

**A STUDY ON
“FINANCIAL MANAGEMENT IN COMMUNITY BASED
ORGANISATIONS OF JEEViKA”**

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**SUMMER INTERNSHIP PROGRAM AT BIHAR RURAL
LIVELIHOOD PROMOTION SOCIETY (JEEViKA)**



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DECLARATION BY THE STUDENT

I, Vimal Kumar Tiwari, hereby declare that the project report entitled “Financial Management in Community Based Organizations of Jeevika” is original work. The contents of the project report reflect the study and work done by me during my Summer Internship from 09.05.2019 to 08.07.2019 with Bihar Rural Livelihood Promotion Society (JEEViKA).

Place: Patna

Date: 08.07.2019

OBJECTIVE OF THIS STUDY & INTERNSHIP

The primary objective of this study & internship is to understand the process of financial inclusion of rural women.

The secondary objectives are:

- To conduct qualitative research in the form of Interviews and Meetings and gain valuable insights regarding the gamut of financial management in Jeevika.
- To understand different books of records maintained at various levels of the organizations.
- To calculate Velocity of Lending, Recovery Percentage and Distribution of various Loans in different CBOs.

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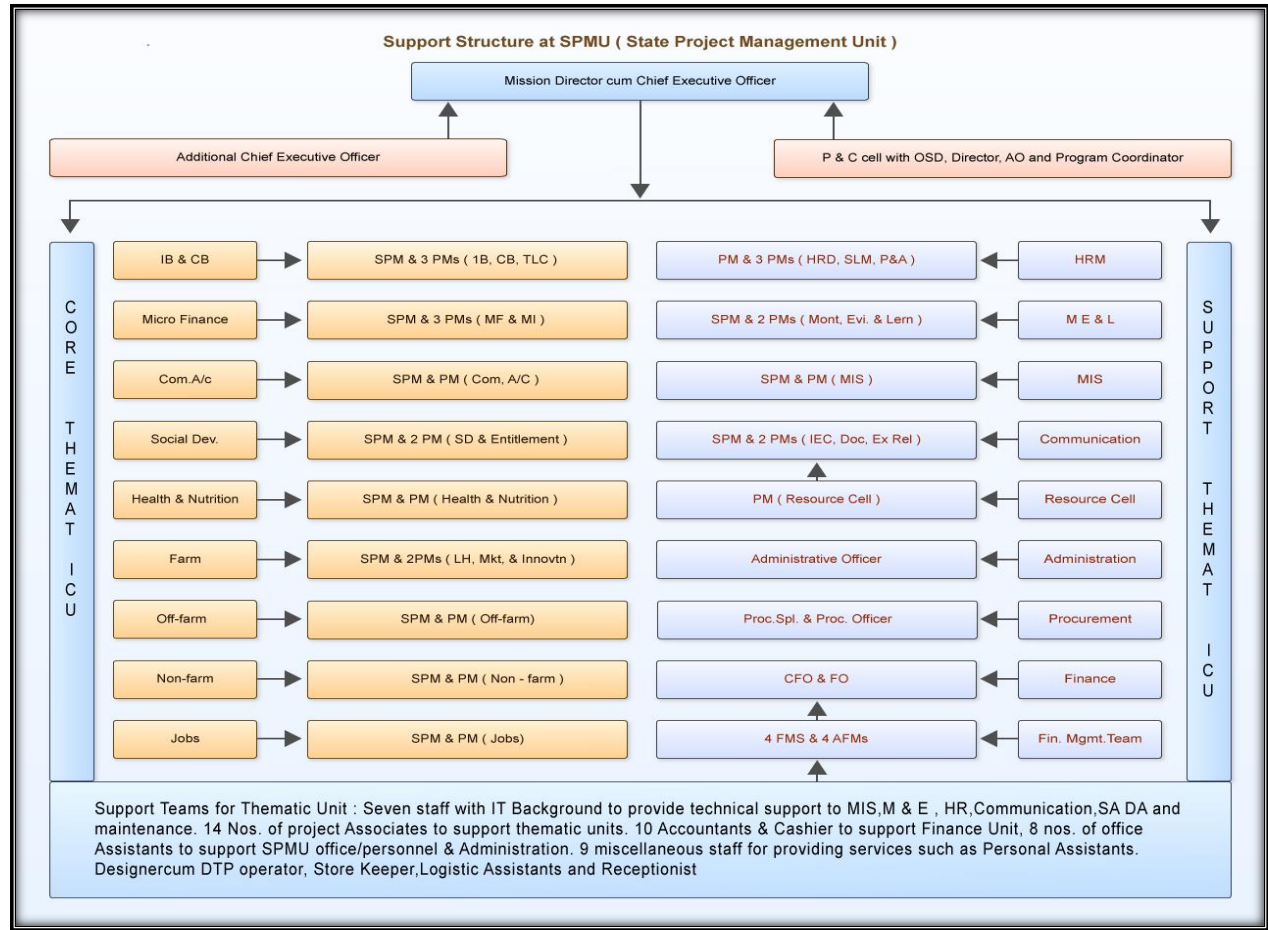
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CHAPTER I: INTRODUCTION

