

Quality and Sustainability of SHGs – A Study of Rajasthan

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ARAVALI

**Association for Rural Advancement through
Voluntary Action and Local Involvement**

Patel Bhawan, HCM-RIPA, Jawahar Lal Nehru Marg, Jaipur – 302017

Telefax : 91-141-2701941, 2710556

Email : aravali-rj@nic.in Website : www.aravali.org.in

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Acronyms

ARAVALI-Association for Rural Advancement through Voluntary Action and Local Involvement

CIG-Common Interest Group

CmF-Centre for Micro Finance

DWCD-Department of Women and Child Development

DPIP-District Poverty Initiative Project

MFI-Micro Finance Institution

MPRLP – Madhya Pradesh Rural Livelihood Project

NGO- Non-Government Organisation

NABARD-National Bank for Agriculture and Rural Development

NCAER- National Council of Applied Economic Research

RRB-Regional Rural Bank

REDP-Rural Entrepreneurship Development Programme

SHG-Self Help Group

SHPI-Self Help Promoting Institution

SGSY-Swarna Jayanti Gram Swarajgar Yojna

Executive Summary

ARAVALI has undertaken the present study, supported by NABARD, to understand the status of quality and sustainability of SHGs in Rajasthan. The study also highlights' the current status of SHGs in terms of providing livelihood opportunities to the poor for leading a dignified life. The study findings are based on primary data collected for the study and secondary literature review. The primary data was collected from seven sample districts out of the total thirty-three districts of Rajasthan. The seven sample districts have been selected based on the density of SHGs. These districts are Baran, Bikaner, Dholpur, Jalore, Jhalawar, Jodhpur and Sikar. From these sample districts, a total of 300 groups¹ have been identified through random sampling method, from the list of SHGs collected from the concerned SHPIs at the district and block level. Further, to measure the impact on the SHG member's life and his/her family, 300 borrowers i.e. one borrower from each group was studied.

In addition, consultations were also held with the SHPI representatives and bank managers to get their views about the status of SHGs in terms of quality and mobilisation of bank credit and to understand their roles in promoting and strengthening SHGs in the state.

The basic approach of the study was to understand the group's performance on some of the commonly accepted and basic quality parameters, such as regularity in meetings, savings, internal loaning, and bank linkages, etc.

¹ District wise SHG details is given in Section 2.1



The major findings of the study are as follows:

- Adequate inclusion of women members (88%) was observed under both schematic (DPIP and SGSY) and non-schematic (DWCD and NGO) category.
- Adequate targeting of BPL members has been done under schematic categories i.e. DPIP (94.60 %) and SGSY (90.02%). On the other hand, less than 50% BPL members have been targeted under non-schematic category. So, specific focus of both schemes i.e. SGSY and DPIP on targeting BPL families has helped in inclusion of the poor members.
- Out of the total sample, 80 percent groups were found to be functional i.e. these groups held at least one meeting in last one year. However, there were very few groups who conducted meetings regularly on a monthly basis or as per bye laws of the SHGs. The remaining of 20% groups were found to be non-functional i.e. these groups did not hold even a single meeting in last one year. The groups that did not hold meetings in last year reported that no contact was established by SHPIs and thus members did not realise any relevance of these meetings in the absence of SHPI's representative. This also shows high dependence of groups on promoter for day to day functioning (Refer: Section 5.1 for details).
- Among the 300 groups studied, only 28 percent groups were practicing internal loaning whereas 72 percent of groups were not practicing internal loaning. This limits the availability of credit to members from group savings. This also pushed a few members to remain dependent for credit on informal sources viz. moneylenders, shopkeepers, relatives etc., even after formation of SHGs for one year or more (Refer: Section 5.5 for details).
- Out of the 251 groups (DPIP groups not included as DPIP groups received one time grant as per project guideline), only 21 percent groups could mobilise second cycle of the loan and only 4 percent out of these, could mobilise the third cycle. This shows



slow progress in multiple SHG Bank linkages. Unsatisfactory quality of the groups was cited as a main reason by banks for slow bank linkage. On the contrary, the SHPIs have raised issues of non-cooperative attitude of bankers as a reason for slow progress.

- Poor households undertake multiple activities to ensure regular earning for the family and to mitigate the livelihood risks that they face regularly. Engagement in labour intensive work emerged as the primary source of income for about 43 percent of the surveyed families, followed by 33 percent in agriculture. Even though agriculture does not provide full employment to the families, it remains as the primary source of livelihood as this contributes in ensuring the food availability to the family for a few months. Members were reported being dependent on NREGA for labour. There were very few borrowers who reported being engaged in agri-allied activities (only 3%), non-farm (only 17%) and other activities (4%) as their primary sources of income (Refer: Section 6.6 for details).

The study reiterates the need for better mechanisms for strengthening groups through focussing on regular meetings, regular inter-loaning among groups, capacity building for financial management, loan appraisal, training for income generating activities, decision - making, leadership development etc. Moreover, orientation and sensitisation of various stakeholders such as SHPIs and bankers on SHG and its role in poverty alleviation is equally vital to ensure better livelihood outcomes.



Chapter- I

Introduction

In India, Micro Finance (MF)² has been recognized and accepted as one of the development paradigms for alleviating poverty through social and economic empowerment of the poor, with special emphasis on empowering women (World Bank 1990, cited in Sarkar and Singh, 2006:1). Microfinance through SHGs is most commonly practiced form of institution adopted by NGOs and Government for provisioning financial services particularly to poor. NABARD has been the pioneer in popularising Micro Financing through SHGs under its “SHG-Bank Linkage Programme (SBLP)”. Now, it has become a programme of national importance to provide financial services to the poor. Looking at the success of the programme, other stakeholders particularly Government and other funding agencies have also started promoting similar programmes such as District Poverty Initiative Project (DPIP) funded by the World Bank, Madhya Pradesh Rural Livelihood Project (MPRLP) funded by The Department for International Development (DFID), UK, Swa-shakti Project jointly funded by the World Bank and the International Fund for Agriculture Development (IFAD) etc.

In Rajasthan, the Micro Finance programme started gaining momentum in the recent past. According to an independent estimate, more than 0.20 Million (two lakhs) groups have been promoted in the state. Both Government and Non-Government Organisations (NGOs) have promoted these groups, either under specific schemes or as part of their regular programme. The Department of Women and Child Development (DWCD) has promoted the maximum numbers of groups in the state with the help of its wide network of ICDS workers (locally known as *Aanganwari karyakarta*). In addition, large numbers of groups have been

² The MF intervention aims at financial independence, freedom from the moneylender and economic self-sufficiency. MF intervention therefore initiates savings and credit activities while strengthening production/livelihood activities to augment the family income. This sets into motion an upward spiral beginning with substitution of expensive credit with relatively cheaper credit from the SHG through banks. Initially the consumption and short-term credit requirements are substituted. Gradually as the income increase, the entire burden of the moneylender can be liquidated. Once the family is out of the cycle of debt, it can plan to invest its savings in long term and productive assets and in the education of children.



promoted by NGOs through support from NABARD's SHG-Bank Linkage Programme (SBLP) and generating resources from national and international donor agencies. Moreover under various schemes of Government such as *Swarna Jayanti Gram Swarajgar Yojana* (SGSY) under Ministry of Rural Development, Gol, and the District Poverty Initiative Project (DPIP), substantial numbers of groups were formed. In all the above schemes, NGOs have played a vital role as a facilitating agency. The continuous efforts by above mentioned agencies resulted into significant growth in the number of SHGs and bank linkages in the State. However, despite the growth, its quality and sustainability, still is an area of concern and scope for improvement on quality aspects of SHGs was realised at various fora and meetings of governments, banks and development agencies.

In this backdrop, ARAVALI with the support from NABARD conducted this study entitled "Quality and Sustainability of SHGs-A Study of Rajasthan". The study was carried out to understand the various contributing and limiting factors, which influence the quality and sustainability of SHGs. Quality of the groups, are very critical to provide financial and non-financial services to its members on a sustainable manner.

The basic approach of the study was to understand group's performance on some of the commonly accepted and basic quality parameters, such as regularity in meetings, norms within Groups, savings, internal loaning, bank linkages, use of Bank loan, repayment status, record keeping and maintenance, leadership, and training and exposure. Moreover, to understand the group's role in livelihood promotion of members, current situation of members have been compared with the earlier situation i.e. the situation that existed before they joined the SHGs.

1.1 Literature Review

In this section, we have attempted to flag issues related to the quality and sustainability of SHGs based on previous studies and available literature. But the limitation that remains here is that most of the studies on microfinance in India have focused mainly on developing case studies, often covering the well-known success stories (Chakraborty, 2005). The success stories reflect positive impact of SHGs in empowering women, contribution of SHGs in improving socio-economic status of household etc. Although, it helps us in identifying best



practices among SHGs but factors of failure which remain unknown, are comparatively less talked about in the literature.

The contribution of microfinance in provisioning savings and credit services for alleviation of poverty was analysed by Rajashekhar (2004). His study indicated that microfinance programme has mostly benefited the non-poor. It means that Self Help Promoting Institutions (SHPIs) often fail to target the poor and end up working with better offs. He also found that the heterogeneous composition of the members among the SHGs limits the democratic functioning of the groups. His observation also revealed that the better-off members control the heterogeneous groups. There were other studies by Murty and Nitya Rao (1997), Satish (2001) also reflected that micro Finance benefited the non-poor. (Cited from Rajsekhar,2004)

Shylendra (1998) conducted a study with eight women SHGs in which he identified that the SHGs failed because of lack of understanding about the goal and purpose of the group and absence of clarity about the concept of the SHGs among members. The study concluded with the suggestion that groups should be formed looking at the need of the members and making them realize that SHGs as institutions can strategically address both their short and long term needs.

Available literature³ on record keeping and maintenance of group documents indicate that inappropriate record-keeping often affects quality and sustainability of SHGs because it delays the process of bank linkages. But there are limited studies on how in-appropriate maintenance of records affects the internal functioning of the group which creates gap.

A study by Swain and Wallentin (2007), argued that well-being and empowerment of women depends upon women's ability to challenge the existing norms and culture. Though results show that SHG members experience a significant and higher-level of empowerment but it depends upon the factors such as characteristics of the household and village, pace of empowerment, behaviour differences of the group members, the kind of training and awareness programmes provided to them and the activities that the women get exposed to. All the members do not become empowered. Some become more empowered compared to others, depending upon the level of participation in the SHG.

³ Cited from Report of National Council of Applied Economic Research (NCAER), New Delhi " Impact and Sustainability of SHG Bank Linkages Programme"



A study by Moyle et.al (2006) attempted to understand the link between personal empowerment and economic empowerment in women participating in self-help groups in rural India. The study validated the fact that the self-help group improves the personal and economic condition of women in terms of collective efficacy, self-efficacy, positive attitude, self-esteem and reduced psychological distress and an increased income. The study also comes out with the finding that though the women working on income generation activities have improved their economic condition. However, there are also some negative impacts such as, too much of work pressure, physical and psychological stress etc. due to their dual role at home and participation in SHGs.

Smita Premchander (2003) tried to identify the reasons for the existing gap between the microfinance practice and the ground realities of women's livelihood in India. Premchander conducted a study to understand the impact of several large microfinance programmes in India. The respondents of the study were NGOs and women groups. The study analysed that savings and collective learning process is more important than the credit. Savings and collective learning are keys to bringing in positive impact of any microfinance programme. It is often witnessed in various microfinance programmes that the programme design lacks to accommodate the ground reality.

