



Micro-Finance Social Rating

Bullock Cart Worker's Development Association (BWDA)

Villupuram, Tamil Nadu (India)

Social Rating	$\beta+$ beta plus	Assessment Good adherence to social mission; reasonable application
Visit dates: 29 November-10 December, 2004 Operational head: Mr Joslin C Thambi		

Rating

BWDA has a clear statement of social mission, targeting the 'poor and vulnerable' with good adherence reflected in outreach to disadvantaged groups and a substantial number of the poor as members of Self Help Groups (SHGs). A moderately supportive approach to client empowerment has resulted in strong group systems but limited financial awareness among group members. BWDA lacks adequate systems to track its social performance and responsiveness to the financial needs of its target group.

The SHG model gives group members the flexibility of directly accessing their group savings for credit, with some scope for bank linkage. BWDA offers standard products, which could be more adaptive to diverse needs and different clientele. Issues that need immediate attention are new product development and effective communication systems with clients to improve their awareness of the microfinance services BWDA offers.

for Micro-Credit Ratings International Ltd

Frances Sinha, Director



BWDA – Social rating

Social rating	Assessment ¹
A <i>Social mission and systems</i>	β
B <i>Depth of outreach</i>	$\beta+$
C <i>Client feedback</i>	$\beta+$
Overall	$\beta+$

Context factors: State of Tamil Nadu, South India

Supporting features

- Good infrastructure and communications
- High literacy – including for women
- Relatively supportive cultural environment for women
- State government financed training to SHG leaders (*Mahalir Thittam* programme)

Risks

- Drought conditions in many districts over 2-3 years
- Tidal Tsunami effects (post-visit) - welfare requirements in some areas of Tamil Nadu
- State government initiatives undermine credit discipline (subsidised lending programmes for Scheduled Castes) and increase costs to clients (federations).

Sample for social rating

The findings for this rating are based on review of BWDA records and operations manual, discussions with management and field staff, and questionnaire based interviews and focus groups of clients. The client sample was selected as follows:

Sample Frame BWDA operates mainly in the following five districts of Tamil Nadu: Villupuram, Cuddalore, Kancheepuram, Tirunelveli and Kanyakumari. Clients are 95% women, in groups which are mainly rural (90%).

Field Sample:

- In the five main districts of operation, 7 villages and 2 areas in municipal towns were drawn at random from a list of branches having both new groups (functioning for less than 2 years) and some older groups.
- In each area, Focus Group Discussions (FGDs) were held with members from both recent and older groups. The FGDs covered issues relating to group functioning, client satisfaction and empowerment.
- From the 9 areas, a sample of 240 clients was drawn (using random numbers) from recent groups (formed within the previous two years) for a questionnaire, which covered socio-economic indicators of the household and awareness questions about BWDA. Coverage of recent clients serves to reflect current targeting of the programme.
- A sample of 240 provides a precision of within 0.05 percentage points, at a statistical confidence level of 95%.

¹ M-CRIL's grading sheet is attached at the end of the report.



BWDA – Social rating

Organisational Profile

(as on 30 September 2004)

Legal form	Years of mF Operation	Model	Number of SHGs	% rural	Number of SHG members	% women
BWDA: Society BFL (BWDA Finance Ltd): Non-banking Finance Company	7 years	SHG	5,183	90%	93,343 [15-20/SHG]	94.3%

Microfinance programme

Internal savings of SHGs ^a (Rs)	Loan portfolio of MFI ^b (Rs)	Borrowers from MFI ^c	Average loan size from MFI to borrower (Rs)	Depth ratio ^d	Staff	
					Total	% women
31.5 crores	5.6 crores	26,375	8,790	10.2%	68	84%

^a internal savings maintained in group accounts and not collected by BWDA.

^b of which Rs1.5 crores is under BFL

^c members of SHGs (BWDA loans are technically to the SHGs)

^d Depth ratio refers to the average loan balance as a percentage of GNP per capita. This measure is used internationally as a proxy indicator for depth of poverty outreach. A depth ratio of <20% signifies outreach to 'poor or low-end clientele'

Social mission

Mission	Tracking systems	Client empowerment
Clear statement of social mission Stronger adherence among senior staff	Inadequate systems to track achievement of social mission or to assess financial needs of target group	Supportive to women clients Initial guidance to groups but inadequate follow-up; Ad-hoc linkages to other support programmes

Outreach – operating area

State	Districts	Within districts
Tamil Nadu HDI 0.531 Rank in India: 3	Two districts on list of '150 most backward' in India; though all above average development ranking for infrastructure, literacy	Covers some poor pockets, drought affected areas



