

Enterprise survey:

Hand in Hand group's contribution to enterprise promotion and supporting jobs



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Preface & Acknowledgements

The “Enterprise Survey” was commissioned by Hand in Hand (Tamil Nadu). The main aim of the research was to estimate the **number of enterprises and therefore jobs supported** by Hand in Hand Group (Inclusive of Trust & NBFC) in Tamil Nadu, based on survey of SHG members in six districts.

The report of the study is organized as follows:

Chapter 1: introduces the study with background information, the hypothesis to be tested, the sampling selection strategy and presents the tools used for data collection and the methods for analysis. It also defines the key terms (like enterprise, family based enterprise, micro-enterprise and jobs) and explains the assumptions used for the study.

Chapter 2: analyses the profile of the SHGs and its respondents covered by the study. The analysis has been presented to provide an overall picture of the sample and also variations across two broad segments - (i) location and (ii) period of association.

Chapter 3: analyses the sources and usage of credit by respondents. Sources of credit include not only HIH/SBLP loans but also loans taken from other informal sources. Usage of credit is analysed on the basis of productive/non-productive usage, location (rural/urban), sector and purpose. The level of attribution of HIH in promoting the IGAs practiced by its borrowers is also analysed.

Chapter 4: presents research findings on employment generated through various activities promoted by HIH group. In the context of this study, jobs have been segregated as full-time, part-time and seasonal on the basis of a certain number of hours spent on an activity on a regular basis.

Chapter 5: presents the multipliers generated to estimate the number of enterprises and jobs supported by HIH/Belstar.

Micro Credit Ratings International Limited (M-CRIL) would like to convey its gratitude to HIH group for providing the opportunity to undertake this study. We appreciate the efforts of Mr R. Ashwin Kumar (Micro Enterprises + M&Es) in coordinating the study.

We are grateful for the support provided by the HIH Group personnel (in particular Ms Kalpana Sankar, CEO HIH group, Mr Badrinarayanan, COO, SHG-HIH TN, Mr Srinivasan Krishnaswamy, Strategist-HIH group, Mr Jeyaseelan, COO/Group and other field staff) in facilitating the overall research process.

Finally, thanks to all the respondents of the survey for their valuable time and without whose participation the survey could not be possible.

List of Abbreviations

Belstar	Belstar Investments and Finance Pvt Ltd
BPL	Below Poverty Line
FBE	Family Based Enterprise
FC	Fixed Capital
FGD	Focus Group Discussion
HIH	Hand in Hand
IGAs	Income generating activities
M-CRIL	Micro-Credit Ratings International Limited
ME	Micro-enterprise
MFI	Microfinance Institution
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Bank Finance Company
OBC	Other Backward Caste
PCT	Public Charitable Trust
RRBs	Regional Rural Banks
SBLP	SHG Bank Linkeage program
SC	Schedule Caste
SHG	Self Help Groups
ST	Schedule Tribe
TN	Tamil Nadu
WC	Working Capital

Synopsis

1 Background and research methodology

Hand in Hand (HIH) has been working in Tamil Nadu since 2002, with interventions in elimination of child labour, SHG formation, linkage and financing, creation of enterprises including citizen centre enterprises, health and environment. This study was commissioned by HIH group (Inclusive of HIH Trust & NBFC Belstar) assess its contribution in creation/support of micro-enterprises and thereby jobs, as a result of HIH's microfinance and micro-enterprise interventions. The study sought to estimate number of borrowers who have taken loan from HIH group or under SHG Bank Linkage Programme (SBLP) for starting or strengthening different types of business activities/enterprises and the number of jobs supported by these enterprises (inclusive of the borrower-entrepreneur).

The microfinance operations of HIH Group is active in 17 (out of 32) districts in Tamil Nadu and in Pondicherry. While HIH is operational in 8 districts of Tamil Nadu, Belstar is operational in 5 districts of Tamil Nadu and in Pondicherry. The other 4 districts are assigned to special projects microfinance programmes. Though the group works in other states viz., Madhya Pradesh, Karnataka, Maharashtra and Odisha, for the purpose of this study, these districts and special projects districts have been excluded. The total outreach of HIH in the selected districts was 51,766 SHGs with 741,511 members (as on 31 March 2012). However, since this study focussed on creation of enterprises and jobs through provision of credit, SHGs below age of six months (as unlikely to have received loans) & those who received only non-Grameen loans were excluded for sample selection. Therefore, 47,614 SHGs (adjusted outreach) formed the basis for the estimation of enterprises and jobs supported.

For the purpose of the study, the following key definitions were used

- An enterprise was defined as any income generating activity which did not involve employment by another person/ agency.
- Enterprises were categorized as Family Business Enterprise (FBE) up to Rs. 50,000 and Micro-Enterprise (above Rs. 50,000), as per HIH's norms.
- Jobs were segregated as full-time, part-time and seasonal on the basis of a certain number of hours spent on an activity on a regular basis (minimum 180 days in a year). A job supported was assumed as **full-time** if it provided work for an average of 4 hours and above per day on a regular basis. **Part-time** job provided work for an average of less than 4 hours per day on a regular basis. There are activities that are seasonal in nature and require hiring of labour (such as agriculture) depending on need. Job supported through such activities were categorised as **seasonal**.

Some assumptions were made for the purpose of calculation of enterprises and jobs supported.

- Since SHG member utilize credit from HIH/Bank for one or more IGA, each activity was counted as a separate enterprise supported/promoted by the HIH group.
- Activities undertaken by several group members together were treated as a single enterprise with multiple job creations, to avoid double counting.
- Full-time = ½ Part-time; seasonal jobs were analysed separately.

The Key hypothesis guiding the study was

“The credit facility provided to SHG members through HIH/Belstar and under SBLP has been used by majority of the members for promoting existing or new income generation activities. These activities have resulted in employment opportunities for both household members as well as outsiders”.

The hypothesis was addressed through a survey of SHG members/borrowers of HIH and Belstar in Tamil Nadu. Stratified random sampling was used to arrive at a sample of 400 borrowers per district in 6 selected districts of Tamil Nadu (calculated at a confidence level of 95% & margin of error of 7%). The sample was stratified at three levels (i) region - 3 operational locations each of HIH & Belstar, (ii) geographical location (rural/urban) with each selected region & (iii) age of SHGs (0.5 to 2 years, 2 to 4 years and more than 4 years). The respondents selected from the SHG members were those who had received at least one loan from either HIH group/SBLP.

The study was conducted in six selected regions – Kanchipuram, Salem & Trichy under HIH and Coimbatore, Pondicherry and Vellore under Belstar operational areas. Overall 2,558 respondents from 330 SHGs were interviewed, representing 52% of the overall membership of those SHGs. FGDs were used to collect group level information, and discuss characteristics of group enterprises. Household level information and details of individual/ family-run enterprises was collected through one-on-one interviews.

While the main objective of the study was to estimate the overall contribution of HIH in enterprise and job creation, the research team expected some variations in numbers across level of stratification discussed above. Therefore analysis has been done to capture variations across

- Geographical location - rural and urban/semi-urban
- Age of association of respondents with HIH - 0.5 to 2, 2 to 4 and >4 years

2 Respondent profile

Respondent profile is quite varied:

- 71.5% are based in rural locations and the rest in urban areas.
- Nearly 40% each have been associated with HIH for 0.5-2 years and 2-4 years, while 20% have been associated for > 4 years.
- 85.1% have single IGA, 9.8% have multiple IGAs and 5.1% have not used the loans for any income generating activity.
- Among those who practice single activity 2.2% are engaged in group enterprise while 97.8% have one IGA.
- In case of those engaged in multiple activities, 94.4% have two IGAs, and 1.2% respondents are involved in group activity plus one additional individual IGA, others have three or more activities.

About 79.8% of enterprises supported are FBEs and 20.2% are MEs. Across both types of enterprises the rural-urban ratio is approximately 70:30. A larger proportion of FBEs (40.8%) compared to 27.9% of MEs have respondents associated with HIH for a short term (< 2 years), while. Also, a high proportion of both FBEs (79.4%) and MEs (85.8%) are the only activities in which the respondents are engaged, although a much higher proportion of respondents are engaged in multiple FBEs, than in multiple MEs, as the latter are more time and effort intensive, leaving little scope for engagement in other activities.

Analysis of social profile of respondents indicate that

- A high mid-range proportion of 37.1% between 30-40 years and 29.3% between 40-50, while 21.6% were between ages 18-30 and 12% above 50.
- Around 89.3% women are married, 0.9% never married and 9.8% are separated, divorced or widowed.
- Caste composition of the sample is in keeping with HIH's target, with 85.4% outreach to backward communities, and >50% from BPL households.
- Literacy level of the sample is comparable with the Tamil Nadu level of 80.3%.
- The average household size is 4.07 members - including 2.05 males and 2.02 females, comparable to the state average of 4.4 members. The average number of adults per household is 2.81 members, while average working members per household is 2.29 members due to some adult children still attending college.

3 SHG profile, access to loans and productive usage of loans availed

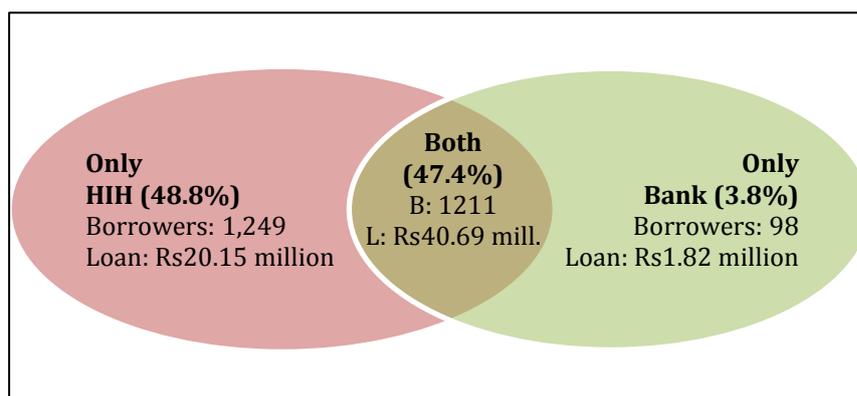
From the 330 SHGs surveyed the following has been analysed which are further used in estimating HIH's contribution

- About 91.62% members of these groups had received loans and 8.38% members had never received loans
- 52.35% had outstanding loans at the time of interview. Given that some of the members had not used their loans for productive purposes, the average proportion of members who had (i) received loans & (ii) used them productively was calculated to be 86.96%.
- This varied negligibly between rural and urban areas, but significantly with period of association with HIH/ Belstar (80.8% for 0.5-2 years association as opposed to 92.28% for >4 years association), indicating that those who remain associated with the program for longer are likelier to be using loans availed for productive purposes.

4 Credit sources

The selection of the respondents for interviews was done only if they had received credit from HIH group or under SBLP. Therefore, for all respondents, HIH and bank (one of them or both) was a common source of credit. Analysis of credit uptake by the respondents shows that

- Overall Rs68.1 million worth of loan was borrowed by 2,558 respondents - with some of them having loans only from HIH, some only from bank and some from multiple sources (various combinations of HIH, bank and other sources).
- 96.2% had taken loans from HIH/ Belstar group, 51.2% had loans from banks (under SBLP) and 9.0% had additional loans from other sources apart from HIH/SBLP.
- Since all respondents had borrowed at least one loan either from HIH or under SBLP, the overall contribution of loans borrowed from these sources was high at Rs62.66 million (92.1% of total amount borrowed) - shown in the Venn diagram below



Almost 48.8% respondents had availed credit solely from HIH/Belstar and 3.8% solely from bank linkage, while 47.4% had availed credit from both sources. The proportion of respondents who had obtained credit from HIH group remained roughly constant across age categories. But the proportion of respondents taking credit under SBLP showed an increase with period (no. of years) of association. This is because the minimum period for credit under SBLP is 6 months. No major pattern is noticed in credit usage based on number of activities practiced by the respondents, except that a higher proportion of those involved in multiple activities had obtained loans from both HIH & bank. About 45% of the respondents who were doing a single activity had loans from both sources in contrast to nearly 70% of the respondents who were practising multiple activities – an expected finding considering their greater funding needs.

In terms of number of loans borrowed (from either HIH, bank or both) 28.3% respondents had one loan, 27.8% had 2 loans, 19.3% has three loans and 24.6% had four or more loans. However, in terms of amounts borrowed, 10.6% was lent to respondents with one loan while 21.1% was lent to those with 2 loans, 24.3% to those with three loans and a 44.0% with those with four or more loans. The contribution of HIH to overall loans disbursed was 72.4% and that of bank was 27.6%.

Among those who had loans from other sources, more than 2/3rd had internal loans from SHGs which is understandable as the respondents were members of SHGs and inter lending from SHG savings is a common practice. Around 1/4th of the respondents had also obtained loans from moneylenders, which shows that for some members, loans from HIH/SBLP were not sufficient to fulfil their needs. However, in terms of amount of loan borrowed, the contribution of moneylenders was around 60% while of SHGs was 20% indicating that members were able to access higher value loans from moneylenders.

5 Attribution - HIH/bank credit to enterprise promotion

While credit from HIH group and those facilitated under SBLP are meant for enterprise and job creation, HIH does not claim exclusivity to it. HIH very well understand that the members associated with it may have borrowed money from other sources or used their own savings for investing in activities in which HIH also has a contribution. Analysis indicates that

- Among the respondents who had borrowed from both HIH & bank (also indicating multiple loan) just 3.4% had to borrow from external sources. However, among respondents borrowing solely from HIH around 15% borrowed from other sources.
- Overall around 9.0% had to borrow apart from HIH/SBLP, of which a major contributor was the SHG internal loans (~6.0%)
- Further, the credit provided through HIH/bank is meant for usage in IGAs and it is expected that the respondents would have used the money in investing in their enterprises. The contribution of HIH/bank loan in supporting enterprises of respondents was found significant.

The study team is of the view that the credit provided directly by HIH group and under SBLP has made a significant contribution in supporting the IGAs of the respondent households (in relation to total current investments & also in the context of credit source from other sources).

6 Credit Utilization

Out of 2,558 respondents, 130 respondents did not use the loan received from HIH group and/or Bank for any productive purpose. This is about 5.1% of the sample.

Even among the 2,428 respondents who used the loan for IGA, not all of them used the entire loan for productive purposes. Money is fungible and the borrowers tend to use money for their immediate needs, which may include investment needs in their IGA as well as household needs. Among these borrowers, about 9.6% of the borrowed amount was spent for consumption purposes.

In terms of overall loan amount, about 13.7% of the total borrowings are used for non-productive purposes. For borrowings from HIH this proportion is lower at 9.9% while for bank borrowings this significantly increases to 23.6%.

Usage based on sector

There are no significant differences in use of credit from HIH or under SBLP for different activities and loan utilization indicates a widely diversified portfolio between agriculture, allied, industry, services and trading activities. The proportion of HIH loans used solely for agriculture activity (4.9%) is much less than that of bank linkage (12.9%). FBEs account for 85% of service, 83% of allied, 80% of trading, 76% of agriculture, and 67% of production based activities respectively. It clearly indicates that production based activities require greater level of investment (due to requirement of plant/machinery and a higher working capital) and therefore a higher proportion of MEs in comparison to other sectors.

Usage based on purpose

HIH intends to promote IGAs of the members associated with them by providing them access to credit. In most of the cases HIH was basically supporting the existing IGAs of the members but in some cases new enterprises were also created. Survey indicates that more than half of the IGAs in which the respondents are engaged were self-initiated while around 1/3rd were traditional in nature (practiced by the household for several generations). About 1/10th of the IGAs were established based on the suggestion of HIH group.

For the purpose of this study, the activities promoted were classified as new and existing on the basis of years of engagement on a particular activity. Therefore, all activities in which the period of engagement was less than 3 years was classified as “new” and those above 3 years were classified as “existing”. It is clear from the analysis that nearly 3/4th of the supported enterprises were established more than 3 years ago and 1/4th of them are younger. However, the proportion of existing MEs supported (89.4%) was much higher in comparison to FBEs (68.4%).

Usage based on activity status

HIH had supported various activities of its members. Around 97.4% of the activities in which the sample respondents were engaged are operational and only 2.6% have become inactive. Further analysis indicates that a high proportion (86.8%) of the enterprises that have become inactive were FBEs.

There is no significant variation in the survival rate of enterprises across locations but the proportion of inactive enterprises increases with the period of association. This is mainly because the younger members have made fresh investments into their IGAs and take greater effort to ensure its sustainability. As the years of association increases, the respondents are able to realize better weather a particular activity can be run profitably or not.

Non-productive use

It is apparent from the research that not all clients use credit for productive purposes. Similarly it is also not necessary that the entire amount of loan is used productively. Borrowers tend to use money to meet their immediate financial needs which is usually a combination of household requirements and business investment needs.

Analysis of the consumptive use of Rs8.57 million out of Rs62.66 million loan provided to the sample respondents by HIH group and under SBLP indicates that

- Nearly 2/3rd of the amount was used for general household expenses (like utility bills, grocery etc.) and nearly 1/4th was spent on children education.
- Apart from this the other main uses were in housing (including house construction, repairs and renovation) and on medical expenses.
- Some respondents also used it for clearing debt from other sources.

7 Employment creation

Out of 2,558 respondents, 2,428 had fully or partially utilized credit to establish 2,659 enterprises, from which 4,863 jobs were supported. Of these, 1,639 represented jobs for males and 3,224 for females (mainly because women receive the credit and are therefore counted as the key entrepreneur). About 74.2% jobs were for household members including borrowers, though females outside the family obtained a high proportion of 15.7% of overall jobs as opposed to 10.1% males outside the family, indicating rising empowerment levels.

FBEs have contributed in support of 1.65 jobs each (71.9% for females of which 56.2% for within the household and 28.1% for males, of which 21.6% within the household), leading to a total of 3,502 jobs. Analysis of these jobs based on location reveals that jobs supported for outside women in urban areas is 43.9%, much lower than in rural areas (74.2%). Jobs supported per FBE were higher in rural than in urban areas. Number of jobs to outsiders increased as the number of years of entrepreneur-borrower's association with HIH grew – from less than 10% for < 2 year vintage to over 28% jobs to outsiders for those with >2 year vintage.

Total of 1,362 jobs was supported through establishment of 537 MEs by 547 respondents. Jobs supported per MEs are greater than FBEs at 2.54, given the larger scale of these businesses (51.9% for females of which 36.2% within the household and 48.1% for males of which 28.9% within the household). This shows a higher skew towards male employment, probably based on skill requirement. About 71.6% jobs supported for outsiders in urban areas were for males, in comparison to 48.6% for male outsiders in rural areas. The ME jobs for outsiders were maximum for those entrepreneur-borrowers with vintage 2-4 years, at around 40%, as opposed to 28% for other vintage brackets. This is probably because of the “growth phased of MEs” represented by the 2-4 year age bracket.

Overall, 1,356 seasonal jobs were also supported by 2,659 enterprises covered by the study. Around 0.467 seasonal jobs were supported per FBE and 0.678 per ME. About 3/4th of the seasonal jobs were supported for outsiders. Seasonal jobs supported for outsiders in MEs (78.6%) were slightly higher than in FBEs (71.7%). Among the household members engaged in seasonal jobs, a very high proportion of men was involved (>85% in FBEs and >94% in MEs). Number of seasonal jobs per enterprise (FBE or ME) was much higher in rural than in urban areas. The number of seasonal jobs supported per enterprise increases with the borrower vintage, especially for MEs, indicating growth of enterprises across the years.

8 Generating multipliers

The main purpose of this research was to estimate the total jobs supported by the enterprises promoted by loans of HIH group. Since the jobs would be supported only when a borrower utilizes the credit for productive purposes,

- The **first step** was to estimate the number of borrowers who use loans for productive purposes. At the same time it was essential to understand the proportion of members who actually get loan (from HIH group/SBLP) in order to extrapolate the results to the overall population. It is to be noted that there are some SHGs that are yet to receive loan and among SHGs with loans it is not necessary that all members have received credit.
- The **second step** was to understand the proportion of borrowers (who receive credit & have utilized it for productive purposes) who have utilized credit in FBEs and/or MEs based on level of investments.
- The **third step** was to assess the number of people engaged in these enterprises on a full-time, part-time or seasonal basis to estimate the jobs supported.
- However, not all enterprise and jobs promoted/ supported were sustained at the time of survey. So the **fourth step** was to assess the enterprise turnover to estimate the proportion of enterprises & therefore jobs that are still sustained.
- The **final step** was to use the multipliers generated in each of the four steps to generate an overall multiplier linked to the membership base of HIH to estimate the total numbers of enterprises and jobs supported & HIH's achievement in the context of creating 1.3 million jobs by 2013.

The table below capture the multipliers generated and analyses the contribution of HIH group in creating enterprises and jobs.