On the issue of scaling-up of SHG Bank Linkages, there is a study by Basu and Srivastava (2005). Their study puts the argument that the quality and sustainability of group is highly important in order to scale up SHG Bank Linkages. In this context, the role of NGOs was found to be very important. NGOs need to focus on strengthening of the SHGs. Moreover, the study further mentioned that for scaling-up of SHG Bank Linkages, the bank should take adequate interest and should have regular monitoring system in place.

When anyone talks of the socio- economic impact of SHG on its members, it is found that there is a positive change in both social and economic terms. People associated with SHGs become more self-confident with increased sense of self –worth.⁴ But, there is also a contrast view on the socio-economic impact of the SHGs, which has come up in a study by Jackimow (2007). The study indicated that SHGs are devoid from the role of enabling self-direction and

⁴ Cited from Report of NCAER “ Impact and Sustainability of SHG Bank Linkages Programme”



act more as an instrument that pressurised the marginalised for modifying their life within the changing non-negotiable socio-economic structure.

In the past few years, ARAVALI has undertaken some assessment of SHGs in different districts of Rajasthan, which states the ground realities of the quality and sustainability of the groups in the state.

In Bharatpur district, assessment of SHGs revealed that the operational aspects such as regular meeting, attendance of group members, collection of savings in the meetings, maintenance of transparency, etc were not satisfactory. It was also observed that the group members were unable to distinguish between savings and income. Some of them did not even know the different sources of income of the groups. For the distribution of loan, democratic process of decision-making was absent. Moreover, with respect to the group's sustainability, the study revealed that in terms of both operational and financial aspects, the group's dependency on external agencies was very high⁵.

A similar kind of study was also conducted in the district of Bikaner in 2004. The major finding of the assessment revealed that DWCD formed majority of the groups in the district, compared to which NGOs formed very less number of groups. It was also observed that status of SHGs bank linkages was very poor in the district. But the best part that was noticed due to the formation of SHGs in the district was the increased level of awareness about different issues among women. The women also were found to be motivated to have their own income generation activities and showed tremendous interest. But, they were unable to do that because of lack of market availability⁶.

The study in Churu district was no different from the above-mentioned studies. The assessment came out with almost similar findings about the quality and sustainability of the SHGs as in other two districts of Bharatpur and Bikaner. But adding to the operational issues some other aspects came forward in the district. The status of savings amount was found to be good, but it was not being utilised for undertaking productive activities. Various micro Finance interventions by various external agencies in the same area became one of the issues in creating confusions and problems in functioning of the groups. In the absence of proper

⁵ Cited from ARAVALI Report on "An Assessment of SHG Programme in Bharatpur District"

⁶ Cited from ARAVALI Report on "An Assessment of SHGs in Bikaner District in 2004"



monitoring system in SHPIs, progress of the SHGs slowed down. The study concluded that the groups have scope for improvements in Management Information System (MIS), institutional development, sustainability, leadership, management, etc⁷.

There is a study by Moyle, Dollard and Biswas (2006), which tried to develop a relation between the economic improvement and personal development of women in SHGs in two districts of Rajasthan. The study established a positive relation between them. The study found that the economic and personal development among women improved in terms of collective efficiency, pro-active attitudes, self-esteem, and self-efficiency⁸.

The present study also, tried to look at the status of quality and sustainability of groups⁹ in Rajasthan as the state has been a late starter in SHG movement. It also analyses the possible impacts at the level of borrowers i.e. member's household, so that immediate steps can be taken at various levels to strengthen the programme throughout the state.

1.2 The Objectives of the Study were:-

1. To know the quality and sustainability of SHGs promoted by various SHPIs
2. To understand the current status of SHG Bank Linkages (First time bank linkage and repeat bank linkages).
3. To chalk out the livelihood profiles of borrowers at the house hold level.
4. To compare the stated purpose and actual usage of borrowings from the SHGs by its members.
5. To look into savings, credit and repayment patterns of groups.
6. To assess the potential and actual livelihood gains (Qualitative and Quantitative)
7. To assess the extent of addressal of gender issues and achievement of women empowerment objectives through mF programmes.
8. To identify and analyse, financial as well as non-financial aspects affecting credit utilization.
9. To know the issues or challenges in strengthening SHGs –comprehend quality concerns and their extent of like book keeping, weak MIS etc.
10. To assess the capacity building needs of SHGs and their promoters.

⁷ Cited from ARAVALI Report “ Weaving the Future: An Assessment of Self Help Groups in Churu”

⁸ Cited from NCAER final report “ Impact and Sustainability of SHG Bank Linkage Programme”

⁹ In this study group refers to both SHGs and CIGs



11. To evolve strategies to improve the quality of SHGs and capacities of SHPIs.
12. To suggest remedial measures to different stakeholders.
13. To know the impact on borrowing from moneylenders as also impact on rate of interest in the informal market.
14. To assess financial and economic reforms for enlargement the economic opportunities for the poor; increase in credit flow to poor; improving the credit utilization by poor; ensuring financial health of the banks and changing the attitude of commercial bankers towards micro credit.



Chapter-II

Method Adopted and Tools Used

In Rajasthan, micro Finance through SHGs has expanded and made impressive progress since late 1990s, but the spread is not uniform across districts and also there is lack of consolidated and reliable database of SHGs in the state. The most commonly referred data source in the present study has been the “Micro Finance Status Report, 2007” published by Centre for micro Finance, Jaipur. The report was also referred for multi stage sampling.

2.1 Selection of Districts

The study has been conducted in seven districts out of total thirty three districts of Rajasthan. The seven sample districts had been selected based on the density of the groups. The districts – Baran, Bikaner, Dholpur Jalore, Jhalawar, Jodhpur and Sirohi - were carefully selected to get a fair representation of the state. While deciding upon the total number of groups to be covered from each district, they were divided into three clusters. The division was done based on density of groups in selected districts, representation of regions and equal distribution of schematic and non-schematic groups.

Summary of criteria’s used for Selection of Sample Districts and the total number of groups covered from each district, under schematic and non-schematic category, is given below in table No.1



Table -1

No. of SHGs/CIGs District	Cluster	Districts	Schematic		Non-Schematic		Total No. of SHGs/CIGs Included in the Study
			DPIP	SGSY	DWCD	NGO ¹⁰	
< 4000	1	Jalore	0	13	10	0	100
		Sirohi	0	13	10	10	
		Dholpur	12	12	10	10	
4000-8000	2	Jodhpur	0	13	8	8	100
		Bikaner	0	13	8	8	
		Baran	12	12	9	9	
>8000	3	Jhalawar	25	25	25	25	100
Total Groups			49	101	80	70	300
Percentage			16.33	33.67	26.67	23.33	100

2.2 Selection of groups

Having identified the districts and the total number of groups to be covered under both schematic and non-schematic categories, the next step was to identify the groups for the study and analyse the same. The basis of group selection was:

1. The Groups that have been in existence for more than one year and
2. The Groups, which have received at least one cycle of loan from banks.

¹⁰ Under the NGO category, only the groups supported by NABARD under SHG Bank Linkage Programme were included for the study.



Such criterion was chosen, keeping the study objectives in mind and by developing understanding about the critical issues, which affect the group's maturity. The list of the total number of groups has been collected block- wise from the district offices. The presence of highest number of groups (departments and SHPIs inclusive) in a block was the criteria to select the specific block from which groups have been selected randomly.

2.3 Selection of Borrowers

One borrower/member from each group has been selected randomly to understand the livelihood patterns and measure the impact of micro finance or other services through group. So, the study also covered a total of 300 borrowers/members.

2.4 Method of Data collection

The present study is based on information obtained from few primary sample surveys conducted at four different levels.

1. **Group Level-** Data has been collected through structured schedule and checklist through focused group discussions (Annexure: Schedule-I). The group's register and other available documents have been cross checked wherever the research team got accessibility of the same. In totality, three hundred groups have been interviewed across seven districts (Refer: Section 2.1 for District wise SHG details undertaken for study).
2. **Individual borrowers-** Data have been collected from individual borrowers through a structured schedule. Total 300 borrowers have been interviewed for the same.
3. **SHPI representatives-** Data have been collected from SHPI representatives through a structured checklist for Group Discussion with SHGs, SHPIs and Commercial Bank Manager (Annexure: Schedule III,IV and V) to get their perspective and difficulties they face in promoting and nurturing the groups.



4. **Bank Managers-** Data has been collected from bank managers through structured checklist to know and analyse their perspective about the SHG Bank linkage programme.

2.5 Case Studies

Few case studies have also been drawn from the field to have an in-depth understanding of the problems. The case studies provide enough information to understand the impact of SHGs on livelihood outcomes.

2.6 Involvement of Field Investigators

We took support of field investigators who had relevant field experience and expertise to carry out such work. A total of seven field investigators were engaged for this exercise. Training for the field investigators was conducted at Jaipur.

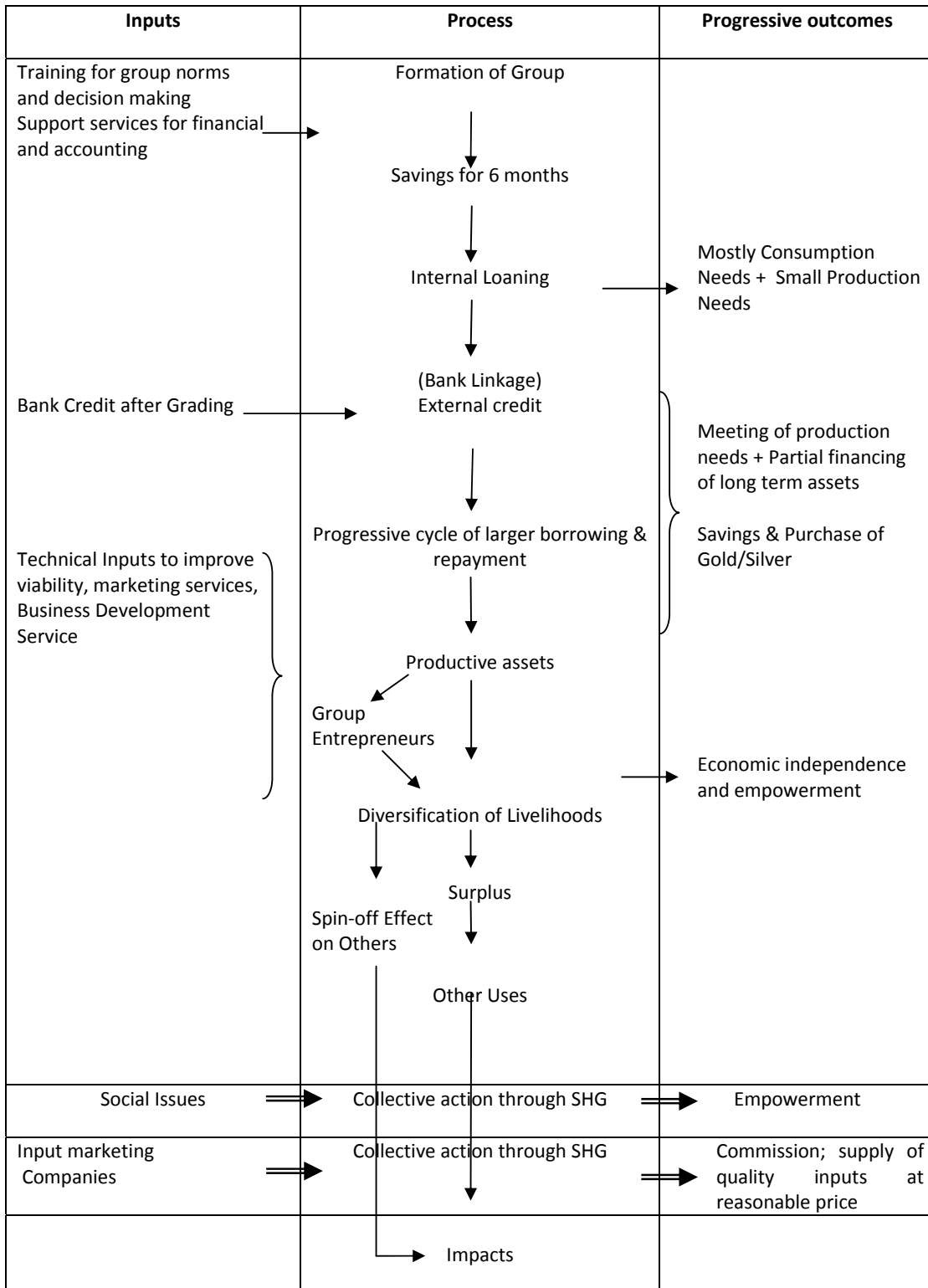
2.7 Duration of Field Work

The field work has been carried out during the month of July 2008. The time of field work got extended against the plan since there was delay in getting data from SHPIs.