BWDA – Social rating

Outreach – client profile

Client household information, based on sample survey of recent client households [N=240]

Household access to formal financial services		Disadvantaged groups	
Bank savings account	Bank credit	SC/ST	Woman headed households
18%	13%	15% [State – 20%]	14%

Below Poverty Line		
International: '\$1-a-day at PPP' ^a	Local – State ^b	'Very poor' ^c
<i>Depth:</i> 33%	26%	4.5%
<i>Number of SHG members:</i> ~33,000		~ 4,400

^a International poverty line: \$1.08 per capita/day at purchasing power parity available for end 2003 (= Rs14.99, World Bank 2004); adjusted to rural and urban costs in Tamil Nadu based on State poverty line data. State equivalents estimated at Rs12.90 rural, Rs20.01 urban

^b Local poverty line: rural Rs11.86, urban Rs18.78 for Tamil Nadu; available for 1999-2000 (GOI, 2002) and updated to 2004 using CPI for rural agricultural workers and for industrial workers

^c 'Very poor' category derived from PRA methods and index scoring of quality of life indicators

Client feedback

Financial awareness	Group systems	Satisfaction	Exit
<ul style="list-style-type: none"> ☑ Know own savings ☑ Women encouraged to visit banks 	<ul style="list-style-type: none"> ☑ Strong group discipline and agreement; regular meetings ☑ Transparent transactions 	<ul style="list-style-type: none"> ☑ Safe place to save ☑ Low loan interest rate ☑ Flexibility within groups (internal lending) 	<ul style="list-style-type: none"> ☑ Low rate of drop-out (~5%)
<ul style="list-style-type: none"> ☒ Low awareness of BWDA products & processes 	<ul style="list-style-type: none"> ☒ High dependence on leaders without rotation of leadership ☒ Low member awareness of group records/accounts 	<ul style="list-style-type: none"> ☒ Delays in access to credit ☒ Standard MFI products; do not match range of credit needs ☒ Savings not withdrawable^a 	<ul style="list-style-type: none"> ☒ No systematic interviews with dropouts

Source: FGDs in sample clusters; sample survey of recent clients, more than 6 months with the programme n=179

^a Savings are non-withdrawable for groups less than 2 years old and partially withdrawable for groups more than 2 years

1 Organisational background and microfinance operations

The Bullock Cart Workers’ Development Association (BWDA) began as a multi-service agency in 1985 supporting bullock cart workers and their families. It was registered in 1986 under the Societies Registration Act, 1860. Starting in the two southern districts (Kanyakumari and Tirunelveli) of Tamil Nadu, BWDA has extended its programme to the central and northern region of the State, covering Villupuram, Cuddalore and Kancheepuram districts, as well as the union territory of Pondichery.

BWDA began forming women’s Self Help Groups in 1992 (in two blocks in Villupuram district) under the IFAD sponsored Women’s Development Programme and from 1996 expanded with support from the Tamil Nadu Women’s Development Corporation (TNWDC) for implementing the State government’s *Mahalir Thittam* programme. BWDA’s programmes (including microfinance) are no longer limited to bullock-cart worker families but are extended to other low-income families as well.

As part of expanding and formalising its microfinance programme, BWDA in 2004 acquired an existing Non-Banking Finance Corporation (NBFC) called Nagercoil Prompt Finance & Investment Pvt Ltd, rename it BWDA Finance limited (BFL).

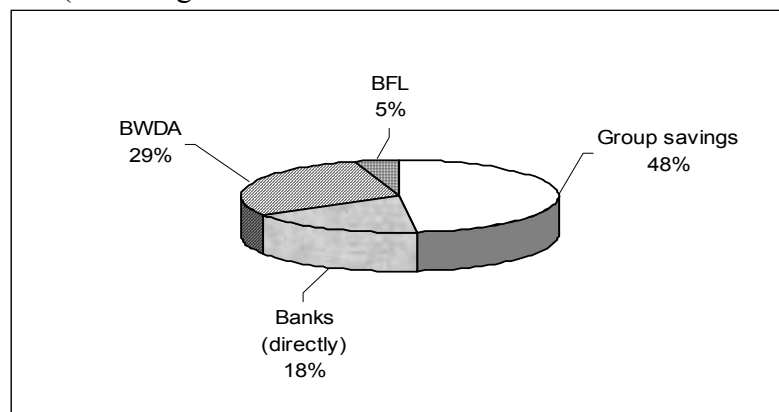
BWDA provides micro-credit to SHGs directly or through cluster level federations of (~15) SHGs. The loan size is Rs25,000-150,000 for 5-10 members of the SHG. The repayment period is 1-2 years with annual interest of 15% declining. An upfront processing fee of 2% of the loan amount is charged. BFL offers 3 year enterprise loans of Rs15,000-50,000 to husbands of SHG members, on an individual basis. To obtain a loan from BWDA, clients should hold BFL shares at a value of approximately 5% of the credit amount (that is, Rs500 for loans upto Rs10,000, increasing by Rs500 for every Rs10,000 of credit). The effective interest rate (including up-front payments, excluding the cost of compulsory savings, below) works out to 31%