Bihar Rural Livelihoods Project (BRLP); more commonly known as project-“Jeevika” was implemented to empower the rural poor, socially and economically by the Government of Bihar (GOB). Swarnajayanti Gram Swarajgar Yojna (SGSY), after getting converted into National Rural Livelihood Mission is subdivided into state units called State Rural Livelihood Mission (SRLM). Bihar rural livelihoods promotion society (BRLPS) is an autonomous body which comes under the department of rural development and also leading the World Bank aided Bihar rural livelihood project (BRLP) or SRLM. This organization has its major focus on the empowerment of women through the formation of community based organizations. Jeevika has adopted a women-centric approach wherein women SHG members are acting like agents of change who are working tirelessly not only to bring economic transformation at household level but also ensure social transformation for the whole village society. By inviting the participation of rural households, self-help groups are created which lead to the social as well as economical empowerment of rural poor. The smallest unit of the community institution is nurtured and developed in the form of Jeevika self help groups (SHGs). Jeevika SHGs get federated first at the village level by the formation of Jeevika village organizations (VO) which are further federated at cluster level by formation of cluster level federation (CLF). In different parts of the state, it has been stated that more than 3.5 Lakhs SHGs have been formed. In order to assist and support SHGs in their daily operations, a pool of dedicated cadres as community mobilizer (commonly known as CM) have been identified, trained and instructed to support the self help groups. The implementation of this whole project is carried out through a three 3-tier structural unit. Those are state project management unit (SPMU), district project coordination unit (DPMU) and block project implementation unit (BPMU). Various initiatives have been taken by Jeevika for the betterment of rural poor households since its inception in 2006. The organization just not limits itself with the welfare programmes but is also performing a significant role in empowerment of poor and marginalized section of people. The organization has worked tirelessly for the well being of the households by reducing vulnerability and dependency through innovative funds like food security funds and health risk funds. Women empowerment has always been a goal of utmost importance for BRLPS. Providing financial independence to the female member of family is another way of making society prosperous.