Formula	Description	Overall
a	Total SHGs promoted	51,766
b	Total members (as on 31 March 2012) in 17 districts of TN (as on 31 March 2012 in 13 study districts of Tamil Nadu & in Pondicherry)	741,511
c	% of SHGs that have received Grameen loans (adjusting for SHGs of age <6 months & SHGs with only non-Grameen loans)	92.0%
d=c*b	Total number of members in such SHGs	681,902
e	Multiplier 1 % of members who receive loan & use it productively	87.0%
f=e*d	Therefore, estimated no. of members who have received loans & have used it productively for IGAs	592,982
g	Multiplier 2 % of respondents who have used loans for investing in FBE	79.8%
h	Number of FBEs per respondent (who have invested in FBEs)	1.10
i=g*f	Therefore, Number of members supported to establish FBEs	473,067
j=i*h	No. of FBEs promoted/supported	518,249
k	Multiplier 3 Number of jobs supported per FBE	1.65
l	Seasonal employment per FBE	0.47
m=k*j	Total FBE jobs supported	855,282
n=l*j	Seasonal FBE jobs supported	242,273

Formula	Description	Overall
o p q=o*f r=q*p	Multiplier 4 % of respondents who have used loans for investing in ME Number of MEs per respondent (who have invested in MEs) Therefore, Number of members supported to establish MEs No. of MEs promoted/supported	22.5% 0.98 133,592 131,150
s t u=s*r v=t*r	Multiplier 5 Number of jobs supported per ME Seasonal employment per ME Total ME jobs supported Seasonal ME jobs supported	2.54 0.68 332,637 88,898
w x=w*j y=x*k z=x*l aa ab=aa*r ac=ab*s ad=ab*t	Multiplier 6 % of FBEs that are still sustained Therefore, Number of sustained FBEs Total FBE jobs supported that are still sustained Seasonal FBE jobs supported that are sustained % of MEs that are still sustained Therefore, Number of sustained MEs Total ME jobs supported that are still sustained Seasonal ME jobs supported that are sustained	97.2% 503,840 831,501 235,537 98.3% 128,952 327,062 87,409
ae=m+u af=b/ae ag=n+v ah=b/ag ai=y+ac aj=b/ai ak=z+ad al=b/ak	Overall multiplier for jobs creation Total jobs (FBE+ME) Total jobs multiplier Additional seasonal jobs (FBE+ME) Seasonal jobs multiplier Total sustained jobs (FBE+ME) Total sustained jobs multiplier Additional sustained seasonal jobs (FBE+ME) Seasonal sustained jobs multiplier	1,187,918 1.60 331,171 0.45 1,158,563 1.56 322,945 0.44

9 Conclusion

It was therefore ascertained that every member associated with HIH is able to support 1.60 jobs of which 1.56 jobs were sustained. As on 31 March 2012, the total jobs supported by HIH was around 1.19 million through 0.65 million enterprises. Additional jobs supported were 0.33 million that were seasonal in nature.

The total jobs that were still sustained was around 1.15 million through 0.63 million enterprises. Additional jobs supported that were still sustained were also 0.32 million.

HIH has set itself a goal of supporting 1.3 million jobs by 2013-14. The study estimates support to 1.16 million jobs which mean that **HIH has achieved 89.1% of its target by 31 March 2012 and is well placed to achieve its goal.**

Chapter 1

Introduction

1.1 Background

Hand in Hand (Tamil Nadu), is a not for profit organisation registered as a Public Charitable Trust (PCT) in Tamil Nadu, India since 2002, with a development focus. Its initial activities focussed on child labour elimination, education and empowerment of women. Over the years, HIH has expanded its intervention across several sectors to provide integrated services to the communities in its operations areas. It has coined its approach as five pillar programme that includes

- i. Child Labour Elimination Programme
- ii. Self Help Groups (SHG)/Women Empowerment Programme
- iii. Citizen Centre Enterprises Programme
- iv. Health Programme and
- v. Environment Programme

The vision, mission and goal of HIH is

Vision: To alleviate poverty through job creation and integrated community development

Mission: To work for the economic and social empowerment of women, by promoting enterprises and jobs through an integrated development approach that creates sustainable communities

Goal: To support 1.3 million jobs by 2013-14

The microfinance programme of HIH evolved through the evaluation of their work in various development projects and a study undertaken by them for the Mahalir Thittam programme on SHG promotion. HIH realised that the development projects cannot be handled in isolation and required livelihood and economic development for a larger impact. This led to HIH's first step towards developing its microfinance programme in end-2004 with the formation of SHGs and linking them with banks for credit. At present, the microfinance programme of HIH is being implemented by two entities, HIH and Belstar Investments and Finance Pvt Ltd (Belstar) – a Non-Bank Finance Company (NBFC) which was acquired in 2009-10 for providing specialized financial services to the SHGs formed by HIH. The operational areas of HIH and Belstar are non-overlapping but both the entities are guided by a common vision of alleviating poverty through job creation.

Since HIH is into its eighth year of providing credit for supporting income generation activities, it plans to look back and assess its contribution in promotion of micro-enterprises and as a result job creation. This study has been commissioned by the "Monitoring & Evaluation and Micro-enterprise Division" of HIH to conduct a survey of its beneficiaries to measure its contribution in enterprise & job creation. It is expected that this study will be a regular year-on-year process to track the contribution in enterprise creation and thereby relooking at achievement of HIH's goal of creating 1.3 million jobs by 2013-14.

Objectives and scope of research

The objective of the assignment was to

Estimate the **number of enterprises and therefore jobs supported** by Hand in Hand Group (Inclusive of Trust & NBFC) in Tamil Nadu, based on survey of SHG members in six districts

The survey was done to ascertain the **number of**

- i. Borrowers who have taken loan from HIH group or under SHG Bank Linkage Programme (SBLP) for starting and/or strengthening IGAs
- ii. Family based enterprises (FBEs) established/strengthened by borrowers
- iii. Jobs supported by FBEs (including the entrepreneur)
- iv. Micro-enterprises (MEs) established/strengthened by borrowers
- v. Jobs supported by MEs (including the entrepreneur)

The working definitions of FBE, ME and jobs are discussed in the following sub-section.

1.2 Research environment

The HIH group is operational in 17 (out of 32) districts of Tamil Nadu and in Pondicherry. While HIH is operational in 8 districts of Tamil Nadu, Belstar is operational in 5 districts of Tamil Nadu and in Pondicherry. The other 4 districts are assigned to special projects microfinance programmes. Though the group works in other states viz., Madhya Pradesh, Karnataka, Maharashtra and Odisha, for the purpose of this study, these districts and special projects districts have been excluded. The estimation of number of enterprise and jobs supported are based on HIH group's operations in 13 districts of Tamil Nadu and Pondicherry. **Table 1.1** presents the spread of HIH group's operations across Tamil Nadu.

Table 1.1: Geographical spread of HIH group's operation (as on 30 November 2011)

Zones	Assigned to	No. of SHGs	Members
North: 8 districts			
Kanchipuram	HIH	7,350	104,448
Thiruvallur	HIH	3,095	43,370
Viluppuram	HIH	3,179	55,059
Thiruvannamalai	Belstar	2,106	31,436
Vellore	Belstar	3,553	52,171
West: 6 districts			
Coimbatore	Belstar	1,775	23,461
Erode	Special projects		
Coastal Central: 5 districts & Pondicherry			
Cuddalore	Belstar	1,978	30,775
Thiruvarur	Belstar	1,333	21,177
Pondicherry	Belstar	1,752	26,886
Central: 8 districts			
Namakkal	HIH	1,518	19,689
Salem	HIH	2,163	29,244
Tiruchirapalli	HIH	2,575	35,377
Sivaganga	Special projects		
South: 5 districts			
Thoothukudi	Special projects		
Virudhunagar	Special projects		
Total (15 out of 32 districts & Pondicherry)		32,377	473,093

Within each district HIH/Belstar operation areas are sub-divided into regions & branches. While most districts are treated as a region, there are three districts having multiple regions - Kanchipuram (*Chengalpattu, Kancheepuram, Madurantakam and Sriperumbudur*), Thiruvallur (*Thiruvallur 1 and 2*), Vellore (*Kaveripakkam & Vellore*). **Table 1.2** shows the regional break-up of outreach.

Table 1.2: Regional break-up of outreach (as on 30 November 2011)

Regions	No. of SHGs	Members
HIH		
Chengalpattu	1,769	24,928
Kancheepuram	2,081	30,641
Madurantakam	1,989	29,010
Namakkal	1,518	19,689
Salem	2,163	29,244
Sriperumbudur	1,511	19,869
Tiruvallur 1	1,509	21,285
Tiruvallur 2	1,586	22,085
Trichy	2,575	35,377
Viluppuram	3,179	55,059
Sub-total	19,880	287,187
Belstar		
Coimbatore	1,775	23,461
Cuddalore	1,978	30,775
Kaveripakkam	1,745	25,483
Pondicherry	1,752	26,886
Tiruvannamalai	2,106	31,436
Tiruvarur	1,333	21,177
Vellore	1,808	26,688
Sub-total	12,497	185,906
Total	32,377	473,093

1.2.1 Estimating HIH group's outreach in Tamil Nadu

As on 31 March 2012, the outreach of HIH group in the study districts increased to **51,766 SHGs and 741,511 members**. This has been used as the base numbers for the estimation of enterprise and jobs supported by end-year 2012.

HIH defines members as clients who have been receiving support not only through credit facility (from HIH & Belstar) but also through other pillar activities. So even if clients who do not currently have a loan outstanding but are receiving other services are considered as active members. Further, such members are also regularly participating in group activities and are likely to receive loans in future.

However, since this study focussed on creation of enterprises and jobs through provision of credit, the following aspects were considered for **estimating the adjusted outreach of HIH group in Tamil Nadu**.

- All new groups formed by HIH are linked to a local bank (by opening SHG account) under the SHG Bank Linkage Programme (SBLP). SBLP is an integral part of HIH's strategy to provide access to credit to its members. The groups generally become eligible for loans under SBLP after six months of regular savings and internal lending. HIH/Belstar also generally provides loans to new group members after 3 months.

Therefore, it was assumed that SHGs (& its members) of age below six months have not received loans and will not contribute to creation of enterprises & jobs.

- In addition to the standard Grameen loan product (summarized in **Box 1.1**) of HIH/Belstar which is meant for supporting income generation purpose there are other loan products as well which focus on meeting household consumption need. This includes sanitation, education and pregnancy loan. There are SHGs that have received only non-Grameen loans from HIH and no loans under SBLP. Since such loans will not contribute to creation of enterprise and jobs, it is important to exclude from the overall outreach numbers for accurate estimations.

Box 1.1: Grameen loan product of HIH group

HIH/Belstar provides credit to SHG members through a standard loan product. At present the maximum limit for the 1st cycle loan is Rs7,500, 2nd cycle Rs10,000 and 3rd cycle Rs15,000. This has been revised from the earlier limits which were Rs5,000, Rs7,000 and Rs10,000 respectively. None of the members have received more than the maximum amount fixed for the 3rd cycle loan even if they have received loans more than 3 times (in a very few cases).

Table 1.3 captures the adjusted outreach of HIH group in Tamil Nadu after excluding SHGs of age below 6 months and SHGs who have received only non-Grameen loans.

Table 1.3: Adjusted outreach of HIH group in Tamil Nadu (31 March 2012)

	No. of SHGs
SHGs of age <6 months (based on HIH database: 7.1% SHGs unlikely to have received loans from HIH/SBLP)	3,666
SHGs with non-Grameen loans (based on field survey: about 1.5% SHGs had received only sanitation, education and pregnancy loans)	486
Sub total	4,152
Total outreach of HIH group	51,766
Adjusted outreach of HIH group	47,614

The total adjusted number of SHGs 47,614 will be used for estimating the contribution of HIH group in creating enterprises and jobs.

1.2.2 Key definitions and assumptions used for the study

The study involved estimation of enterprises and jobs supported. HIH considers two categories (FBE and ME) of enterprises promoted by them, based on the level of investment. The following functional definitions were used for the study.

Enterprise: An enterprise is defined as any income generating activity that does not involve employment under another person.

In the context of target segment (low income families in rural/urban areas) of the HIH group, it is observed that households generally practice a gamut of income generating activities for sustaining their families. For example the primary source of income for an agricultural household is agricultural produce but the households also earn some income through allied

activities like dairy and poultry. Some households are also able to progress from basic IGA and establish micro-enterprise that involves a higher investment of capital.

For an SHG member, credit is a source of investment in their existing or a new IGA. It is likely that credit obtained in one cycle is used for single or multiple activities in which the household is involved. It is also likely that loan taken in one cycle is used for a particular activity but the next cycle of loan is used for another activity. Information has been collected from respondents on all IGAs (single or multiple) in which the credit obtained from HIH/Bank has been utilized fully or partially. Therefore, all IGAs (existing or new) for which the borrower has utilized credit have been assumed to be supported by the HIH group and taken into account for estimation of number of enterprises & jobs promoted.

Assumption 1: Since SHG member may utilize credit from HIH/Bank for one or more IGA, each activity has been counted as a separate enterprise supported/promoted by the HIH group.

Enterprises were categorised into FBEs and MEs according as the current levels of total investment including investment in fixed capital (FC) and working capital (WC). But for activities that were discontinued, the categorisation was based on investment level when they became inactive. WC represents the operational liquidity available to a business & is basically the money invested by the ME to carry inventory and receivables. Technically, Net working capital = Current assets - Current liabilities. Typically, (for MEs) current assets include accounts receivables and inventory while current liability includes accounts payables.

Family Based Enterprise: are enterprises having capital investment of up to Rs50,000

Micro-enterprise: are enterprises with capital investment of more than Rs50,000. Ideally, such enterprises should provide job to at least 1 more people (part/full time) apart from the entrepreneur. However, for the purpose of the study the only differentiating factor between FBE and ME is the current level of capital investment.

Assumption 2: While most members use loans individually, in some cases the SHG members get together to establish a group enterprise. For such cases, even if all members of the group enterprise were interviewed, it was assumed that HIH has promoted one enterprise to avoid multiple counting. For estimating employment generated through such enterprises, one SHG member was considered as the main entrepreneur and other SHG members associated were considered as partners.

Job: Work has been defined in the Government Census as 'participation in any economically productive activity with or without compensation, wages or profit.' Such participation could be physical and/or mental in nature. This work includes supervisory work as well as direct participation in the work. In the context of this study, jobs were segregated as full-time, part-time and seasonal on the basis of a certain number of hours spent on an activity on a regular basis (minimum 180 days in a year).

A job supported was assumed as **full-time** if it provided work for an average of 4 hours and above per day on a regular basis. **Part-time** job provided work for an average of less than 4 hours per day on a regular basis. There are activities that are seasonal in nature and require hiring of labour (such as agriculture) depending on need. Job supported through such activities were categorised as **seasonal**.

Assumption 3: Workers associated with an enterprise (family members or outsiders) were counted as full-time, part time or seasonal on the basis of above definition.

However, the entrepreneur (SHG member who obtained loan for investment in an IGA) was counted as full-time job irrespective of level of participation in the activity, as she has made the investment and is the owner - also referred to as own account workers by ILO. But

- Even if the entrepreneur had made investments in multiple activities, the job supported was still counted as one full-time job.
- In cases, where investment has been made for male specific activities (like auto rickshaw) in which there are minimal chances of participation of SHG member, it has not been counted as a job supported for the member.

1.3 Approach and methodology

The study had following broad components

- Formulating research hypothesis and selecting appropriate tools/methods for collecting the required information/data for testing
- Selecting sample respondents that represent HIH group's operations in Tamil Nadu
- Conducting field research for data collection, followed by analysis of data for estimating HIH's contribution in enterprise and job creation.

1.3.1 Study hypothesis

The Key hypothesis guiding the study was

“The credit facility provided to SHG members through HIH/Belstar and under SBLP has been used by majority of the members for promoting existing or new income generation activities. These activities have resulted in creation of employment opportunities for both household members as well as outsiders”.

The hypothesis was addressed through a survey of SHG members/borrowers of HIH and Belstar in Tamil Nadu. **Table 1.4** lists out the broad research questions that were covered by the study and the hypothesis tested. The broad research questions were used for designing the questionnaire for collecting information/data from the borrowers for further analysis.

Table 1.4: Broad research questions

	Broad Research Questions	Hypothesis to be tested
1	What proportion of SHG members use credit for income generating activities? What proportion of the borrowers utilizes credit for – new activity, strengthening existing activity, investments in family based enterprise?	SHG members use credit for starting and/or strengthening income generating activities.
2	In enterprises, supported by HIH/Belstar credit services, who else are involved in running it apart from the entrepreneur?	Enterprises supported by HIH provide gainful employment particularly to women, and to other family members/ neighbourhood apart from the entrepreneur.
3	How many borrowers who have used HIH/Belstar credit services have been able to transform into a micro-enterprise and have been able to provide additional employment?	Some of the borrowers/entrepreneurs who used credit for income generation activity, over time were able to graduate their activity into a micro-enterprise.

1.3.2 Sampling

The sample size was decided at 400 borrowers each in the six selected districts of Tamil Nadu. Sample size was calculated at a confidence level of 95% and margin of error of 7%, as explained in **Annex 1**. The SHG sample selection was done using stratified random sampling. The stratification was done at following three levels

- i. Region: three operational areas each of HIH and Belstar.
- ii. Geographical location within selected districts: Location of SHGs within the selected regions (Rural, Urban/Peri-urban) to capture the geographical diversity. The ratio of rural:urban sample was taken at 70:30 as HIH and Belstar operate mainly in rural areas.
- iii. Age of SHGs (0.5 to 2 years, 2 to 4 years and more than 4 years): It is understood that micro-enterprise establishment happens after the borrower graduates from lower size loans to higher and it requires at least 3-4 years. The members of younger SHGs use the loan more in sustaining their livelihoods. Therefore the sample intended to capture this diversity to enable accurate extrapolation of numbers of enterprises and jobs supported.

The sample selection was done from the adjusted outreach of the HIH group in the selected regions (discussed in Section 1.2.1 above). For selection of respondent members from the selected SHGs the following facts were taken into account.

- The survey intended to understand how the loans from HIH/Bank were used for supporting enterprises and creating jobs. Therefore, only those SHG members were considered for sample selection who had **received at least one loan** for income generation purpose, irrespective of whether the loan was outstanding at the time of survey or not.
- SBLP is an integral part of HIH's strategy on providing access to credit to its members. Therefore, any group member who received loan from HIH or under SBLP was eligible for sample selection.
- The SHG members also obtain loans from their internal savings. However, usage of this money is solely decided by the group which may or may not be for productive purposes. Therefore, while HIH helps the group to manage the circulation of internal funds, it has no control over its usage. So, group members who have obtained loan only from internal sources (& not from HIH/SBLP) were not considered.

The study was conducted in six selected regions – Kanchipuram, Salem & Trichy under HIH and Coimbatore, Pondicherry and Vellore under Belstar operational areas. In all, 2,558 sample respondents from 330 SHGs were interviewed. This represents about 52% of the overall membership of those SHGs. **Table 1.5** shows the sample distribution.

Table 1.5: Sample distribution

Regions	No. of respondents	No. of SHGs
Kancheepuram	415	64
Salem	434	66
Trichy	457	53
Coimbatore	429	57
Puducherry	403	43
Vellore	420	47
Total	2,558	330

Profile of the sample respondents and SHGs is analysed in **Chapter 2**.

1.3.3 Information collection tools

The research team used the following data and information collection tools during the study

- **FGDs:** The study team conducted focus group discussions with available group members before the start of individual interviews to capture SHG level details like name of the SHG, establishment date, bank account number and branch, total membership and number of members with current loan outstanding and those who have never received any loans from HIH/Bank.

FGDs were also conducted with SHG members who have established a group enterprise to collect information on the enterprise. Such information was reported only in the survey form of one of the group enterprise member to avoid multiple counting. However, details of member's household were recorded separately for all respondents through individual interviews.

- **One-to-one interviews:** These were conducted with all the members of the sample SHGs (and falling within the criteria of selection discussed in Section 1.3.2) present at the time of survey. This was done to avoid any bias (as there may be members who are more entrepreneurial than others) in the sample and collect information related to enterprise creation – Questionnaire in **Annex 2**.

Table 1.6 summarises the group and individual details captured through FGDs and individual interviews.

Table 1.6: Types of information collected during the field survey

Group level(through a quick FGD)	Individual respondent (one-to-one interviews)
<p><u>SHG membership details</u> including:</p> <ul style="list-style-type: none"> - Name of the SHG - Date of establishment - Concerned HIH branch - Account number of group and bank branch - Total group members - Number of members having loan outstanding - Number of members who have never taken a loan (from HIH and/or Bank) <p>If entire SHG or some members of the group run a <u>group enterprise</u>, then information on:</p> <ul style="list-style-type: none"> - Number of members of the SHG involved in the group activity - All other details related to the enterprise (like employment to others, apart from SHG members & level of investment) 	<p><u>Location details</u> - district, block and rural/urban location of the respondent</p> <p><u>Respondent details</u> - age, marital status, caste, level of education and BPL status.</p> <p><u>Respondent household's details</u> - number (gender wise) of adults, children and working members</p> <p><u>SHG membership</u> - Date of association with the SHG and total number of loans obtained from HIH and/or SBLP</p> <p><u>Credit details & usage</u> - loan amount obtained in different cycles from HIH/Belstar and its use (specific purpose like investment in a particular IGA or for household need).</p> <p>Depending on the nature of use, the usage was categorized as starting new FBE, strengthening existing FBE, starting new ME, strengthening</p>

Group level(through a quick FGD)	Individual respondent (one-to-one interviews)
	<p>existing ME and consumption. If the loan was used for any IGA, the status (ongoing or discontinued) of the activity was recorded.</p> <p>Loans from bank & other sources captured separately and similar details were recorded.</p> <p><u>Enterprise details of all activities for which loans from HIH/Bank was utilized-</u> description of the activity to enable its categorization into sector (<i>agriculture, allied, industry, services or business & trading</i>); years of engagement of the respondent, how the activity was started, numbers (<i>gender wise</i>) of family members & outsiders engaged on a full-time, part-time or seasonal basis and estimation of the current level of capital investment (<i>fixed & working</i>) in the activity to categorize it into FBE or ME.</p>

The information collected have been analysed and presented in the following Chapters, leading to an estimation of contribution of HIH group in enterprises and jobs creation.