Members have regular compulsory savings at group level. The savings amount is decided by each group (ranging from Rs10-100/month in the northern groups, to Rs100-150/month in the better-off southern groups) and deposited in a group bank account. This is used as a group fund, which is managed by each group for internal lending among members, but is otherwise not withdrawable for new groups and partly withdrawable for older groups. Group savings are a significant source of credit to SHG members (Figure 1). Some groups have also been linked to banks directly for loans (including subsidised loans under the Central Government SGSY scheme).

Figure 1

Sources of credit to BWDA members

Source: BWDA records
September 2004





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Life insurance is available to SHG members from the Life Insurance Corporation of India (LIC) for which some BWDA staff have been certified as agents.

2 Social mission

BWDA performs moderately on social mission and systems with a grade of β . The organisation has a clear social mission statement, but this is not strongly followed at all levels within the organisation and there are inadequate systems to track outreach to the target group and achievement of mission. The evidence is, nevertheless, that BWDA does plan to take some initiatives to improve its social performance.

2.1 Social mission and systems

- *strong mission statement*
- *inadequate systems to track*

BWDA's mission for its microfinance operations is stated as follows: "*to empower poor and vulnerable households economically and socially through organising and networking, establishing sustained access to financial services and implementing effective and locally relevant poverty reduction*".

This statement was framed in 2002, following a workshop on 'mission development' attended by the CEO in early 2002. He drafted a mission statement which was discussed with staff and ratified by the Board

Based on rating team discussions with management and staff and field level observations, adherence to social mission appears to be relatively strong among the management and the older staff, but is not spread throughout the organisation, especially junior staff. In practice, day-to-day operations are undertaken without reference to the organisation's social mission. The methods or systems are inadequate to track the social mission – whether it is reaching 'poor and vulnerable households', whether its financial services are appropriate for them, or if it is 'empowering them economically or socially'. BWDA documents some case studies which are kept at the head office.

Area selection is partly determined under the *Mahalir Thittam* programme of the State Government implemented through the Tamil Nadu Women Development Corporation which is responsible for allocating districts and blocks to different NGOs in the State. Within the allocated blocks, BWDA field staff follow a largely pragmatic approach expanding to neighbouring areas, selecting members within areas with some reference to the official 'BPL' (below poverty line) list but without any poverty assessment by BWDA.

There are ad-hoc methods for obtaining feedback from clients, through field staff interactions with group members during meetings, or occasionally with dropouts. Reasons for dropout are sometimes documented in letters sent to head office. However, this is not carried out, or analysed, systematically, and follow-up is weak. The rate of drop-out is not tracked and groups which close remain on the group list recorded in BWDA's MIS.



2.2 Client empowerment

- *supportive, moderate capacity building, but lacks clear strategy and effective back-up*

Most of BWDA's clients (95%) are women. A high proportion of staff too (84%) are women. The organisation overall has a positive and supportive approach to women's empowerment, including ensuring that all women members can sign their names within two years of joining a group, some initiatives for vocational training and enterprise support, recruiting field workers (as animators) from SHG members and promoting group leaders as representatives within wider institutional structures of the microfinance programme.. However, BWDA's strategy for client empowerment is relatively weak in terms of building financial awareness, ensuring understanding of microfinance options, and building capacity of other group members apart from group leaders.

Building client capacities

Capacity building of groups/members is mainly done through training programmes offered under *Mahalir Thittam*. The programmes are organised soon after group formation: group members have a general training for one day covering topics related to the SHG concept and group formation; group leaders have a two-day training on SHG concept, maintaining record books management and account keeping. However, there is little follow-up guidance to ensure that members are fully aware of various aspects of the microfinance programme.

Group leaders have an important role within each group and as representatives at cluster and block level. Leaders have to be literate and those willing to take the responsibility are selected by other group members. Group leaders may be removed if there is a problem within the group. Apart from this, there is no system for reselection or change of leader, although there is likely to be potential for this as the groups mature, at least in some groups, which BWDA could encourage and support. This would enable other members to develop capacity and responsibility, and help to enhance accountability within the groups. There is a regular annual change in leadership at the cluster and block level federations but at the field these federations were usually found not to be very active.