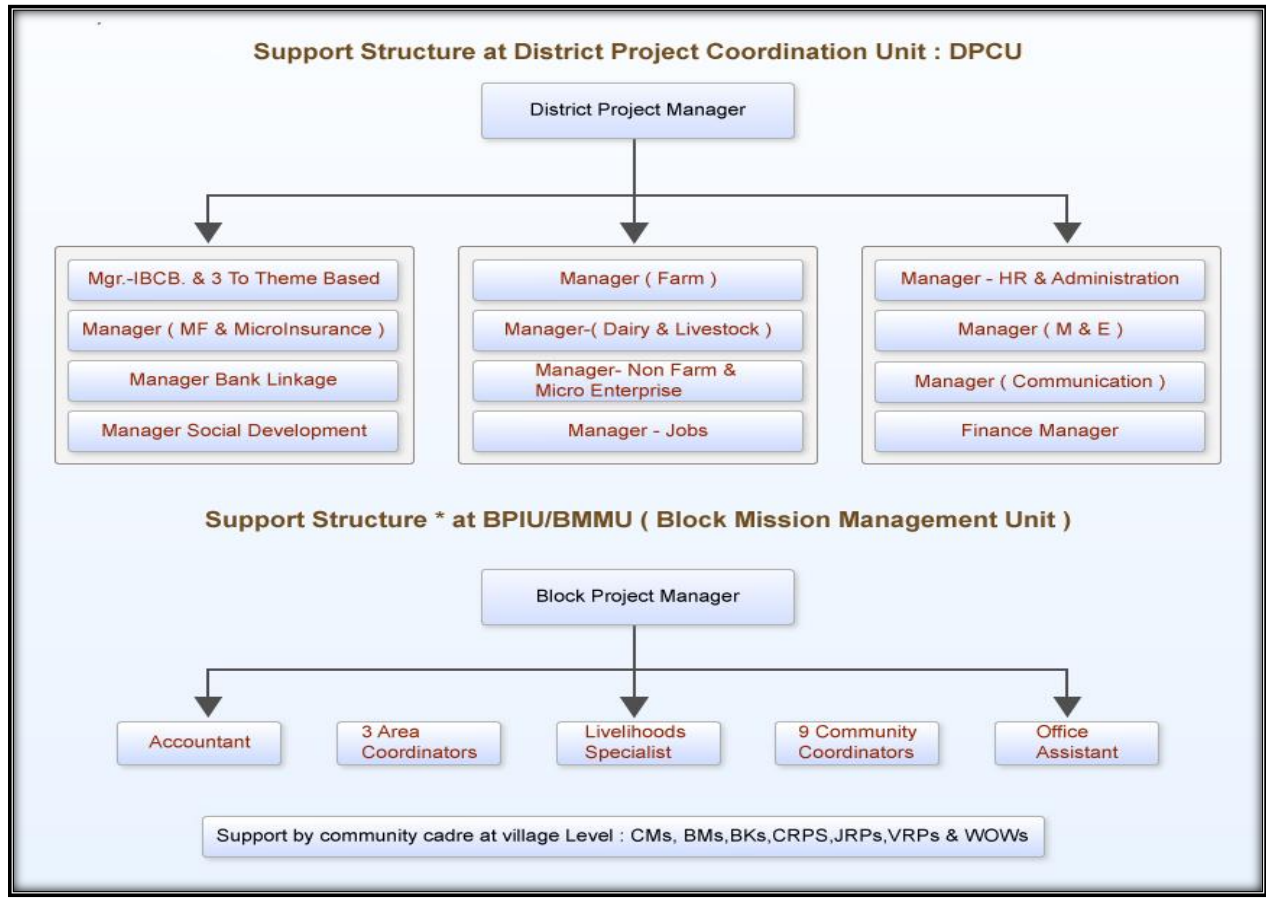
1.1 ORGANISATIONAL STRUCTURE

State Level Structure



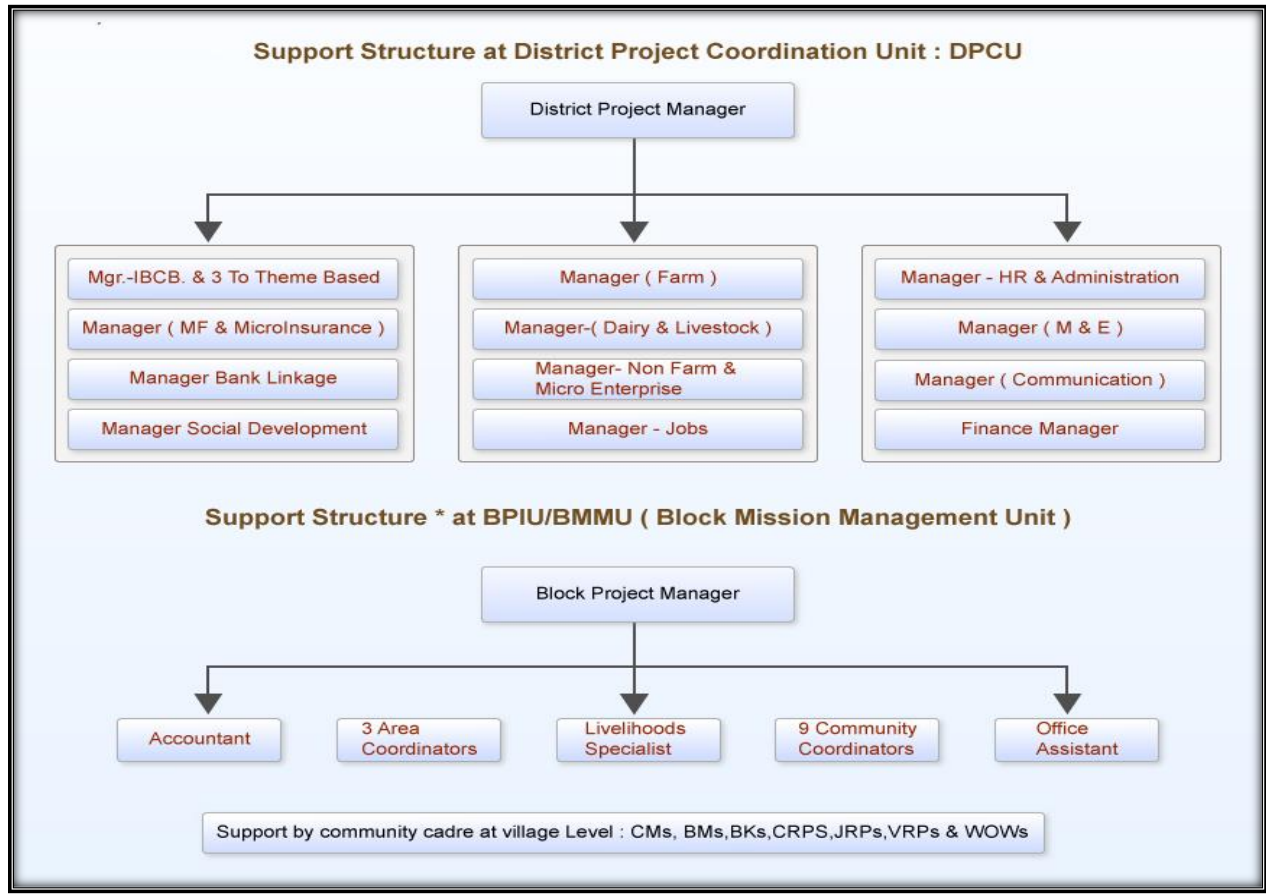
Hierarchy of organization at state level is shown in the form of a flow chart. The organization is headed by Mission director cum chief executive officer which has been subordinated by SPM of various departments. Department are under two basic functional categories namely Core thematic unit and support thematic unit.

District Level Structure



The office of Jeevika at district level is being led by District project manager. BPM is responsible for the proper management of all the projects of Jeevika implemented in the district. In order to be functional the DPM is availed by a team of experienced and skilled workforce.