2.8 Conceptual Map

The figure below maps the various variables that are common in a typical group based micro Finance programme and its dynamic relationship. It underscores our attempt to map the chronological inputs, processes, outcomes and impacts of a typical SHG programme. The figure helps us to systematically understand the various variables responsible for the SHG based micro-Finance programme. However, DPIP, which was implemented through NGOs does not follow this typical approach but the design gives due importance to the group level activities and impact level deliverables.





2.9 Challenges and Limitation of the Study

The study measured impact such as level of enhanced role of members in village level institutions and socio-economic improvement at family level. However, study could not measure the total income at the borrower's level and specific contribution that loan or other services received through SHGs have done in increasing the income. It was difficult to track the actual use of loan received through groups in absence of baseline data at group's, borrowers or even at facilitator's level. However, findings were included from case studies and field observations, which helped to understand the extent of impact among members.



Chapter-III

Brief Profile of SHPIs and Schemes

There are approximately 2 lakh SHGs as per Microfinance Report, 2007, CmF in Rajasthan State including Common Interest Groups (CIGs) formed under the District Poverty Initiative Project (DPIP). The Department of Women and Child Development (DWCD) has promoted about 60 percent of these groups. Non Government Organisations (NGOs) have promoted about 27 percent SHGs in the State (17 percent groups with the support of the state government-all CIGs under DPIP and large number of SHGs under *Swarnajayanti Gram Swarajgar Yojna* (SGSY) and about 10 percent groups with the support of donor agencies). Rest 13 percent groups are formed by other agencies like Panchayat Samities, Watershed Department, etc.

3.1. Swarna Jayanti Gram Swarajgar Yojna (SGSY)

SGSY is one of the most prominent poverty alleviation programmes of the Ministry of Rural Development. BPL members are primarily targeted to form SHGs under this scheme. It is a Central Government sponsored scheme, however some share of funds is also allocated by the State Government. The Department of Rural Development implements the programme and involves both NGOs and Gram Sevak's as facilitators. There is a provision of both loan and subsidy amount for groups. Facilitators follow the process of forming groups by ensuring proper grading and then link these groups with the banks for credit mobilization to start income generation activities. The NGOs have been provided with the facilitation cost, which gets released in instalments. In Rajasthan, after DWCD, the maximum number of groups has been formed under SGSY. Further, Rs. 804.38 crores of cumulative credit has been mobilized through this programme till March 2007.



3.2. Department of Women and Child Development (DWCD)

DWCD has emerged as the major agency in promoting SHGs in the state. DWCD promote these SHGs through their wide network of Aanganwari Centers¹¹. The Aanganwari workers and Sathins promote SHGs and later on provide support for strengthening of the groups. Unlike SGSY, DWCD primarily promotes women groups and there is no strict criterion for targeting BPL families. The Government of Rajasthan has declared DWCD as a nodal agency for strategic development of SHG movement in the state. Similar to SGSY, DWCD also follows the process of forming groups and by ensuring proper grading, link these groups with the banks for credit mobilization, to enable them start income generation activities.

3.3. Non- Government Organisations (NGOs)

Non-Government Organizations (NGOs) are pioneer in SHG promotion in the state. NGOs have promoted almost 27 percent of total groups formed in the state under various schemes. NGOs follow guidelines of the specific schemes in terms of targeting, loaning, etc. In Rajasthan, NGOs have largely promoted groups under SGSY, through financial support from NABARD under its SHG-Bank Linkage Programme (SBLP) and also from support of other independent donors.

3.4. District Poverty Initiative Project (DPIP)

District Poverty Initiative Project (DPIP) is one of the largest projects implemented in Rajasthan for poverty reduction with the funding support of World Bank. The project has been implemented in seven districts with the support of NGOs. The focus of the project was on creating physical asset base among poor households through mobilising them in Common Interest Groups (CIGs). Like SGSY, DPIP too focused on targeting BPL families. NGOs promoted CIGs of BPL families at village level. Group activity was promoted under this project. Submission of a business plan for each of the group was a precursor for sanctioning

¹¹ Aanganwari Centres, also known as Integrated Child Development Service (ICDS) centre, is established under ICDS scheme. The centre provides health and nutrition related services to children, pregnant mothers and lactating mothers in its service area. It is run by a worker and a helper known as *Aanganwari Karyakarta and Sahyogini* respectively. Currently, it has also started mobilising women to form SHGs as part of their regular work.



of the project grant and transferring the project grant to the group's account. Ten Percent (10%) of the total project cost was borne by groups' members as their contributions and rest 90% was supported through the project.

3.5 Salient Features of various scheme and non-scheme programmes



Significant commonalities were found in terms of targeting, input, processes, outcome, and desired impact across schemes and non-schemes. The literature review and discussions with various SHPIs helped to articulate the salient features of the projects and the groups promoted under the schemes and non-schemes. The same is being summarized in the following table.

Table: 2

Variables	Non-schematic SHG (NGOs)	SGSY	DWCD	DPIP
Targeting	<ul style="list-style-type: none"> - Men's groups - Women's groups - Mixed groups - Focus on poor and not necessarily BPL 	<ul style="list-style-type: none"> - Men's groups - Women's groups - Mixed groups - Focus on BPL families 	Focus on Women groups only and not necessarily of BPL families.	<ul style="list-style-type: none"> - Members willing to undertake single activity as project activity - Focus on BPL families
Capacity building	<ul style="list-style-type: none"> - For finance and accounts - Business dev. - Social issues 	<ul style="list-style-type: none"> - For finance and accounts - Business dev. - Social issues 	<ul style="list-style-type: none"> - For finance and accounts - Business dev. - Social issues 	<ul style="list-style-type: none"> - For finance and accounts - Business dev.
Lending to Whom	Loans to groups>>Borrowers	Loans to groups>>Borrowers	Loans to groups>>Borrowers	90% of project cost as grant to groups for single activity at group level. 10% of project cost to be borne by members as activity contribution.
Group size	10-20	10-20	10-20	10-20
Lending Process/Schedule	Savings precede credit; 6-12 month gestation	Savings precede credit; 6-12 month gestation	Savings precede credit; 6-12 month gestation	<ul style="list-style-type: none"> - Opening of bank account - developing and sanction of group level activity plan - depositing 10% of group



Variables	Non-schematic SHG (NGOs)	SGSY	DWCD	DPIP
				contribution
Frequency and purpose of meetings	Monthly Regular or as per group's norm; For credit, repayment, savings and Social issues	Monthly Regular or as per group's norm; For credit and repayment and savings and also Social issues	Monthly Regular or as per group's norm; For credit, repayment, savings and Social issues	Monthly Regular or as per group's norms; For credit, repayment, savings and group related activity
Loan size	Progressive increase in cycles proportion to savings (maximum 10 times but in general practice 4 times) Group decision Amount not fixed	Progressive increase in cycles proportion to savings (maximum 10 times but in general practice 4 times) Group decision Amount not fixed	Progressive increase in cycles proportion to savings (maximum 10 times but in general practice 4 times) Group decision Amount not fixed	Grant received for the project as per guidelines. Deposit of 10% of project cost (mandatory for sanction of contribution from other end)
Repayment Schedule	Seasonal and determined by groups	Seasonal and determined by groups	Seasonal and determined by groups	Repayment is not necessary under DPIP as it was grant support given to the groups.



Chapter-IV

Socio-Economic Profile of SHG Members

4.1 Constitution of Groups

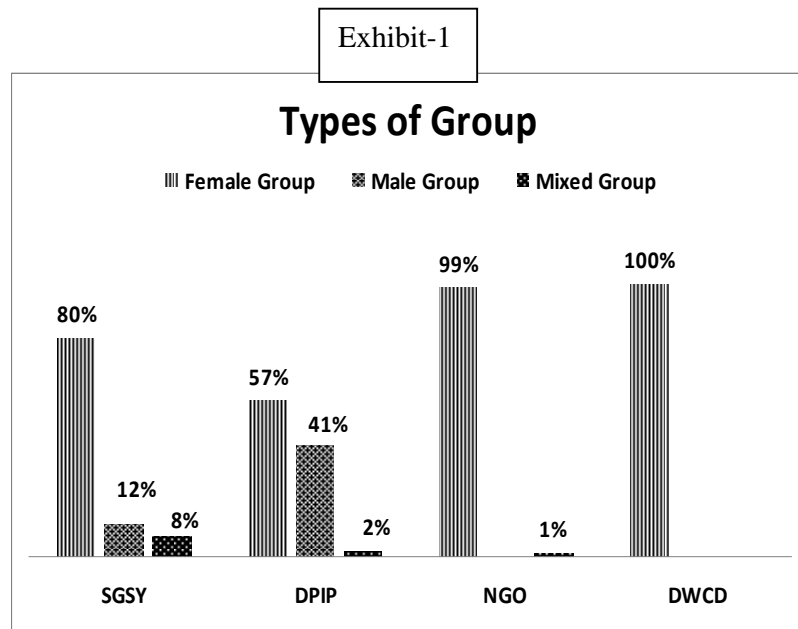
The total membership in 300 sample groups was 3228, of which women membership was 2847 (88%). Membership in a single group varied from maximum of 20 to a minimum of 5 members. The average membership per group was about 11.

4.2 Types of Groups and Targeting

One of the important objectives of SHGs is empowerment of women. Therefore, focussed strategy for inclusion becomes very important to fetch the desired outcome. The Exhibit

No.1 clearly shows that inclusion of women members under both schematic and non-schematic category was satisfactory.

