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IMPACT OF DHAN FOUNDATION'S KALANJIAM COMMUNITY BANKING PROGRAMME

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ABSTRACT

Self-Help Group and linkage banking programme has come a long way from a small pilot project of NABARD to become a major poverty financing programme in India. Several organisations have participated in the country-wide programme with several models, but the essence remained the banking linkage through groups of poor women. DHAN Foundation's programme named as Kalanjiam Community Banking Programme is one such big programme in the country with projects being operated across several blocks in Andhra Pradesh and Tamil Nadu. This study of impact of the programme on their women members compares results of similar such projects operated by others. The study shows that the groups are successful in mobilising vast funds for various purposes through the groups and reduced the dependence of the usurious money lending practices considerably. The group is seen as an Institution for the savings, loans and insurance activities by the members apart from taking up considerable social development activities.

Introduction

Microfinance in India has come to stay as a major mode of rural and urban financing among the banks and government. The group based lending approach popularly called Self-Help Group Linkage Banking is found to be growing fast in the country. Many NGOs, banks and government programmes have adopted the self-help programme and find them easy to replicate and

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expand nationwide. DHAN Foundation has been taking part in this important movement along with the Government, NABARD and other major institutions through Kalanjiam Community Banking Programme (KCBP) for more than a decade. The paper captures the impact of the programme on their women members.

The Programme

Kalanjiam Programme of DHAN Foundation evolved into the present mode from humble beginnings in Tirupathi town as a Women Income Generation Project (WIGs). The initial idea of providing credit only for income generation activities has evolved into a savings and credit project with emphasis on local savings and credit. In the beginning of 1990s, the project implementation began in Madurai East Block with rural poor having meagre resources and cash flows. The concept of groups and clusters emerged and other than savings and credit activities were also planned and carried out. From that time, the rural projects are taken up and the following three major aspects are given importance:

- * making the groups in the villages socially, economically and institutionally sustainable
- * building up a strong solidarity through a common brand name Kalanjiam which is easily identifiable
- * continuous capacity building of members, leaders and local staff within the project and bankers, government staff and NGOs outside the projects are done to have a synergic effect.

During the year 1991, NABARD has introduced the pilot project all over the country through a simple guideline defining the concept of self-help groups, eligibility for bank linkage loans and interest rates with wider publicity. Since 1994, the project has become intensive in its operations and a basic framework for expansion was in place. Such a framework was adopting the block as an operational unit, and groups are formed in as many villages as possible in a contiguous manner to provide a scale. It was felt and desired to be a potential model to sustain the basic groups in villages through their clusters and federations formed through a process oriented organising.

As on September 2003, DHAN's Community Banking Programme is spread in three States viz. Tamil Nadu, Andhra Pradesh and Karnataka. These project areas were also characterised by high incidence of poverty, lack of institutional credit for the poor and often drought hit. As on September 2003, the Programme is implemented in around 83 development blocks in South India covering 3,727 villages in 21 districts of Tamil Nadu, Karnataka and Andhra Pradesh States and Pondicherry Union Territory. There are around 12,112 groups functioning with a membership of 185,578 women from these areas as show in Table 1. The programme is growing fast and has set a goal to serve around one million families by the year 2010 through effective microfinance activities.

Approaches of the Programme

The programme is unique in many ways, most importantly for its enabling approach in building the community organisations for the poor. The salient features of the model are :

- * Operations are member-controlled
- * Continuous change of roles of the promoters (DHAN Foundation) from the beginning
- * Continuous member education process to steer them into community leaders

The programme has an approach of :

- * Promoting groups in the village neighbourhoods popularly called as Kalanjiam
- * Clustering at the levels of 2-5 Panchayats for a nested institution
- * Federating at the block level with groups as the basic units

The model values stronger community organisations for better performance and therefore each of these organisations are left independent and autonomous. The group with a membership of around 15 to 20 women form the base. The members regularly save and avail credit from the group. The groups have two additional sources of funds for lending to the members apart from the member savings. The local banks offer loan to the group based on the groups' internal savings, their routine meetings and recovery systems. The

commercial banks and Regional Rural Banks are the biggest source of funds for the groups. The groups also avail funds for special needs such as housing and few other activities from apex banks and corporations through their federations. The clusters offer the much needed support in the form of accounting, auditing, mobilising resources at the local levels, and leadership across the villages and for solving conflicts among the members. The federations are membership organisations formed by all the groups in a development block.

The major responsibility of the federation is to ensure the overall and smooth functioning of the member groups and clusters. The services provided include credit mobilisations from apex banks, offering insurance services for the members directly or with the help of any companies in the market and, monitoring of the member groups for their financial performances and functioning. Also, the federation undertakes social development works such as village development works and health services through suitable grant or loan programmes in their blocks.

Process of Social Mobilisation

The process of social mobilisation is a continuous process with important milestones in their life-cycles. The groups till the age of six months or one year will be involved in savings and credit operations from their own funds. After six months, they shall be linked to a local bank for availing bigger credit. Clusters will start functioning through an interactive process when most of the groups, say around 10 groups, in the vicinity are integrated. This will happen after a year of formation of groups. The federation will be registered when at least 150 groups are in place. This may happen two years after the groups are promoted.