BWDA encourages and supports active and educated women SHG members in local communities to join BWDA as group animators. After training, animators are responsible for forming and guiding new groups, and maintaining records of 4 to 5 SHGs in the area (paid by the groups).

The federation structure (introduced under the *Mahalir Thittam* programme) might provide additional opportunities for member involvement in governance and operations, with meetings and activities at *panchayat*,² cluster and block levels. But the role and future of these federations is not clear. Members lack understanding of who can represent them in the federations, who should save in them, and whether only the representative can obtain loans. Representatives too are unclear of their role.

² Local administrative unit covering 2-5 villages



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Additional development support

BWDA organises some additional (non-finance) programmes, including market linkage support (local exhibitions of goods produced by SHG members), entrepreneurship training and occasional programmes in health care, literacy and community development. These are mostly ad hoc. There are no systematic linkages to other development institutions that provide such facilities/services.

3 Depth of outreach

BWDA scores well on depth of outreach with $\beta+$, providing financial services to some backward areas within a relatively developed region of the country, to households mostly without previous access to formal financial services, including the poor, and some very poor.

3.1 Operational areas - *partially covering poorer areas within a developed State*

Tamil Nadu is a developed Southern state of India, ranking third in the country on HDI, with districts ranked in the top 200 of the country in terms of infrastructure (CMIE/NIRD 2002). Literacy in the State is 73.5%, above the national average (65.4%). Nevertheless, four districts in the state are on the list of the 150 most backward districts of the country³ and BWDA is working in two of these (Villupuram and Cuddalore) with nearly half of its SHG members in these districts.

Within districts, roughly half of the operational areas are in poorer pockets. In rural areas, BWDA covers villages that have faced drought in the past 3-4 years, though the situation has improved with better monsoon rains this year. The areas in municipal towns are slum areas though in comparison with the rural areas there is easier access to market, health and schooling facilities.

3.2 Clients unreached by formal financial services - *the majority*

The majority of BWDA member households have not accessed formal financial services (Post Office savings, Bank savings or credit) or another semi-formal microfinance programme. In the rating sample, 13% of sample households have obtained bank loans and have bank deposits; 8% have a post office savings account (**Table 1**). This compares with the All India average of 36% with access to banking services (Census, 2001).

Table 1 Access to formal financial services		(% recent client households – sample)		
	Place	Overall^a	Rural	Town
	N	240	190	50
Saving	Post office	8%	8%	10%
	Bank	13%	14%	8%
Borrowed (in past 3yrs)	Bank	13%	13%	12%

Source: Survey data [240 recent clients]

^a In all tables, data for the rural and town samples are weighted (90:10) to reflect their proportion in the overall programme

³ GOI, National Food for Work Programme, Ministry of Rural Development



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During group discussions, almost all women said that they had never visited a bank before. Now, in turns, they visit the bank to deposit group savings and, in case of a bank loan to the groups, make repayments.

By comparison, 45% of client households reported borrowing from a moneylender or pawnshop in the previous year. This proportion is higher (over half) for poorer clients (**Annex Table 1**). Informal interest rates are usually 5% a month with lump sum repayment of the interest (resulting in effective annual interest rates of more than 100%).

3.3 Outreach to disadvantaged groups

- moderate coverage of Scheduled Castes [15%]
- good coverage of women heads of household [14% of clients]

Social groups: BWDA clients are mainly Hindu with some outreach to minorities. Estimates for the sample clusters (**Table 2**) show programme focus on ‘most backward’ castes – who in rural Tamil Nadu, along with Backward Castes, are dominant political communities.

Caste	%
‘Most Backward’	61%
Backward	18%
Scheduled castes	15%
Christian	4%
Muslim	1%
Upper caste	1%

Outreach to Scheduled Castes is moderate -15% compared to 19% SC and 1% ST in the State. In rural areas BWDA has formed separate groups for schedule castes, though there are some

Source: Estimates for sample clusters

mixed groups and all groups in a cluster are expected to meet once a month for the *panchayat* level meeting. In urban areas groups are mixed representing various communities and castes.

Women headed households are recognised as a disadvantaged group, particularly those with no adult male earners in the family. BWDA’s outreach to this category is significant, especially in the town sample (**Table 3**). BWDA staff and group members encourage such women to join the group.