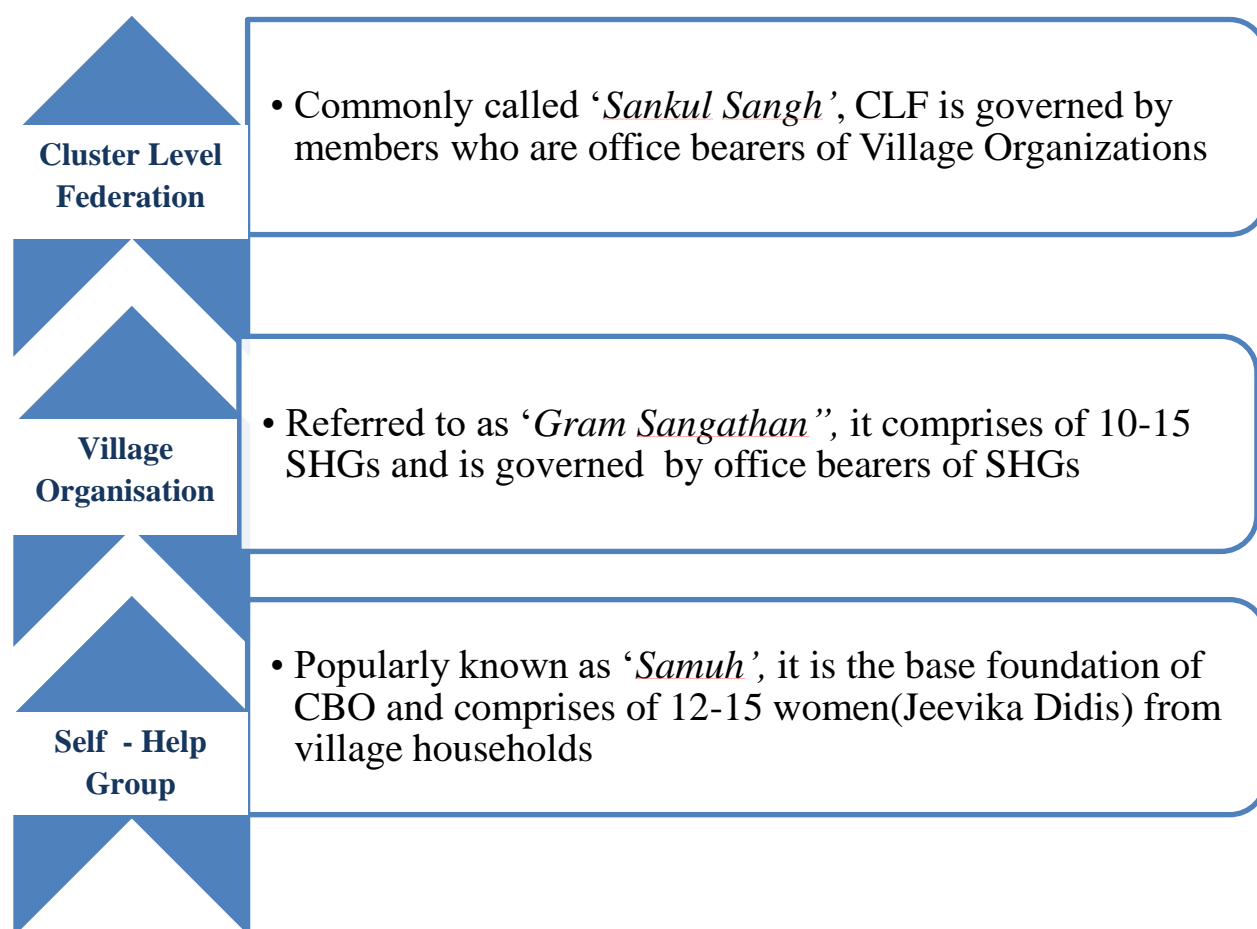
Block Level Structure



The organization is further subdivided into various units at Block level. Under the supervision of Block project manager (BPM) various staffs and managers are working for the successful completion of project and also for the careful nurture of other development activities at block level.

CHAPTER II: STRUCTURE OF CBOs

The base of the CBO is formed by SHGs which comprises of 12-15 members from the village households. Once an SHG is formed, weekly meetings and savings are initiated with the help of a Community Mobilizer (CM). After opening of the bank account of an SHG, they are provided access to credit and based on the repayment rate, their credit limit is raised over a period of time. Further when 12-15 SHGs are formed, they are grouped together to form a Village Organization (VO). Hence, a cluster level federation is formed which comprises of various Village Organizations. In this way, the demand of SHGs are met horizontally through bank linkage & inter - loaning and vertically through the channel of VOs and CLFs.



CHAPTER III: RESEARCH METHODOLOGY

This proposed research has been carried out to understand how rural women are included in the financial system by building self – sustainable organizations, horizontally through bank linkage and vertically through VOs and CLFs.

COLLECTION OF DATA

All Primary Data collected for this research has been collected by conducting Qualitative Research through In – Depth Interviews and Meetings and Examination of various Books of Records maintained at different levels of the organizations.

TARGET POPULATION

The target population for this research were members of the SHGs, VOs and CLFs visited during the course of my Internship.

METHODOLOGY

The methodology which was adopted to conduct the study was examination of books of record at three different levels of Community Based Organizations (CBO). Further, at every meeting attended, mass and personal interview of the members as well cadres were conducted regarding what they use the loan for, sufficiency of capital, training needs etc.