Chapter 2

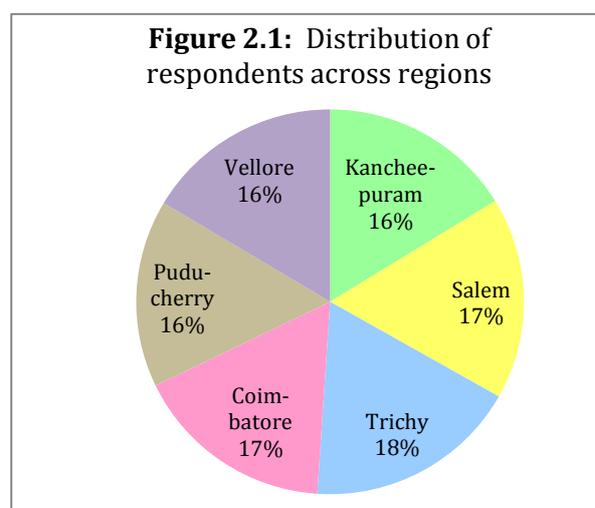
Study coverage and profile of respondents

This chapter analyses the profile of the SHGs and its respondents covered by the study. There is some information which was collected at the SHG level and others at the member level for understanding the proportion of members who receive loans and use it productively. This was also the first objective of the study and the starting point for estimating other numbers. The chapter also examines the socio-economic profile of the respondents and the category of IGAs (FBE and ME) practiced by them. The analysis has been presented to provide an overall picture of the sample and also variations across two broad segments - (i) location and (ii) period of association.

2.1 Broad segments for analysis

The study covered 2,558 respondents representing 330 SHGs. The respondents were spread proportionately across the six selected operational regions of HIH and Belstar. **Figure 2.1** shows the distribution of sample in the selected regions.

As discussed in Chapter 1, the distribution of the sample also ensured geographical representation of HIH's operational areas. About 71.5% of the respondents were based in rural locations while 28.5% were from urban locations.



The selection of SHGs also took into account the period of association (as on 30 November 2011) with HIH group - as shown in **Table 2.1**. It was assumed that members of younger SHGs would have mainly used credit for their FBEs while the older ones after taking a few cycles of loans would have been able to expand into ME and invested in it. Nearly 40% of SHG/respondent's association with HIH was 0.5-2 years or 2-4 years and about 20% were associated for more than 4 years. This also broadly represents the age profile of the SHGs.

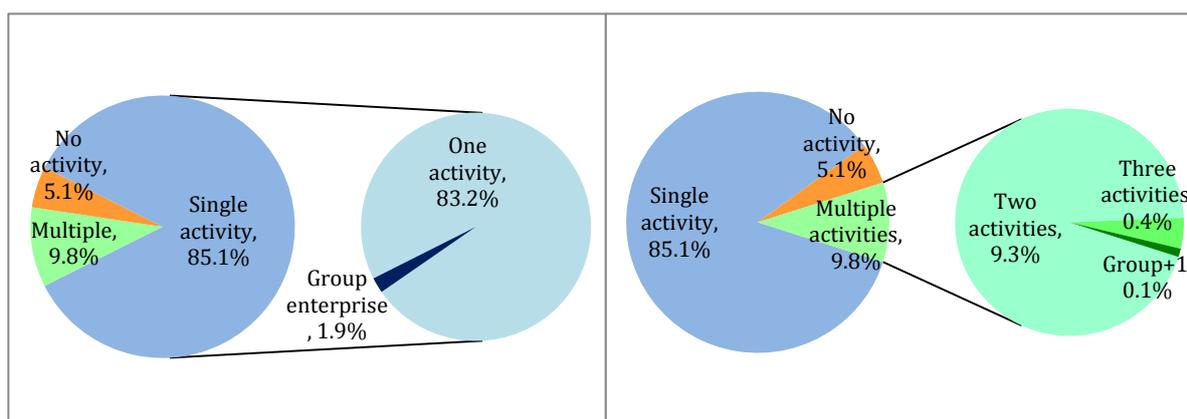
Table 2.1: Distribution of SHGs & respondents by period of association with HIH

Period of association	No. of SHGs	No. of respondents
0.5 to 2 years	127	1,016
2 to 4 years	137	991
>4 years	66	551
Total	330	2,558

The research indicated that while most respondents practice single income generating activity (85.1%), a small proportion was also engaged in multiple IGAs (around 9.8%). There were a number of respondents (5.1%) who did not use loans obtained from HIH/Bank for any IGA.

Among those who practiced single activity 2.2% were engaged in group enterprise while 97.8% had one IGA. In case of those engaged in multiple activities, 94.4% practiced two IGAs, 4.4% practiced three IGAs and about 1.2% respondents were involved in group activity plus one additional individual IGA. This analysis is shown in **Figure 2.2** below.

Figure 2.2: Distribution of respondents by number of activities practiced



While the main objective of the study was to estimate the overall contribution of HIH in enterprise and job creation, the research team expected some variations in numbers across the broad segments discussed above. Therefore analysis has been done to capture variations across

- Geographical location - rural and urban/semi-urban
- Age of association of respondents with HIH - 0.5 to 2, 2 to 4 and >4 years

2.2 Socio-economic profile of respondents

This section presents the socio-economic composition of the respondents across different segments of analysis discussed above.

2.1.1 Category of enterprises

There were two broad categories of enterprises of the respondents, FBE and ME, on the basis of level of investment. Analysis shows that 2,428 respondents had used the credit obtained from HIH/Bank in 2,659 enterprises, and 130 respondents (5.1% of the sample) were not able to use the credit productively.

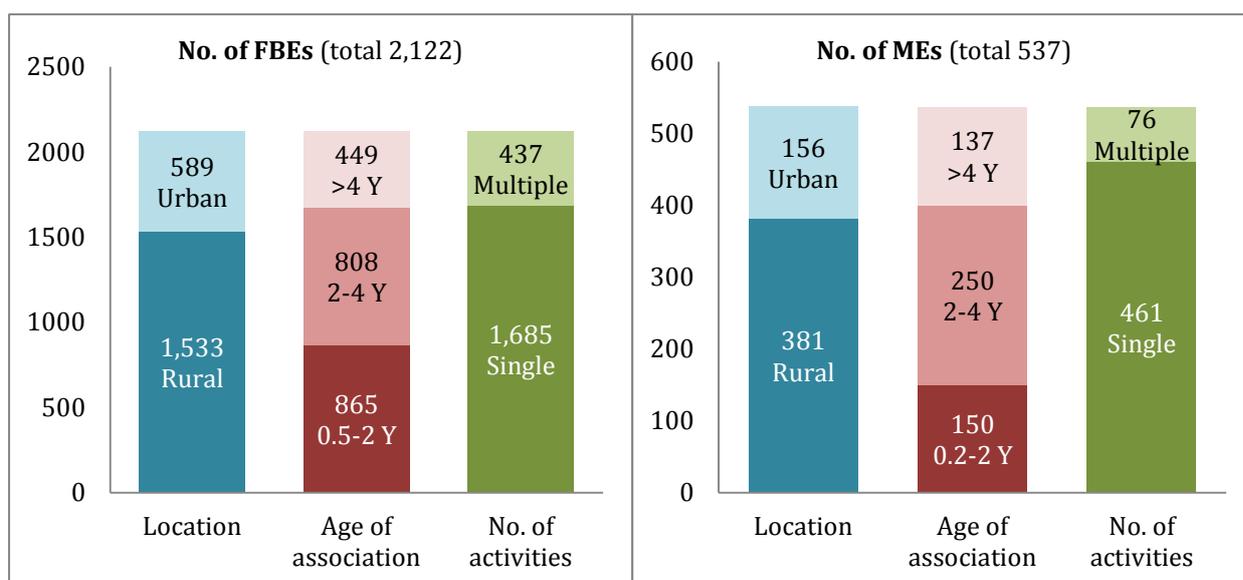
About 79.8% of enterprises supported were FBEs and 20.2% were MEs. The proportion of the number of respondents having FBEs and MEs was also similar. **Table 2.2** shows the category of enterprises in which the respondents invested the loans.

Table 2.2: Number of different category of enterprises supported

Respondents having	No. of respondents	%	No. of enterprises	%
Only FBE	1,881	77.5	2,063	77.6
Only ME	491	20.2	481	18.1
Both	56	2.3	115	4.3
<i>FBE</i>			59	
<i>ME</i>			56	
Total	2,428		2,659	

The following are the main observations on category of enterprises supported when analysed across different segments - location and age of association of respondent. **Figure 2.3** shows the analysis graphically.

Figure 2.3: Analysis of enterprise categories supported across different segments



- Analysis by location indicates that FBEs and MEs are located in rural and urban/peri-urban areas in the ratio of around 70:30. This is consistent with the operational outreach of HIH in Tamil Nadu.
- In terms of age of association of respondents with HIH, it was observed that around 40.8% of the FBEs were of respondents associated with HIH for less than 2 years. However, about 27.9% of MEs belonged to respondents of similar period of association with HIH. This clearly indicates that as the number of years of association of the respondents with HIH grew, the number of MEs supported also increased. It implies that respondents were able to transform their IGAs from FBE to ME with additional investments through credit received in multiple cycles.
- Moreover, a high proportion of both FBEs (79.4%) and MEs (85.8%) were the only activities in which the respondents were engaged. But it also indicates that the probability of a respondent engaged in multiple FBEs is much higher than MEs. It is apparent that MEs have a higher level of investment and would therefore take a more intensive effort from the entrepreneur to manage it, leaving her/him with little time to engage in additional activities. **Table 2.3** presents the cross analysis of no. of activities vis-a-vis category of enterprises.

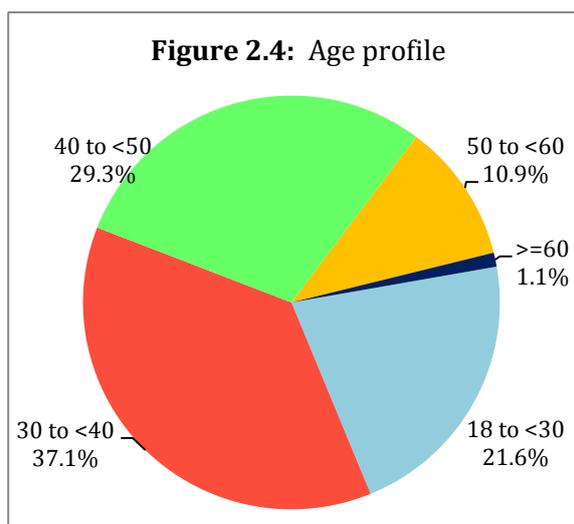
Table 2.3: Respondents engaged in number and category of activities

No./type of activities	No activity	1 FBE	2 FBEs	3 FBEs	2 FBEs & 1 ME	1 ME & 1 FBE	1 ME	2 MEs	Total
Consumption	130								130
One activity		1,678					450		2,128
Two activities			175			53		10	238
Three activities				8	3				11
Group enterprise		17					31		48
Group enterprise & one individual activity		2	1						3
No. of respondents	130	1,697	176	8	3	53	481	10	2,558
No. of enterprises		1,687	352	24	9	106	461	20	2,659

Note: 17 respondents were engaged in 7 group FBEs while 31 respondents were engaged in 11 group MEs.

2.1.2 Age profile

HIH targets clients of age 18 and above. The survey indicates that clients are proportionately spread across all age brackets from 18 to 50 years. However, the proportion of clients beyond 50 years decreases. Overall around 10.9% of the respondents belonged to the age bracket 50-60 years while just 1.1% were more than 60 years old - as shown in **Figure 2.4** alongside. The strategy of targeting younger women is understandable as the most productive age of the human life cycle is considered to be between 18 to 50 years. This trend is consistent across various analysis segments - location & age of association of respondent.



2.1.3 Social profile

HIH generally provides loans only to married women. However, the study shows that about 0.9% of the respondents had never married. Around 89.3% were married but 9.8% were separated, divorced or widowed.

Majority (85.4%) of respondents belonged to the backward communities¹ including other backward caste (OBC), schedule caste (SC), schedule tribe (ST). Minorities (Christians and Muslims) comprised 7% and general caste formed 7.6% of the surveyed population. This represents the target communities with whom HIH group is working with in Tamil Nadu.

More than 50% of the respondents belonged to below poverty line (BPL²) households. These were respondents who had BPL cards with them. When compared with the BPL of 22.5% [Dept. of Economics & Statistics, Govt. of TN] in Tamil Nadu, it clearly indicates that HIH has been selective in targeting the low income families in the state.

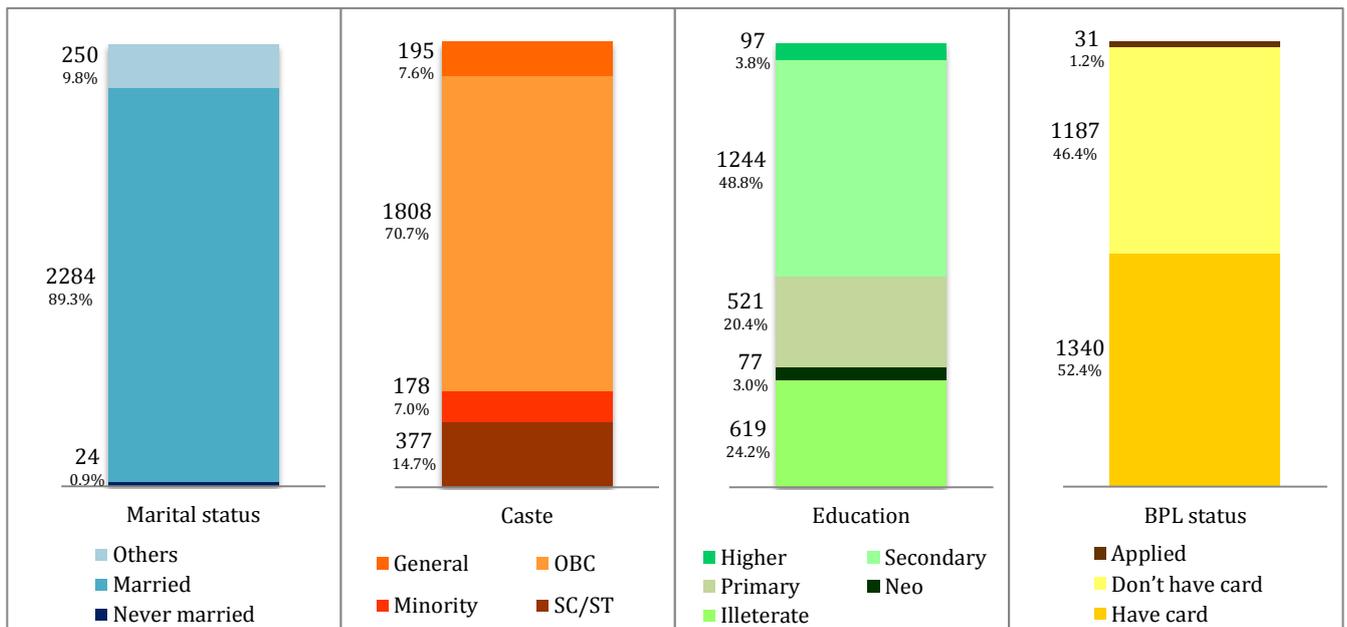
The education levels of the respondents was also high with 72.8% of them having studies at least till primary school (upto class 5) and more than 50% had studied upto secondary school (class 6 to 12) or higher (graduate and post graduate). The literacy level of the sample population is comparable with the literacy levels of Tamil Nadu of 80.3% [Census 2011]. The social profile of the respondents is presented in **Figure 2.5**.

¹ Some sections of the population have been identified by the central government as backward classes. These people are differentiated in three different categories namely schedule caste, schedule tribe and other backward class. The Constitution Order, 1950 lists 1,108 castes across 25 states and 744 tribes across 22 states in its First Schedule. In the constitution, OBCs are described as "socially and educationally backward classes" - the list is dynamic and caste & communities can be added and/or removed, depending on social, educational and economic factors. These sections of the population are provided with special privileges in education and employment.

² **BPL definition:** The initial definition (in 1978) of BPL was based on the cost of an all India average consumption basket at which calorie norms were met. The norms were 2,400 calories per capita per day for rural areas and 2,100 calories for urban areas. These calorie norms expressed in monetary terms in 1978 were Rs61.8 and Rs71.3 per capita per month for rural and urban areas respectively.

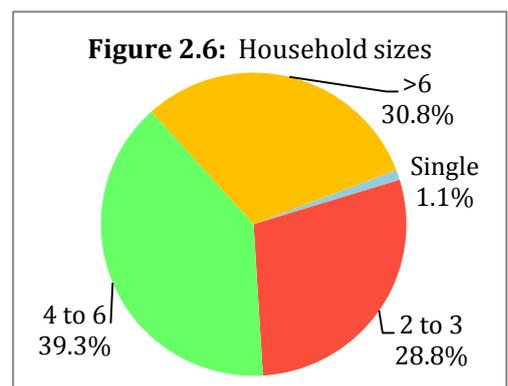
According to more recently estimation of the Planning Commission, a monthly income of about Rs356 (~\$7.74) per person is needed to provide the required diet in rural areas and Rs539 (\$11.72) in urban areas. The estimate is derived from the National Sample Survey, which measures monthly per capita consumer expense every five years.

Figure 2.5: Social profile of the respondents



2.1.4 Household composition

The average size of the households is 4.07 members - including 2.05 males and 2.02 females. This is lower than average household size of 5.5 members at the all India level but comparable to state level averages for Tamil Nadu at 4.4 members. Research indicates that about 68.1% of the households were nuclear households (with 2 to 6 members). Large households (>6 members) were around 30.8% and a very small proportion of single households (single women) were also present in the sample - as illustrated in **Figure 2.6**.



When analysed across different segments, no significant variation was observed in average household sizes. But size of rural households and of respondents who were associated with HIH for more than 4 years were slightly larger than the overall average.

The average number of adults per household was 2.81 members. The average working number of members per household was 2.29 members. The average working members was lower than the average adults mainly due to presence of adult children in the family who are yet not engaged in household IGAs.

While there is no significant variation in the average adults and working members per households across location and period of association with HIH, there was a clear difference in the households who did not use the credit for any productive activities. In such households the proportion of working members in relation to adults at 68.2% was much lower than the overall proportion of 81.4%. This indicated that in households with 'no activity' the number of working members was less and maybe this has limited their ability to use the credit productively. **Table 2.4** analyses the household composition of the respondents.

Table 2.4: Household composition

	Overall	Location		Period of association			No. of activities [^]		
		Rural	Urban	0.5-2	2-4	>4	Nil	One	Mult.
Average household size	4.07	4.12	3.94	4.04	4.02	4.21	3.95	4.08	4.00
<i>No. of women</i>	2.02	2.05	1.94	2.03	2.01	2.03	2.04	2.03	1.94
<i>No. of men</i>	2.05	2.07	2.00	2.02	2.01	2.18	1.91	2.05	2.06
Av. no. of adults/household	2.81	2.81	2.82	2.79	2.76	2.94	2.81	2.92	2.77
<i>No. of women</i>	1.40	1.30	1.41	1.41	1.38	1.42	1.41	1.40	1.35
<i>No. of men</i>	1.41	1.41	1.41	1.38	1.38	1.52	1.40	1.41	1.43
Av. no. of working members/household	2.29	2.29	2.27	2.25	2.29	2.36	1.92	2.30	2.33
<i>Working women/ household</i>	1.11	1.11	1.09	1.10	1.11	1.11	0.82	1.12	1.12
<i>Working men/ household</i>	1.18	1.18	1.18	1.15	1.18	1.25	1.10	1.18	1.21
Ratio of working to adult members (%)	81.4	81.8	80.6	80.8	83.0	80.0	68.2	81.9	83.8

[^] No. of activities here means IGA supported through HIH group. So Nil does not mean that household has no income source

2.3 SHG membership profile

The survey covered 330 SHGs in six operational regions of HIH and Belstar, interviewing around 51.8% (2,558) of the total members (4,938). While individual interviews were conducted only of SHG members available on the day of survey, specific SHG information related were collected through FGDs. **Table 2.5** presents the coverage of SHGs in the selected study regions.