	Overall	Rural	Town
Woman headed households	14%	13%	22%
With women as main earners	6%	5%	10%
With male earners in the household	8%	8%	12%

Source: Survey data [240 recent clients]

3.4 Outreach to the poor

- 33% of recent clients below international poverty line; potential to deepen

Table 4 (next page) shows poverty outreach amongst recent members (who, having joined a BWDA group within the previous two years, reflect programme targeting). Based on household per capita income data, 33% of the sample are below the international poverty benchmark (‘\$1/day’ at PPP), 26% are below the local State poverty line.⁴ (Planning Commission (2002) State data shows 35% of the population below local poverty line).

⁴ We have used World Bank estimates of \$1.08 at Rupee purchasing power parity for India (Rs14.99 in September 2003) adjusted for Tamil Nadu rural and urban price differences as reflected in Planning Commission data for State poverty lines (1999-2000), updated to 2003-4 using CPI for agricultural labourers (rural) and industrial workers (town)

Table 4 Outreach to the poor (% recent client households – sample)				
Poverty level	Rs per capita per day	Overall (weighted)	Rural	Town
Income based measures:				
< \$/day at PPP	Rural: 12.90 Urban: 20.00	33%	32%	42%
< Local State poverty line	Rural: 11.68 Urban: 18.78	26%	25%	36%
Scored index based:				
'Very poor'		4.4%	4.7%	2.0%

Sources: Survey data [240 recent clients]

On a scored index of quality of life (covering indicators such as ownership of assets, household quality, regular livelihoods), the proportion of the 'poor' is roughly similar to the local poverty line (though lower in the town). Around half are categorised as 'borderline', or relatively better-off but vulnerable. Using this method to identify those considered to be 'very poor', 4-5% are in this category (lower in town sample). In the context of being a large programme with over 100,000 SHG members, if we extrapolate from the sample, the number of SHG members in BWDA's programme is a substantial 33,100, including 4,400 very poor.

Sample survey data has been used to profile client households on key socio-economic indicators (including main sources of income, ownership of productive assets and consumer durables, housing and children's primary education). This profile is presented in **Annex Tables 2-9**, showing differences for the rural and town sample, and for households living below the \$1-a-day poverty line. Selected indicators are summarised in **Table 5**.

Table 5 Selected socio-economic indicators for client households (sample)	
Income sources	
% households with casual labour as main income source	40%
% households with home-based put-out work as main income source	16%
% households with non-farm self-employment as main income source	15%
% households with 2+ income sources	72%
Rural assets	
% rural households owning land	34%
% rural households owning a dairy animal	15%
Housing and household assets	
% households with own house	88%
% households with electricity connection	92%
% households living in <i>kuccha</i> house	29%
% households using public tap or tubewell	66%
% households without toilet facility	75%
% households owning basic household assets and furniture	27%
% households owning more expensive consumer durables ^a	17%
Primary schooling and food adequacy	
% primary school age girls attending school	90%
% primary school age boys attending school	84%
% households reporting insufficient diet in previous year	15%

Source: Survey data ^a e.g. Colour TV, phone, fridge

4 Client feedback

BWDA has moderate to good performance on client feedback with a grade of $\beta+$. The organisation has developed strong group systems, and the drop-out rate appears low. Performance is lower on client awareness and satisfaction.

4.1 Client awareness

- *some gaps: especially up-front payments and insurance option*

Overall client awareness about BWDA’s strategy, products and services is average, and tends to be higher among town clients. Selected awareness questions were included in the client questionnaire and the findings for sample clients (who have been group members with BWDA for at least six months) are summarised in **Table 6**.

Awareness indicators	% clients aware
Own savings amount	84%
Interest payable on BWDA or group loans	76%
Details of upfront deductions	~60%
Insurance option	<50%
Total group fund amount	42%
The main types of record maintained for the group	35%

Source: Client survey (>6 months with BWDA n = 179)

Most group members (84%) know their individual savings amount. Under 80% know the interest rate payable on BWDA or group loans, ~60% understand the up-front deductions processing fee (2% of loan amount) the caution deposit (5% of loan amount) and the options for the caution deposit. Few clients know about the LIC insurance available through BWDA, with marginal use of this option in the sample clusters (16 members in 9 clusters).

Group leaders are very active and involved in BWDA-related activities, usually attending various meetings – at cluster, and head office. However, overall exposure to BWDA’s microfinance programme is limited, and leaders do not pass on information to their group members.

4.2 Group systems

- Very strong*
 - >90% clients regularly attend meetings
 - Transparency and openness in handling financial transactions
- Good*
 - Passbooks mostly up to date and kept by members
 - Groups are able to enforce norms
 - Internal credit discipline (except few groups in drought areas)
- Weak*
 - Low knowledge of group records and group fund amount

Based on the rating team’s field level interactions and review of records of SHGs in the sample clusters, BWDA has been able to form strong groups with inputs from its field staff and active involvement of group leaders. Members attend weekly meetings regularly. Meeting times are agreed to suit members, so that all of them can participate in a relaxed manner. BWDA staff support the groups and group leaders to conduct regular meetings, maintain and audit accounts and conduct financial transactions.