The groups formed by NGOs (99%) under SHG-Bank linkage programme and DWCD (100%) constituted only women members,

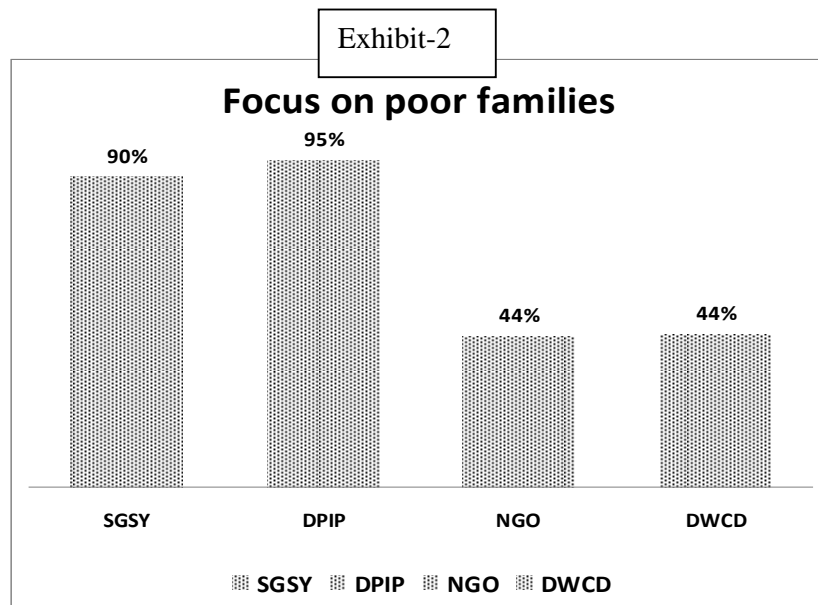


which was notable, whereas SGSY (80%) constituted a little less and DPIP (57%) further less. This exhibit also indicates that in DPIP, the percentage of men groups was very high (41%).

4.3 Targeting of Poor under Schematic and Non-schematic Category

Micro Finance through SHGs is primarily for unorganised and poor people who otherwise remain devoid of mainstream financial services. Various tools are used for identifying poor families. However, the most commonly accepted one is Below Poverty Line (BPL) families.

The present study reveals that a total of 2177 BPL families (67%) got targeted under both schematic and non-schematic categories. Further, Exhibit No.2 shows that a very high percentage of BPL members were targeted under



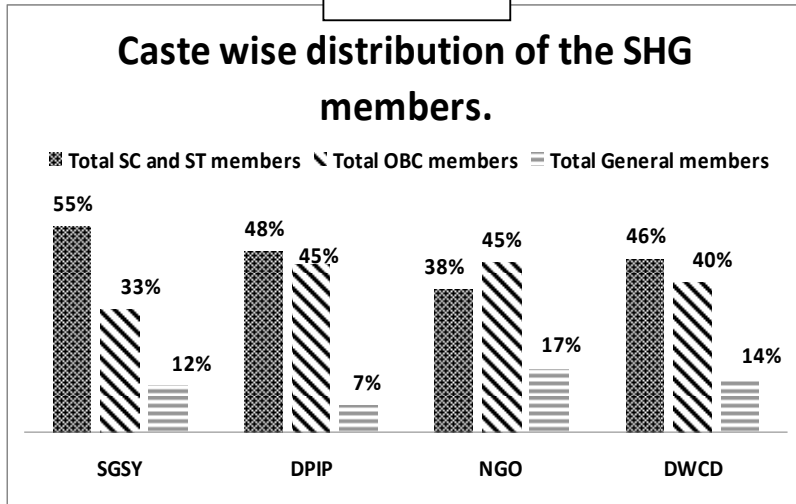
schematic categories i.e. under DPIP (95%) followed by SGSY (90%). On the other hand, less than 50% BPL families were targeted under non-schematic categories. Therefore, it is clear from the data that specific focus of both SGSY and DPIP for targeting BPL families helped in inclusion of poor families in both the programmes. The data also suggests for further scope of targeting of poor under schematic and non-schematic categories, particularly among NABARD and DWCD promoted groups. Thus, to conclude, the data suggests that targeting of poor families requires specific focus and strategy by SHPIs.

4.4 Caste Composition of Members and Targeting



Caste composition has been explained in Exhibit-3, analysis of which suggests that SHPIs had focussed targeting for inclusion of families from socially excluded caste groups e.g. SCs and STs to address their customised needs. The exhibit also clearly shows that SHPI's had adequately included SC and ST families under both schematic and non-schematic category. In NGOs promoted groups under SHG-Bank Linkage

Exhibit-3

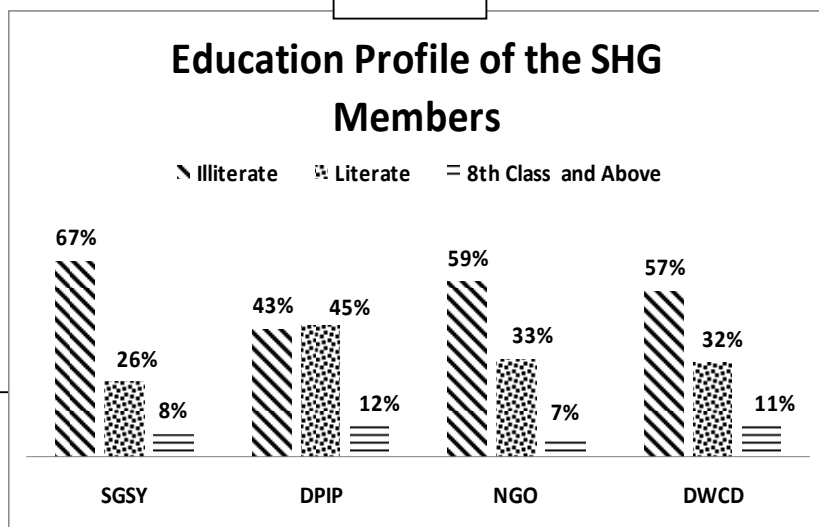


Programme, slight variance in the situation is observed. In this case, maximum number of families covered were, OBCs (45%) followed by SCs, and STs (38%) and General Caste (17%). The exhibit also reveals that though there was an adequate targeting of SC and ST members, there was also substantial percentage of members being included from OBC families. So, there was a scope of further inclusion of SC and ST members among SHGs under both schematic and non-schematic category.

4.5 Status of Education of Members

Education is one of the primary factors for accelerating development process. Rajasthan being a state where percentage of illiteracy is very high among poor, particularly of women - as they generally remain devoid of information of various development schemes. They also face difficulties in accessing various

Exhibit-4



entitlements. SHGs being member based and member owned institutions are expected to appreciate the status of members and be helpful to evolve such systems and processes, which ensure their complete involvement. The Exhibit No-4 shows that there are large numbers of illiterate members in the SHGs promoted under both schematic and non-schematic category. The exhibit further reveals that among DPIP groups almost equal percentage (45%) of members are literate as against the illiterates. This exception may be attributed to large number of male members targeted under DPIP. The illiterate members often find multiple difficulties, which are primarily, low level of confidence in the public sphere, inability to read and interpret essential documents like passbook, meeting records, hesitation to express views among the educated members and group leaders etc. All these factors often weaken the dynamism of group activities. Also sometime leaders suppress the group members. To strengthen the group processes and to develop member's understanding and information base, there is need for proper interventions. The SHPIs can think of initiating Continuing Education Centres (CEC) or collaborate with existing ones at the village level to work on functional literacy with all the members and particularly the illiterate members.



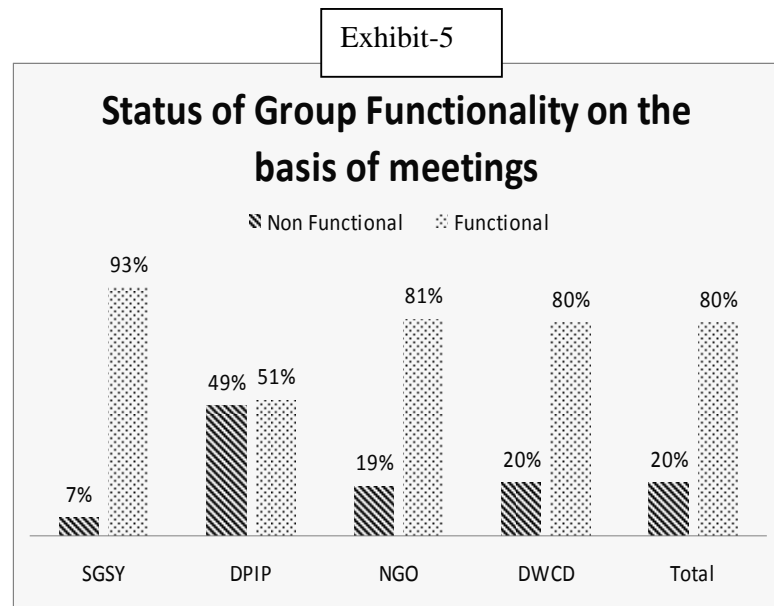
Chapter-V

Measuring Quality of SHGs on Institutional and Financial Parameters

Quality of SHGs are measured through institutional and financial parameters such as conduct of regular meetings, evolution of group norms by members, rotation of leadership, recording minutes of meetings held, proper maintenance of records, regular savings by members, rotation of savings as inter-loan among members, status of bank linkages and status of repayment etc. It is assumed that there is likelihood of better performance by older groups on above-mentioned parameters. This will also establish the progressive movement of groups towards quality and sustainability.

5. 1 Status of Group Meeting and Status of Group Functionality

Regular meeting is vital for group functioning. The sample groups that were studied had a norm to conduct monthly meetings. On monthly meetings, members save and decide on disbursement of loan to members. The group also discussed social issues in the meeting. Moreover, during group meetings, group evolve rules and regulations and resolve any conflict among members of group. In the meetings, members learn how to deal with the conflicts, which ensures



sustainability of group in the longer run. Exhibit No. 5 reveals that overall a satisfactory level of performance was in place in terms of substantial percentage of functional groups (80%) in both schematic and non-schematic categories. These groups have held at least one or more meetings in last one year. Rest of the groups (20%) were found non-functional i.e. these

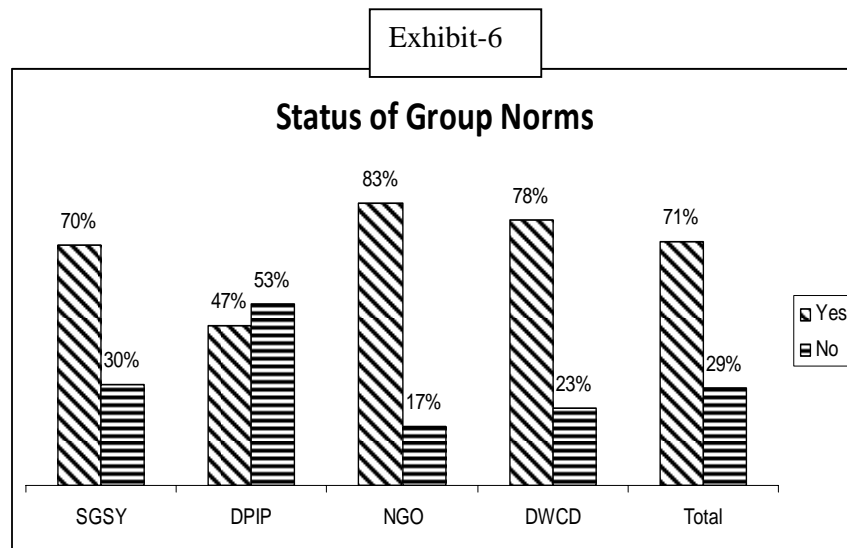


groups did not hold a single meeting in last one year. Further, among all the functional groups, the performance of SGSY groups was the best with highest percentage (93%), followed by groups of NGOs (81%) and DWCD (80%). A very high percentage (49%) of groups was found to be non-functional in DPIP. The reason for such a high percentage of non-functional groups in DPIP was due to limited focus of the scheme in strengthening the group processes. In contrast, the reasons of better situation in SGSY and NGO promoted groups under SHG Bank linkage programme could be the regular engagement of the SHPIs with the groups and accompaniment support provided in terms of visualizing their goals, monitoring of groups at regular intervals and ensuring regular group meetings. The discussions with the community and field analysis suggest that there is a strong need for working on social capital together with focus on building asset base of the group members to ensure quality and sustainability.

