International Initiative for Impact Evaluation

Impact evaluation brief

Social protection

Impact evaluation of the National Rural Livelihoods Project

Group-based livelihoods programmes have been implemented in many parts of the world in order to meet development goals, primarily poverty reduction. In India – a country with a long history of groups working towards a common economic cause – the Ministry of Rural Development launched the National Rural Livelihoods Mission (NRLM) in 2012 with similar objectives. Within the ambit of this mission, the National Rural Livelihoods Programme (NRLP) was formed to build capacity and foster an enabling environment to support its expansion.

Women's self-help groups (SHGs) were formed in select blocks of 100 high-poverty districts across 13 states, and efforts are being scaled up to reach the remaining districts and states. However, the uniqueness and strength of the programme lies in the federation of grassroots SHGs into higher-order organisations at village level – village organisations (VOs) – and, further, into cluster-level federations (CLFs). A 'community cadre' of SHG members also participates in running and scaling up the programme in order to overcome scarce human resources. Government support structures called 'missions' at national, state, district and block levels are responsible for building these institutions and local capacities.

This brief summarises the key findings of an impact evaluation conducted by a team of researchers from 3ie and Vrutti.

Highlights

- Respondents from approximately 5,000 SHGs were interviewed.
- The evaluation spanned 9 states and 27,000 respondents.
- Respondents were from poor rural households with high levels of indebtedness. We also interviewed one adult women from each household.
- The programme increased household income and savings by improving access to finance, increasing number of income sources and reducing dependence on informal loans.
- Labour force participation increased among both women and men.
- Longer programme exposure did not have any significant effect on average household expenditure.
- This changed when SHGs were federated. Federating SHGs improved programme impacts by ensuring better access to and use of programme funds. VOs and CLFs led to higher household expenditure on education and ownership of productive assets.
- The evaluation gauged women's empowerment through two indices – their decision-making role 'inside' the household, and confidence levels 'outside' when dealing with local government officials and community leaders. The programme had no significant overall effect on these.
- Federated SHGs showed an improvement in women's confidence, especially if they were educated.
- Evaluation findings present a mixed picture of programme implementation:
  - The programme has been effective in providing SHG members with much-needed access to finance.
  - As SHGs mature, they are able to access more funds and use these for productive purposes.
  - Older SHGs' adherence to governance norms is lower, as is the equitable distribution of loans.
  - The initial roll-out phase faced delays, although implementation has improved in recent years.
  - This suggests that the programme has to mature in order to enable systematic investments for livelihoods promotion.
- There is a need for capacity-building activities among SHGs and federations.

Methodology

The evaluation gathered data on household-level outcomes (surveying SHG members and non-members) and gauged the effect of federations through respondents at SHG, VO, CLF and village levels. A separate questionnaire was administered to married women to calculate empowerment outcomes. This evaluation covered the nine states of Rajasthan, Uttar Pradesh, Jharkhand, Odisha, Chhattisgarh, Madhya Pradesh, Maharashtra, West Bengal and Bihar.[1] Data from the national and state programme management information system were combined with in-depth interviews with block officials to select a representative sample of villages for the survey.

The programme was implemented incrementally. Initially, certain blocks were identified in chosen districts; within these, the programme was implemented in select villages. It was then scaled up to all other blocks and villages in later phases. The areas where the NRLM was initially implemented in 2011–2012 are called 'early villages' and those where implementation occurred last (after four or more years) are called 'late villages'.

The evaluation team used a difference-in-difference methodology, exploiting differential timing of programme implementation across blocks, and across villages within blocks, to the assess the programme's effect on household-level outcomes. Impact was calculated by comparing differences in outcomes between early and late implementation areas. Adequate controls were put in place to ensure results were not affected by the variation in timing of initiation and stage of programme implementation across geographies.

Findings

Socio-economic profile of sample

Villages: Surveyed villages had limited access to formal financial institutions and markets. Fewer than half of the villages reported a bank branch within the village (46%) and fewer than one quarter reported a market or bazaar (22%).

SHGs: The average age of sampled SHGs was over four years (52.2 months), the majority of which were federated into VOs (79.5%); 79 per cent of these VOs were federated into CLFs. The average SHG member was 38 years old with just 2.8 years of schooling.

Households: Sampled households were poorer than the national average, had low savings and incomes, and high levels of indebtedness; 32% of households belonged to scheduled castes and 31% to scheduled tribes (63% in total), compared to national averages of 16.6% and 8.6%, respectively.[2] Unskilled labour was found to be the main source of income, followed by agriculture, salaried occupations and non-agricultural enterprises (Figure 1).