The process of institution building is based on DHAN's values in enabling the poor to have their social organisations. This shall be seen from the initial days of the project in a block. All the organisations will have their bye-laws, policies, norms of behaviour and signatories. DHAN Foundation and their staff steer the process of building up the community organisations and do not underwrite or guarantee any loans on behalf of them. All transactions are done on merit of the basic groups, clusters and their federations. In achieving such a state of realisation, DHAN Foundation invests heavily on the capacity building of the staff, Kalanjiam Associates (the local staff), bankers and local government agencies. This is done through a collaborative process.

Process of Capacity Building

A dedicated training cell is functioning as like the other major aspects of microfinance programmes. Salient feature of the training unit is that the “practitioners to teach” through an interactive methodology. The cell coordinates the organisational level trainings through various programmes and events. Details of field operations are provided in Table 1.

Table 1 : Field operations as on September 2003

S. No.	State	No. of Regional offices	No. of Blocks	Members in Groups
1.	Tamil Nadu	7	57	1,32,611
2.	Andhra Pradesh	3	14	35,658
3.	Karnataka	1	12	17,309
Total		11	83	1,85,578

Source: CFM Report, October 2003, DHAN Foundation, Madurai.

Table 2 : Highlights of the Programme as on September 2003

Bank managers,	
BDOs trained by DHAN Foundation	2000
NGOs/NGO representatives trained on SHG lending	600
Groups formed	12,112
Members in the groups	1.86 lakh
Blocks covered by the programme	83
Registered federations functioning	37
Amount saved by the members	Rs.32.89 crore
Reserve funds	Rs.8.53 crore
Groups linked with the banks	9,348
Number of loans received by the groups	12,000
Amount of loans advanced through the groups	Rs.42.22 crore
Bank branches involved	160
Bulk loans issued to 18 federations	Rs. 18.60 crore
Total outstanding advances with the members	Rs. 68.25 crore
Number of Regional offices involved	11
Number of full time Kalanjiam associates functioning	1200
Major funders of the programme	Sri Ratan Tata Trust, NOVIB, Ford Foundation, UNDP

Study on the Impact of the Programme

The paper is an excerpt of a study done to assess the impact of the programme on the members from the year of inception. The study has been carried out by the DHAN's research wing with an external consultant's advice. The specific objectives of the study are:

- * To assess the economic improvement of the family through credit and non-credit operations
- * To assess the contributions made by the Kalanjiam system towards empowering the marginalised group of women and their family members.

The *economic improvement* is defined as “enhancing the capability to access credit, inculcate saving habit, increase income and creating assets, which result in ability to improve their livelihood and recover from the stresses and shock”. The hypotheses are, the programme leads to

- * Reduction in the dependency on informal sources of credit
- * Kalanjiam service as an alternative source of credit and provides space for regular savings
- * Improvement in the asset structure of the member's family
- * Increase in family annual income since the member joining the Kalanjiam group

This article only discusses about the financial and economic impact of the Kalanjiam Programme.

The Methodology

The study is restricted to assess the impact in areas where the operations are more than three years old. Thirty-one blocks where the projects exist for more than three years have been chosen for the study. Of these blocks 13 are over 5 years old. A total of 10 federations having a membership of around 30,000 have been selected on a stratified random basis. A survey method using structured interview schedule covered 240 Kalanjiam members and 60 non-Kalanjiam members.

Demographic and Social Status of Members

The study shows the following demographic features of the members in the Kalanjiam Community Banking Programme. There are no significant differences between the control group and the members in their age, family, marital status, social background and literacy levels.

Age : The average age of Kalanjiam members is around 36 while that of their spouses is 42. Five per cent of these members are more than 50 years old. There are no substantial variations across the urban and rural members.

Family : The average number of children per family is around 2.81, among this 1.52 are male and 1.29 female children. Average number of earning persons per family is 1.91. The average number of dependent persons per family is 1.77, which includes elderly persons, children and housewives.

Marital Status : Around 87.08 per cent are married and lived with their husbands, 11.25 per cent widowed, 0.42 per cent unmarried and 1.25 per cent divorced or deserted by their husbands. It is also evident that around 13 per cent of the women are leading their family on their own.

Social Background : Around 68.75 per cent of the members belong to Backward Castes and 26.67 per cent Scheduled Castes and 4.58 per cent constitute other castes. There is no single caste dominance observed since the population of the castes varies across the areas where Kalanjiam programme is in operation.

Literacy : Illiteracy is high among the women (55.8%) compared to 38.8 per cent among males in the member households. The percentage of males who studied beyond primary level is more (35.8%) compared to the female (21.3%). None of the members have any college education except 3 per cent of their husbands. Members from below 40 years of age are comparatively at higher literacy level than the older women beyond 40 years. Similar trend is also observed among the males. This may be attributed to the general literacy levels going up in the last twenty years.