SCOPE OF THE STUDY

The sample size and the area or work was allotted by the supervisor. The details of which have been furnished below:

SL. No.	District and Block	Name of CLF	No. of VOs	No. of SHGs
1	Muzaffarpur – Bochahan	Phoolmala	2	5
2	Madhubani – Rahika	Mithila Shakti	1	6
3	Nalanda - Rajgir	Naree Shakti	2	3

CHAPTER IV: FINDINGS AND ANALYSIS

4.1 ORGANISATIONS VISITED

The following organizations were visited physically during the Internship. All details collected have been furnished below.

1. CLF Name- Phoolmala

District- Muzaffarpur

Block- Bochahan

This CLF comprises of 57 village organizations and 697 SHGs in 4 different panchayats. Books of record in this SHG were maintained by the Master Book Keeper- Mr. Bipin Kumar. As found during meetings of the CLF, VOs and SHGs, active participation was ensured by all the group members. While conducting the personal as well as mass interviews, it was found that the cadres were highly motivated and had a sense of responsibility to ensure timely repayment of the loans were made.

As checked on a sample basis:

- Cash Book was updated till April'19
- Cheque issue register was updated till April'19
- Fixed Asset Register was updated and all the required assets were marked.
- General Ledger was updated till April'19
- Receipt & Payment Account was updated till April'19
- Payment vouchers were updated and serially arranged
- Loan register was not updated on arrival but was later updated.
- MBK was very keen to learn more about computer, accounting and taxation changes.

The VOs and SHGs which were taken as sample are as below:

Name of VO : Phool VO, Tara VO.

Name of SHG : Mother Teresa, Kajal, Chandni, Pooja SHGs.

2. CLF Name- Mithila Shakti

District- Madhubani

Block- Rahika

As found upon visit, the master book keeper was not present and a book keeper Mr. Ramchandra Kumar was assigned to provide all the records. Due to some of his personal reasons and unavailability he could not provide sufficient data which was required to calculate the velocity of lending, recovery percentage etc.

The records were not made available on demand and it was found that the meetings of CLF are not regularly held. Based on interviews of cadres and upon checking the LDP on a sample basis it was found that the repayment in some cases have stopped since last 8-12months. The details of VOs and SHGs for which the records were made available are as below:

Name of VO : Chandan VO.

Name of SHG : Parvati, Kangna, Maa Sharde, Maa Kali SHGs.

3. CLF Name - Nareeshakti CLF

District- Nalanda

Block- Rajgir

This CLF consists of 29 VOs and 376 SHGs. Books of records are maintained by MBK- Mr. Sunil Pandit.. All the members were conducting the meeting smoothly and followed all the required procedures. Almost all the members were consulted regarding grant of loans to different VOs and their repayment was discussed as to why the loan is being given to them. This ensured transparency. As checked on a sample basis:

- Cash book was updated till May'19
- Cheque issue register was updated till date
- General Ledger was updated till March'19
- Receipt and Payment was updated till March'19
- Training register was updated till date of the last training.
- In Loan Register repayment was updated but demand and new disbursements were not recorded initially and were later recorded.

4.2 CALCULATIONS

Recovery Percentage- It is the percentage of loan (principle) that has been recovered from the borrowing organization (V.O or SHG). It is simply calculated by dividing the recovered amount (principle) by total loan provided to the member or organization.

$$\text{Recovery percentage} = (\text{Principle recovered} / \text{Total loan}) * 100$$

Velocity of Lending - It is the number of times that the loan has been able to multiply itself because of rotation among the group members or among the village organizations. The calculations are based on the formula which has been mentioned below:

$$\text{Velocity} = (\text{ICF} + \text{General Loan}) / \text{ICF}$$

Loan Distribution- It is the percentage of loan that has been distributed among different group members or the participating organizations. It reflects the uniformity in distribution of loans to different members. The formula for calculating the Loan distribution is mentioned below:

$$\text{Loan distribution} = (\text{ICF or GL or Bank Loan to a member} / \text{Total loan given by the organization}) * 100$$

Table showing Recovery Percentage of ICF, Velocity of Lending, and General Loan Distribution Percentage of Cluster Level Federations.

Name of CLF	Recovery Percentage	Velocity of Lending	General loan distribution (Min & Max)
Phoolmala	66	2.2	Min-0 Max-7.1
Nareeshakti	84	2.3	Min-0 Max-11.3

The recovery percentage is the amount of ICF that has been recovered out of the total ICF provided. As both these CLF belong to the ones in the first phase of launch of the project, the recovery percentage is good. The new addition of VOs in the CLF has affected the recovery percentage as new addition has lead to increase in the denominator but the numerator does not increase significantly. It increases over a period of time as the amount is recovered. The velocity of lending is good as it is greater than 2. It shows that a corpus has been build which is more than double the ICF. The general loan distribution here shows the minimum and maximum general loan that has been provided to the member VOs. If the range is high, it implies that the distribution has been uneven. There are also chances that elite capturing might creep in such distributions. High range must be avoided as a major part of general loan lies with one or two VOs.

Table showing recovery percentage of ICF, Velocity of Lending, and General loan distribution percentage of Village Level Organizations.

Name of VO	Recovery Percentage	Velocity of lending	General loan amount	General loan distribution(Min. & Max)
Phool VO	91.42	2.63	9,80,000	Min-0 Max-33.7
Tara VO	100	5.80	31,23,200	Min- 0.9 Max- 14.2
Chandan VO	66.02	1.01	11,600	Min- 0 Max-51.7
Rahim VO	94.34	7.4	33,94,200	Min-0 Max-23.1

These calculations show the recovery percentage, velocity of lending and the general loan distribution of different VOs on a sample basis.