The average household expenditure, at INR1,24,000, was much higher than the average income of INR75,000. The majority of respondents had outstanding loans (70%) averaging INR38,307 per household. SHGs were a major source of small loans to many households, who turned to other formal and informal sources for larger loans (Figure 2).

A significant proportion of households (64%) reported saving relatively small amounts in institutional sources including banks (INR7,100 on average), SHGs (INR1,712 on average) and other financial institutions. Poorer households, which largely fall within the scheduled caste and scheduled tribe categories, saved more and borrowed less than wealthier and better-educated households.

Figure 1: **Sources of household income**

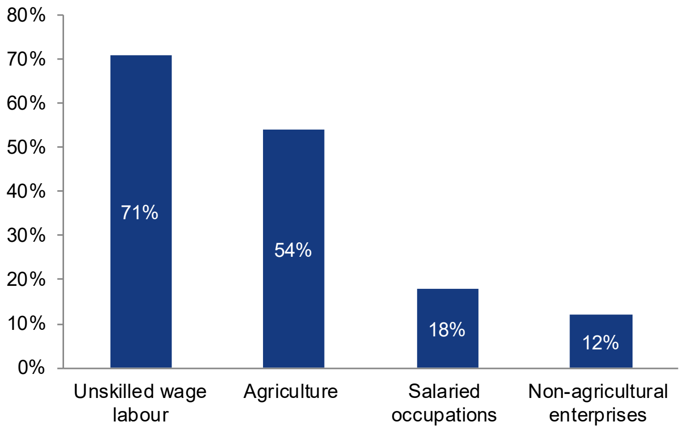
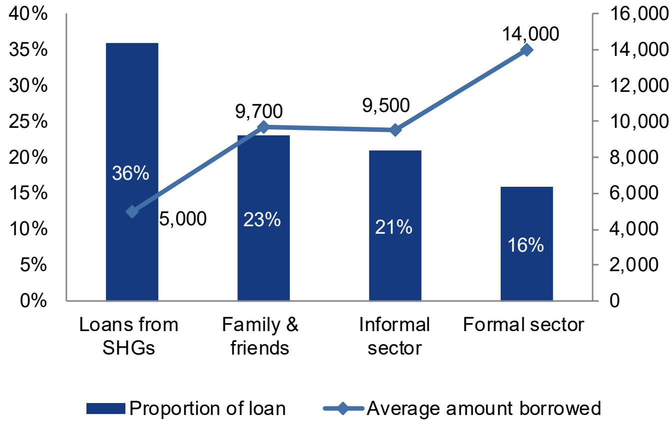


Figure 2: **Sources of loans**



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SHG performance

Factors affecting SHG uptake of available resources: According to NRLM guidelines, SHGs are entitled access to three critical resources – revolving funds, community investment funds and bank loans. This availability transpires within the first year of their formation, upon meeting certain quality standards or 'triggers'. Achievement of these triggers was certified by programme staff in the early stages of implementation, and by VOs once the federation process was initiated.

The criterion for receiving funds is the achievement of over 90 per cent adherence to *Panchsutras*, the five guiding principles of the NRLM. Our analysis found that while a small proportion of SHGs achieved this score, significant numbers received funds, although they were delayed. On a five-point adherence score, older SHGs (formed before 2014) scored lowest; younger SHGs (formed after 2014) performed slightly better; and SHGs federated into VOs performed the best (Figure 3).

Early SHGs formed in 2012–2013 took an average of 30 months to access revolving funds, rather than the three months laid out in the guidelines. Such delays were due to one or more of the following: a delay in an SHG achieving the triggers, a delay in certifying qualified SHGs or a delay in fund disbursement to certified SHGs. Though belatedly, a high proportion of early SHGs had accessed funds by the time of the 2017 survey. These figures dropped sharply for SHGs formed in or after 2015 (i.e. those two years old or younger) (Figure 4). Though better off at the time of the survey, early SHGs took longer to become federated and access funds.

While there are provisions for SHGs to access revolving and community investment funds without being federated into a VO, a significantly higher proportion of federated SHGs had accessed these funds. Further federation of VOs into CLFs enhanced access to revolving funds, community investment funds and bank loans.