The control group does not have any significant variations in the age, family, marital status, social background and literacy. The control group data is mostly used for the sections pertaining to the women empowerment related aspects of the study. Kindly refer to our full report including the empowerment related aspects published in the form of a booklet.

Kalanjiam as an Institutional Source of Credit

Kalanjiam as Alternative Source of Credit : All 40 of the groups surveyed report that they got at least one loan from the bank and thereby all of them have access to formal credit systems. This is only possible because of the group's existence in their locality. The following result is Table 3 substantiates Kalanjiam as a source of credit in their locality.

Table 3 : Loan availed from the Kalanjiam

Amount (Rs.)	Members of 3-5 years in % (n=192)	Average Loan availed (Rs.)	Members of > 5 years in % (n=48)	Average loan availed (Rs.)
< 5000	4.69	3216	0.00	0.00
5,000 - 10,000	21.88	8333	8.25	6,333
10,001 – 20,000	38.02	15629	18.75	16,788
20,001 - 40,000	27.60	27823	41.67	30,489
40,001 - 1,00,000	7.81	53391	29.17	59,555
1,00,001 - 2,50,000	0.00	0.00	2.08	2,50,000

As high as 95 per cent of the total members have got a minimum loan amount of Rs 5,000 if they were with a group for 3-5 years. In case of more than 5 years old groups, all of them have got loans more than Rs 5,000. The above result shows that when the members continue to be with Kalanjiam for longer period, they can avail higher amount of loan.

The findings on the cumulative loan availed from the group and the interest amount saved are given in Table 4.

Table 4 : Cumulative loan availed from the group and interest amount saved

	3-5 years (Rs.)	> 5 years (Rs.)
Minimum loan per member	1,800	5,000
Average loan per member	19,975	38,476
Maximum loan	96,000	2,50,000
Interest payable at 60% to moneylender	11,985	23,086
Interest at 24% to Kalanjiam	4,794	9,234
Interest saved per member	7,191	13,851

The cumulative loan amount is that amount availed by an individual member is a sign of credit flow from bank to the poor as well as the group acting as a source of credit. The maximum amount received by the members is Rs. 96,000 in 3 to 5 years old group and Rs. 2,50,000 in more than 5 years old group.

On an average, a member in a group of 3-5 years old group has taken an average loan of Rs. 19,975 during the period. For such an amount the member has paid Rs. 4,794 at the rate of 24 per cent for a year otherwise she would have ended up paying an amount of Rs. 11,975 to a moneylender for a year at the rate of 60 per cent.

On the other hand a member in more than 5 years group got an average loan amount of nearly double that of 3-5 year groups i.e. Rs. 38,476. Hence it is inferred that the amounts available as loan for the members are increasing as the life of membership increases. Apart from this, through the reduction in the interest burden because of the cheaper credit from the group, a member saves an amount of Rs. 3,430 in 3 to 5 years and Rs. 13,851 in more than 5 years old groups.

Credit Utilisation : The loan utilisation pattern is an indicator to know what for the members use the credit obtained from the group. Since the induction into the group the purpose wise loan utilisation pattern of the members is presented in Table 5.

**Table 5 : Purpose of loan availed by the members
since inception into the group**

Purpose of utilisation	Small loans	Big Loans
	<Rs. 2000 (%)	>Rs. 2000 (%)
Consumption ¹	38.09	14.18
Health	21.03	7.27
Social obligation and festivals ²	9.01	11.76
Debt redemption	15.02	28.37
Agriculture and livestock	5.37	15.22
Housing	5.58	13.84
Small business	5.15	9.34

The above result indicates that the small loans which are made available from their group savings are used for consumption, health and redeeming their debts. However, the same members used the bigger loans for the purposes of productive purposes along with the debt redemption. The purposes for which loan is sought varies from area to area due to varying needs of the members.

Resource Mobilisation by the Groups : Average total savings of the group is Rs. 61,791 and the average size of the Kalanjiam groups studied is 16 members per group. The average loan amount mobilised by the group from various sources is Rs. 1,03,778. Around 67.5 per cent of the groups have been linked more than once with bank for credit (Table 6).

Table 6 : Bank linkage status of the groups studied

	Kalanjiam groups	NABARD ³ study
Average Bank loan size (Rs.)	103,778	32,231
Group gone for more than one linkage	67.5%	60.0%

The amount mobilised from the bank is three times higher in Kalanjiam groups compared to the groups studied by NABARD. This indicates the capacity of the Kalanjiam to mobilise more loans with same number of linkage.

¹ Consumption includes the immediate needs of the family for food, education and other small expenses for the household.

² Social obligations include marriage expenses, dowry for the girls, funeral and related functions.

³ SHG Bank Linkage Programme. An Impact Assessment NABARD, 2002, Mumbai.

Around 72.06 per cent of the members are able to save Rs. 100 and above per month. But in the case of members studied by NABARD, majority of them are able to save only Rs. 10 to 20 per month.