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Groups are taught to be autonomous and function without support from the staff. Members take collective decisions, and change systems depending on circumstances or in response to different needs. For example, several groups have increased the savings deposit amount when members have more disposable income (with an increase in *beedi* rolling wages), allowed flexible deposits, and also decreased the loan interest rate as groups mature and take larger loans. All financial transactions are handled openly in group meetings, with individual passbooks regularly updated and kept by members. However, group awareness of the main types of group records maintained and their total group fund amount is weak (Table 6, preceding section).

There are a few cases of weak systems, for example: non-receipt of passbooks by groups, incorrect entries, absence of group leader due to emergency without anyone replacing, SC and other caste groups not meeting together for *panchayat* level meeting, non-receipt of external audit statement even after a year.

There is financial discipline within groups and members understand their collateral liability. Drought conditions have, in some villages, affected household livelihoods and, as a result, members in some groups stopped depositing savings and repaying their group loans. However, the affected groups feel that this year the monsoon is better and everyone will repay.

There are some examples of community activity by the SHGs. For instance, groups sometimes organise social functions – Independence Day celebration, organizing 1-2 days summer camp for school children and sports for children. In one area (in the southern district of Tirunelveli) BWDA had organised a rally of SHG members to the District Collector's office to seek action on a liquor factory's waste seeping into village lands, affecting drinking water and agriculture. However, the rally had no effect, and it seems that local villagers (including some SHG member households) accept money from the liquor factory and stay quiet.

4.3 Client satisfaction

- *Positive on savings security and access to group loans*
 - *Liked new in-kind Diwali product*
- *Low on availability/amount/timeliness of MFI credit*

After seven years of microfinance experience, BWDA offers a standard product at the group level and does not have a mechanism for assessing different financial needs of its clients. For example, the organisation does not differentiate between its rural and town groups, or between clients in the southern and northern districts, where livelihood opportunities differ. The operational strategy is the same and there is no difference in products offered.

The Box (over page) below summarises feedback obtained from both older and recent clients during Focus Group Discussions in the sample clusters.



BWDA – Social rating

Summary of client feedback on BWDA services
<p>Positive</p> <ul style="list-style-type: none"> ☺ To be part of a group, save and obtain group loans. ☺ Poorer clients find it easy and safe to save with group and borrow from the group fund to meet household needs ☺ New products: Diwali in-kind loan popular
<p>Less positive</p> <ul style="list-style-type: none"> ☹ Standard credit product – without variation in response to different livelihoods ☹ BWDA loan not available on time. ☹ BWDA loan not enough to meet working capital needs of town clients. The gap is bridged by informal borrowings (moneylender interest is 4-6% a month)
<p>Other suggestions by clients</p> <ul style="list-style-type: none"> ⇒ Withdrawable savings products would be useful – especially for the poor who would prefer this to taking credit ⇒ Housing and education is a priority, for which clients would like new loan products ⇒ Business development support: training and group-based activities.

Source: FGDs in sample clusters (including older and recent groups)

Flexibility within group mechanism

Women are happy to be part of group where they can meet and discuss savings, loans and some family matters as well. Since the group decides on the savings rate, members are comfortable with it and in some areas there is flexibility to deposit amount varying from Rs5-50 per week. There is flexibility for repayment of group fund loans as well. A member may be allowed to postpone repayment of the principal amount though she should continue payments of monthly interest. Poorer members usually take internal loans from group savings for consumption to meet household needs as they arise. However, many members said that they should be allowed to withdraw cash from their savings. These members say that if group savings are withdrawable then they would be willing to save more with the group (>Rs100 per month).

BWDA loans – useful but standard approach

Group members comment on the utility of a BWDA loan for their households. Most of the clients have used such loans for a family business, a few have started new economic activities. Clients appreciated the new in-kind loan product provided during Diwali (a pack of raw material worth Rs500 to make sweets and savouries; interest free if repaid within 10 days).

However, a major area of client dissatisfaction is the limited access to credit. This is reflected in the programme data which shows 26% of SHG members as borrowers from BWDA. Groups complain that even after over a year of regular group functioning, they have not been able to obtain a loan, either from BWDA or from a Bank. There are also cases where after receiving one loan from BWDA and repaying it on time, further loan proposals are pending.