Figure 3: Adherence to Panchsutras on a five-point scale

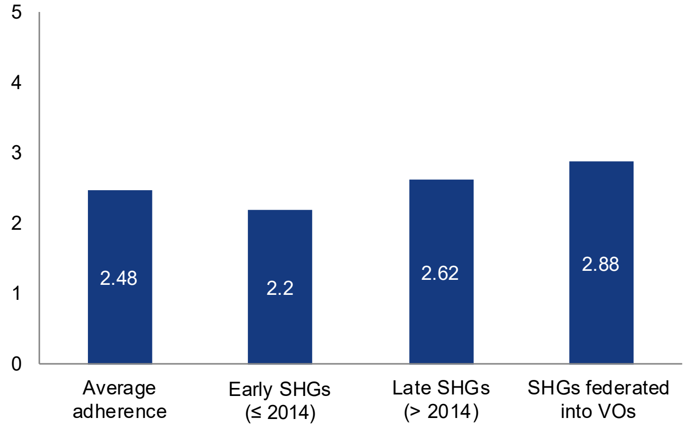
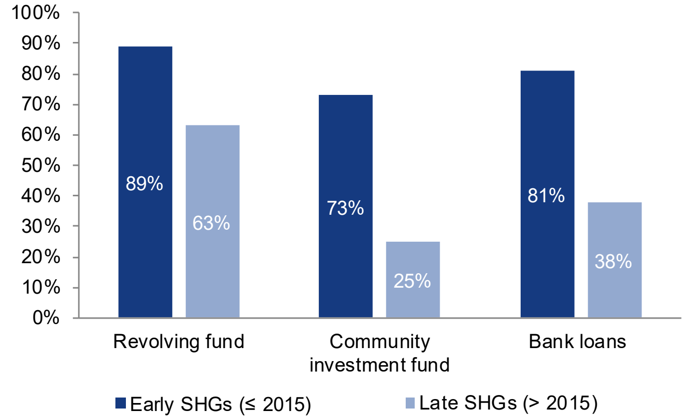


Figure 4: Resources accessed at time of survey

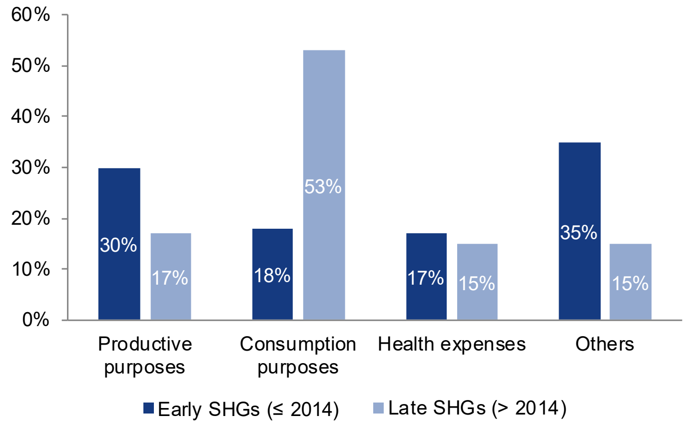


Factors affecting internal lending – amounts, usage and equity: Older SHGs lent larger amounts to fewer members. In the 12 months preceding the survey, younger SHGs gave loans to almost three times as many members as older SHGs. On the flipside, the average amount of loans disbursed was three times higher in older SHGs (INR12,824) compared to younger ones (INR4,238). Further analysis found that while loan amounts increase with age, the effect tapers off with time. However, federation into a VO results in a significant increase in borrowing from SHGs over time. Members of older SHGs spent more on production and other expenses,[3] while those in younger SHGs spent more on consumption (Figure 5).

Younger SHGs provided loans more equitably: While the average SHG comprised 11 members, data show that two members generally received 40% of the total loans disbursed by the group – nearly three times that of the two members receiving the least amount (14%). This inequity increased with SHG age, with the lowest quintile accessing 16 per cent of loans among younger SHGs, compared to 10 per cent in older ones. Similarly, inequity was higher in federated SHGs, with unfederated SHGs lending 19 per cent to the bottom quintile, compared with 12 per cent among SHGs federated into VOs and CLFs. Again, it is logical that age and federation have correlated outcomes, as older SHGs are more likely to be federated. The overall impact of the programme will depend on offsetting the availability of more funds with equity in loan distribution.

SHGs continue to have technical and community cadre constraints: The programme built the capacity of SHG members through trainings, and promoted select members to a 'community cadre' to scale and sustain operations. There is a need to expand the reach of trainings as only some members reported receiving training on foundational concepts stipulated upon SHG formation (18%). Similarly, many community cadre positions among the 759 VOs surveyed remain vacant.