The Kalanjiam groups apart from bank linkage also receive loan from federation. The average amount received from this source is Rs. 65,281 per group. The cluster or federation generates its resources from apex bank linkage for bulk lending. The average amount mobilised by the group through direct bank linkage loans and loans received through the federation stands at Rs. 1,75,310 per group in 49 months (Table 7). These achievements are solely due to the existence of Kalanjiam groups. The groups were formed by the DHAN Foundation's programme and formed the basis for availing credit from banks. Since the members do not have any prior loan accounts or the habits of availing bank loans in a continuing manner the groups are the sole reasons for the mobilisation of such credit amounts from the banks.

Table 7 : Resource mobilised from bank linkage and from federation

	Bank linkage (Rs.)	Through federation (Rs.)	Total (Rs.) ⁴
Average loan amount mobilised	103,778	65,281	175,310
Maximum	353,000	246,000	599,000
Average number of loans	1.92	2.57	4.50

The result in Table 6 vividly shows that the members have effectively utilised bank linkage and federation to avail substantial amounts as loan. The saving potential of the members influence the credit mobilisation through bank linkage, rural members seem to have benefited more than the urban groups (Table 8).

Table 8 : Resource mobilised in different context

Context	Savings (Rs.)	Bank Linkage (Rs.)	Cluster/ federation (Rs.)	Overall (Rs.)
Rural areas	60,419	107,415	66,189	181,417
Urban areas	67,281	89,232	61,648	150,881

⁴ Around 8 groups were received also loan from SGSY and GoM-UNDP Project revolving fund apart from bank linkage to an average amount of Rs. 41,125.

Redeeming from Debt**Table 9 : Outside debts of members before joining groups**

Age of the group	Number and %
3- 5 years (n =192)	157 (81.8%)
> 5 years (n= 48)	38 (79.9%)
Total (n=240)	195(81.2%)

Moneylenders as a Source : The results of the study indicate that 81.2 per cent of the families who joined Kalanjiam Programme had outside debts while joining in the group (Table 9). Among these numbers, 92 per cent have borrowed from informal sources of credit at an annual interest rate from 36 to 240 per cent.

Relief from Outside debt through Kalanjiam : The outside debt or debt from the informal sources of credit is a huge burden for the family and it drains sizeable amount of family income. For example if a poor family borrows Rs. 5,000 from a moneylender then, they have to pay an interest of Rs. 250 (at 60% interest rate) or Rs. 500 (at 120% interest rate) per month.

The results of the study in Table 9 show that 81 per cent of members who have joined Kalanjiam had debt with informal sources. Among the total members surveyed, 44 per cent had debts of more than Rs. 10,000 with usurious lenders and 37.4 per cent with Rs. 10,000 or less. Of these numbers 56 per cent of them have borrowed at the rate of 60 per cent interest rates and above. Average size of such a loan is around Rs. 23,404. Around 9.16 per cent of the total members are having a debt of more than Rs. 40,000 which they believed as a big amount that they cannot imagine to come out of it in their lifetime.

Table 10 : Members with Debts before joining Kalanjiam

Members (n=240)	Amount of Debt in Rs.
45 (18.7%)	0
90 (37.4%)	700 to 10,000
83 (34.50%)	10,001 – 40,000
20 (8.33%)	40,001 - 100,000
2 (0.83%)	100,001 - 300,000
Average Debt	16,973

Repaying Outside Debts: One of the major priorities of the Kalanjiam groups is to close their earlier high cost debts and free themselves from the clutches of the moneylenders. Therefore, many groups lend to their members for closing such loans. This is done to gain from the reduction in interest rates. According to the study, 51.42 per cent of the members have closed their high cost debts completely. The average amount of such a debt repaid is around Rs. 10,267. The findings regarding the repayment of outside debts are indicated in Table 11.

Table 11 : Members who paid back their outside debts

Amount paid back in (%)	Members of 3- 5 years (%)	Members of > 5 years (%)	Total members (%)	Average amount of such closed debts (Rs.)
No change in the status	8.28	13.16	9.25	—
1 to < 50	12.10	5.26	10.73	23,118
50 to 100	33.76	7.89	28.58	8,696
Closed completely	45.86	73.68	51.42	10,267

In the groups which are in existence for 3-5 years 45.86 per cent of their members have closed such debts. Average amount of such debt is around Rs. 9,108. In the groups which are in existence for more than five years, 73.68 per cent of their members have closed their high cost debts completely. The average amount of such a debt was around Rs. 11,555.

Outstanding Advances : Table 12 indicates a wide range of outstanding advances of the members. This also indicates that not all the members get equal amount of loans all the time. There is a marked difference in the credit projects run by any of the SHG models or the other where the loans are distributed almost equally among the members. The inference that could be drawn is that as the member becomes older and older with the group their credit is becoming higher and higher, which is used for either productive purposes or for redeeming debts.