Table 2.5: Coverage of SHGs surveyed across study regions

Regions	Location		Period of association (years)		
	Rural	Urban	0.5 to 2	2 to 4	>4
Kancheepuram	44	20	21	21	22
Salem	59	7	22	34	10
Trichy	43	10	26	18	9
Coimbatore	36	21	21	32	4
Puducherry	26	17	17	14	12
Vellore	34	13	20	18	9
Total	242	88	127	137	66

The profile of SHGs that were surveyed is summarized in **Box 2.1**. Analysis indicates that average number of members per SHG of 14.96 of the sample respondents is comparable to the overall average of 14.61 of HIH/Belstar outreach in Tamil Nadu. Further, about half the numbers of members were active borrowers with loans from HIH/Belstar or banks.

It was also observed that about 8.4% of the SHG members have never received the loans. This result is of significance in

calculating the number of borrowers who have received loans and used it productively (entire loan amount or part of it) for IGAs. This is also the first main objective of the study - analysed in **Table 2.6**.

Box 2.1: Overall profile of SHGs surveyed

Average no. of members per SHG	14.96
% of members having O/s loans at the time of survey	52.35
% of members who have never received loans	8.38
% of members who receive loans	91.62

Table 2.6: Overall multiplier for the proportion of members who receive loans and use it productively

a	% of members who have received loans [^] (irrespective of whether currently outstanding or not)	91.62
b	% of members who have used loan for productive purposes* (130 out of 2,558 respondents did not use any part of the loan productively)	94.92
=a*b	So, % of members who receive loan & use it productively	86.96

Note:

[^]Based on SHG level data gathered through FGDs

* Based on individual interviews

When analysed across segments (as shown in **Table 2.7**) and SHG's period of association with HIH group the following observations were made

Table 2.7: Segment wise multiplier for the proportion of members who receive loans and use it productively

		Location		Period of association (years)		
		Rural	Urban	0.5 to 2	2 to 4	>4
a	% of members who have received loans	92.20	90.04	85.34	95.06	96.85
b	% of members who have used loan for productive purposes	94.32	96.43	94.69	94.95	95.28
=a*b	So, % of members who receive loan & use it productively	86.96	86.83	80.80	90.27	92.28

- There is no significant difference in the proportion of members who receive loan and use it productively in rural (86.96%) and urban (86.83%) areas.
- However, loan utilization for productive purposes increase with period of association. About 80.80% of the younger members receive loan and use it productively while 92.28% of members who have been associated with more than 4 years are able to use loans for IGAs.

This is understandable as income from IGAs of younger members may not be sufficient to fulfil their household needs and they tend to use it for consumption purposes. As the relationship of members with HIH grows and they get more loans they are progressively able to utilize it in their IGAs and strengthen it and the incomes earned from it is able to sustain their household needs.

The analysis of credit and its usage is analysed in detail in **Chapter 3**. The multiplier generated for “members who receive loans and use it productively” are further used for estimating other multipliers and therefore estimating HIH group's contribution to enterprise and job creation in **Chapter 5**.

Chapter 3

Credit uptake and usage by respondents

This chapter analyses the credit obtained by the respondents from various sources and its use. While all respondents had loans from either HIH group or Bank (under SBLP facilitated by HIH), some of the respondents had loans from other sources as well. The loans from other sources have also been used for the activities that have been supported through HIH/Bank loans. Using this data, the level of attribution of HIH in promoting the IGAs practiced by its borrowers is also analysed.

3.1 Sources of credit

As discussed in Chapter 1, the selection of the respondents for interviews was done only if they had received credit from HIH group or under SBLP. Therefore, for all respondents, HIH and bank (one of them or both) was a common source of credit. **Table 3.1** presents the sources of credit for the respondents and the overall credit obtained by members borrowing from a specific source. It is evident that 96.2% of the respondents had taken loans from HIH group, 51.2% had loans from banks (under SBLP) and 9.0% had additional loans from other sources apart from HIH/SBLP. Overall Rs68.1 million worth of loan was borrowed by 2,558 respondents - with some of them having loans only from HIH, some only from bank and some from multiple sources (various combinations of HIH, bank and other sources).

Table 3.1: Sources of credit

Source	No. of respondents with borrowings	%	Total amount borrowed (Rs million)	%
HIH group	2,460	96.2	45.4	66.7
SBLP	1,309	51.2	17.3	25.4
Other sources	230	9.0	5.4	7.9
	<i>(no. of loans[^])</i>			
<i>MFI</i>	1	0.039	0.005	0.007
<i>Input supplier</i>	1	0.039	0.003	0.004
<i>Moneylender</i>	61	2.306	3.274	4.716
<i>Acquaintance</i>	17	0.547	1.025	1.477
<i>SHG internal loans</i>	155	6.059	1.096	1.578

Note: Total amount borrowed is the total of all loans (in single or multiple cycles) borrowed from a particular source

[^]Two respondents had loans from both moneylender & SHG while three had loans from both acquaintance & SHG.

3.1.1 Analysing loans from HIH/Belstar and SBLP

Since all respondents had borrowed at least one loan either from HIH or under SBLP, the overall contribution of loans borrowed from these sources was high at Rs62.66 million (92.1% of total amount borrowed). The Venn diagram in **Figure 3.1** depicts the break-up of borrowings from HIH/Belstar and under SBLP.

Nearly half of the respondents had availed credit solely from HIH/Belstar while only about 4% had taken credit solely through SBLP. The remaining 47.4% had availed loans from both HIH/Belstar and SBLP. No major difference was observed across rural and urban locations with regards to credit uptake from HIH/Belstar and SBLP.

Figure 3.1: Analysis of borrowings from HIH group and bank

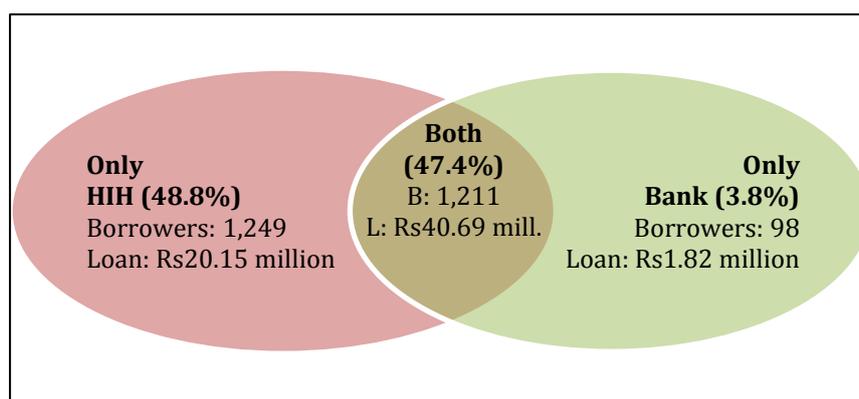


Table 3.2 shows the credit uptake (by % of respondents and by % of overall credit) across various membership-period categories. The proportion of respondents who had obtained credit from HIH group remained roughly constant across age categories. But the proportion of respondents taking credit under SBLP showed an increase with period (no. of years) of association. This is because the minimum period for credit under SBLP is 6 months from the date of formation of new groups and in some cases it takes even more time for banks to lend to SHGs. So as the period of association with the bank increases, the chances of obtaining bank credit also increases over time.

However, the interesting pattern to note is that the proportion of HIH group credit in total credit gradually went down with rising age-categories. On the other hand, % of SBLP credit increased slowly. This has been mainly because of a cap of Rs15,000 (per member/cycle) on the maximum loan eligibility and also multiple loans accessed under SBLP, which has reduced the difference between average borrowings from HIH (all cycles) of around Rs18,450 in comparison to average borrowings under SBLP (all cycles) of around Rs13,193.

Table 3.2: Analysis of credit from HIH group/banks by period of membership

Period of association	0.5 to <2 years		2 to 4 years		>4 years		Overall
	No.	% [^]	No.	% [^]	No.	% [^]	
Borrowers							
from HIH/Belstar	984	96.9	966	97.5	510	92.6	2,460
under SBLP	345	34.0	564	56.9	400	72.6	1,309
Total	1,016		991		551		2,558
Total credit (Rs million)	Amount	%	Amount	%	Amount	%	
HIH/Belstar	13.45	82.4	20.03	71.0	11.91	65.8	45.39
SBLP	2.87	17.6	8.19	29.0	6.20	34.2	17.27
Total borrowings	16.32		28.22		18.11		62.66
Average amount borrowed (Rs)							
HIH/Belstar	13,670		20,732		23,351		18,450
SBLP	8,332		14,525		15,507		13,193

[^] Proportion of sample respondents add up to greater than 100 on account of overlaps in credit source - some members had received credit from HIH and under SBLP as shown in Figure 3.1.

No major pattern is noticed in credit usage based on number of activities practiced by the respondents, except that a higher proportion of those involved in multiple activities had obtained loans from both HIH & bank. About 45% of the respondents who were doing a single activity had loans from both sources in contrast to nearly 70% of the respondents who were practising multiple activities – an expected finding considering their greater funding needs.

Table 3.3 shows the credit disbursed to the broad enterprise categories. The following were the main observations

- 1,197 respondents engaged in some productive activity, were **solely** funded by HIH and received credit of Rs19.44 million.
- Similarly, 80 were solely funded under SBLP and received credit of Rs1.58 million.
- 1,151 were financed by **both** HIH & SBLP and received credit of Rs39.78 million.

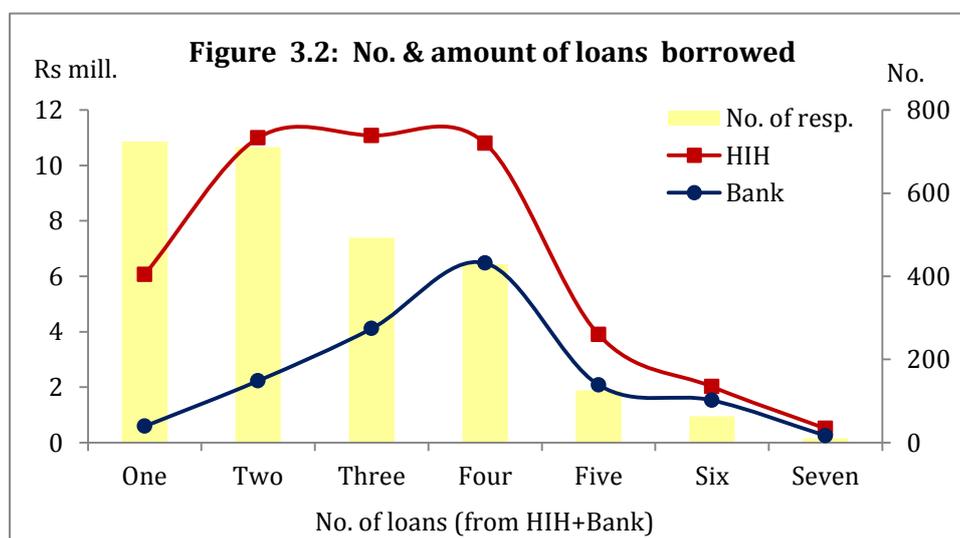
Table 3.3: Credit (Rs million) disbursed based on use in different enterprise

Source	Respondents with FBEs		Respondents with MEs		Respondents with both FBEs & MEs		Non-productive	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
HIH group	955	14.60	226	4.24	16	0.60	52	0.71
Bank	63	0.96	16	0.58	1	0.04	18	0.24
Both	863	27.23	249	9.53	39	2.02	60	1.90
Overall	1,881	42.79	491	14.35	56	2.66	130	2.85
No. of enterprises established	2,063		481		115		Nil	
% of overall credit		68.3		22.9		4.2		4.6

Note: 2,428 respondents established 2,659 MEs

Overall, respondents engaged in only FBEs received 68.3% (Rs42.79 million) while those engaged in only MEs received 22.9% (Rs14.35 million) of total credit disbursed by HIH & under SBLP. Respondents who were engaged in both FBEs and MEs received 4.2% (Rs2.66 million) and the remaining 4.5% (Rs2.87 million) were given to the respondents who received credit but could not utilize it for productive purposes. However, it has to be noted that even the respondents who were able to utilize credit for FBEs and MEs in which they were engaged, in some cases part of credit received by them was used for consumption purposes (such as, meeting expenses related to purchase of household assets, social events, medical exigencies and education). The usage of credit is analysed in detail in Section 3.2.

In terms of number of loans borrowed (from either HIH, bank or both) 28.3% respondents had one loan, 27.8% had 2 loans, 19.3% has three loans and 24.6% had four or more loans. However, in terms of amounts borrowed, 10.6% was lent to respondents with one loan while 21.1% was lent to those with 2 loans, 24.3% to those with three loans and a 44.0% with those with four or more loans. The contribution of HIH to overall loans disbursed was 72.4% and that of bank was 27.6%. **Figure 3.2** illustrates the loans borrowed from HIH/bank by respondents having different numbers of loans.



a) Credit from HIH group

It is clear from the above analysis that 2,460 out of 2,558 respondents received credit from HIH group (refer Table 3.1). Loans from HIH group are disbursed in different cycles based on period of association of the group and completed repayments of previous loans. The loans given to new SHGs are the first cycle loans and after full repayment by the members the group become eligible for the second cycle loan and so on. As on 30 November 2011, the HIH group had disbursed loans upto the fifth cycle but the maximum loan size was limited to Rs15,000. **Table 3.4** shows the cycle wise disbursements to the respondents.

Table 3.4: Cycle wise credit disbursement by HIH/Belstar

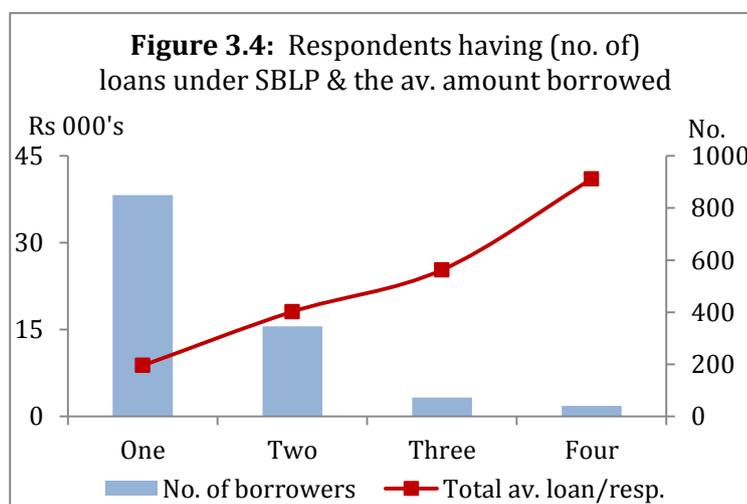
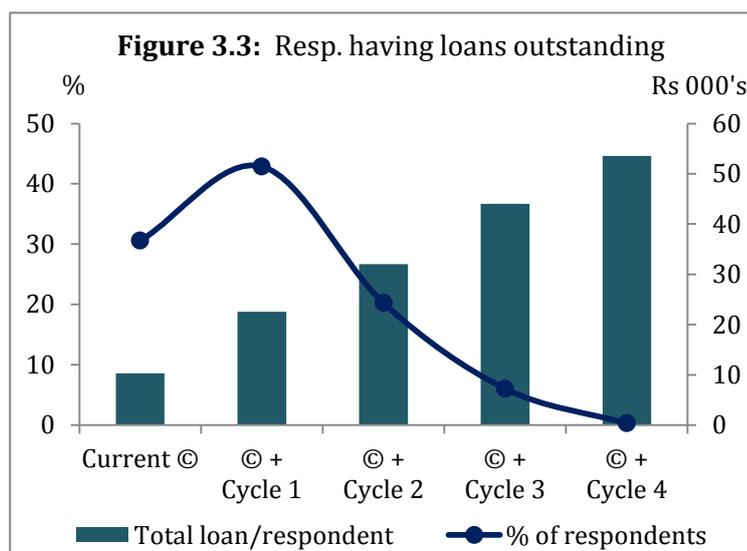
Loan cycle	No. of Respondents		Amount disbursed (Rs million)		Average loan disb. (Rs)
	No.	%	Amt.	%	
Current	1,422	57.8	18.52	40.8	13,017
1 st	2,018	82.0	14.53	32.0	7,202
2 nd	874	35.5	9.69	21.3	11,083
3 rd	184	7.5	2.51	5.5	13,635
4 th	9	0.4	0.14	0.3	15,000
Overall	2,460		45.39		18,450

It is evident that about 57.8% of the respondents had HIH loans outstanding with them at the time of survey. These included respondents that had loans in different cycles but outstanding. **Figure 3.3** shows the average total borrowings of respondents (all cycles), having loans outstanding with HIH.

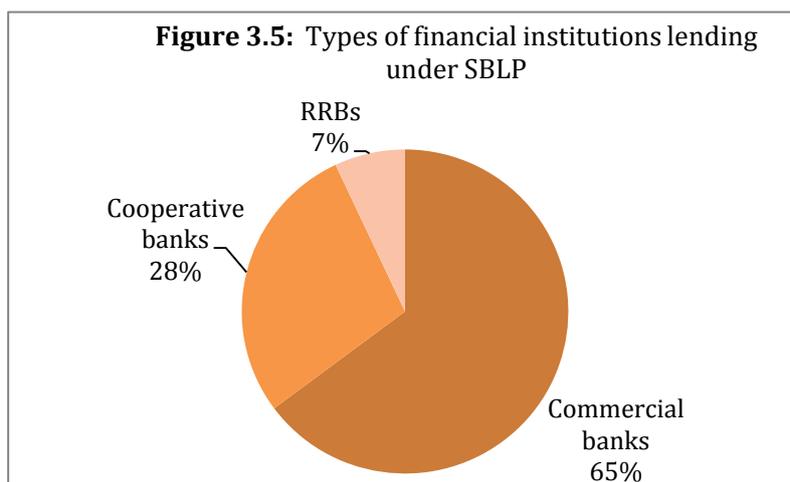
It is also clear from the above table that the average disbursement size increased with every subsequent cycle. This is expected with the increased credit requirement of the respondents with the growth in their IGAs and also better level of comfort of HIH in lending bigger amounts with each successful repayment of previous cycle loan.

b) Credit under SBLP

As mentioned earlier, 1,309 out of 2,558 respondents had obtained credit (Rs17.23 million) under SBLP. Of them, 65% had taken loan once (with average amount of Rs8,809) while another 26% had taken twice (average amount of Rs9,047/loan). The remaining 9% had availed credit thrice or more (average amount of Rs9,347/loan). **Figure 3.4** depicts the break-up over frequency of availed credit.



Among the institutions that have lent to these respondents under SBLP, commercial banks have emerged as the main lenders, followed by Cooperative banks and Regional Rural Banks. The proportion of lending from these institutions is as shown in **Figure 3.5** alongside complements the overall NABARD data for lending under SBLP.



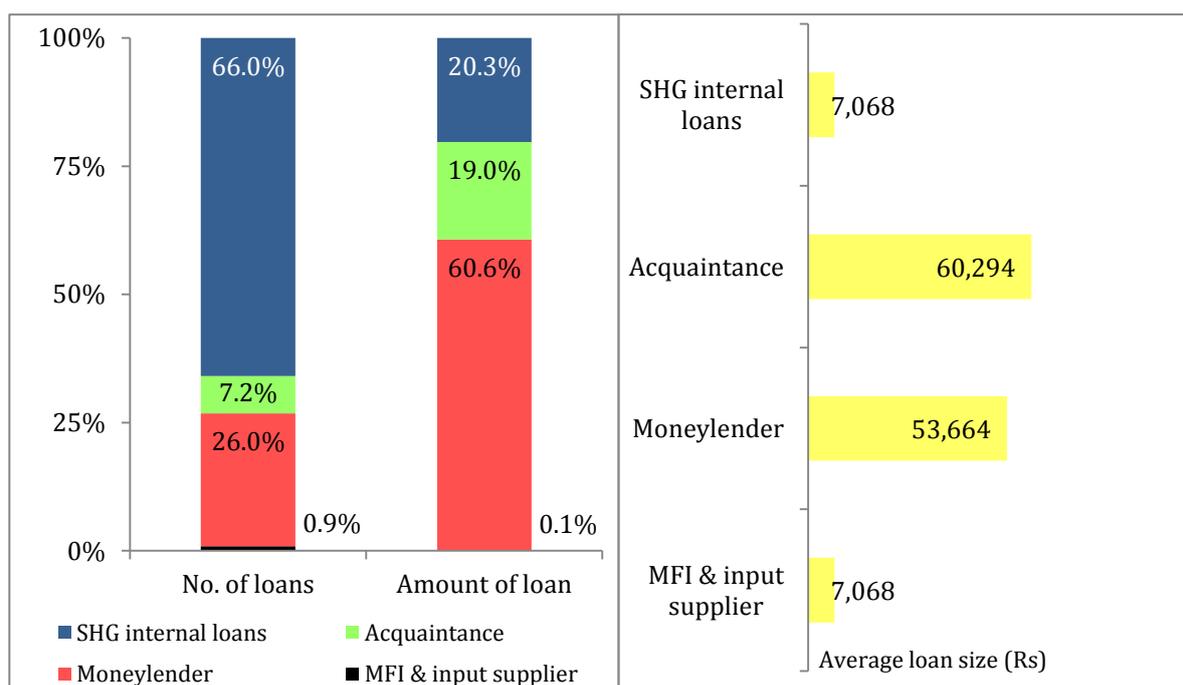
3.1.2 Analysing loans from other sources

Analysis of loans from other sources indicates that

- Among those who had loans from other sources more than 2/3rd had internal loans from SHGs which is understandable as the respondents were members of SHGs and inter lending from SHG savings is a common practice.
- Around 1/4th of the respondents had also obtained loans from moneylenders, which shows that for some members, loans from HIH/SBLP were not sufficient to fulfil their needs.
- However, in terms of amount of loan borrowed, the contribution of moneylenders was around 60% while of SHGs was 20% indicating that members were able to access higher value loans from moneylenders. However, value of loans from acquaintances was higher than loans from any other source.