5.2. Status of Evolution of Norms within Groups

Evolution of group norms helps groups to function properly by reducing the frequency of conflict. It also provides equal space and opportunity to every member to perform their role in an effective

manner. The Exhibit No.6 reflects that 70% or more groups of both schematic and non-schematic category except DPIP groups had evolved group norms. Rest of the groups were



following norms prescribed by the SHPIs. Further, the exhibit-6 suggests that DPIP groups (53%) could not meet this important quality parameter. This is because of very little focus of the SHPIs in strengthening the group processes. Here, the groups promoted by NGOs under

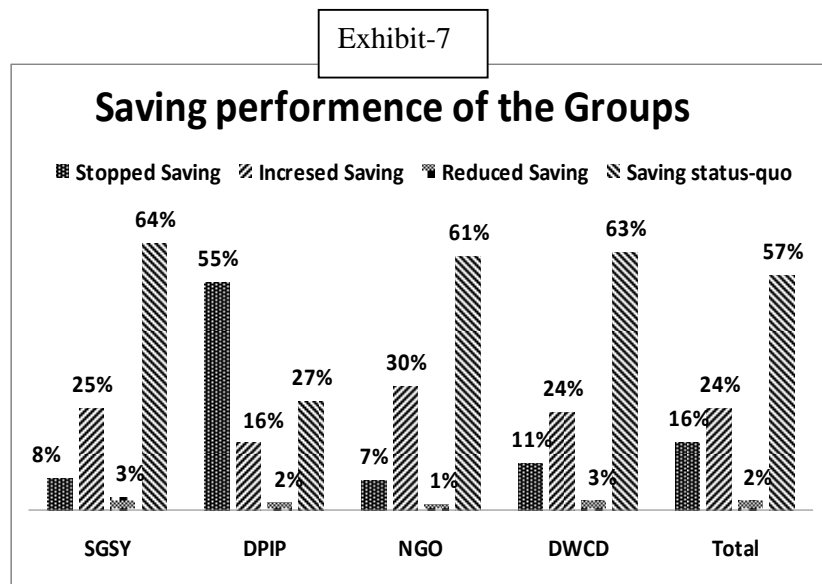


SHG Bank linkage programme performed well among both schematic and non-schematic category.

5.3 Status of Savings

Saving is very important and one of the much needed services provided by the group to its members. Generally, each member saves equal amount in the group on a monthly basis. At the time of need, these savings are rotated among the members as inter loan. The exhibit No-7 shows that in large number of groups, members did not increase their savings amount over the years and savings amount remained static. This is because of lack of information on scope for generation of incremental income from productive use of credit and inadequate facilitation at the group level. Discussion with the group members revealed that, they did not have the idea or information on the possibility of increasing savings amount in the group. On the

contrary, the same exhibit also reflects that there were groups (24%) among schematic and non-schematic categories in which members had increased their savings amount. The maximum percentage



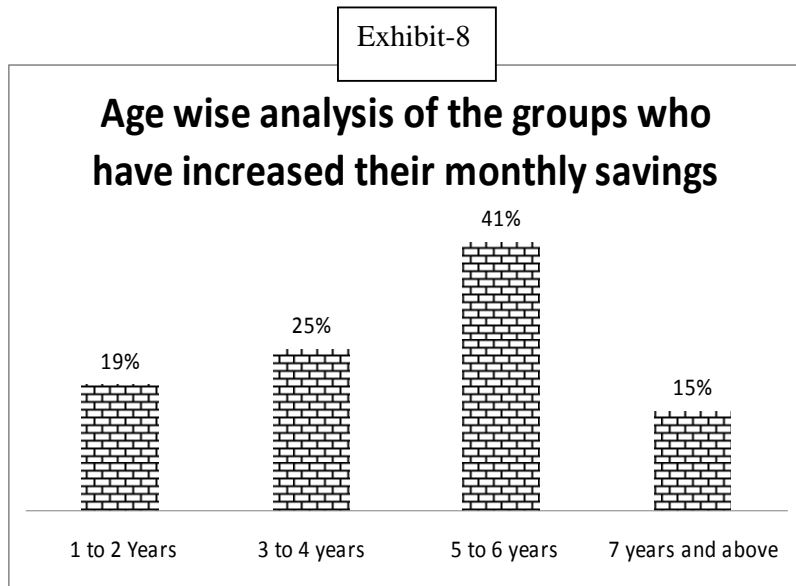
of groups that had increased their savings were found to be from the NGO promoted SHGs (30%), whereas lowest percentage of groups (16%) was found among the DPIP groups. Growth in savings indicates the importance of savings for members and enhanced faith in the group. Further, the exhibit also shows that there was significant number of groups, who stopped the savings in the groups (16%) and particularly in DPIP (55%), which is a matter of concern.



5.4 Age of Groups and Status of Monthly Savings

Increase in monthly savings amount among older groups established the fact of increased level of faith among SHG members. It also established positive movement of groups towards sustainability. Exhibit-8

here reveals that the groups aged between 5 to 6 years had highest (41%) incidence of increased savings, which is a positive trend towards sustainability. However, among older groups i.e groups aged 7 years

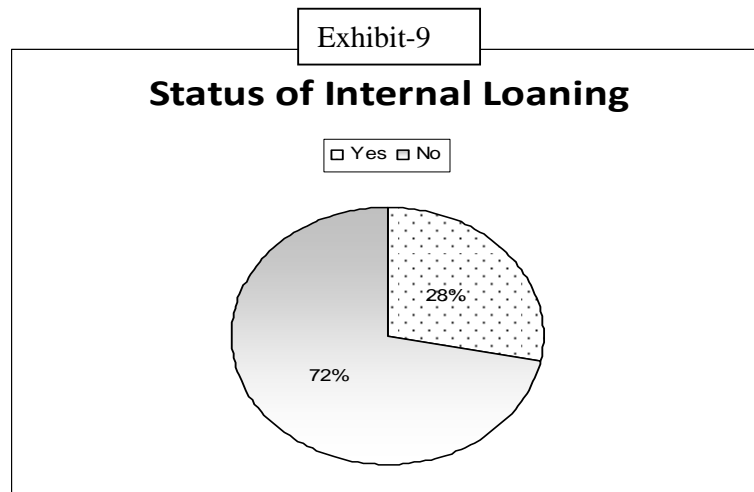


and above, data shows the reverse trend. This remains to be a concern as many SHPIs and groups believed the life of group is only 5-6 years.

5.5 Status of Internal Loaning among Groups

Internal lending from member’s savings is an important activity for group. It helps members to meet their immediate credit needs. This activity

also facilitates trust building among members as they agree to lend their own money to other fellow members without any collateral. Members also learn the skill of loan appraisal,



priorities and take decision through group consensus. This at the same time also reduces



dependency of members on moneylenders for consumption loan and most importantly, it adds to the financial worth of group in the form of interest. Through this earning, group may decide to distribute dividends to individual members or take up other

Case-1

Karni group of Jasarasar village of Bikaner District consists of 20 members, when formed. At the time of bank linkage, bank manager cross checked the list of members and found the husbands of five members of the group to be defaulters of the bank. On that account, bank manager denied extending loan to the group till their husbands repay the earlier loan. This shows the reluctance of bankers towards SHG bank linkage.

development activities which can benefit the members. Such initiative ensures long-term sustainability of group too and it remains relevant for members in the longer run. Among the sample groups that were studied under both schematic and non-schematic categories, only 84 groups (28%) were found practicing inter-loaning with negligible variation in different SHPI models. Therefore, the data shown in Exhibit-9 suggests that there is scope for SHPIs, under both schematic and non-schematic category, to encourage and broad base the practice of internal loaning among groups. The group's transactions largely depend upon trust of members among each other which in turn develops through continuous interaction and meetings. But, as we already saw, there is a tendency of absenteeism of some groups and its members in attending regular meetings. This blocks the opportunities for group members to understand each other and render help and support to each other during crisis and need. Thus, it is important for SHPIs and SHG office bearers to facilitate important processes of group functioning as well as building capacities of individual group members for achieving the overall objectives of the SHG Programme.

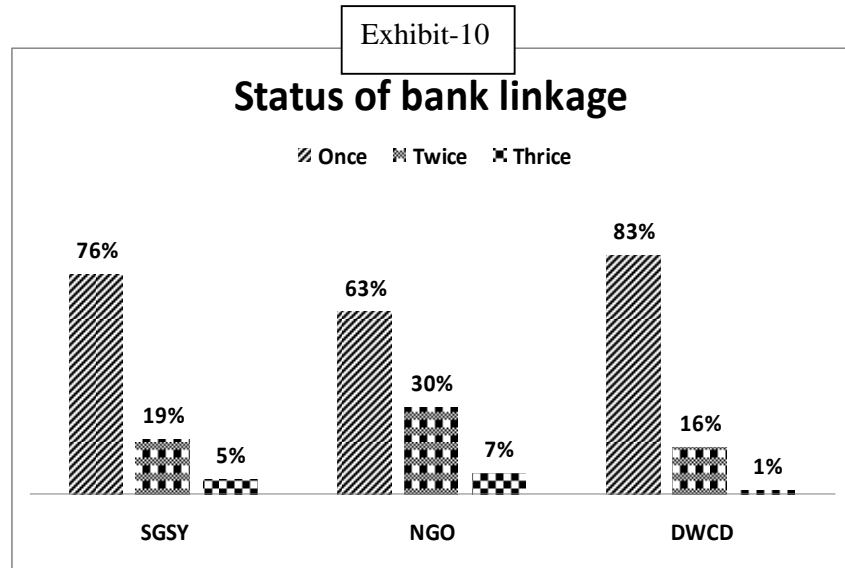
5. 6 Status of SHG Bank Linkage

There are commercial banks such as State Bank of India (SBI), State Bank of Bikaner and Jaipur (SBBJ), Bank of Baroda, Bank of Rajasthan Ltd. etc; Cooperative Banks and Regional Rural Banks (RRBs), which provide credit to the groups. All the sample groups studied



already had one bank linkage. The Exhibit No. 10 shows that there were only few groups that could mobilise second and third cycle of bank loan across schematic and non-schematic category. Here,

DPIP groups were not included for the purpose of study as these groups got grant support from the project. The exhibit further reflects that SHGs promoted by NGOs under SHG-Bank



Linkage Programme were performing better than SGSY and DWCD in availing second and third cycle loan viz. 30 and 7 percent, respectively. The same shows the slow movement of groups towards repeated credit mobilisation from the banks irrespective of SHPI. The reasons found for slow movement in repeat bank linkage were reluctance and non-cooperation to lend to the SHGs, which is also reflected in Case-1. The bankers cited work pressure as the reason for not being able to give adequate attention to SHGs. On the other hand, SHPIs informed that bankers showed very indifferent attitude in SHG lending. Bankers only support SHPIs until fulfilment of their branch's target. Repeated bank linkages establish sustainable relationship of group with bank. Thus, bankers need to be sensitized so that they start appreciating the importance of micro Finance through SHGs and consider bankable and viable strategy for increasing livelihood opportunities for poverty alleviation.