Table 12 : Outstanding advances of members within the group

Amount (Rs.)	3-5 Years (%)	Average	>5 Years	Average
		Advances (Rs.)	(%)	Advances (Rs.)
0	3.13	0	2.08	0
< 5000	25.52	2,731	10.42	3,390
5,000- 10000	36.46	7,632	27.08	7,705
10,001 – 20,000	28.65	14,530	35.42	15,076
20,001 - 40,000	6.25	30,111	22.92	31,641
40,001 – 1,00,000	0.00	0.00	2.08	58,500

Yet the needs of the members could not be met fully by the programme and so there are a few who still have loans from the moneylenders. Table 13 explains the phenomena. The outside debt is understood to be for investing in assets apart from undertaking high cost social obligations such as marriages etc. This phenomenon is more in older groups and the reason to supplement the group loans for investment in bigger assets. Also it is inferred that the interest rates for outside debts have come down and the reasons are explained in detail.

Previous and Present Debts : Table 13 explains the impact of the group as a source of credit by way of declining trend in the members' borrowings from outside.

Table 13 : Debts of the members with moneylenders: Previous and present

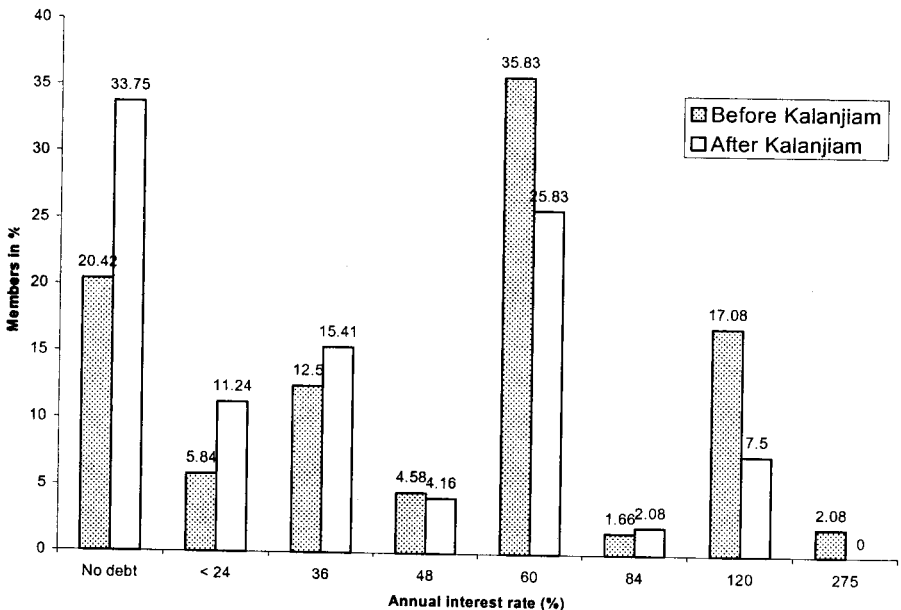
Change	Members of 3 to 5 years in (%)	Members of > 5 years in (%)	Average debt from moneylenders (Rs.)	
			Previous	Present
No debt at all	9.38	12.50	0	0
Completely relieved from moneylenders	23.96	22.92	13,631	0.00
Partially relieved from moneylenders	32.29	22.92	31,452	14,052
No change at all	7.29	6.25	22,982	22,982
Rise in debt from moneylenders	27.08	35.42	12,708	39,863

One-third of the members have completely relieved from their debts and about another third have halved their borrowings from outside. It is also seen that 27.08 per cent of the members of 3-5 years groups and 35.42 per cent of the more than 5 years groups have got their debts rising with outsiders.

Changes in Interest Rate : Having understood that the need of the poor cannot be met completely by the group alone, the members do continue to go to the moneylenders. However, the rates of such lending have come down. The following discussion explains such phenomena.

Figure 1 indicates that members have got more opportunities to avail loans at less than 24 or 36 per cent interest rates. This is due to their increased awareness to access the banks for getting jewel loans, and confidence of the lenders to lend them at a lower rate with or without pledging their jewels.

Figure 1 : Change in the annual interest rate in pre and post Kalanjiam situation