Figure 3.6 shows the comparison of proportion of numbers and amount of loans from other sources.

Figure 3.6: Analysis of loans from other sources



3.2 Attribution - HIH/bank credit to enterprise promotion

While credit from HIH group and those facilitated under SBLP are meant for enterprise and job creation, HIH does not claim exclusivity to it. HIH very well understand that the members associated with it may have borrowed money from other sources or used their own savings for investing in activities in which HIH also has a contribution. This section tries to provide a context to the level of attribution of HIH's contribution to enterprise and job creation.

Table 3.5 shows that number of respondents who have borrowed from HIH, bank or both sources and also taken loan from other sources for their IGAs. It shows that among the respondents who had borrowed from both HIH & bank (also indicating multiple loans) just 3.4% had to borrow from external sources. However, among respondents borrowing solely from HIH around 15% borrowed from other sources. Overall around 9.0% had to borrow apart from HIH/SBLP, of which a major contributor was the SHG internal loans (~6.0%).

Table 3.5: No. of loans borrowed from external sources by HIH/SBLP borrowers

Source	No. of borrowers	MFI	Input supplier	Money lender	Friends/ relatives	SHG	Total
HIH group	1,249	1 0.08%		43 3.44%	12 0.96%	128 10.25%	184 14.73%
SBLP	98			2 2.04%		3 3.06%	5 5.10%
Both	1,211		1 0.08%	14 1.16%	2 0.17%	24 1.98%	41 3.39%
Overall	2,558	1 0.04%	1 0.04%	59 2.31%	14 0.55%	155 6.06%	230 8.99%

In terms of amount of loan borrowed from other sources, around 7.9% of the total amount borrowed (from all sources), was obtained from other sources. This is shown in **Table 3.6** and strengthens the finding that HIH has been the major, if not sole, contributor to the enterprises and jobs supported through credit provided by it or under SBLP.

Table 3.6: Loan (Rs million) from ext. sources vis-a-vis borrowings from HIH group/SBLP

Members with borr. from	Total borrowings	Plus borrowings from external sources					Total
		MFI	Input supplier	Money lender	Friends/ Relatives	SHG	
HIH group	20.15	0.005	0.000	2.342	1.011	0.911	4.269 17.5%^
SBLP	1.82			0.019		0.010	0.029 1.6%^
Both	40.69		0.003	0.913	0.014	0.175	1.105 2.6%^
Overall	62.66	0.005	0.003	3.274	1.025	1.096	5.403 7.9%^

^ Proportion of external borrowings to overall borrowings (HIH group/SBLP/both + external)

The credit provided through HIH/bank is meant for usage in IGAs and it is expected that the respondents would have used the money in investing in their enterprises. **Table 3.7** analyses the proportion of contribution of HIH/bank loans in overall current investment level of an enterprise. The study has captured the level of investment in IGAs of each respondent and based on this the enterprise has been categorised as an FBE or ME.

Table 3.7: Contribution of HIH/bank credit to investment in IGA (Rs million)

Type of Activity	No. of resp.	Credit from HIH/bank	External credit	Total current investment	% of HIH credit to total investment
Non-productive	130	2.85			
1 FBE	1,697	37.34	1.14	30.24	123.5
2 FBEs	176	5.34	0.09	5.57	95.8
3 FBEs	8	0.35	0.01	0.36	96.4
2 FBEs, 1 ME	3	0.14	0.20	0.33	41.4
1 FBE, 1 ME	53	1.76	0.39	7.24	24.3
1 ME	481	14.50	3.57	61.17	23.7
2 MEs	10	0.38		3.25	11.7
Total	2,558	62.66	5.40	108.16	57.9

The following can be inferred from the above data

- The contribution of HIH/bank loan in supporting FBEs of respondents is highly significant. In cases where the respondent has only one FBE, the level of investment in the enterprise has been lesser than the credit obtained. This indicates that part of credit has been utilized for meeting household needs. This is understandable as for such respondent the income generated from the IGA may not be sufficient to fulfil all their financial needs and that is where the credit from HIH becomes handy.
- As the respondents' households are able to expand their sources of income by getting engaged in multiple activities (like those with 2 and 3 FBEs), the proportion of credit from HIH used in investment decreases.
- The proportion HIH/bank credit to total investment lowers further in case of respondent households having MEs. However, even in such cases loans from other sources are not too significant indicating that the respondents have made additional investments in their enterprises using their own savings or income generated from their IGAs. Moreover, it is also likely that many of these MEs were supported by HIH credit at the stage when they were FBEs and as they graduated their financial requirement increased which could not be totally fulfilled by HIH. **Box 3.1** presents the study team's view on level of attribution of HIH/bank's credit in creating enterprises and jobs.

Box 3.1: Attribution of HIH/bank credit to enterprise promotion

On the basis of above discussion, the study team is of the view that the credit provided directly by HIH group and under SBLP has made a significant contribution in supporting the IGAs of the respondent households (in relation to total current investments).

The contribution of credit is highly significant for promoting FBEs. It decreases for households engaged in MEs, which is expected due to greater investment needs of such enterprises which cannot be fulfilled through microfinance.

As analysed in Chapter 2 (refer Figure 2.3), the proportion of MEs supported by HIH increases with the period of association of the respondents. It makes it apparent that HIH would have provided support to the respondents currently engaged in MEs when they had smaller IGAs and helped them graduate. Therefore, historical contribution of HIH in graduating FBEs to MEs by facilitating access to credit is quite probable, though the proportion of overall credit to total current investments in MEs is on the lower side.

3.3 Usage of credit

3.3.1 Productive/non-productive use

As analysed in the previous sections, it is clear that the respondents have obtained credit from various sources including HIH group, under SBLP and other informal means. While the credit from HIH group and SBLP was meant for usage/investment in income generating activities the research showed that the money has been used for non-productive purposes as well.

Out of 2,558 respondents, 130 respondents did not use the loan received from HIH group and/or Bank for any productive purpose. Even among the 2,428 respondents who used the loan for IGA, not all of them used the entire loan for productive purposes. Money is fungible and the borrowers tend to use money for their immediate needs, which may include investment needs in their IGA as well as household needs. **Table 3.8** analyses the usage of credit by the borrowers for productive/non-productive purposes.

Table 3.8: Productive/non-productive usage of credit (Rs million)

Respondents Having	HIH group loan		Bank loan	
	Productive	Non-productive	Productive	Non-productive
No activity		1.70		1.15
At least 1 IGA	40.89	2.79	13.19	2.93
Total	40.89	4.50	13.19	4.08

It is evident from the above table that the 130 respondents who obtained loans worth Rs2.85 million used the entire money for non-productive purposes. Among others practising at least one IGA borrowed loans of Rs59.80 million from HIH and Bank. Out of this total amount borrowed Rs5.72 million (9.6%) was used for non-productive purposes. It is also evident that the tendency of the borrowers to use money for non-productive purposes was higher for loans obtained from banks in comparison to HIH group. **Box 3.2** broadly summarizes these findings.

Box 3.2: Usage of loans for productive/non-productive purposes

The research indicates that, even though the loans from HIH/Bank were meant for only productive use, the borrowers prioritised the use based on immediate requirements. While some totally used it for consumption needs, a majority spent only a small part of the credit for non-productive purpose.

- About 5.1% of the borrowers (130 out of 2,558 respondents) use loans only for non-productive purposes - 100% of the loan borrowed by them was used for consumption needs.
- Among the borrowers who were able to use the credit productively, about 9.6% of the borrowed amount was spent for consumption purposes.
- In terms of overall loan amount, about 13.7% of the total borrowings are used for non-productive purposes. For borrowings from HIH this proportion is lower at 9.9% while for bank borrowings this significantly increases to 23.6%.

The analysis of credit usage in productive and non-productive activities across different segments is presented in **Table 3.9**.

Table 3.9: Productive/non-productive usage of credit across different segments (Rs million)

Segments	Productive	Non-productive	% of non-productive use
Location			
Rural	37.74	6.54	14.8
Urban	16.35	2.04	11.1
Age of association			
0.5 to 2	14.59	1.74	10.7
2 to 4	23.55	4.67	16.5
>4	15.94	2.17	12.0

The following differences were noted in the usage.

- The usage of credit for un-productive purposes in rural areas was relatively higher than that in urban areas. This can be correlated to lesser access to finance in rural areas which results in a higher use for consumption purposes.
- The usage of credit for productive purpose is expected to increase with age of association. So, it is unusual for the respondents who have been associated for 2 years and above to use a higher proportion of credit for consumption purposes in comparison to younger members. It may be due to a greater emphasis by the HIH group in ensuring that the younger members utilize credit productively.

3.3.2 Usage based on sector

The IGAs in which loans have been used have been categorized into five broad sectors. They are

- Agriculture: activities related to producing crops or vegetables on land either owned or leased.
- Allied/animal husbandry: raising livestock to be used in various IGA like carrying load (like agriculture, carrying material, transportation), producing food products or raw material (like meat, eggs, milk, wool), or even for further sale.
- Industry: production of goods from raw materials. Like bakery, pottery, brick making, incense stick making, handloom, embroidery and pickle making
- Services: provision of individual skill on contractual basis like masonry, carpentry, restaurant, cycle repairs and real estate agency.
- Business & trading: buying and selling of any goods/product (agricultural or otherwise). Like garment selling, general store and vegetable selling

Table 3.10 shows the number of enterprises supported in different sectors and the amount of loan used in related activities. In terms of number of enterprise promoted, around 35.7% belonged to the agri-& allied sector, followed by 27.5% in trading, 21.3% service based and 15.5% were involved in production.

Table 3.10: Usage based on sector

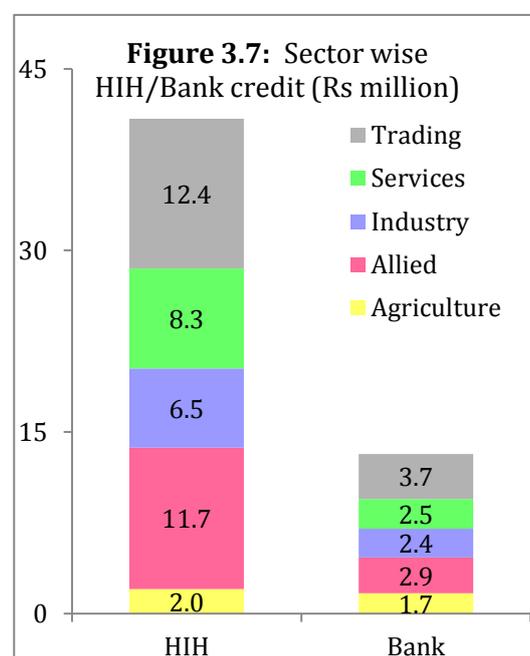
Sector	No. of enterprises	Total credit provided (Rs million)	Av. credit per enterprise (Rs)
Agriculture	168	3.71	22,094
Allied	782	14.62	18,700
Industry	411	8.92	21,692
Services	567	10.72	18,907
Trading	731	16.11	22,042
Total	2,659	54.08	20,340

It is evident that HIH group has tried to diversify its own as well as bank's (under SBLP) portfolio by facilitating credit for various types of activities. **Figure 3.7** shows the proportion of HIH & bank's credit for various activities. There are no significant differences in use of credit from HIH or under SBLP for different activities. However, the proportion of HIH loans used solely for agriculture activity (5.0%) was much less than that of bank (12.8%). In terms of investment levels in various types of activities

- Nearly 83-85% of allied and service based activities were FBEs
- A lower proportion of around 76-80% of agriculture and trading based activities were FBEs and
- Around 67% of production based activities were FBEs.

It clearly indicates that production based activities require greater level of investment (due to requirement of plant/machinery and a higher working capital) and therefore a higher proportion of MEs in comparison to other sectors.

Sector wise usage across different segments is presented in **Table 3.11**. There is no significant deviation from the overall analysis and as expected, the availability & usage of credit was higher in urban areas in comparison to rural. Similarly availability & usage of credit increased with period of association, as respondents were able to access more number of loans.

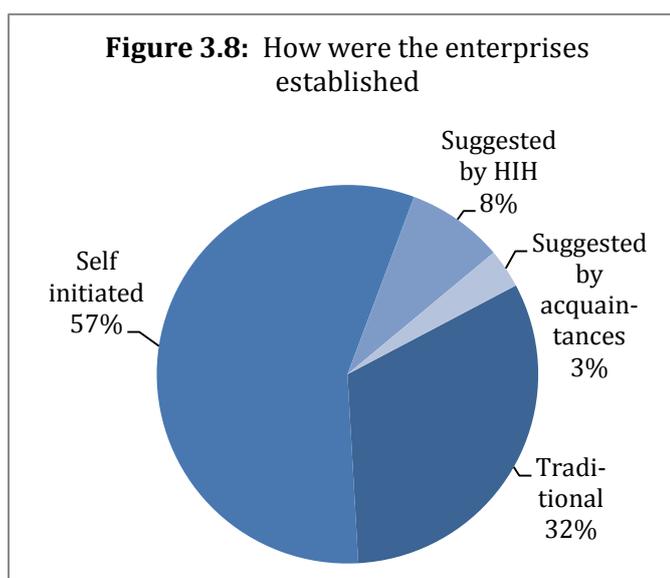
**Table 3.11:** Sector wise usage across different segments

Sector	Location				Period of association (years)					
	Rural		Urban		0.5 to 2		2 to 4		>4	
	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.
Agriculture	160	3.55	8	0.16	40	0.45	70	2.05	58	1.22
Allied	691	12.61	91	2.01	287	3.99	335	6.78	160	3.85
Industry	308	6.46	103	2.45	160	2.47	153	3.63	98	2.82
Services	336	6.18	231	4.54	253	3.50	204	4.21	110	3.01
Trading	419	8.93	312	7.19	275	4.18	296	6.89	160	5.04
Total	1,914	37.74	745	16.35	1,015	14.59	1,058	23.55	586	15.94
Av. credit/ entp. (Rs)	19,716		21,942		14,371		22,262		27,209	

3.3.3 Usage based on purpose (as intended by HIH)

HIH intends to promote IGAs of the members associated with them by providing them access to credit. In most of the cases HIH was basically supporting the existing IGAs of the members but in some cases new enterprises were also created. Survey indicates that more than half of the IGAs in which the respondents are engaged were self-initiated while around 1/3rd were traditional in nature (practiced by the household for several generations). About 1/10th of the IGAs were established based on the suggestion of HIH group.

Figure 3.8 illustrates how the enterprises supported through HIH credit were established.



For the purpose of this study, the activities promoted were classified as new and existing on the basis of years of engagement on a particular activity. Therefore, all activities in which the period of engagement was less than 3 years was classified as “new” and those above 3 years were classified as “existing”. Moreover, the activities have also been classified as FBE and ME and therefore the loan from HIH was intended for one of the following four purposes.

- Starting new FBE
- Strengthening existing FBE
- Starting new ME
- Strengthening existing ME

Table 3.12 shows the numbers of enterprises supported by HIH on the basis of intended purposes and the amount of credit made available to these enterprises. It is clear that nearly 3/4th of the supported enterprises were established more than 3 years ago and 1/4th of them are younger. However, the proportion of existing MEs supported (89.4%) was much higher in comparison to FBEs (68.4%).

Table 3.12: Usage based on purpose

Sector	No. of enterprises	Total credit provided (Rs million)	Av. credit per enterprise (Rs)
Starting new FBE	670	9.33	13,919
Strengthening existing FBE	1452	29.53	20,336
Starting new ME	57	1.16	20,341
Strengthening existing ME	480	14.07	29,314
Total	2,659	54.08	20,340

In terms of credit provided by HIH and bank, there is no major variation from the overall analysis except that a slightly higher proportion of bank credit (85.2%) has been used for supporting existing activities in comparison to HIH credit (79.1%) for supporting existing activities.

Purpose wise usage across different segments is presented in **Table 3.13**. The following inference can be made

- There is a slight difference in terms of number of existing enterprises supported or credit provided to the existing enterprises across locations. It seems that in urban areas a higher proportion of the members associated with HIH have been engaged in their IGAs for more than 3 years.
- When analysed by period of association, it is clear that as member's association with HIH grows, the likelihood of support to existing enterprise increases. It also indirectly indicates likelihood of graduation of FBEs into MEs and support to multiple activities. Like for respondents associated with HIH for >4 years, about 12.3% of the activities supported were new, which are most probably additional IGAs for the households.

Table 3.13: Purpose wise usage across different segments

Purpose	Location				Period of association (years)					
	Rural		Urban		0.5 to 2		2 to 4		>4	
	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.
New FBE	504	7.33	166	2.00	397	5.07	210	3.13	63	1.12
Existing FBE	1029	20.17	423	9.36	468	6.78	598	12.91	386	9.84
New ME	40	0.75	17	0.41	28	0.49	20	0.48	9	0.19
Existing ME	341	9.49	139	4.58	122	2.25	230	7.03	128	4.79
Total	1914	37.74	745	16.35	1015	14.59	1058	23.55	586	15.94
% of existing ent. Supported	71.6	78.6	75.4	85.2	58.1	61.9	78.3	84.6	87.7	91.8

3.3.4 Usage based on current status of activity

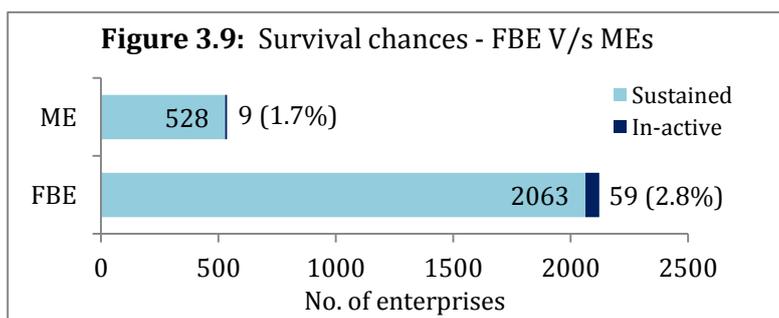
HIH had supported various activities of its members. The research has tried to find out the number of supported IGAs that were still sustained at the time of survey. Analysis indicates that around 97.4% of the activities in which the sample respondents were engaged are operational and only 2.6% have become inactive as shown in **Table 3.14**.

Table 3.14: Usage based on status of activity

Status	No. of enterprises	Total credit provided (Rs million)	Av. credit per enterprise (Rs)
Still sustained	2591	53.1	20,487
In-active	68	1.0	14,731
Total	2,659	54.1	20,340

Further analysis indicates that a high proportion (86.8%) of the enterprises that have become inactive were FBEs. This can also be correlated to the low average credit of Rs14,864 made available to the inactive enterprises, which can be used mainly in supporting FBEs. **Figure 3.9** alongside shows that among the FBEs supported the chances of failure is about 2.8% while for MEs it is slightly lower at 1.7%.

Table 3.15 presents the usage across



different segments. There is no significant variation in the survival rate of enterprises across locations but the proportion of inactive enterprises increases with the period of association. This is mainly because the younger members have made fresh investments into their IGAs and take effort to ensure its sustainability. As the years of association increases, the respondents are able to realize better weather a particular activity can be run profitably or not. In many cases (~5.8%) where an activity have been discontinued, it was observed that the respondent were involved in multiple activities. However, in case of respondents relying on one main IGA, the chances of survival was much higher (around 1.8% enterprises failed) - as displayed in **Figure 3.10**.