5.7 Use of Bank Loan by SHGs

Out of all sample groups that have received bank loan, about 69 percent groups were found to have taken loan for common activities and for productive purposes i.e. all group members in a group opted for a single activity. Interestingly, the observations revealed that among majority of groups, members had equally distributed the total loan. About 13 percent of the groups stated that they used the loan as per the demand and need of their



members i.e. loan was sanctioned as per need and demand of the members and rest (18%) stated that they used loan for various other purposes mostly for consumption use.

5.8 Repayment Status of Groups to Banks

Out of the sample groups, only 14 percent groups had already repaid the total loan amount to the bank, 49 percent were repaying regularly to the bank where as 37 percent of the groups had defaulted. The reasons stated for default were use of money for consumption purposes or inadequate income from the activity undertaken with the help of bank loan. The same also indicates that there is a lack of knowledge towards judicious use of the loans availed by SHGs.

5.9 Record Keeping and Quality of Record Maintenance by SHGs

Record maintenance is a pre-requisite for any SHG for bank linkages. It also establishes internal transparency within the group. Commercial bank managers cited improper maintenance of record as one of the reasons for non-sanctioning or delay in sanctioning of loan to SHGs. As a general practice, group maintains a meeting register, bank passbook and individual passbooks. In some NGO promoted groups, individual passbooks had been given to members against some fee. The status of record maintenance by SHGs as shown in table No. 3 reveals that meeting registers (83.67%) and bank saving passbooks (83.67%) is most commonly available document among groups. However, updated records of these were found among only in 37.67% and 30.33% of groups, respectively. Similarly, updated saving and credit book was found among only in 27.33% of groups as against 64.33% of groups maintaining it. Therefore, the data shows substantial gap in quality record keeping as against recommended.



Table No-3

Status of Record Keeping and Maintenance

Sl No	Records	Percentage of groups maintaining records	Percentage of groups where records were found updated
1	Meeting Register	83.67	37.67
2	Saving and Credit Book	64.33	27.33
3	Bank Savings Pass Book	83.67	30.33
4	Loan Account Book	52.67	35.33
5	Member wise Pass Book	46.33	17
6	Loan Application Book	6	-
7	Cash Book	13.67	Found Incomplete
8	Ledger	18.33	Found Incomplete

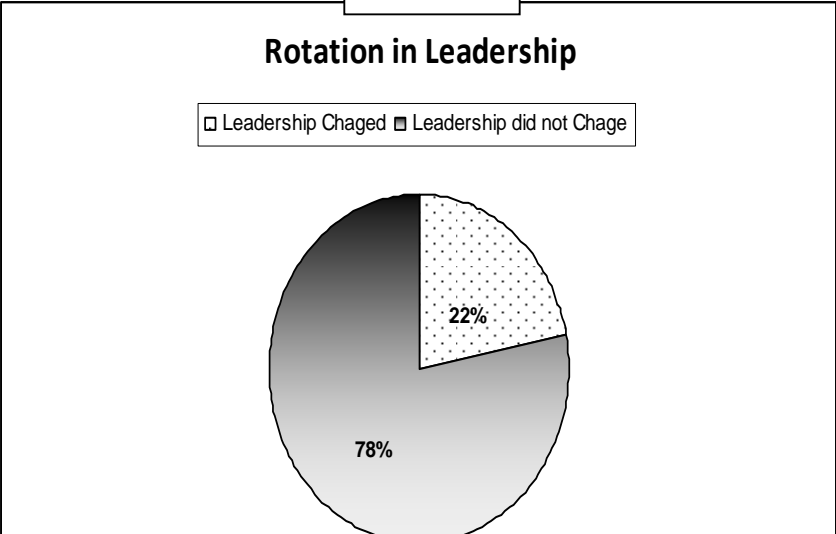
5.10 Status of Leadership in SHGs

Leadership function is a very important element in proper group functioning. Development of leadership qualities among SHG members is one of the prime objectives of SHG programme. Rotation of leadership in SHGs helps in developing leadership qualities among members. It also helps in establishing democratic process within groups. Thus, rotation in leadership role among members becomes vital in SHGs. It also indicates positive movement of group towards maturity and sustainability. The Exhibit-11 shows that out of the sample groups studied, rotation of leadership was found only in 22% of groups where as in rest of the groups, (78%), leadership did not change since formation of the group. Further, SHPI and category wise (schematic and non-schematic) analysis suggests that there is insignificant variance in the status. It was assumed in this study that the rotation in leadership would be registered among older groups, however no such relationship was registered. In 41 groups, (about 14%), facilitators themselves were found to be the leaders.



Among the groups promoted by DWCD, such practice was found to be more prevalent. Such practice weakens group's maturity and sustainability because the groups always remain dependent on others and under the shadow of leader cum promoter. The case-2, given below further describes the situation.

Exhibit-11



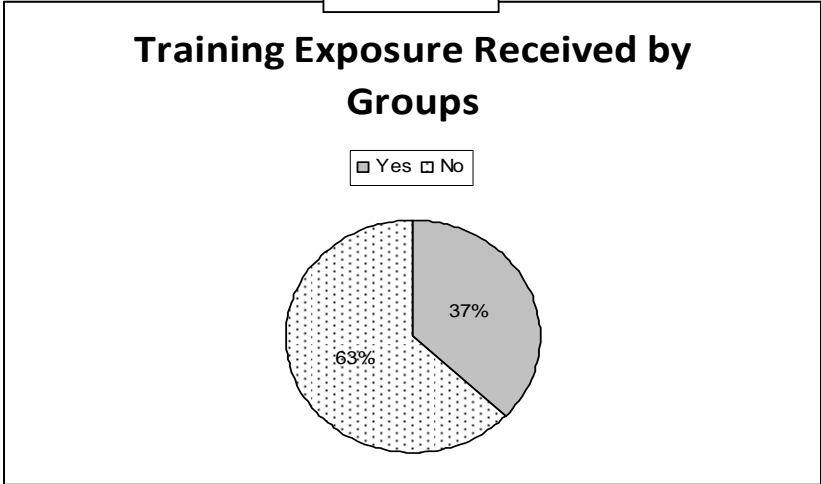
Case-2
Laxmi Mata SHG (Deodar) of Sirohi district, promoted by DWCD in June 2001, comprises of ten members. Aanganwari Worker is the facilitator of the group as well as its President. The President formed the group under pressure from her Supervisor. In the beginning, other members of the group did not deposit the savings so the President herself, on behalf of members too, contributed the total savings of the group. Four years ago, a loan of Rs. 15000 was sanctioned by the bank to the group. According to the president, she withdrew Rs. 10000 for her daughter's marriage. Her daughter too is a member of the group. Other members neither knew about the functioning of the SHGs, nor were interested to save in the group but continued as member. This case is an example of how SHG members remained disinterested and dependent on the promoter and leader.

5.11 Training and Exposure



Training and exposure is very important for group members to understand the functions of the group and roles and responsibility of each member towards the group. It clarifies basic issues and ambiguities relating to Group processes, micro Financing etc. Various trainings and exposures also help SHGs to evolve their own norms and adopt best practices for group members to follow. Training also enables members to appreciate the role of leadership within the group. Moreover, at

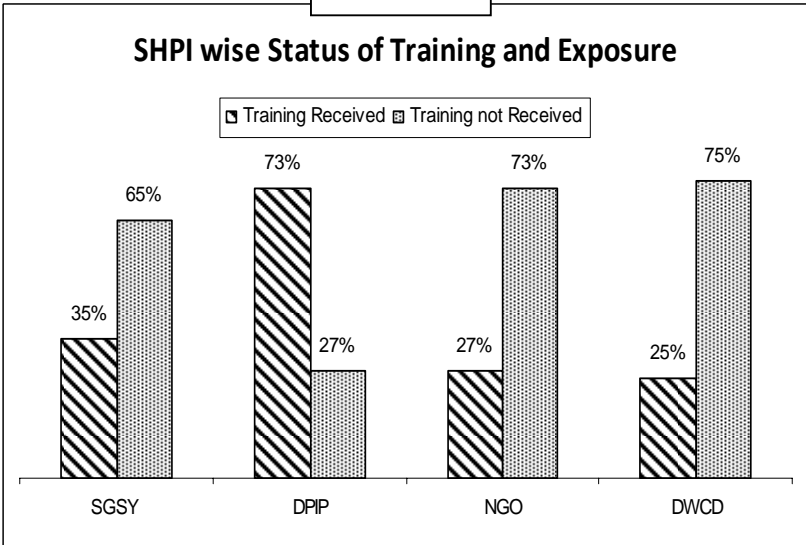
Exhibit-12



the growing stage, trainings on livelihood help members to enhance their skills to improve productivity and marketing. As shown in Exhibit-12, out of sample groups, only 37% groups received training, whereas rest 63% did not receive any training or exposure. Further, if we analyse category wise

data (both schematic and non-schematic) shown in Exhibit-13, we find that under DPIIP, 73 percent groups received trainings. The trainings were organised in two phases; a) Orientation training and b). Skill

Exhibit-13



development trainings. Skill development trainings were of longer duration ranging from one week to two months. Under SGSY, only 35 percent groups received trainings followed by 27 percent and 25 percent among NGO and DWCD, respectively. However, these were short duration SHG orientation trainings unlike DPIIP. So, under DPIIP maximum number of



groups received trainings in two phases and of longer duration. Those SHPI's whose performance lack in this parameter have cited non-availability and difficulty in accessing funds under various schemes, for training and exposure as the major reason for not being able to organize trainings and exposure programmes. Moreover, discussion at the group level and with SHPIs revealed that there was ample scope in improving the quality of training programmes in terms of contents and inputs. Training programmes and exposures need quality inputs in terms of developing relevant curriculum, involving qualified resource persons and adopting adequate methodology considering the background of members. All SHPIs must consider above aspects and invest sufficiently in organising training and exposure programmes for improvement of quality of the groups.