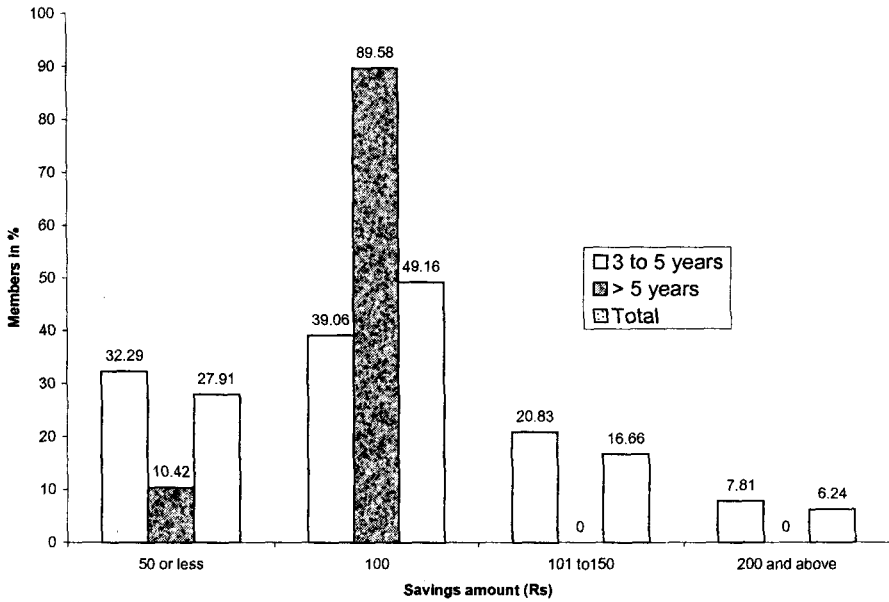
The pattern of usury is decreasing significantly from the previous situations. Also the general lending rates in the area are around 60 per cent for loans. That has come down from 35.83 per cent to 25.83 per cent. The very high cost usurious lending has come down to a great extent; only around 10 per cent of the members go for such loans with beyond 60 per cent interest which is a remarkable reduction from over 20 per cent earlier. Usurious practices of lending at 5 per cent per week (or 275 per cent per year) as interest rates have been completely eradicated from everyone in some areas once for all.

Savings of Members

Change in Savings by the Members : Indian people have always recorded a high rate of savings among the nations of the world. It is true of the poor people too. The poor people are in a situation of not able to keep their savings because of a few options available for them with the banks or other Institutions. The study shows that the members have followed the method of regular savings and accumulated a considerable sum of money individually and collectively compared to their abilities.

The Past and Present Scenario : The study shows that only 13 per cent of the members have saved their money occasionally in banks, post offices and chits before joining the group. Rest (87%) of the members have not saved in any system formally or informally outside their homes. Presently, all members in groups are saving regularly, the amount varies from Rs. 25 to 250. The average amount of savings stands at more than Rs. 100 per month (Figure 2). This implies that members have got huge potential to save if appropriate chances are given to them.

Figure 2 : Regular monthly savings of the Kalanjiam member



Around 60 per cent of members are saving Rs. 100 to 150 per month in 3 to 5 years groups and 89.58 per cent in groups older than 5 years. The members of the groups older than 5 years are mostly concentrating on the repayment of Kalanjiam loans (24% interest) rather than increasing their savings. This is due to the low interest rate available for them which stands at 12 per cent. Since, every group member has to save an amount in order to keep themselves as a member, they reach a ceiling amount and stagnate there. This is revealed in Figure 2.

The members feel proud and sense of worthiness among themselves when they visualise their accumulated total savings. As a large sum of savings is retained in the group because of their understanding that they can invite larger loans in the future by showing them.

Table 14 : Total savings by the members

Amount (Rs.)	3 to 5 years (%)	Average (Rs.)	> 5 years (%)	Average (Rs.)
1,000 and less	4.17	342	4.17	771
1,000 - 2,999	41.14	2,002	6.25	1,694
3,000 - 4,999	31.77	4,011	33.33	3,799
5,000 - 7,999	22.91	5,985	45.83	6,099
8,000 -12,000	0	0	10.42	10,366

The members who saved a maximum of Rs. 12,000 are from groups in Tirupathi town who run their groups for around 10 years. An average savings of Rs. 3,590 is made by members of groups of 3-5 years and Rs. 5,301 from the members of more than 5 years.

Diversified Savings : The term diversified savings means that saving for varied purposes for which the expenditure was anticipated in advance e.g. saving for education, festivals etc. The regular monthly savings is non-withdrawable as long as they are members of the group. In order to encourage the savings among the poor, withdrawable and diversified savings have been introduced. The study shows that, around 60.42 per cent of the 3 to 5 years group members and 45.83 per cent of the more than 5 years group members do diversified savings as indicated in the Table 15. The purpose for diversified savings can be seen in Table 16.

Table 15 : Diversified savings by the member

Amount (Rs.)	3 to 5 years (%)	> 5 years (%)
0	39.58	54.17
less than 500	51.56	22.92
500 to 999	5.21	18.75
1,000 to 6,000	3.65	4.17

These changes indicate that after the intervention of Kalanjiam the members have inculcated the habit of *saving*, than the earlier practice of borrowing and repaying back.

Table 16 : Purpose of diversified savings

Purpose	Members of 3 to 5 years (%)	Members of >5 years (%)
No saving	39.46	54.58
Consumption	6.25	8.33
Education	8.33	5.00
Health	3.13	4.17
Children's marriage	4.17	5.00
Social obligation	4.69	4.17
Festivals	26.17	18.75
Others	7.81	0.00

Resource Mobilisation

Loan to savings ratio is the ratio of the savings available with the group against the loans being obtained from the bank. This ratio becomes less and less as the year passes and shows the confidence of the banks to lend higher and higher amounts to the group. Table 17 shows that the ratio is 0.19 at 3-5 years and 0.13 at more than 5 years group.