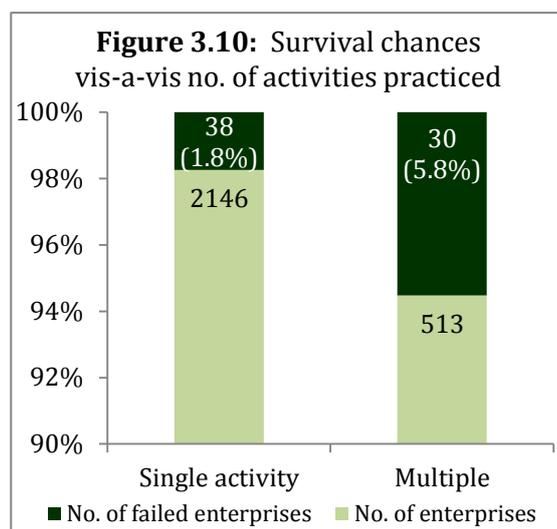


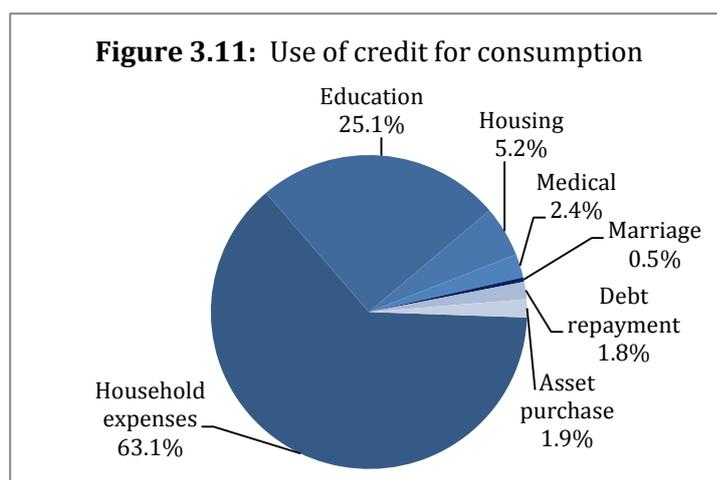
Table 3.15: Usage based on status, across different segments

Purpose	Location				Period of association (years)					
	Rural		Urban		0.5 to 2		2 to 4		>4	
	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.	No. of entp.	Loan Rs mn.
Still sustained	1,862	37.05	729	16.03	1,006	14.49	1,027	23.10	558	15.49
In-active	52	0.69	16	0.31	9	0.10	31	0.45	28	0.45
Total	1,914	37.74	745	16.35	1,015	14.59	1,058	23.55	586	15.94
% of inactive enterprises	2.8		2.2		0.9		3.0		5.0	

3.3.4 Usage for non-productive purposes

It is apparent from the research that not all clients use credit for productive purposes. Similarly it is also not necessary that the entire amount of loan is used productively. Borrowers tend to use money to meet their immediate financial needs which is usually a combination of household requirements and business investment needs. As discussed in Section 3.3.1 around 5.1% of the respondents did not use the credit for their IGAs. And among the rest who used the credit productively, around 13.7% of the loan was used for consumption purposes.

Figure 3.11 shows the consumptive use of Rs8.57 million out of Rs62.66 million loan provided to the sample respondents by HIH group and under SBLP. Nearly 2/3rd of the amount was used for general household expenses (like utility bills, grocery etc.) and nearly 1/4th was spent on children education. Apart from this the other main uses were in housing (including house construction, repairs and renovation) and on medical expenses. Some respondents also used it for clearing debt from other sources. While it was expected that credit meant for enterprise promotion will not always be used productively, the research indicates that HIH has been able to ensure a fairly high proportion of productive use. The types of consumption needs identified in the above analysis also provide some food for thought to HIH for introducing some new products in the future.



Chapter 4

Employment supported through various activities

This chapter presents research findings on employment supported through various activities promoted by HIH group. As discussed earlier, “An enterprise is defined as any income generating activity that does not involve employment under another person.” The jobs supported has been analysed for two broad categories of enterprises defined by the level of investment - FBEs (upto Rs50,000) and MEs (>Rs50,000). Under each category the findings are further analysed at two levels: i) geographical diversity (rural/urban) & ii) age of member’s association with HIH group to see the variations in the number of jobs supported.

As defined in Chapter 1, “A job is a physical and/or mental participation in economically productive activity, which includes supervisory work as well as direct participation in the activity”. In the context of this study, jobs were segregated as full-time, part-time and seasonal on the basis of a certain number of hours spent on an activity on a regular basis. A job supported was assumed as **full-time** if it provided work for an average of 4 hours and above per day on a regular basis. **Part-time** job provided work for an average of less than 4 hours per day on a regular basis. For calculations a part-time job has been treated as ½ of full-time job. There are activities that are seasonal in nature and require hiring of labour (such as agriculture) depending on need. Job supported through such activities were categorised as **seasonal**. For the purpose of this study, seasonal jobs are seen as additional jobs supported which cannot be associated with an identifiable individual (as they keep changing with season) and have been analysed separately.

4.1 Overall jobs supported

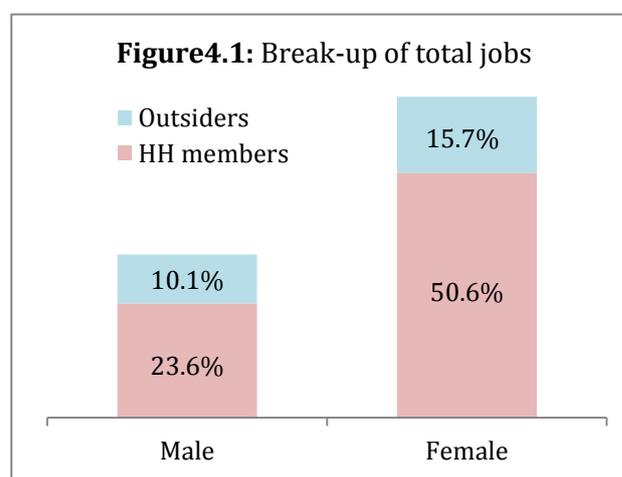
Out of 2,558 respondents covered by the study, 130 respondents have not used the credit for any income generating activities. The other 2,428 respondents have fully or partly utilised the credit to establish/strengthen 2,659 enterprises. These enterprises have generated 4,863 jobs for both family members as well as outsiders. **Table 4.1** analyses the overall jobs supported.

Table 4.1: Overall jobs supported

	Household members		Outsiders		Total jobs
	Full time	Part time	Full time	Part time	
Male	1,009	281	425	129	1,639
Female	2,418	82	660	210	3,224
Total	3,427	363	1,085	339	4,863

Note: Total jobs = Fulltime (household + outsiders) + ½ Part-time (household + outsiders)

It is evident that majority of the jobs supported were for household members (74.2%) and women members of the household (66.3%) - also illustrated in **Figure 4.1**. This is mainly because women members were the recipient of credit and therefore were the entrepreneur who invested money in the household IGAs. In most cases the women had active involvement in the IGA but in some cases (like auto rickshaw) the credit was used to invest in activities managed by the male members of the household.



Apart from jobs supported for the family members, the credit from HIH group has also resulted in jobs for outsiders. Overall a significantly high proportion (25.4%) of jobs supported were for outsiders (paid employees who are not part of the family of the principal borrower of HIH/SBLP loans). Even among outsiders, nearly 61% were women indicating that HIH credit programme has led to economic empowerment of women through jobs.

The following sections analyses the numbers of jobs supported for various enterprise categories and across two broad segments location & period of association of the entrepreneur with HIH. The results generated here, has been further used to estimate the overall number of jobs supported by HIH in Chapter 5.

4.2 Jobs supported through FBEs

FBEs are defined as the enterprises in which current level of investments are upto Rs50,000. The number of FBEs established was 2,122 by 1,937 respondents. These FBEs have generated 3,502 jobs for both family members as well as outsiders. **Table 4.2** analyses the jobs supported by FBEs.

Given the nature of the enterprise, the proportion of jobs supported for the family members (77.8%) & women members (71.9%) within the family is higher in comparison to the overall numbers. **Figure 4.2** shows the break-up of FBE jobs supported.

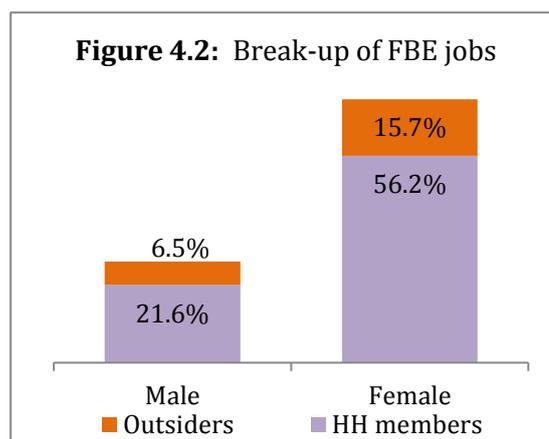


Table 4.2: Jobs supported by FBEs

	Household members		Outsiders		Total jobs	Jobs/FBE
	Full time	Part time	Full time	Part time		
Male	660	191	197	63	984	0.46
Female	1,936	61	481	140	2,518	1.19
Total	2,596	252	678	203	3,502	1.65

Box 4.1 outlines the multipliers that have been generated using the above numbers in the context of the objective of the project to estimate FBEs established/strengthened by the borrowers and jobs supported through them.

Box 4.1: FBE multipliers	
i.	Proportion of respondents who have received loans & utilized it for productive purposes (a=2,428) by established FBEs (b=1,937) = 0.798 (b/a)
ii.	Number of FBEs (a=2122) per respondent who have invested in FBEs (b=1,937) = 1.096 (a/b)
iii.	Number of jobs supported (a=3,502) per FBE (b=2,122) = 1.650 (a/b)

4.2.1 FBE jobs - analysis based on location

The pattern of job creation through FBEs on the basis of location (rural/urban) is presented in **Table 4.3**. In terms of proportion of jobs supported for family members and for women there is no significant difference. However, jobs supported for outsider women in urban areas (43.9% of total jobs for outsiders in urban areas) are much less than rural areas (74.2% of total jobs for outsiders in rural areas).

Table 4.3: FBE Jobs based on location

Rural	Household members		Outsiders		Total Jobs	Jobs/FBE
	Full time	Part time	Full time	Part time		
Male	483	148	149	58	735	0.48
Female	1,385	48	453	117	1,921	1.25
Total	1,869	196	602	175	2,656	1.73
Urban						
Male	177	43	48	5	249	0.42
Female	551	13	28	23	597	1.02
Total	728	56	76	28	846	1.44

Further, the jobs supported per FBE in rural areas are also higher in comparison to urban areas. The main reason for this could be lack of availability of skilled/semi-skilled workforce in urban areas, particularly for lesser paid jobs in FBEs, and better employment opportunities. Analysis of working capital estimates indicates that average salary paid to outsiders in FBEs was just around Rs3,011 (much less than average salary of Rs8,512 paid by MEs to outsiders).

4.2.2 FBE jobs - analysis based on period of association

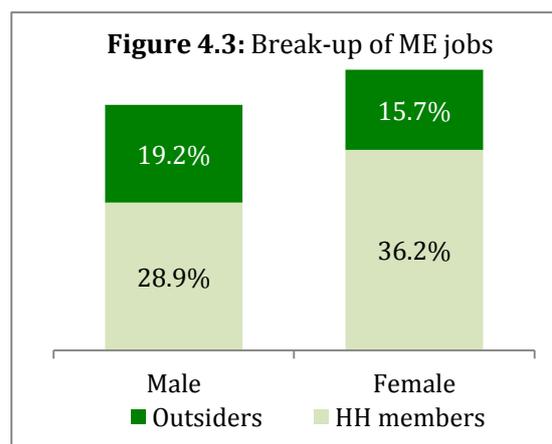
Table 4.4 analyses the jobs supported by FBEs on the basis of number of years of association of the respondents with HIH. It is evident that FBEs of members who were in the initial years of association with HIH, have generated jobs mainly for the household members (more than 90% of jobs supported was for family members). As the period of association grew the number of jobs for the outsiders also increased - 28.8% for FBEs of members associated for 2 to 4 years and 28.6% for members associated for more than 4 years. If job offering to outsiders can be considered as one of the parameter of growth of an enterprise, it is quite likely that as the period of association grows there is high probability of FBEs transforming into MEs.

Table 4.4: FBE Jobs based on period of association (years)

0.5 to 2	Household members		Outsiders		Total Jobs	Jobs/FBE
	Full time	Part time	Full time	Part time		
Male	245	68	46	6	328	0.38
Female	833	21	64	23	919	1.06
Total	1,078	89	110	29	1,247	1.44
2 to 4						
Male	235	82	72	32	364	0.45
Female	705	22	298	42	1,035	1.28
Total	940	104	370	74	1,399	1.73
>4						
Male	180	41	79	25	292	0.65
Female	398	18	119	75	564	1.26
Total	578	59	198	100	856	1.91

4.3 Jobs supported through MEs

MEs are defined as the enterprises in which current level of investments were more than Rs50,000. The number of MEs established was 537 MEs by 547 respondents. These MEs have generated 1,362 jobs for both family members as well as outsiders. **Table 4.5** analyses the jobs supported by MEs. It can be seen that the number of jobs supported per ME (2.54) is significantly greater than that by FBEs (1.65) indicating greater employment generating capacity of such enterprises.



Overall, the proportion of jobs supported for men in ME is 48.1%, which is comparatively higher than FBEs (28.1%). As a result the proportion of jobs for women (both household members and outsiders) has decreased indicating that MEs have a greater involvement of men in its day-to-day operations. **Figure 4.3** captures the proportion of jobs supported by MEs for various categories of employment.

Table 4.5: Jobs supported by MEs

	Household members		Outsiders		Total Jobs	Jobs/ME
	Full time	Part time	Full time	Part time		
Male	349	90	228	66	655	1.22
Female	482	21	179	70	707	1.32
Total	831	111	407	136	1,362	2.54

Box 4.2 outlines the multipliers that have been generated using the above numbers in the context of the objective of the project to estimate MEs established/strengthened by the borrowers and jobs supported through them.

Box 4.2: ME multipliers	
i.	Proportion of respondents who have received loans & utilized it for productive purposes (a=2,428) by established MEs (b=537) = 0.225 (b/a)
ii.	Number of MEs (a=537) per respondent who have invested in MEs (b=547) = 0.982 (a/b)
iii.	Number of jobs supported (a=1,362) per ME (b=537) = 2.536 (a/b)

4.3.1 ME jobs - analysis based on location

When analysing ME jobs supported based on location of the respondent the main deviation observed is the jobs supported for the outsiders. It significantly increases to 71.6% involvement of men in urban areas (of total jobs supported for outsiders in urban areas) in comparison to 48.6% for rural (of total jobs supported for outsiders in rural areas). The ME jobs supported location wise is shown in **Table 4.6**.

Table 4.6: ME Jobs based on location

Rural	Household members		Outsiders		Total jobs	Jobs/ME
	Full time	Part time	Full time	Part time		
Male	230	87	145	45	441	1.16
Female	350	17	142	70	536	1.41
Total	580	104	287	115	977	2.56
Urban						
Male	119	3	83	21	214	1.37
Female	132	4	37	0	171	1.10
Total	251	7	120	21	385	2.47

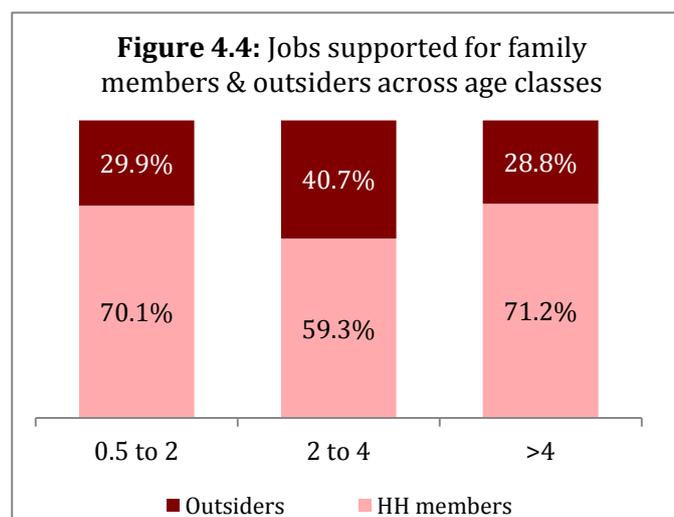
4.3.2 ME jobs - analysis based on period of association

The break-up of ME jobs supported on the basis of period of association of the members is shown in **Table 4.7**. There is no significant variation in the number of jobs supported per ME across different age classes.

Table 4.7: ME Jobs based on period of association (years)

0.5 to 2	Household members		Outsiders		Total jobs	Jobs/ME
	Full time	Part time	Full time	Part time		
Male	101	24	53	24	178	1.19
Female	131	6	35	11	175	1.16
Total	232	30	88	35	353	2.35
2 to 4						
Male	147	38	126	34	309	1.24
Female	225	7	111	33	356	1.42
Total	372	45	237	67	665	2.66
>4						
Male	101	28	49	8	168	1.23
Female	126	8	33	26	176	1.28
Total	227	36	82	34	344	2.51

However, in case of MEs of respondents who have been associated with HIH for 2 to 4 years it is noticed that the proportion of jobs supported for outsiders is around 40%. This is higher in comparison to about 28% outsider jobs for MEs of respondents associated for 0.5 to 2 years and >4 years. Also, while respondents in age class 2 to 4 years with MEs were around 30% of the sample, the proportion of jobs supported by them was nearly half of the total jobs supported by MEs. The study team views the MEs (of respondents in age class 2 to 4 years) in their growth phase which has resulted in higher job support (particularly for outsiders) and as the MEs stabilize with experience (of respondents in age class >4 years) the involvement of family members increases - illustrated in **Figure 4.4**.



4.4 Seasonal jobs

There are activities that are seasonal in nature and require hiring of labour (such as agriculture) depending on need. Job supported through such activities were categorised as **seasonal**. For the purpose of this study, seasonal jobs are seen as additional jobs supported which cannot be associated with an identifiable individual (as they keep changing with season). Therefore, such jobs cannot be categorized as full-time or part-time jobs those are specific to the person involved in an activity. Overall, 1,356 seasonal jobs were also supported by 2,659 enterprises covered by the study as analysed in **Table 4.8**.

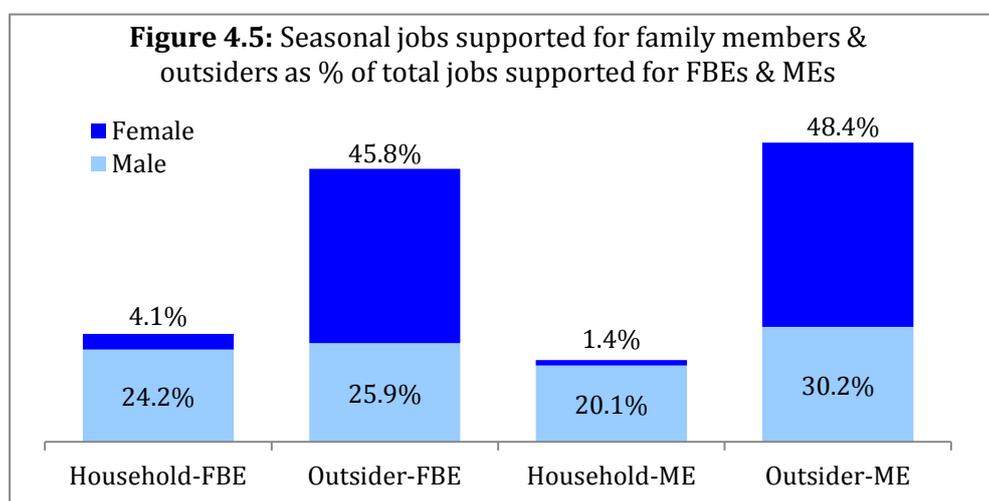
Table 4.8: Overall seasonal jobs supported

	FBE		ME		Total		Total jobs
	Household members	Outsiders	Household members	Outsiders	FBE	ME	
Male	240	257	73	110	497	183	680
Female	41	454	5	176	495	181	676
Total	281	711	78	286	992	364	1,356

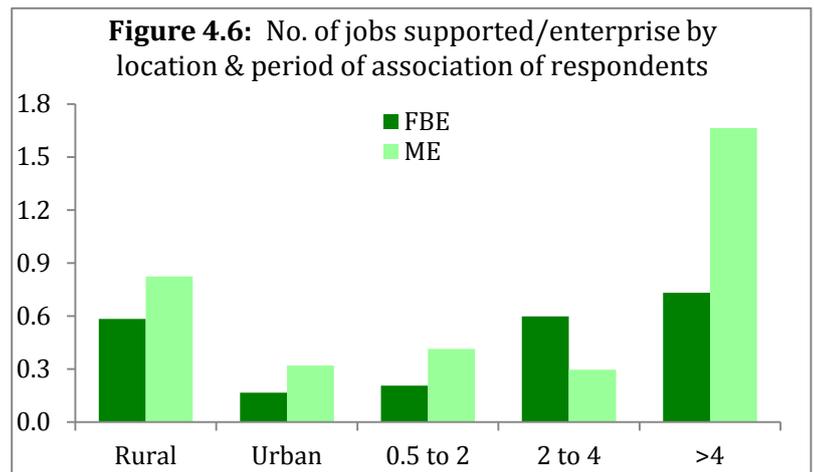
Box 4.3 outlines the multipliers that have been generated for the seasonal jobs using the above numbers in the context of the objective of the project to estimate MEs established/strengthened by the borrowers and jobs supported through them.

Box 4.3: Multipliers for seasonal jobs	
i.	Number of seasonal jobs supported (a=992) per FBE (b=2,122) = 0.467 (a/b)
ii.	Number of seasonal jobs supported (a=364) per ME (b=537) = 0.678 (a/b)

Not surprisingly, nearly 3/4th of the seasonal jobs were supported for outsiders. Though, the proportion of seasonal jobs supported for outsiders in MEs (78.6%) was slightly higher than in FBEs (71.7%). Another trend that was noticed, as shown in **Figure 4.5**, was that among the household members engaged in seasonal jobs a very high proportion of men were involved (more than 85% in vase of FBEs & nearly 94% for MEs). For outsiders the proportion of women (more than 60%) was high for both FBEs and ME.



When analysed across location and period of association, it was seen that the number of seasonal jobs per enterprise (FBE or ME) was much higher in rural than in urban areas. This could be due to labour intensive activities like agriculture that are practiced mainly in rural areas. In terms of period of association of respondents with HIH, the number of seasonal jobs supported/enterprise increase with the age class indicating the growth of enterprises (with additional credit from HIH group) leading to creation of jobs as displayed in **Figure 4.6**.