Chapter-VI

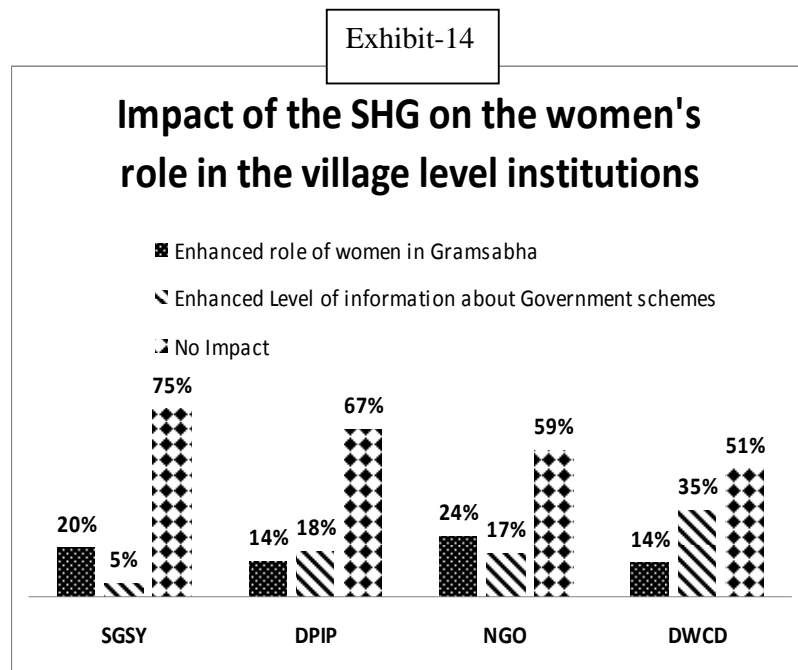
Measuring Overall Impact of Borrowers and Mapping Livelihoods

The overall objective of Micro Finance through SHGs is to reduce the dependence on moneylenders. It also intends empowerment of poor, particularly women to enhance their participation and decision making in family and village level issues. Here, in this chapter we have tried to measure the overall impact of micro Finance and impact on borrowers at the household level.

6.1 Impact of the Micro Finance and SHG programme on women's role in the village level institutions

SHG is an institution that empowers women's role in every sphere of their life. This study also tries to measure the impact of SHGs on women's role in the village level institutions.

The Exhibit No. 14 reflects the change in women's role at the village level institutions i.e. their participation in Gram Sabhas or seeking information about government schemes from Panchayats. The situation is similar in majority of the groups formed under both



schematic and non-schematic categories. Although, the positive aspect among DWCD promoted groups (35%), revealed that the level of information on Government's Scheme has enhanced after joining the groups. About 24 percent of groups formed by NGOs under SHG-Bank Linkage Programme responded that the role of members in Gramsabha has enhanced. This overall data also shows that, a lot more needs to be done for bringing

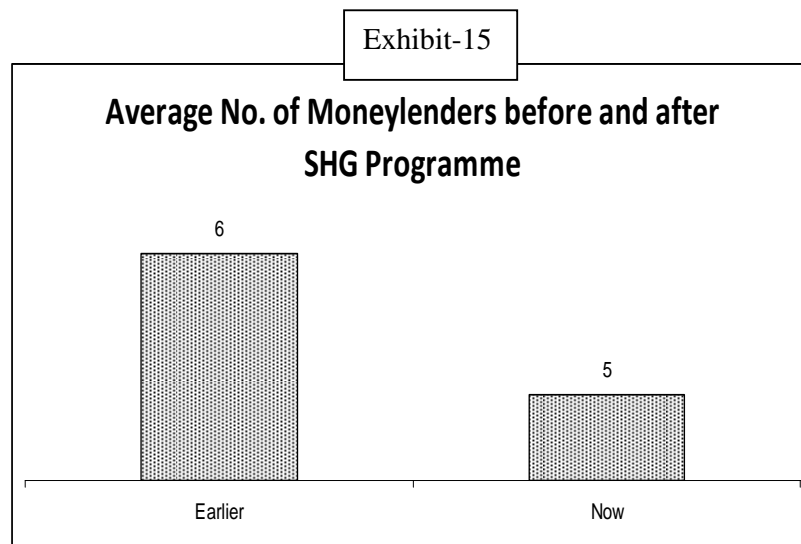


positive impact in the lives of women on large scale and for which strengthening of the group is important through proper facilitation, accompaniment support and need based training and exposure programmes.

6.2 Overall Impact in terms of Member's dependence on Money Lenders

One of the major aims of micro Finance programme is reducing dependence of poor members on moneylenders. The Exhibit No. 15 shows that there was reduction in the average number of

moneylenders from average six to currently five in numbers after the formation of the SHGs in the villages. It revealed two things i.e. after initiation of SHG programme in the villages, there were few moneylenders who



stopped lending money and secondly, there was reduced incidence of borrowings from them which came out during the group discussions with women members.

6.3 Impact in Patterns of Borrowings

Micro Finance programme intends to reduce the dependence on moneylenders for borrowings. The study revealed some positive change in sources of borrowing by members after joining the group. It also reflects clear shift, from dependence on informal sources to groups for borrowing money. 54 percent of borrowers (members) reported taking loan from groups. Still, 22 percent of borrowers reported borrowing from money-lenders where as rest of the members (24 percent) did not take any loan in last one year from either of the sources. Discussion with members, those who still go to the money lenders revealed that they primarily go to moneylenders for consumption credit and this is because of limited

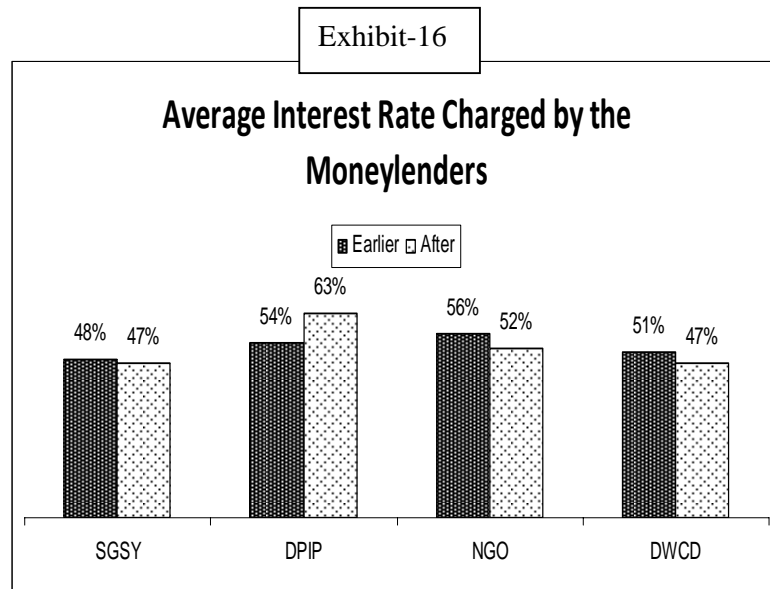


practice of inter loaning among members in 28 percent of groups as mentioned in the previous section No.5.5

6.4 Overall Impact of SHG and micro Finance in Local Interest rate

One of the prime objectives of micro Finance is to ensure accessibility of affordable credit through SHGs. According to members, moneylenders used to charge exorbitant interest rates from poor against

loan that ranged between 40 to 65 percent annually. Moreover, they give loans against the collateral. The SHG extends collateral free loan to its members at reduced rate of interest, normally at 24 percent per annum. The Exhibit-16 shows that there was increase in the



average interest rate charged by moneylenders in the villages where groups were formed under DPIP where as in other cases average interest rate had reduced. This may be because DPIP invested in these areas to create livelihood assets hence, the requirement of additional demand for working capital also increased. Due to high percentage of non-functional groups and status of irregular or discontinued saving, no other alternative remained before the people rather than to depend on local moneylenders. The Exhibit also reveals that there was slight reduction in the average rate of interest in the villages where SGSY, NGO and DWCD groups were formed. However, overall scenario is not very encouraging. The data here is not adequate to analyse how far the same has positively contributed to bring change in individual member's life.

6.5 Mapping Impact at Borrowers Level

Micro-finance (mF) interventions through SHGs may begin with savings and credit activities but their long-term goal is to achieve financial independence for the poor through livelihood



augmentation. Our understanding of livelihood augmentation is based on the overall developmental goals set by the country, which includes “growth with equity and stability”. To this, additional condition of “sustainability” is added. Based on this understanding livelihood augmentation should lead to the following outputs:

- Increased income at household level
- Diversified sources of income for the household.
- Reduced vulnerability to production and market risks.
- Increased equity and empowerment of the poor and marginalised.
- Increased participation and empowerment of women.

6.6 Livelihood Profile of Members

Rural poor engage in multiple activities to sustain their livelihood and reduce their risk. Livelihood primarily constitutes of total income of family from diversified sources through use and management of available resources¹² to ensure a decent life for the family. The income that they receive from the multiple activities help them in only meeting their subsistence needs, without surplus income for the family. Table No. 4 below shows that labour is the primary source of income for quite high percentage of families (43%) followed by agriculture (30.33%) and non-farm (17 %). Those families who have reported labour as primary source were found to be largely dependent on work under NREGA. The trend of agricultural labour and migration to cities for daily labour was also very high among members. Moreover, very few borrowers reported agri-allied (only 3%) activities as their primary source of income. whereas livestock rearing is common among families, but it has been considered a supplementary activity since generations.

Table No- 4
Various Sources of Income

SI No	Primary Source	No. of Family	Percentage
1	Agriculture	91	30.34
2	Agri-allied	9	3
3	Labour	129	43

¹² Resources includes financial, human, natural, physical and social



SI No	Primary Source	No. of Family	Percentage
4	Service	10	3.33
5	Non- Farm	51	17
6	Others	10	3.33
	Total	300	100

6.7 Status of Agriculture Land Holding of Members

Agriculture as primary source of income was reported by about 30.33% of families. In Rajasthan, agriculture is predominantly rain fed. During monsoons farmers take only one crop and remain engaged in agricultural activities for 4 to 5 months in a year. The table No.5 below reflects that 71 percent of families possessed 3 or less than 3 acres of land, which did not provide full employment to the families throughout the year. However, it remains to be a primary source of livelihood because it ensures food security for the family.

Table No- 5

Status of Agricultural Land Holding

SI No	Land Holding (Acre)	No. of Families	Percentage
1	< 1 Acre	98	32.67
2	1 Acre to 3 Acre	116	38.67
3	3 Acres to 5 Acres	21	7
4	5 Acres to 10 Acres	29	9.67
5	10 Acres and Above	31	10.33
6	No response	5	1.67
	Total	300	100

6.8 Financial and Non-financial aspects of Credit Utilisation

Proper utilisation of credit by members for productive purposes is very important to achieve desired livelihood gain. However, this study shows that only access to credit and its productive use not necessarily helped in enhancing income for poor members. In rural areas, social and



cultural dynamics, apart from financial aspect, played a greater role in livelihood promotion. Thus, the following case-3 captured in detail the complexity of livelihood.

Case-3

Under SGSY, Kaveri group was formed seven years ago by an NGO in Songadh village of Jodhpur district. Group comprises of members from different castes i.e. one Rajput (General), two Purohits (General) and seven Meghvals (Dalit). The group started with a saving of Rs.50 per month. President and Secretary of the group belonged to Meghval community.

The group took loan from the bank twice but never rotated their own savings internally. They also did not have the idea about total savings of the group.

The Group's account was opened in State Bank of Bikaner and Jaipur of Shergarh branch. Since beginning, the group members regularly put their savings amount in the bank. Bank manager appreciated group's regularity and sanctioned first loan of Rs. 25000 to the group. Members distributed the amount equally among them and used for various purposes such as vegetable selling, medicines, household expenses purchase of fodder and social expenses. All members also repaid the amount to the group within the stipulated time period.