Figure 5: **Loan utilization**



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Factors affecting convergence – linking members to government welfare schemes: Overall, 40% of SHGs reported convergence activities, of which older SHGs performed the best (48%), significantly ahead of younger SHGs (35%) and SHGs not federated into VOs (31%). At the VO level too, a high proportion of older institutions took up convergence activities (49%) compared to VOs not federated into CLFs (20%). It is unsurprising that federation and age positively impact convergence activities since these activities fall within the domain of VOs and CLFs, and older institutions are more likely to be federated.

Sustainability of SHGs: At the time of the survey, 8 per cent of all SHGs were defunct.[4] This rate was higher among older SHGs (10%) than younger ones (6%). Being federated significantly improved their sustainability, with only 4 per cent of SHGs federated into VOs becoming defunct. Such SHGs were mostly concentrated in the states of Maharashtra (18%) and Madhya Pradesh (29%). The sample for these states was drawn from some of the earliest implementation blocks, where members might not have received adequate benefits, as the programme was in its teething phase. Defunct SHGs were on average formed 61 months before the survey date in 2017. The survey also found that the top reasons for members leaving the oldest SHGs were old age or death (25%) and migration (21%).

Impact

Changes in household financial outcomes – income, savings, loans and expenditure: Households from the treatment villages where the programme was first implemented benefitted more than control villages, which waited an average period of 2.5 years before implementation began. Treatment households reported a 19 per cent increase in income over this period. These households also saved approximately INR17,000 more than control households, or a monthly average of INR570 over 2.5 years. These benefits translated into treatment households saving INR500 more than control households in SHG accounts, or an additional INR16 per month.

While amounts of outstanding loans were similar for treatment and control areas, loan amounts were highest where men had more education. Additionally, there were differences in borrowing sources. Programme exposure significantly reduced reliance on high-cost informal loans, whose average interest rate was 4 per cent per month. Of all households with outstanding debt, 32 per cent fewer treatment households reported taking out high-cost loans.

Longer programme exposure did not have any significant effect on average household expenditure, suggesting little impact on household welfare measures. However, there was a small but statistically significant improvement in the household food diversity index and a decline in the proportion of households reporting going hungry because of lack of resources. Being federated into a VO was found to have a strong positive effect on the number and value of productive assets owned by a participating household.

Changes in women's empowerment: The evaluation created two indices to gauge women's empowerment – their decision-making roles 'inside' the household, and their confidence levels 'outside' in dealing with local government officials and community leaders. The programme was found to have no significant overall effect on either of these indices.

However, deeper analysis showed that education and federation improved 'outside' outcomes. Pre-existing higher levels of confidence among more educated women were augmented with programme exposure, which is attributable to better community interaction and leadership opportunities available to them under the programme. Federation, too, improved the 'outside' confidence index but had no effect on 'inside' decision-making, which is closely related to women's' bargaining power within their homes.

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Recommendations

- Provide sustained training and mentorship to SHGs and federation to overcome local capacity constraints in underdeveloped areas.
- Re-evaluate existing indicators for assessing SHG quality and reassess criteria for the selection of women into leadership positions, so that these are suitable for SHGs and women from underdeveloped areas.
- Improve equity in loan distribution among SHG members.
- Improve quantity and quality of livelihoods activities, focusing on non-agricultural activities.
- Empower SHGs to adopt activities that are feasible within their local context, while adhering to a basic common framework.

About this brief

This brief was authored by Harsh Vardhan Sahni with inputs from Bidisha Barooah. He is solely responsible for all content, errors and omissions. The brief is based on an impact evaluation report by Anjini Kochar, Bidisha Barooah, Chandan Jain, Geeta Singh, Nagabhushana Closepet, Raghunathan Narayanan, Ritwik Sarkar and Rohan Shah, *Impact Evaluation of the National Rural Livelihoods Project*, published in 2020.

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Endnotes

[1] Unless specified, findings are drawn from seven states, excluding Bihar and West Bengal.
[2] Office of the Registrar General and Census Commissioner of India, 2011. Census of India 2011: Primary Census Abstract. New Delhi: Ministry of Home Affairs, Government of India. Available at: <https://censusindia.gov.in/DigitalLibrary/Tables.aspx>
[3] Including old debts, festivals and ceremonies, education, household durable assets, house repairs and jewellery.
[4] SHGs that were not functioning at the time of the survey, having completely ceased all operations.

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