Table 17 : Savings to Loan Ratio

	3 to 5 years	>5 years
Average loan per member (Rs.)	19,975 (83.50%)	38,476 (87.8%)
Total savings per member (Rs.)	3,935 (16.50%)	5,301 (12.20%)
Total amount (Rs.)	23,910 (100 %)	43,777 (100%)
Loan to savings ratio	0.19 (19%)	0.13 (13%)

Analysis on Assets, Investment and Expenses

Asset Building : Next to savings, asset creation is considered as an important indicator to assess any household for its economic well-being. Sometimes, asset is the only way to assess them also. The investments in assets

by the members in post Kalanjiam situation are classified into productive (land, animals and petty businesses); and non-productive assets include jewels, houses and household durable assets.

Investments on Land, House and Jewels

The details on investments in non-productive assets are given in Table 18. The result shows that housing is a priority in rural areas. Either improvements made on the present house or new construction is thought as an immediate necessity by the households. Around 54.76 per cent of the members in the groups of more than 5 years invested an average amount of Rs. 44,667. This is a remarkable achievement given the fact that members come from poorer segments.

Table 18 : Investment on non-productive assets

Age of the Group	Land		Improvement house		Jewels		Household assets Members (%)
	Members (%)	Average Amount (Rs.)	Members (%)	Average Amount (Rs.)	Members (%)	Average Amount (Rs.)	
3-5 years	13.54	24,288	22.92	31,880	16.66	9,268	25.00
>5 years	28.57	20,833	54.76	44,667	38.09	19,037	33.33

It is also true that the households, more importantly the women, feel that the jewels are worth investing for paying of dowry or otherwise as useful asset available readily for liquidation. Around 38.09 per cent of the members in more than 5 years groups have invested in jewels an average amount of Rs. 19,037.

The investment on land includes either land purchased or leased in from bigger land owners for a fixed period for a returnable deposit. This is true of rural areas where the members go for agriculture and livestock. Purchasing housing plots is also seen as important investments. Around 28.57 per cent of the members belonging to more than 5 years category invested an average

amount of Rs. 20,833 in this item. It is also found that as the groups become older such investments made by the members are rising significantly.

Investments on Assets Related to Petty Trade and Livestock : The investment in productive assets reveal that 24 to 26 per cent of the members are investing in livestock like cow, sheep and goats. The average amount of such investments vary from Rs. 8,421 to 13,954 for a 3-5 year group and more than 5 year groups, respectively.

Similarly around one fifth of the members from 3 to 5 years group and one third of members of more than 5 years group have established small businesses like petty shops, tailoring, hawking and improving their earlier traditional activities (Table 19).

Table 19. Investment on productive assets

Age of the group	Livestock		Business	
	Members	Average	Members	Average
	(%)	Amount (Rs.)	(%)	Amount (Rs.)
3-5 years	24.48	8,421	20.83	30,682
> 5 years	26.19	13,954	33.33	16,464

It is found that such investments are done by 33.33 per cent of the members from groups of more than 5 years with lesser amounts. This shall be explained by the fact that of the sampled groups from more than five years, leaving the Tirupathi federation do not have bigger opportunities as that of an urban area. Also, it is true that the Mandapam federation working among drought affected agricultural areas, fishermen and other sea related occupation has limited alternatives for the potential investments by their members. It needs further exploration to understand, why older groups invest less money compared to the younger ones.

Total Investments on Assets : In the post Kalanjiam situation 73.75 per cent of the members have invested in some of the assets either productive or

non productive. Around 70.83 per cent of the members from 3-5 years groups and 85.41 per cent from more than five years have invested an average amount of Rs. 32,874 in some asset. This indicates that there is a substantial improvement in the asset structures of the poor. Their creditworthiness has also increased, particularly with the local moneylenders. Across the locations studied there are differences in the investments made by number of members and the amounts invested. This also needs to be explained through in-depth studies.

Investment pattern of members seem to vary between rural, urban and coastal areas (Table 19) . The following trends emerge from the results :

1. Large number of members in rural areas prefer investment in livestock followed by housing and small business activity.
2. While investment in ornaments is predominant in urban areas followed by small business, housing seems to be the major investment preferences in coastal areas.
3. Though the proportion of members investing in land is highest among the rural groups and lowest among the coastal groups, the average amount of investment on land is highest among the urban group.
4. While housing seems to be equal importance in rural and coastal areas than the urban, the average amount invested is highest by the rural groups.
5. In terms of amount invested, small business activity tops the list in urban areas, while it is so far housing in rural areas and land in coastal areas.

Debts and Investments of Members: The findings on debts and investment are presented in Table 20 and 21. The results show that the members closing their previous debts are able to invest in assets in a faster rate. The same group also invests in assets and grows faster in terms of acquiring assets. However, they do borrow loans from moneylenders to supplement what they get from the groups. It may also be probable that the direct Kalanjiam is not enough to make an asset of what they want?

