bulletin, August 2005, pp-25-39
- Ghosh, Souvik; Kumar, A.; Nanda, P. and Anand, P.S.B. (2010). Group dynamics effectiveness of water user associations under different irrigation systems in an eastern India state. *Irrigation and Drainage*, 59: 559–574.
- Ghosh, Souvik, Nanda, P. and Kumar, Ashwani. (2011). Formulation of group dynamics effectiveness index and steps to mobilise users group for participatory water management. *Indian J. Ext. Edu.* **47** (1 & 2): 1-7.
- Kumar, Vipin and Singh, Baldeo (2001). A strategy for mobilization of an effective self-help group. *Indian Res. J. Ext. Edu.*, **1** (2):20-26.

• • • • •