As is evident from the above table, in Phool VO, the recovery percentage is good as it is above 90% and the velocity of lending is 2.63 which implies that the VO has been able to multiply the ICF by more than two times which is significantly good amount. The range of general loan distribution is 33.7% which implies that out of the total amount of 9,80,000, 33.7% lies only with one SHG.

In Tara VO, the recovery percentage is excellent and in full amount and the velocity of lending is 5.80 which implies that the VO has been able to multiply the ICF by almost six times which is a very good number. The range of general loan distribution is 14.2% which implies that out of the total amount of 31,23,200, only 14.2% lies with one SHG and is evenly distributed.

As Chandan VO is a new VO, the recovery percentage shows a low figure and the velocity of lending is limited but performs well as it exceeds 1. The general loan distribution has been made but is borderline average.

Rahim VO has been the best performing VO among all VOs visited as the velocity of lending exceeds 7. Upon examination of books of records, it has been found that the VO has been able to circulate money very efficiently and makes timely repayment. Such VOs should be demonstrated as an example for the others.

Table showing recovery percentage of ICF, Velocity of Lending, General loan distribution percentage and Bank loan distribution percentage of Self Help Groups.

Name of SHG	Recovery percentage	Velocity of lending	ICF distribution*	General loan amount	General loan distribution*	Bank loan amount	Bank loan distribution*
Pooja SHG	100	7.6	Min-0 Max-20	3,30,000	Min-0 Max-59.1	1,00,000	Min-0 Max-45
Chandni SHG	100	3.9	Min-0 Max-30	1,45,000	Min-0 Max-38	90,000	Min-0 Max-50
Maa Sharde SHG	100	3.2	Min-0 Max-20	1,10,000	Min-0 Max-28	2,92,000	Min-0 Max-20
Mother Teresa SHG	100	17.10	Min-0 Max-35	8,20,200	Min-0 Max-32	3,11,000	Min-0 Max-32
Kajal SHG	78	11.47	Min-0 Max-50	5,23,650	Min-0 Max-21	50,000	Min-0 Max-40
Maa Kali SHG	87	4.1	Min-0 Max-20	1,55,000	Min-0 Max-26	1,45,000	Min-0 Max-20
Parvati SHG	100	3.2	Min-0 Max-24	1,35,000	Min-0 Max-19	1,55,000	Min-0 Max-39
Kangna SHG	48	1	Min-0 Max-31	0	0	0	Min-0 Max-23

These calculations show the recovery percentage, velocity of lending and the general loan distribution of different SHGs on a sample basis.

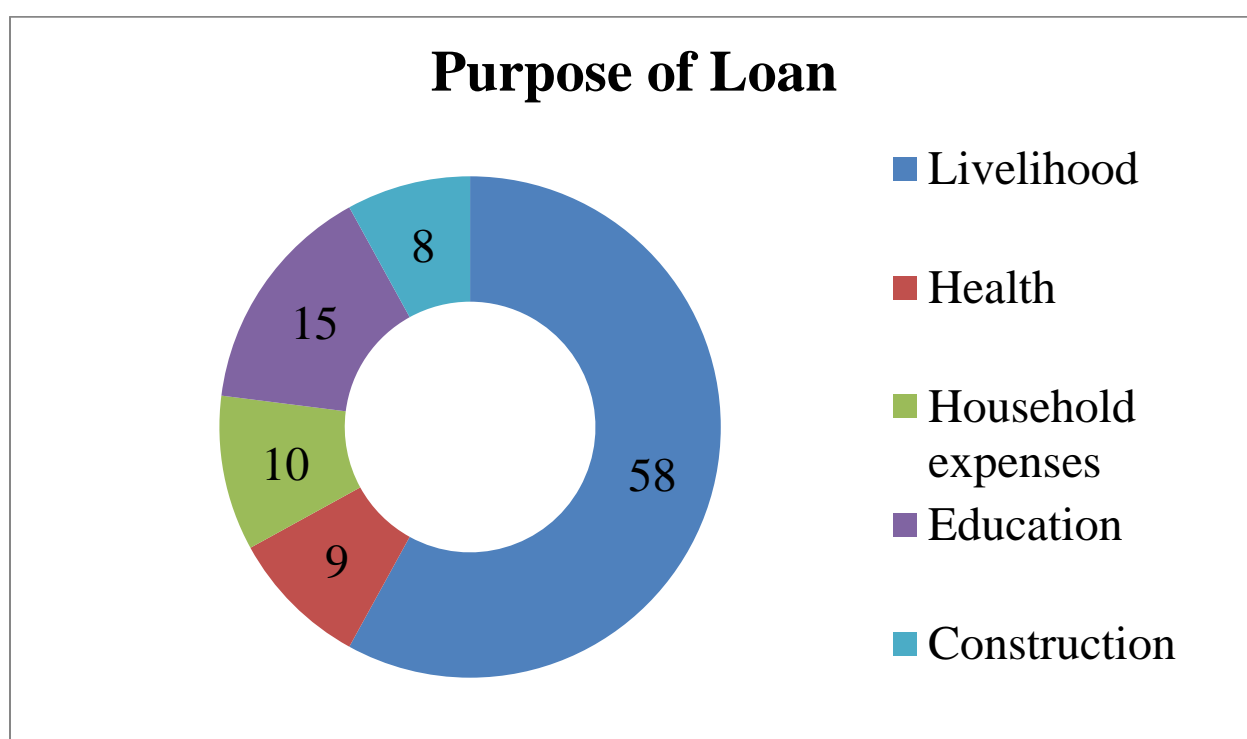
Recovery Percentage : It can be seen that all SHGs have a good percentage ranging from 80-100%. However, Kangna SHG has not been able to perform fairly in this segment.