Table 20 : Debts and Investments of the Members of 3-5 years

	Debts while Joining Kalanjiam (Rs.)	Debts reduced by the Members after Joining (Rs.)	Present Debts with Informal Sources	Cumulative Credit availed from Kalanjiam (Rs.)
Members not invested in assets	22,552	9,992	13,867	17,001
Members invested in assets	16,040	3,250	18,589	21,161
Change in % (among the Investors and non investors)	-28.88	-67.47	34.05	24.47

The implication for the management is to see how to enable members to make prudent investment in loans taken from moneylenders. This is a positive as well as negative implication of the asset creation.

Table 21. Debts and Investments of the Members of more than 5 years

	Debts while Joining Kalanjiam (Rs.)	Debts reduced by the Members after Joining (Rs.)	Present Debts with Informal Sources	Cumulative Credit availed from Kalanjiam (Rs.)
Members not invested in assets	15,875	14,375	15,375	17,212
Members invested in assets	10,128	974	22,205	42,765
Change in % (among the Investors and non investors)	-36.20	-93.22	44.42	148.46

Major Expenses of the Families : Major expenses incurred by the poor which is not contributing to their family income but damaging their well-being include medical expenses related to accidents or major diseases, marriages, dowry to their children, social obligation and loss in agriculture or business (Table 22).

Table 22. Major expenses and recurrent expenses incurred by the poor

Expenses (Rs.)	Members of 3 to 5 years (%)	Members of more than 5 years (%)	Total (%)
Major expenses (Medical, Failure of Agriculture, Marriage)			
5,000 to 9999	14.58	4.17	12.50
10,000 to 19999	17.71	14.58	17.08
20,000 to 29999	6.77	12.50	7.92
30,000 to 39999	6.25	2.08	5.42
40,000 to 49999	1.56	2.08	1.67
50,000 to 69999	5.21	12.50	6.67
70,000 to 99999	4.17	6.25	4.58
1,00,000 to 2,00,000	5.21	4.17	5.00
Nil	38.54	41.67	39.17
Recurrent Expenses per year due to chronic diseases			
5,000 to 9,999	4.69	10.42	5.83
10,000 to 20,000	2.60	2.08	2.50
Nil	92.71	87.50	91.67

The following are the inferences drawn from Table 22. When the members are in a group for around 5 years,

- * One in eight members incur up to Rs. 10,000 as expenses.
- * Two out of eleven members incur up to Rs. 10,000-20,000 as expenses.
- * One in four members incur around Rs. 20,000 to Rs. 99,000 as expenses.
- * One in twenty members incur Rs. 1- 2 lakh as expenses.

The recurrent expenses per year towards the chronic diseases and prolonged medication are major drains of the income of the poor.

- * One in ten members spend Rs. 5,000 to Rs. 10,000 every year
- * One in forty members spend Rs. 10,000 to 20,000 every year

A major reason curtailing the growth of the saving and investments are these types of expenses. This needs to be studied further to help such members.

Comparison of Kalanjiam with other SHGs

The study report on “SHG-Bank Linkage Programme for Rural Poor - An Impact Assessment” was done by NABARD in 2002. The number of members surveyed was 115 from 60 SHGs covering Orissa, Chattisgarh and Jharkand States. Age group of selected SHGs ranged from less than 2 years, 3 to 4 years and 5 years and above. Those SHGs were promoted by NGOs and Banks. The results which are relevant to the Kalanjiam Impact Study are compared below.

Table 23 A : Comparison of financial performances of other groups and the Kalanjiam

S. No.	Parameters	SHGs of other organisation studied by NABARD	Kalanjiam groups
1.	Savings by the members	– Ranges from Rs. 5 to 150. – Around 40 per cent of the members saved Rs 10 to 20 per month.	– Ranges from Rs. 30 to 300. – Around 72 per cent of the members save Rs. 100 to 150 per month.
2.	Average size of the loan mobilised by the group	Rs. 32,231	Rs. 1,03,778
3.	Borrowings		
	No borrowing	9.6%	0
	Up to Rs. 1000	20.0%	0
	Rs. 1000 to 5000	47.8%	3.3%
	Rs. 5,000 to 10,000	12.2%	17.5%
	Rs. 10,000 to 20,000	6.1%	35.0%
	Rs. 20,000 and above	4.3%	44.1%
4.	Change in Income - Pre and Post		
	Rs. 12,500 and below	69.5% (pre SHG) 40.7% (post SHG)	25.25% (pre Kalanjiam) 16.2% (post Kalanjiam)
	Rs. 12,500 and above	30.5% (pre SHG) 51.3% (post SHG)	73.7% (pre Kalanjiam) 83.7% (post Kalanjiam)
	Average	Rs. 12,319 (pre SHG) Rs. 15,184 (post SHG)	Rs. 23,712 (pre Kalanjiam) Rs. 31,281 (post Kalanjiam)
5	Members acquired asset	45%	73%

It is found that the SHGs promoted by Kalanjiam programme performs very well on account of all the financial indicators.