The next chapter estimates the overall number of enterprises (FBE & ME) promoted/strengthened through HIH credit and the jobs supported, using the data analysed in this and previous chapters.

Chapter 5

Estimating HIH group's contribution to supporting jobs

The concluding chapter uses the information gathered from primary (field survey) and secondary (obtained from HIH database) sources to generate multipliers to estimate enterprises supported by the HIH group through its lending activities and the jobs supported through them. The multipliers have been generated with respect to the five broad objectives of the survey, outlined in Chapter 1).

The multipliers obtained from the sample extrapolates the results to the population (total member base of HIH group as on 30 November 2011) to estimate the HIH's overall contribution to enterprise & job creation.

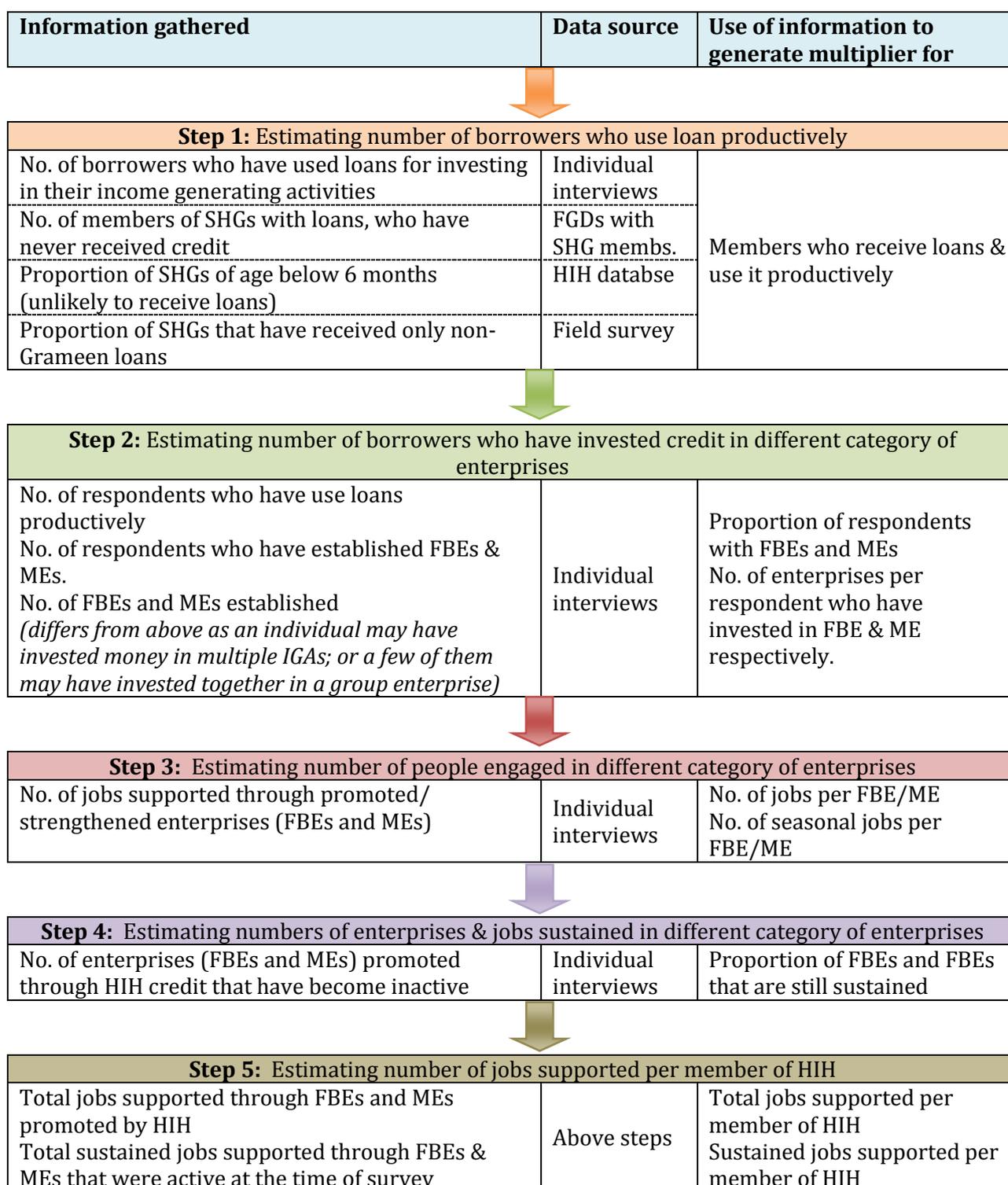
5.1 The estimation process

The main purpose of this research was to estimate the total jobs supported by the enterprises promoted/strengthened by loans of HIH group. Since the jobs would be supported only when a borrower utilizes the credit for productive purposes,

- The **first step** was to estimate the number of borrowers who use loans for productive purposes. At the same time it was essential to understand the proportion of members who actually get loan (from HIH group/SBLP) in order to extrapolate the results to the overall population. It is to be noted that there are some SHGs that are yet to receive loan and among SHGs with loans it is not necessary that all members have received credit.
- The **second step** was to understand the proportion of borrowers (who receive credit & have utilized it for productive purposes) who have utilized credit in FBEs and/or MEs based on level of investments.
- The **third step** was to assess the number of people engaged in these enterprises on a full-time, part-time or seasonal basis to estimate the jobs supported.
- However, not all enterprise and jobs promoted/ supported were sustained at the time of survey. So the **fourth step** was to assess the enterprise turnover to estimate the proportion of enterprises & therefore jobs that are still sustained.
- The **final step** was to use the multipliers generated in each of the four steps to generate an overall multiplier linked to the membership base of HIH to estimate the total numbers of enterprises and jobs supported & HIH's achievement in the context of creating 1.3 million jobs by 2013.

The steps discussed above are illustrated in **Figure 5.1**.

Figure 5.1: Estimation process



The following sub-section, explains step-by-step, the use the information collected through survey (both at SHG level and for individual respondents) and outreach data available as per HIH database to estimate HIH's contribution in supporting enterprise and jobs.

5.2 Generating multipliers

5.2.1 Facts and assumptions

As presented in **Section 1.2.1** in **Chapter 1**, HIH group has achieved an outreach of 741,511 members, organized into 51,766 SHGs (as on 31 March 2012). HIH defines members as clients who have been receiving support not only through credit facility (from HIH & Belstar) but also through other pillar activities. So even if clients who do not currently have a loan outstanding but are receiving other services are considered as active members. However, since this study focused on creation of enterprises and jobs through provision of credit, the following aspects were considered for estimating the adjusted outreach of HIH group in Tamil Nadu.

- HIH/Belstar generally provides loans to new group members after 6 months. Therefore, it was assumed that, SHGs (& its members) of age below six months have not received loans and will not contribute to creation of enterprises & jobs. As per HIH database, 51,152 members organised in 3,666 SHGs are associated with HIH in last six months. This is about 7.1% of the total SHGs promoted by HIH group.
- In addition HIH/Belstar also has loan products for meeting household consumption needs. The field survey indicated that there are SHGs that have received only non-Grameen loans from HIH. Since such loans will not contribute to creation of enterprise and jobs, they have been excluded from the overall outreach numbers for accurate estimations. The numbers of such SHGs are estimated at ~1.0% of total SHGs promoted.
- Therefore, overall ~8.1% (7.1% below 6 months SHGs & 1.0% SHGs that have received only non-Grameen loans) of SHGs have not received loans & therefore will not contribute towards enterprise & job creation.

Table 5.1 calculates the total number of members of SHGs that have received Grameen/Bank loans for enterprise promotion. However, this also includes members that have not received loans.

Table 5.1: Basic facts & assumption for calculating adjusted outreach

Formula	Description	Overall
a	Total SHGs promoted	51,766
b	Total members (as on 31 March 2012 in the 13 study districts of Tamil Nadu & Pondicherry)	741,511
c	No. of SHGs of age <6 months (<i>unlikely to have received loans</i>)	3,666
d=c/a	% of total SHGs	7.1%
e	% of SHGs that have received only non-Grameen loans (<i>based on field survey</i>)	1.0%
f=1-(e+d) g=f*b	Therefore, % of SHGs that have received Grameen loans Total number of members in such SHGs	91.96% 681,902

Analysis of group level information of 330 SHGs surveyed indicates that

- 72.9% respondents are based in rural areas and 27.1% are located in urban areas
- In terms of period of association with HIH group - 39.2% respondents were associated for 0.5 to 2 years, 40.2% for 2 to 4 years and 20.6% for more than 4 years.

Therefore, the break-up of overall membership base of HIH group by location and by period of association has been calculated in **Table 5.2** on the basis of the above proportion for estimating the adjusted outreach across different segments.

Table 5.2: Break-up of membership based on location & period of association

	Total members	No. members in SHGs that have received loans
Location		
Rural	540,892	497,410
Urban	200,619	184,492
Period of association		
0.5 to 2	290,868	267,486
2 to 4	298,076	274,114
>4	152,567	140,302

5.2.2 Multiplier 1:

Number of borrowers who have borrowed for starting and/or strengthening IGA

The purpose is to generate a multiplier to estimate the total numbers of members of HIH/Belstar who have received loans and invested in their IGAs. The information collected through field survey has been used to generate this multiplier. Study indicated that 8.4% of the members of 330 SHGs surveyed had never received loans & therefore would not have contributed to enterprise creation. From these SHGs, 2,558 respondents were interviewed who had received at least one loan from either HIH group or under SBLP. Analysis shows that 5.1% of these respondents have not used the loan for any productive purpose. **Table 5.3** calculates the Multiplier 1 using these two datasets.

Table 5.3: No. of borrowers who have borrowed for starting and/or strengthening IGAs

Formula	Description	Overall
a	Total number of members in the SHGs which have received loan (Adjusted outreach of HIH from Table 5.1)	681,902
<u>Information based on group level data of 330 SHGs surveyed</u>		
b	Total number of members in 330 SHGs	4,938
c	Number of members who have never received loans	414
d=1-(c/b)	% of members who have received at least one loan (the loan may or may not be currently outstanding)	91.6%
<u>Information based on survey of selected respondents</u>		
e	Number of respondents	2,558
f	No. of respondents who have not used loan productively	130
g=1-(f/e)	% of members who have used loan for productive purposes	94.9%
h=d*g	% of members who receive loan & use it productively	87.0%
i=h*a	Therefore, estimated no. of members who have received loans & have used it productively for IGAs	592,982

Similarly, the data collected from 330 SHG and 2,558 respondents was analysed across locations & period of association to estimate the number of borrowers who have received loans and used it productively for each of these segments. **Table 5.4** calculates the Multiplier 1 for different segments.

Table 5.4: Break-up of membership base who have received loan and used it for productive purpose by location & period of association

Formula	Description	Location		Period of association (years)		
		Rural	Urban	0.5 to 2	2 to 4	>4
a	Total number of members in the SHGs which have received loan (Adjusted outreach of HIH from Table 5.1)	497,410	184,492	267,486	274,114	140,302
<u>Information based on group level data of 330 SHGs surveyed</u>						
b	Total number of members	3,602	1,336	1,937	1,985	1,016
c	No. of members who have never received loans	281	133	284	98	32
d=1-(c/b)	% of members who have received at least one loan (the loan may or may not be currently outstanding)	92.2%	90.0%	85.3%	95.1%	96.9%
<u>Information based on survey of selected respondents</u>						
e	Number of respondents	1,830	728	1,016	991	551
f	No. of respondents who have not used loan productively	104	26	54	50	26
g=1-(f/e)	% of members who have used loan for productive purposes	94.3%	96.4%	94.7%	95.0%	95.3%
h=d*g	% of members who receive loan & use it productively	87.0%	86.8%	80.8%	90.3%	92.3%
i=h*a	Therefore, Estimated no. of members who have received loans & have used it productively for IGAs	432,543	160,193	216,135	247,434	129,471

Note:

The total number of members who have received loans & have used it productively as in Table 5.3 is 592,982. However, the total of rural + urban members (592,736) and of 0.5-2 + 2-4 + >4 years (593,040) who have used loans productively, is different from the overall total. This is because of the weights associated with each segment based on group level data of SHGs and of individual respondents are different leading to varied proportions of members who receive loan & use it productively. Similar mismatch will be noticed in overall & segment wise totals in other multipliers as well.

5.2.3 Multiplier 2:

Number of FBEs established /strengthening by borrowers

Out of 2,558 respondents, 2,428 respondents have used their loan for productive purpose. Further analysis shows that 1,937 respondents have used their loan to establish/strengthen 2,122 FBEs. This means

- 79.8% of respondents who have used the loan for productive purpose have established or strengthen at least one FBE and
- Average number of FBEs promoted per respondent (who have invested in FBEs) is 1.1.

Tables 5.5 calculates Multiplier 2 for estimating the total number of FBEs promoted by HIH/Belstar borrowers who have used loans productively using the above data sets.

Table 5.5: Number of FBEs established/strengthened by borrowers

Formula	Description	Overall
a	Number of members who have received loans & have used it productively for IGAs - Multiplier 1	592,982
b	Total respondents who have used loans for productive purpose	2,428
c	Total number of respondents who have invested in FBEs	1,937
d=c/b	% of respondents who have used loans for investing in FBE	79.8%
e	Among the respondents who have used loans productively, No. of cases where single FBE were promoted/supported	1,740
f	No. of cases where two FBEs were promoted/supported	179
g	No. of cases where three FBEs were promoted/supported	8
h=e+(f*2)+(g*3) i=h/c	Total number of FBEs promoted/supported by HIH So, number of FBEs per respondent who have invested in FBEs	2,122 1.10
j=a*d	Therefore, Number of members supported to establish FBEs	473,067
k=j*i	No. of FBEs promoted/supported	518,249

Table 5.6 calculates the Multiplier 2 for the location wise and period of association wise segments using the data on FBEs of respondents in the respective segments.

Table 5.6: Number of FBEs established/strengthened by borrowers across different segments

Formula	Description	Location		Period of association (years)		
		Rural	Urban	0.5 to 2	2 to 4	>4
a	Number of members who have received loans & have used it productively for IGAs - Multiplier 1	432,543	160,193	216,135	247,434	129,471
b	Total respondents who have used loans for productive purpose	1,726	702	962	941	525
c	Total number of respondents who have invested in FBEs	1,381	556	823	715	399
d=c/b	% of respondents who have used loans for investing in FBE	80.0%	79.2%	85.6%	76.0%	76.0%
e	Among the respondents who have used loans productively, No. of cases where single FBE were promoted/supported	1,231	509	769	620	351
f	No. of cases where two FBEs were promoted/supported	142	37	48	85	46
g	No. of cases where three FBEs were promoted/supported	6	2		6	2
h=e+(f*2)+(g*3)	Total number of FBEs promoted/supported by HIH	1,533	589	865	808	449
i=h/c	So, number of FBEs per respondent who have invested in FBEs	1.11	1.06	1.05	1.13	1.13
j=a*d	Therefore, Number of members supported to establish FBEs	346,085	126,876	184,906	188,008	98,398
k=j*i	No. of FBEs promoted/supported	384,177	134,407	194,342	212,462	110,729

5.2.4 Multiplier 3:

Number of jobs supported by promotion of FBEs

As analysed in **Chapter 4**, the 2,122 FBEs resulted in creation of 3,545 jobs. In addition 992 seasonal jobs were also supported. Using this data the **Multiplier 3** for calculating the number of jobs supported by promotion of FBEs is explained in **Table 5.7**.

Table 5.7: Number of jobs supported by promoting FBEs

Formula	Description	Overall
a	Number of FBEs supported by HIH - Multiplier 2	518,249
b	Total number of FBEs of respondents	2,122
c	Total jobs supported through FBEs	3,545
d	Seasonal jobs supported through FBEs	992
e=c/b	Number of jobs supported per FBE	1.65
f=d/d	Seasonal employment per FBE	0.47
g=a*e	Total FBE jobs supported	855,282
h=a*f	Seasonal FBE jobs supported	242,273

The break-up of number of jobs supported in various segments is presented in **Table 5.8** using the segment wise data on jobs promoted through FBEs.

Table 5.8: Number of FBE jobs supported (by different segments)

Formula	Description	Location		Period of association (years)		
		Rural	Urban	0.5 to 2	2 to 4	>4
a	Number of FBEs supported by HIH - Multiplier 2	384,177	134,407	194,342	212,462	110,729
b	Total number of FBEs of respondents	1,533	589	865	808	449
c	Total jobs supported through FBEs	2,684	861	1,263	1,415	867
d	Seasonal jobs supported through FBEs	894	98	179	484	329
e=c/b	Number of jobs supported per FBE	1.73	1.44	1.44	1.73	1.91
f=d/d	Seasonal employment per FBE	0.58	0.17	0.21	0.60	0.73
g=a*e	Total FBE jobs supported	665,605	193,053	280,167	367,864	211,100
h=a*f	Seasonal FBE jobs supported	224,040	22,363	40,216	127,267	81,135

5.2.5 Multiplier 4:

Number of MEs established/strengthened by borrowers

The number of respondents out of 2,428 who use the loans productively to establish MEs was 547. Further, number of MEs established by these respondents was 537. The results indicate that 22.5% of the respondents (who use loans productively) establish MEs and the average number of MEs established by them is 0.98. These datasets have been used in **Table 5.9** to generate Multiplier 4 for estimating the total number of MEs established by borrowers of HIH.

Table 5.9: Number of MEs established/strengthened by borrowers

Formula	Description	Overall
a	Number of members who have received loans & have used it productively for IGAs - Multiplier 1	592,982
b	Total respondents who have used loans for productive purpose	2,428
c	Total number of respondents who have invested in MEs	547
d=c/b	% of respondents who have used loans for investing in ME	22.5%
e	Among the respondents who have used loans productively, No. of cases where single ME were promoted/supported	517
f	No. of cases where two MEs were promoted/supported	10
g=e+(f*2) h=g/c	Total number of MEs promoted/supported by HIH So, number of MEs per respondent who have invested in MEs	537 0.98
i=a*d	Therefore, Number of members supported to establish MEs	133,592
j=h*i	No. of MEs promoted/supported	131,150

Table 5.10 calculates the Multiplier 4 for the location wise and period of association wise segments using the data on MEs of respondents in the respective segments.

Table 5.10: Number of MEs established/strengthened by borrowers across different segments

Formula	Description	Location		Period of association (years)		
		Rural	Urban	0.5 to 2	2 to 4	>4
a	Number of members who have received loans & have used it productively for IGAs - Multiplier 1	432,543	160,193	216,135	247,434	129,471
b	Total respondents who have used loans for productive purpose	1,726	702	962	941	525
c	Total number of respondents who have invested in MEs	392	155	152	256	139
d=c/b	% of respondents who have used loans for investing in ME	22.7%	22.1%	15.8%	27.2%	26.5%
e	Among the respondents who have used loans productively, No. of cases where single ME were promoted/supported	371	146	146	238	133
f	No. of cases where two MEs were promoted/supported	5	5	2	6	2
g=e+(f*2) h=g/c	Total number of MEs promoted/supported by HIH So, number of MEs per respondent who have invested in MEs	381 0.97	156 1.01	150 0.99	250 0.98	137 0.99
i=a*d	Therefore, Number of members supported to establish MEs	98,237	35,370	34,150	67,315	34,279
j=h*i	No. of MEs promoted/supported	95,480	35,598	33,701	65,737	33,786

5.2.6 Multiplier 5:

Number of jobs supported by promotion of MEs

The 537 MEs of the respondents has supported 1,404 jobs. Additional seasonal jobs supported were 364. This means that average number of jobs per ME is 2.61 and average number of seasonal jobs is 0.68. **Table 5.11** calculates Multiplier 5 for estimating the number of jobs supported by HIH through promotion of MEs.

Table 5.11: Number of jobs supported by promoting MEs

Formula	Description	Overall
a	Number of MEs promoted by HIH - Multiplier 4	131,150
b	Total number of MEs of respondents	537
c	Total jobs supported through MEs	1,404
d	Seasonal jobs supported through MEs	364
e=c/b	Number of jobs supported per ME	2.54
f=d/d	Seasonal employment per ME	0.68
g=a*e	Total ME jobs supported	332,637
h=a*f	Seasonal ME jobs supported	88,898

The break-up of number of jobs supported in various segments is presented in **Table 5.12** using the segment wise data on jobs promoted through MEs.

Table 5.12: Number of ME jobs supported (by different segments)

Formula	Description	Location		Period of association (years)		
		Rural	Urban	0.5 to 2	2 to 4	>4
a	Number of MEs promoted by HIH - Multiplier 4	95,480	35,598	33,701	65,737	33,786
b	Total number of MEs of respondents	381	156	150	250	137
c	Total jobs supported through MEs	997	407	368	682	354
d	Seasonal jobs supported through MEs	314	50	62	74	228
e=c/b	Number of jobs supported per ME	2.56	2.47	2.35	2.66	2.51
f=d/d	Seasonal employment per ME	0.82	0.32	0.41	0.30	1.66
g=a*e	Total ME jobs supported	244,841	87,855	79,309	174,860	84,835
h=a*f	Seasonal ME jobs supported	78,690	11,410	13,930	19,458	56,228

5.2.7 Multiplier 6:
Enterprise turnover

While the above multipliers can estimate the total number of enterprises and jobs supported through them, the numbers include the enterprises (& jobs) that have become inactive. From the perspective of HIH's vision, the organization is not only interested in supporting jobs but jobs that could be sustained over a long period of time. In this context the study had captured the details of the enterprises (& jobs) that were supported through credit facilitated by HIH group but had become inactive at the time of survey.