Velocity of Lending : Pooja SHG, Mother Teresa SHG and Kajal SHG have shown excellent performance in this segment with multipliers as high as 17.10. However, Kangna SHG seems to be lagging behind in this segment as well.

General Loan Distribution : As seen in Pooja SHG, 59.1% of the total loan amount is concentrated in the hands of one member which increases the chances of the loan turning bad. This should be checked and avoided. The other SHGs have been able to maintain a low percentage in this segment which is commendable.

4.3 PURPOSE OF LOANS

Based on interview of 108 SHG members and checking of LDP on a sample basis



This graph has been generated by assembling data collected from various LDP of different SHGs. Upon interviewing 108 members of SHGs during the course of two months, the following observations have been made:

- The highest percentage, as seen in the graph above, lies with Livelihood purposes. This means that the loans taken by members of SHGs have been used for Income Generation purposes. They have mainly borrowed to maintain their livelihood and earn a living.

- The next cause for loans taken is for Educational purposes. Members of the SHGs have been utilizing funds to avail higher education and vocational training.
- A substantial percentage is seen to be used for Household expenses. This directly goes in for consumption purposes.
- 9% of the total loaned amount is being used for Health and Medical purposes of the members of the SHGs.
- Construction of houses and toilets also requires funds and these expenses have been met by loans taken from SHGs.

4.4 GENERAL OBSERVATIONS

The following general observations have been made during the course of my Internship with JEEViKA :

- **Bank Loans paid ahead of other loans :** Bank loans were paid off on a priority basis as compared to loans taken from CBOs. This may be due to the fear of facing punitive actions from banks and other financial institutions.
- **Behavioral Aspect:** It was observed that the members of SHGs had a sense of responsibility towards one another and there existed a family – like culture among all. This made the members repay their loans on a timely basis with the intention that the money repaid would be of help to another member as well as build their own corpus. This group development and peer – to –peer support is the basis of the formation of SHGs.
- **Absence of Societal Barriers :** It was seen that inspite of these SHGs having a mix of people from different backgrounds, castes, religions, etc., there were no societal barriers among members. Every member of the group lent a helping hand to the other and contributed to the joint progress of every member of the group. This adds to the group capacity and sustainable development of every member of the society is ensured.
- **Transparency :** A very high level of transparency has been maintained by CBOs all throughout in terms of handling and mobilizing funds. Every member of the SHG has the right to access information and there exists no opacity in any form.

- **Availability of Easy Credit :** Credit has been made readily available for people of all strata and this has been a vital element of SHGs. If monitored well, it can be ensured that the funds taken are being used to livelihood maintenance purposes and not consumption purposes.
- **Negligible NPAs :** This came as a complete surprise that in a country where loan defaulters are the richest of the lot, people having the bare minimum facilities and income pay off their loans regularly and timely. It was observed that members of the SHGs rarely had willful defaulters and all loans were almost repaid everytime.
- **Low Literacy does not imply Low Financial Literacy :** It was observed that low literacy levels among the members of SHGs did not impact the quality of financial records maintained by them. In spite of being provided with brief training about the process of financial record maintenance, it was observed that the records were accurately and properly maintained.

4.5 SHORTCOMINGS AT JEEVIKA

The following are the shortcomings I have identified during the course of my Internship :

- **Poor Loan Monitoring :** Due to the absence of a mechanism to trace the use of funds taken as loans, it cannot be ensured if an individual is utilizing the funds for stated purposes or not. **Rigidity in Monthly Savings :** The amount of monthly savings an individual can deposit is fixed to Rs. 10. This brings in rigidity in the system as an individual wanting to deposit a higher amount when he has surplus funds cannot do the same. This limits their corpus and takes longer time periods in accumulating funds.
- **Identification of Errors :** There is a lack of timely identification of errors in book keeping. This is done only at the time of audit which makes way for prolonged internal errors.
- **Lack of Awareness regarding Whistle Blower policies :** There is a lack of awareness among Cadres regarding the whistle blower policies and grievance redressal mechanism at Jeevika. They are unaware of the forum to be approached for complaint registration and grievance redressal.

- **Outdated Passbooks** : Due to passbooks not being updated on a timely basis, balances cannot be checked as and when required.
- **Overwriting in books of records** : It was observed at many instances that overwriting has been done in books of records at different levels.
- **Irregular Payment to Cadres** : There are Cadres in the system who receive delayed payments from the CBOs which causes lowered levels of motivation.