Those dependent on irregular casual labour (agriculture or construction – 40% of sample households) are afraid of taking a BWDA or Bank loan since they are not sure of being able to make regular repayments. Members, both rural and urban, report that at times they borrow from friends or a moneylender/pawnshop to repay BWDA. The group members know that maintaining credit discipline is important, otherwise that would hamper credit inflow to the group.



BWDA – Social rating

There is a difference in the financial/enterprise opportunities in different operational areas, rural and town, for example. While on an average a rural member saves Rs25 a month, a town client saves this amount per week. This difference is accommodated within decisions on their savings deposits, made by the groups. However, differences in credit needs between different areas are not reflected in BWDA's programme. Urban client households have non-farm businesses (trading and manufacturing) which require working capital in the range of Rs10,000-25,000. Hence urban group members would like a first loan size of at least Rs10,000 compared to the present norm of Rs5,000 to group members. Clients are meeting the balance cash requirement from moneylenders who charge between 4%-6% per month.

SHG members are interested in separate loan products for education and housing. There are also requests for support for enterprise development. These are from members who are afraid of starting an individual business and would like group activity to be promoted.⁵ (NB This feedback from clients reflects their concerns.

4.4 Client exit - low drop-out rate of 5%

The rate of dropout is not high (around 5%). Cases of members dropping out are mainly due to personal reasons (such as change of residence, marriage, illness or death of the member). Some left the group because they had to wait too long for a BWDA loan. A member dropping out may go untracked as usually another person joins in place of the dropout. Such replacement is acceptable to the group, provided the accumulated savings are deposited by the new member to match that of existing members. There are rare cases of groups closing down - due to disagreement within groups or, again, non-availability of BWDA loan.

⁵ This is not presented as a recommendation but BWDA may consider possible linkage options in the context of its mission to strengthen the poor economically and socially.



5 Conclusion

BWDA Strengths	Areas to strengthen
<p><u>Social mission</u></p> <ul style="list-style-type: none"> ✓ Mission statement focus on poor and vulnerable ✓ Good support to groups to be autonomous 	<ul style="list-style-type: none"> → Strengthen adherence to social mission throughout the organisation, especially junior levels → Need methods and systems to track depth of outreach, monitor feedback on financial services and client exit → Basic financial literacy – and rotation of group leaders to deepen participation and accountability
<p><u>Outreach</u></p> <ul style="list-style-type: none"> ✓ Provision of services to those without access to alternative formal providers or other microfinance programmes ✓ Reaching substantial numbers of poor and very poor - as group members 	<ul style="list-style-type: none"> → BWDA can deepen its poverty focus within operational districts
<p><u>Client feedback</u></p> <ul style="list-style-type: none"> ✓ Strong groups with good overall and credit discipline ✓ Transparent group processes with decisions made in consensus ✓ Low interest rate on credit and safe/easy option to save ✓ Few drop-outs or broken groups 	<ul style="list-style-type: none"> → Client awareness of details of MFI product costs and options → Scope to improve product range, and access to credit → If including supportive development programmes, then scope for more systematic planning and delivery



Social Rating Symbols

Grade	Description
α alpha	➤ Very strong adherence to social mission with effective application
$\alpha-$ alpha minus	➤ Strong adherence to social mission with fairly effective application
$\beta+$ beta plus	➤ Good adherence to social mission; reasonable application
β beta	➤ Moderate adherence to social mission, moderate application
$\beta-$ beta minus	➤ Low adherence to social mission
$\gamma+$ gamma plus	➤ Weak adherence to social mission
γ gamma	➤ Very weak adherence to social mission



BWDA – Social rating

Annex Socio-economic profile of recent client households

The data for this profile is from the sample survey of recent clients conducted for this social rating. As a profile of recent clients (up to 2 years with BWDA’s microfinance programme), it represents a ‘baseline’ which can be followed up by a survey of the same clients after a few years – to assess impact.

Note: In all tables, weighted averages to reflect BWDA’s overall programme (rural 90%, urban 10%) used for overall percentages

Table 1 Households borrowing or saving with alternative providers (prev. year)					
Alternative providers	Overall	Rural	Town	Poverty level	
				Below \$1/day	Above \$1/day
Borrowing					
Formal – Bank	13%	13%	12%	7%	15%
Informal – Moneylender	45%	47%	32%	52%	40%
Saving					
Formal – Bank	13%	14%	8%	6%	16%
Formal - Post office	8%	8%	10%	7%	9%