Overall, 59 out of 2,122 FBEs and 9 out of 537 MEs that were supported by HIH had become inactive. This means that 97.2% of FBEs and 98.3% of MEs are still sustained. **Table 5.13** calculates the Multiplier 6 on sustainability of enterprises promoted to estimate the FBE & ME jobs that are still sustained. The segment wise sustained jobs are calculated in **Table 5.14**.

Table 5.13: Number of sustained jobs by promotion of FBEs & MEs

Formula	Description	Overall
Family based enterprises		
a	No. of FBEs promoted - Multiplier 2	518,249
b	No. of FBEs of respondents	2,122
c	No. of FBEs that have become inactive	59
$d=1-(c/b)$	% of FBEs that are still sustained	97.2%
d	No. of jobs supported per FBE - Multiplier 3	1.65
e	No. of seasonal jobs supported per FBE - Multiplier 3	0.47
f=a*d	Therefore, Number of sustained FBEs	503,840
g=d*f	Total FBE jobs supported that are still sustained	831,501
h-e*f	Seasonal FBE jobs supported that are sustained	235,537
Micro-enterprises		
a	No. of MEs promoted - Multiplier 4	131,150
b	No. of MEs of respondents	537
c	No. of MEs that have become inactive	9
$d=1-(c/b)$	% of MEs that are still sustained	98.3%
d	No. of jobs supported per ME - Multiplier 5	2.54
e	No. of seasonal jobs supported per ME - Multiplier 5	0.68
f=a*d	Therefore, Number of sustained MEs	128,952
g=d*f	Total ME jobs supported that are still sustained	327,062
h-e*f	Seasonal ME jobs supported that are sustained	87,409

Table 5.14: Number of sustained jobs across different segments

Formula	Description	Location		Period of association (years)		
		Rural	Urban	0.5 to 2	2 to 4	>4
Family based enterprises						
a	No. of FBEs promoted - Multiplier 2	384,177	134,407	194,342	212,462	110,729
b	No. of FBEs of respondents	1,533	589	865	808	449
c	No. of FBEs that have become inactive	46	13	9	28	22
d=1-(c/b)	% of FBEs that are still sustained	97.0%	97.8%	99.0%	96.5%	95.1%
d	No. of jobs supported per FBE - Multiplier 3	1.73	1.44	1.44	1.73	1.91
e	No. of seasonal jobs supported per FBE - Multiplier 3	0.58	0.17	0.21	0.60	0.73
f=a*d	Therefore, Number of sustained FBEs	372,649	131,440	192,320	205,099	105,303
g=d*f	Total FBE jobs supported that are still sustained	645,633	188,792	277,252	355,116	200,757
h-e*f	Seasonal FBE jobs supported that are sustained	217,318	21,869	39,798	122,856	77,160
Micro-enterprises						
a	No. of MEs promoted - Multiplier 4	95,480	35,598	33,701	65,737	33,786
b	No. of MEs of respondents	381	156	150	250	137
c	No. of MEs that have become inactive	6	3	0	3	6
d=1-(c/b)	% of MEs that are still sustained	98.4%	98.1%	100.0%	98.8%	95.6%
d	No. of jobs supported per ME - Multiplier 5	2.56	2.47	2.35	2.66	2.51
e	No. of seasonal jobs supported per ME - Multiplier 5	0.82	0.32	0.41	0.30	1.66
f=a*d	Therefore, Number of sustained MEs	93,977	34,914	33,701	64,948	32,306
g=d*f	Total ME jobs supported that are still sustained	240,985	86,165	79,309	172,762	81,119
h-e*f	Seasonal ME jobs supported that are sustained	77,451	11,190	13,930	19,225	53,765

5.2.7 Overall multiplier for job creation

This sub-section calculates the overall multiplier for job creation with respect to the membership base of HIH. This can be used for predicting the number of jobs supported by HIH at any point in time for the financial year 2011-12. While the multiplier is expected to calculate the number of jobs supported fairly accurately in future as well, it will be good to update it once every year through a quick survey and through a detailed survey every 3-4 years. This will help in assess any progression in the types of enterprises promoted by HIH and the jobs supported through them. **Table 5.15** calculates the overall jobs multiplier using the numbers estimated in the Multipliers 1 to 6.

Table 5.15: Overall jobs multiplier

Formula	Description	Overall
a	Membership base of HIH group	741,511
Total jobs (FBE+ME)		
b	Total jobs supported - Multipliers 3 & 5	1,187,918
c	Additional seasonal jobs supported - Multipliers 3 & 5	331,171
d=b+c		1,519,090
e=b/a	Total jobs multiplier	1.60
f=c/a	Total seasonal jobs multiplier	0.45
g=e+f		2.05
Total sustained jobs (FBE+ME)		
b	Total sustained jobs supported - Multipliers 6	1,158,563
c	Additional sustained seasonal jobs supported - Multipliers 6	322,945
d=b+c		1,481,509
e=b/a	Total sustained jobs multiplier	1.56
f=c/a	Total sustained seasonal jobs multiplier	0.44
g=e+f		2.00

Therefore, every member associated with HIH is able to support 1.60 jobs of which 1.56 jobs were sustained. Using this multiplier the total jobs/sustained jobs supported by HIH can be calculated at any point in time. However, it is suggested that this survey may be repeated annually to find out changes in the multipliers and strengthen the estimation process.

As on 31 March 2012, the total jobs supported by HIH was around 1.19 million through 0.65 million enterprises. Additional jobs supported were 0.33 million that were seasonal in nature.

The total jobs that were still sustained was around 1.16 million through 0.63 million enterprises. Additional jobs supported that were still sustained were also 0.32 million. The overall multiplier by location and period of association segments is presented in **Table 5.16**.

Table 5.16: Overall jobs multiplier across different segments

Formula	Description	Location		Period of association (years)		
		Rural	Urban	0.5 to 2	2 to 4	>4
a	Membership base of HIH group	540,892	200,619	290,868	298,076	152,567
Total jobs (FBE+ME)						
b	Total jobs supported - Multipliers 3 & 5	910446	280907	359476	542724	295935
c	Additional seasonal jobs supported - Multipliers 3 & 5	302730	33773	54146	146725	137363
d=b+c		1213176	314680	413622	689449	433298
e=b/a	Total jobs multiplier	1.68	1.40	1.24	1.82	1.94
f=c/a	Total seasonal jobs multiplier	0.56	0.17	0.19	0.49	0.90
g=e+f		2.24	1.57	1.42	2.31	2.84
Total sustained jobs (FBE+ME)						
b	Total sustained jobs supported - Multipliers 6	886618	274957	356561	527878	281876
c	Additional sustained seasonal jobs supported - Multipliers 6	294768	33060	53728	142081	130925
d=b+c		1181386	308017	410289	669959	412801
e=b/a	Total sustained jobs multiplier	1.64	1.37	1.23	1.77	1.85
f=c/a	Total sustained seasonal jobs multiplier	0.54	0.16	0.18	0.48	0.86
g=e+f		2.18	1.54	1.41	2.25	2.71

5.3 Conclusion - results of the hypothesis tested

The survey aimed to ascertain the **number of**

- Borrowers who have taken loan from HIH group or under SBLP for starting and/or strengthening IGAs
- FBEs established/strengthened by borrowers
- Jobs supported by FBEs (including the entrepreneur)
- MEs established/strengthened by borrowers
- Jobs supported by MEs (including the entrepreneur)

Results of the hypotheses which formed the basis of the study are presented below.

Hypothesis 1:

SHG members use credit for starting and/or strengthening income generating activities.

The survey clearly shows that most of the SHG members who have received loans from HIH/banks have been able to use it productively. Though the tendency of the borrowers is to use money for non-business requirements if there is an urgent need, overall the proportion of productive use is high.

- Only 5.1% of the borrowers (130 out of 2,558 respondents) have fully used the loans obtained by them for non-productive purposes.
- Among the borrowers who were able to use the credit productively, about 9.7% of the borrowed amount was spent for consumption purposes.
- In terms of overall loan amount, about 13.7% of the total borrowings are used for non-productive purposes.

Thus the study validates the first hypothesis and concludes that close follow-up by field officers of HIH & Belstar and enterprise promotion services provided through HIH pillar activities has resulted in high utilization of loans for promoting IGAs of the members.

Hypothesis 2:

Enterprises supported by HIH provide gainful employment particularly to women, and to other family members/ neighbourhood apart from the entrepreneur.

The support of IGA activities has resulted in employment opportunities for both household members and outsiders. The borrower has been deemed as the entrepreneur (a household member) who has invested the loan in the IGA/s practiced by the household, thereby creating employment for themselves. The survey indicates that additional employment has been generated for other family members and outsiders as well.

- The 2,428 respondents invested the loans received by them in 2,659 enterprises (comprising 2,122 FBEs and 537 MEs). These enterprises have generated 4,948 jobs.
- Out of total jobs supported, 74.6% were for the household members and 25.4% for the outsiders. Some variations were noticed based on the nature of the enterprise - outsider jobs proportion for FBEs was 22% and it increased significantly to 33.8% in case of MEs.
- Of the total jobs supported, 66.9% were for women. In case of FBEs the involvement of women was higher at 72.2% which decreased to 53.3% for MEs.
- Additional 1,356 seasonal jobs were also supported out of which around 73.5% were for outsiders. Involvement of men and women was almost same (around 50% each) for such jobs

Therefore, the study accepts the second hypotheses and concludes that HIH loans for promotion of IGAs has resulted in economic empowerment of women through jobs and also provided employment opportunities for other family members and outsiders.

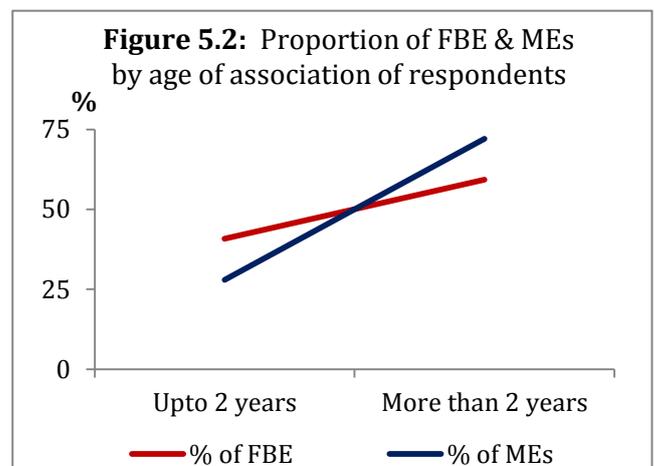
Hypothesis 3:

Some of the borrowers/entrepreneurs who used credit for income generation activity, over time were able to graduate their activity into a micro-enterprise.

The testing of this hypothesis has been done using proxy indicators for assessing if a borrower investing in FBEs was able to transform the activity into an ME, over a time period. This required historical data collection on the business of each respondent which was practically very difficult. The survey focussed on collecting information on the current level of investment in each enterprise for categorizing them as FBE or ME.

The results of the survey shows that

- The proportion of MEs supported by HIH increases with the period of association of the respondents. At the same time the proportion of FBEs is higher in the initial years and their % decreases as the period of association of the entrepreneur with HIH increases. It makes it apparent that HIH would have provided support to the respondents currently engaged in MEs when they had smaller IGAs and helped them graduate. Therefore, historical contribution of HIH in graduating FBEs to MEs by facilitating access to credit is quite probable. This is illustrated in **Figure 5.2**.



Based on the above assumption, the study accepts the third hypothesis and concludes that HIH credit may have facilitated the graduation of small IGAs of its borrowers into micro-enterprises through continuous support and credit flows.

On the basis of the three hypothesis, the study validates the overall hypothesis that

“The credit facility provided to SHG members through HIH/Belstar and under SBLP has been used by majority of the members for promoting existing or new income generation activities. These activities have resulted in creation/support of employment opportunities for both household members as well as outsiders”.

The overall conclusion of the study is summarized in **Box 5.1**.

Box 5.1: Conclusion

The total number of sustained enterprises promoted/supported through HIH loans is 0.63 which has generated 1.16 million jobs for household members and others. The number of additional (seasonal) jobs supported and sustained were 0.32 million.

HIH has set itself a goal of supporting 1.3 million jobs by 2013-14. The study estimates support to 1.16 million jobs which mean that **HIH has achieved 89.1% of its target by 31 March 2012 and is well placed to achieve its goal.**

ANNEXES

Annex 1: Explanation of sample size

The formula for the sample size estimation is

$$N = \frac{Z^2 * P * (1-P) * D}{E^2}$$

Where

N = Minimum sample size

Z = Z-score or Z-value at a certain confidence level

P = The anticipated proportion of the population that the research is about to measure

D = The design effect which ranges between 1 and 10. D compensates the sample size for deviation from simple random sampling.

E = The precision (or, margin of error)

(Note: Anything in percent form in the above formula should be in decimals: 10% =0.1 and 50% =0.5, etc.)

Explanations

- 1 Z value** (or Z-score) is derived from the desired confidence level, as follows: M-CRIL recommends a confidence level of 95% at which the Z-Score is 1.96
- 2 P=0.5.** It is the anticipated proportion that the research is about to measure. M-CRIL assumed that at least 50% of the borrowers have been able to establish micro-enterprise. At 50%, the sample size (with constant Z, D and E values) is also the highest.
- 3 D=2.0.** It is the designs affect and ranges between 1 and 10. D compensates the sample size for deviation from simple random sampling. D=1 for simple random sampling but has to be estimated for other sampling methods. This is usually between 1 and 2 but can go as high as 10 if it is a very purposively sampled sample. M-CRIL proposes **stratified random sampling**, wherein the population would be divided into mutually exclusive strata (like locations – urban/peri-urban and rural) and a random sample would be drawn from each stratum. In our past research experience, we have found D value for stratified random to be around 2.0 to 2.5.
- 4 E=0.07.** It is the precision (or, margin of error). E is related to P because if P is small then one would like the E to be small (which means, margin of error should be low for measuring smaller proportion of the population). M-CRIL recommends and has kept E of 7% in most of its research studies.

Recommended sample size

According to the above formula, the minimum sample size required for this study is 392. Therefore, **M-CRIL proposes to cover a sample of 400 respondents per district.** This will enable the research to cover various variables of the sample population in a statistically significant manner.

Annex 2: Survey template and guidelines

Do not prompt for answers. Ask the question and **encircle or fill** the answer code selected by the respondent. For open ended questions, **fill** in the appropriate details/feedback. Note **observations** wherever possible. For the purpose of this survey, **interview only those members having at least one loan** from HIH/Belstar that may or may not be currently outstanding.

Introduce yourself as a **representative of HIH/Belstar** and indicate that the purpose of this survey is mainly to understand their **contribution in promotion of your IGA/ME**. Request them to be forthright in their responses as it will be used by HIH for internal purposes only, for further improvement of services provided to them.

1 Locational details

Respondent's name	District	Block	Village/Town	Location	
				Rural	1
				Urban	2

Semi-urban location to be classified as urban

2 Respondent details

Marital status		Caste		Education		BPL status (have card)	
Never married	1	Schedule tribe	1	None	1	Yes	1
Married	2	Schedule caste	2	Neo literate (read & write)	2	No	2
Separated	3	Minority	3	Primary (1 to 5)	3	Applied/awaited	3
Divorced	4	OBC	4	Secondary (6 to 12)	4	Age (years)	
Widowed	5	General	5	Higher (Graduate & above)	5		

3 Respondent's household details

No. of adults (18 years & above)		No. of children (<18 years)		No. of working/earning members	
Men	Women	Boys	Girls	Men	Women

Members of a family include those who live in the same household and whose incomes and expenses are commonly used for running the household. If the son is earning & living in another town with his family he should not be counted as a family member and similarly if the daughter is married and living separately she should not be counted as a family member.

4 SHG membership details

Name of SHG:		Total members	
		No. of members:	
Formation date:		- without current (O/s) loan	
HIH Branch:		- who have never taken a loan	
Account No.:		Your association since (date)	
Bank branch:		No. of loans taken by you	

HIH considers a group as actively associated with it even if none of the members have a current loan outstanding. Apart from credit services, the groups are also supported through other Pillar Programmes.

5 Details of credit from HIH/Belstar

HIH/Belstar provides credit to SHG members through a standard loan product. At present the maximum limit for the 1st cycle loan is Rs7,500, 2nd cycle Rs10,000 and 3rd cycle Rs15,000. This has been revised from the earlier limits which were Rs5,000, Rs7,000 and Rs10,000 respectively. None of the members have received more than the maximum amount fixed for the 3rd cycle loan even if they have received loans more than 3 times (in a very few cases)

Try to capture the details of each loan obtained from HIH/Belstar in terms of amount received and actual use which can be for multiple purposes including consumption. Specify amount utilized for different purposes and categorise^ them into the following broad segments. Do the categorisation after completing Q7.

1-Starting new FBE; 2-Strengthening existing FBE; 3-Starting new ME; 4-Strengthening existing ME; 5-Consumption; 6-Debt repayment;7-Asset purchase

If the credit (in any cycle) has been used for any income generation activity, indicate the current status of the activity*

1-Ongoing regular; 2-Ongoing seasonal/part-time; 3-Discontinued

Actual use (describe activity)	Amount utilized (Rs)	Categorize loan purpose^	Status of activity*
Current loan amount (Rs)			
1st cycle loan amount (Rs)			
2nd cycle loan amount (Rs)			
3rd cycle loan amount (Rs)			

If the current cycle is the 1st loan fill in the details for the current loan and leave the 1st cycle rows blank. Similarly if the current cycle is the 3rd cycle leave the 3rd cycle rows blank and fill in the details in current (=3rd cycle), 1st and 2nd cycle.

6 Association with other credit providers

Fill in the below table if the SHG members have taken loan from any other source and used it for the productive activity (including discontinued) that has been supported by HIH/Belstar. Categorise source as follows. For purpose use the category codes mentioned in Q5.

1-Bank, 2-MFI, 3-Input supplier, 4-Moneylender, 5-Acquaintance (relative/friend), 6-Other (specify)

Source*	Name (specify)	Date of borrowing	Loan amount (Rs)	Purpose (describe activity)	Categorize purpose ^

7 Engagement of respondent's household in various activities

Collect details of only the productive activities (including discontinued) that have been financed by HIH in any of the loan cycles. Categorize these activities into Family Based Enterprise (FBE) or Micro-Enterprise (ME) after assessing the **current level of investment** in them.

Estimation of investment will include break-up of investment in fixed capital (FC) and working capital (WC). WC represents the operational liquidity available to a business & is basically the money invested by the ME to carry inventory and receivables. Technically, Net working capital = Current assets - Current liabilities. Typically (for MEs) current assets include accounts receivables and inventory while current liability includes accounts payables. Considering the limited time available during interviews, operating cycle method for estimation of WC will be used as explained on the next page.

The **key definitions** used for study are

Enterprise: Any income generating activity that does not involve employment under another person. The person managing such activity is an entrepreneur and may have one or more enterprises each will be counted as a separate enterprise. Also, an entrepreneur may employ other persons for running the enterprise.

FBE: Having total investment of **up to Rs50,000**

ME: Capital investment of **more than Rs50,000**. Ideally, it should provide job to at least 1 more people (part/full time) apart from the entrepreneur. If more than 1 SHG member is part of the same ME, it should be counted as one ME. In such cases jointly interview all SHG members involved in a particular ME.

Job: The **entrepreneur will be counted as one job** (even if involved part-time) as s/he has made the investment and is the owner - also referred to as own account workers by ILO. The involvement of additional person would be categorized on the basis of average number of hours spent on the activity on a regular basis - **less than 4 hours as part-time job** and **> 4 hours would be taken as full-time job** for each person involved. There may be activities that may be seasonal in nature and requires hiring of labour (such as agriculture) depending on need. Job supported through such activities should be categorised as **seasonal**.

	1		2		3		4	
Describe activity								
Type of activity [@]								
If group, no. of fellow SHG members involved ^{\$}								
No. of years of engagement								
Sector [*]								
How started [^]								
No. of family members engaged, including respondent	Male	Female	Male	Female	Male	Female	Male	Female
Full time								
Part time								
Seasonal								
No. of outsiders engaged								
Full time								
Part time								
Seasonal								

[@] Type: **1**-Group; **2**-Individual

^{\$} **Enterprise run by SHG or by some group members:** For activities that are reported as group activity, record the details in the questionnaire sheet of **only one of the SHG members**. When the questionnaire is being administered to other members who are also involved in running the enterprise, record the details of all other activities except the group activity.

^{*} **Sector:** **1**-Agriculture; **2**-Allied.; **3**-Industry; **4**-Services; **5**-Business & trading; **6**-Other (specify)

[^] **How started:** **1**-Traditional; **2**-Self initiated; **3**-Suggested by HIH; **4**-Suggested by others (specify)