4.6 LIMITATIONS OF THE STUDY

Due to certain aspects, there are limitations in the study carried out.

- This research study is time – bound as I was given a time frame of two months to understand, explore and carry out the study.
- The sample size is limited to the districts visited and all observations and analyses have been made with regard to said districts.
- Due to different timings of meetings and my visits, the number of meetings attended are limited.

CHAPTER V : SUGGESTIONS & RECOMMENDATIONS

Following are the suggestions provided to overcome the shortcomings at Jeevika.

- Good performers must be **incentivized** to ensure high degree of motivation.
- A proper **mechanism** should be put in place which helps analyse the **reasons for loans turning bad**. This will help understand the behavior of loan defaulters and curb such actions further on.
- **Flexible monthly savings** amounts must be ensured upon agreement of all members of a SHG.
- **Cadre Exchange Programs** should be held to demonstrate ideal practices of book keeping.
- **Monitoring the utilization of loans** should be done to ensure that the purpose of availing the loan has been fulfilled and the individual is utilizing the fund for the stated purpose only.
- **Quarterly or Semi – Annually Review**- There must be a quarterly or semi annual review of the books of records to ensure that the errors could be rectified well in time. A provision for internal audit could serve this purpose.
- **Annual General Meeting** - An annual general meeting may be held where the books of records for the year could be discussed.
- **Payment of Cadres** - Payment of cadres should be done on a timely basis, irrespective of the time of their honorarium being paid by the organizations.
- **Reconciliation of Books** - The loan register must be reconciled with the organization's during the monthly meeting held.
- **Physical verification of Assets** - New assets must be entered in the books at the earliest possible time and a physical verification must be done on a yearly basis to keep a track of them.

- **Awareness to Prevent Fraud-** It was observed that many private chit fund companies approach the cadres and the members and promise returns which cannot be provided. Time and again it has been seen how these companies fail, making the poor people vulnerable and they end up depositing all the savings on a promise of higher returns. Awareness campaigns must be held to ensure that the members don't fall prey to such unethical companies as it weakens the objective of vulnerability reduction.

CHAPTER VI : SUCCESS STORY

Savina Khatun, a resident of Seema village, was married in 1997. She had never been to a bank or outside of her house after marriage, for work related purposes. On 29.09.2009, she joined an SHG on the motivation of a BPM. She explains how her life changed enormously after joining hands with other women in JEEViKA. Prior to joining, her household income was hardly 3000 per month. Initially, being from an orthodox family, her husband stopped her from holding any post in SHG, but she overcame all societal barriers and went on to become the President of her village organization and is now the President of CLF Naree Shakti. She further explained how her religious beliefs were a big challenge in onboarding more and more people of the same religion. She used Cost and Profit to explain that interest is nothing but a profit one earns or expense one pays to use money. A woman who never went out of her house before joining SHG, now is a CRP and briefs people on various issues, from esteemed office holders like the District Magistrate etc. She happily expressed her desire to visit more and more places as a CRP as it also helps as a source of income. Initially, she took a loan of Rs.1,00,000 for the purpose of scaling up her husband's business who worked as a tailor. After joining JEEViKA, her income is now almost 20,000 per month, with an additional income from being a CRP and imparting training. Dropped out of school in 1996, her urge to develop herself, made her study with her own daughter and her efforts were rewarded when she passed Matriculation in 2017. She has also revolted against delay in banking procedures by bank staff, blocked roads as the local bus drivers refused to let the local women board buses. She feels that many members still use a large part of loan for consumption purpose which needs to be diverted towards livelihood. She thanks JEEViKA for the long way she has come and the journey ahead. She feels JEEViKA has ensured women raise their voices against any injustice or wrong doings, be it Liquor Ban or any other social responsibility.

Savina Khatun is just an example. There are thousands of women who credit JEEViKA for the smile it has brought on their faces and happiness in their families.

CHAPTER VII : CONCLUSION

Financial inclusion is essentially the process of ensuring financial services to every section of the society. Massive efforts are being made by the government and financial institutions to provide easy and timely credit to all regions, big or small, of the country. Various programmes such as Jan Dhan Yojna, Mudra Loans and the like, to empower the rural poor and promote sustainable livelihood. JEEViKA has been the torchbearer of such activities in Bihar since 2006. It has time and again been recognised for its exemplary work that has alleviated poverty in many regions. At JEEViKA, I received the opportunity of understanding how rural finance is majorly dependant on the behavioral aspect of finance. This Internship has been nurturing and enriching in every form and will constitute for a major part in my learning process. I was able to acquaint myself with the grassroot reality of the extreme conditions in which cadres and other members of the society work. With big and small scams surfacing in news channels frequently, it is fascinating to know that people with just the basic necessities and marginal income repay their loans timely. I consider this opportunity a privilege and every experience of these two months will remain as a major learning experience through my journey.

CHAPTER VIII : ABBREVIATIONS USED

The Report contains certain abbreviations which have been cited below.

- SHG – Self Help Group
- VO – Village Organisation
- CLF – Cluster Level Federation
- ICF – Initial Capitalization Fund
- CM – Community Mobiliser
- CBO – Community Based Organization
- AC – Area Coordinator
- BPM – Block Project Manager
- DPM – District Project Manager
- SPM – State Project Manager