Table 2 Main source of household income					
Sector	Overall	Rural	Town	Poverty level	
				Below \$1/day	Above \$1/day
Sample - N	240	190	50	81	159
Agri-allied	17%	18%	4%	15%	15%
Agriculture	12%	13%	2%	11%	10%
Dairy/Animal Husbandry	5%	5%	2%	4%	5%
Non-farm	15%	14%	26%	7%	21%
Trade	7%	7%	12%	2%	11%
Services ^a	6%	6%	4%	2%	8%
Manufacture	2%	1%	10%	2%	3%
Wage employment	68%	68%	68%	78%	64%
Skilled labour	3%	2%	12%	4%	4%
Casual labour – unskilled	40%	42%	28%	56%	30%
Home based put-out work ^b	16%	17%		12%	14%
Salaried	9%	7%	28%	6%	14%
Remittance	0%		2%	0%	1%

^a Tailor, goldsmith, ironsmith, cycle/electrical repair shop, contractor, tea shop, band set, wood polishing, van/bullock cart transport and cashewnut dryer

^b Beedi rolling, camphor packaging and cashewnut processing



BWDA – Social rating

Table 3 Client households by number of income sources

Number of income sources	Overall	Rural	Urban	Poverty Level	
				Below \$/day	Above \$/day
One	26%	24%	44%	41%	21%
Two	48%	49%	44%	46%	49%
Three	23%	24%	12%	12%	26%
Four	3%	3%	0%	1%	3%

Table 4 Rural households - agricultural assets

Land and livestock ownership	Rural Sample	Poverty level	
		Below \$1/day	Above \$1/day
n	190	60	130
Landless	66%	75%	70%
Land holding	34%	25%	30%
Irrigated	30%	21%	26%
Un-irrigated	5%	4%	4%
Dairy animals	15%	13%	15%
Small animals	18%	20%	18%

Table 5 Housing and facilities

	Overall	Rural	Town	Poverty level	
				Below \$1/day	Above \$1/day
Sample N	240	190	50	81	159
Housing					
Own house	88%	90%	66%	65%	79%
Pucca	26%	24%	42%	19%	33%
Mixed	45%	46%	36%	46%	42%
Kuccha	29%	30%	22%	36%	25%
Dilapidated/needs repair	15%	18%	18%	23%	11%
With electricity connection	92%	92%	88%	86%	94%
Kerosene stove	39%	41%	28%	30%	42%
LPG connection	13%	9%	52%	10%	22%
Water and sanitation					
Own tap/tubewell	25%	24%	40%	6%	4%
Shared tap/tubewell	9%	8%	14%	14%	6%
Public tap/tubewell	66%	68%	46%	69%	61%
No toilet facility	75%	79%	42%	80%	67%

Table 6 Household assets					
Assets	Overall	Rural	Town	Poverty level	
				Below \$1/day	Above \$1/day
Sample [N]	240	190	50	81	159
Basic					
Fan	72%	72%	78%	57%	81%
Chair and table	50%	49%	56%	36%	58%
Black and White TV	44%	44%	38%	38%	45%
Almirah	42%	42%	48%	38%	45%
Grinder	36%	36%	34%	22%	42%
Bed	35%	34%	48%	21%	45%
Radio	24%	25%	16%	20%	25%
Other consumer durables					
Colour TV	14%	12%	30%	6%	21%
Mixie	13%	12%	20%	7%	17%
Phone	4%	3%	18%	1%	8%
CD/VCD player	3%	3%	2%	0%	4%
Iron box	2%	2%	4%	1%	3%
Fridge	2%	1%	6%	1%	3%
Transport assets					
Cycle	48%	46%	62%	49%	49%
Motorised two wheeler	19%	18%	28%	6%	27%

Table 7 Household asset categories					
Categories (based on relative market cost)	Overall	Rural	Urban	Poverty Level	
				Below \$1/day	Above \$1/day
Basic: radio, chair/table, bed, fan, grinder, basic utensils	27%	28%	14%	35%	20%
Medium: B/W TV, almirah, mixie, iron box, LPG gas	57%	57%	50%	59%	54%
High: colour TV, phone, fridge, CD/VCD player	17%	15%	36%	6%	26%

Table 8 Children attending primary school (% of children aged 4-14 years)					
	Overall	Rural	Urban	Poverty Level	
				Below \$1/day	Above \$1/day
Children (girls and boys) attending	87%	87%	86%	89%	85%
Girls attending primary school	90%	92%	69%	91%	84%
Boys attending primary school	84%	83%	100%	87%	85%

Table 9 Food adequacy					
	Overall	Rural	Urban	Poverty Level	
				Below \$1/day	Above \$1/day
Sometimes not able to meet family's food requirement	16%	16%	8%	26%	8%