Looking at the timely repayment of first loan, the bank sanctioned second loan to the SHG. This time they decided to take up suitable income generation activity. Meeting of group was convened to decide which activity could be suitable to all members. As mentioned earlier, group encompasses members from three different castes and each caste group members had a different opinion about the income generation activity. Purohit and Rajput women wanted to purchase cow where as Meghwal women opted for goat because they were already into goat rearing with a belief that goat can enhance their income. Purohit women argued that they are from higher community in which goat rearing is considered as stigma. According to their religion, they considered goat rearing as derogatory



They argued with each other. Rajput women also endorsed Purohit women's decision. Meghval women were still had apprehensions and they knew that no one from the village will buy milk from them. They tried to influence Purohit women's decision but Purohit women were stuck to their decision. Eventually, Meghval women conceded to Purohit women's decision. The group got Rs. 140000 as second loan, which was again distributed equally among members. Some members had purchased three cows while some purchased two cows. (Cost of local cows range between Rs. 4000 to Rs. 6000). Purohit women started to sell their milk to their neighbours, relatives and villagers from the very beginning. Generally, one local cow gives 2 litres to 5 litres of milk at a time. (It depends on diet and care of a cow). On the contrary, Meghval women's apprehension became true when the villagers refused to purchase milk from them. They started preparing milk product (Ghee) and sold it to their relatives. On an average, two cows can produce 15 kilograms of Ghee per month. Rate of Ghee was Rs. 150/kg. and they were earning around Rs. 2250/- per month. Out of Rs. 2250 they had to pay an instalment of Rs. 1500 per month. It was a drought year, so they had to purchase fodder from outside. Due to shortage of fodder, the rate of fodder had gone exorbitantly high. Cost of fodder per cow per day was almost Rs.50. If a family has two cows, then they had to spend Rs. 3000 for fodder per month. They had to purchase water for cow, which was again costing around Rs. 600 per month. They were finding difficulties to balance their household economy. Meghval women realized that it was not a profitable business for them. They were repaying loan from other sources of income. At the same time, three cows had died suddenly and women decided to sell their cows. The Secretary of the group, Jushu was unable to go for labour work because of the cow. Women also shared that they did not have the aptitude of rearing of cow. Cow had aggravated their poor economic situation. Hence, members had started selling their cows. Due to drought that year, they sold cows for a much lower price. During discussions, the women said that '*ek aakal to pada tha, dusara aakal hamne paise deke kharida!*' (One problem, drought, was known but we purchased another problem with money). As of now, only Rajput and Purohit women are having two cows with them.



Two members denied repaying money. Now, the Bank Manager is pressurising them to repay the loan. Owing to internal conflicts, the group became non functional from January 2008. Now the relationship of SHG members had spoiled. The Bank Manager has given an ultimatum that if they do not repay the remaining amount, he will not release subsidy amount. He also said that group members would not be able to withdraw their saving until they repay the whole bank loan amount to bank.

Learning from the case study and some basic principles to be followed in Group formation, strengthening and providing livelihood support:-

- Homogeneity in group should be adhered to. This may be based on social or economic status.
- Cultural context of members should be given due importance for taking up income generation activities.
- All members of the group should not be advised to take up single activity. They should be allowed to choose different activities as per their own choice.
- Backward and forward linkages should be taken into consideration while identifying income generating activity.
- Risk factors should be taken into consideration before taking up any income generating activity. Adequate risk mitigation measures - both financial and non-financial - should be taken.
- Activity should be promoted as per the demand of members and not based on demands of the group.
- There is chance of situation getting worse for poor families, if facilitator do not have proper understanding and sensitivity of pro-poor approach and proper facilitation skill. So, understanding the needs of poor families and their whole gamut of livelihood situation is a pre-cursor to work with poor members for their livelihood promotion.



6.9 Impact at Borrowers household

The positive impact at the household level ultimately justifies the need and relevance of micro Finance and SHG programme. Here, we have aimed to capture the impact of group at household level on borrowers, on four key aspects i.e. improved economic status, improved socio-economic status, enhanced role in decision making in the family and increased expenditure on

children's

education. The

Exhibit No. 17

shows the variation

in response on the

impact of SHGs at

household level and

this variation

prevails across both

schematic and non-

schematic category.

The Exhibit further

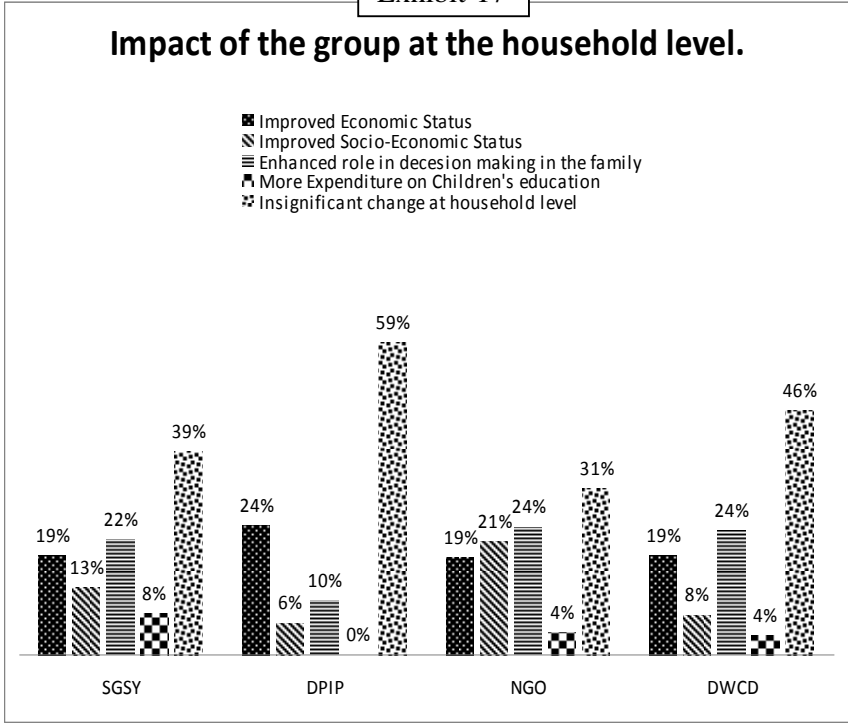
reveals that the

highest percentage

of borrowers (59%) of DPIP groups responded insignificant change at household level.

Similarly, highest percentage of borrowers (24%) from DPIP groups also revealed improved economic status. This may be because of provision of 90 percent of grant component under DPIP for acquiring assets for income generation. At household level, 21% of borrowers witnessed change in socio-economic status in the case of NGO promoted groups under SHG-Bank Linkage Programme. The borrowers (24%) in each of both NGO and DWCD promoted groups reported enhanced role in decision making at household level. On increased expenditure on children education, only 8 percent of SGSY group members reported positive change. Also, within NGO and DWCD promoted group members, this change was observed among 4 percent of group members.

Exhibit-17



6.10 Potential and Actual Livelihood Gains (Qualitative and Quantitative)

The livelihood of sample households primarily depends on agriculture (33.33%), casual labour (43%), and livestock rearing (only 3%). Livestock rearing was found among large number of households but it was considered a secondary source. However, on analysing the pattern of recent borrowing of members, we found that substantial number of members had taken loan for livestock rearing from the group and repayment was found to be satisfactory. There was almost equal number of borrowers who borrowed for agricultural purposes as well. Since land holding of borrowers was very small, so the loan was taken for purchase of seed and manure. Thus, there was limited scope for generating additional income from agriculture, and low generation of large scale employment. The borrowing for livestock rearing and repayment trend surely gives an indication and scope for generating additional employment and income, if taken on an enterprise basis at a large scale by people and the facilitating agencies. Further, sub-sectoral exploration and opportunities for large-scale intervention is necessary to convert livestock rearing from secondary source of livelihood to primary source. The most important point that has been realised through this study is the need for provisioning and providing other support services e.g. identification of a suitable livelihood activity, support for quality improvement and marketing along with credit to strengthen existing livelihood pattern to generate additional income at household level.



Chapter-VII

Suggestions

The study suggests adoption of better mechanisms for strengthening groups through the process of building trust among members, broad-basing the practice of inter loaning, capacity building for institutional development and financial management, income generation activities, decision making etc. To enhance the quality and outreach of microfinance programme in the state, all SHPIs need to identify the weaknesses of their own programme and execution, and accordingly make efforts for bringing positive change.

7.1 Group Strengthening

There is a need for focusing on strengthening SHGs promoted by all SHPIs. The groups need visioning about institutional and financial aspects. Members need to be sensitized about the role of SHGs in economic and social spheres of their life. Quality and Sustainability of SHGs is vital because the observation and findings reveal that unless these communities owned institutions are sufficiently strengthened i.e. taking decision of their own for action, they will always be in the shadow of promoter and may not identify their needs and interest.

SHPIs need to engage intensely with the groups during group meetings in initial months of group formation to help members to identify their strengths and support requirements and to facilitate in solving problems within the group so that members get confidence to resolve the conflicts. NABARD should share their available resource materials widely with all SHPIs in every district. Further, NABARD should also prepare facilitation kits, which can be used during group facilitation process. Moreover, District Development Manager (DDM) of NABARD may organize regular sharing and interface meetings other than District Level Banker's Committee (DLBC) and Block Level Banker's Committee (BLBC) meetings, preferably in every month with all SHPIs in the district to provide platform for cross sharing and learning's on various aspects of group strengthening.



7.2 Capacity Building of Group Facilitators

The quality of group functioning largely depends upon the intensive role and quality engagement performed by the facilitators to promote and strengthen groups. Therefore, it is important to develop capacities and skills of the group facilitators with all technical (financial and institutional aspects of SHGs) and non-technical (group facilitation process) aspects. Hence, the selection and training of group facilitators also needs due importance by all SHPIs. The Department of Rural Development and DWCD should organize focused trainings and continuous capacity building programmes for *Gram Sevaks* and *Aanganwari* workers on both technical and non-technical aspects of group facilitation. NGOs also should consider organising such trainings and accompaniment support for facilitators. Considering the overall situation of SHGs that came out in the study, NABARD should emphasize its role towards development of comprehensive capacity building plan and ensuring its implementation through engagement of a state level nodal agency with provision for adequate investment. To do so specialized agencies like ARAVALI, Jaipur, CmF, Jaipur, Dhan Foundation, Madurai may be involved and a comprehensive capacity building and implementation plan may be designed.

7.3 Focussing and broad basing the practice of Internal Loaning among Members

Internal lending from member's savings is one of the vital aspects of SHG based micro finance programme. The current status of internal loaning is a concern. So, all SHPIs should make sincere attempt to make members understand about the importance of internal loaning. The facilitation should focus around how internal loaning can reduce the member's dependence from exploitative informal sources. The same would ensure better attendance of members in the meetings, increased interest in the group activities and inculcate positive habit of repayment among members.

7.4 Identification of Suitable Activities and Opportunities for Livelihood Promotion

Identifying suitable activities and opportunities for livelihood promotion is a complex and challenging task because of variance in socio-economic and cultural context of each targeted family. Taking into account the socio-economic status of each family would be the appropriate strategy for identifying the suitable livelihood activities for the targeted family. Also focusing on sectoral and segmental based livelihood opportunities for targeted families



may be explored. During activity mapping, SHPIs should take into consideration the socio-economic and cultural aspects of the targeted families. Moreover, NABARD should appoint technical agencies for livelihood profiling of targeted families. SHPI's involvement in the whole exercise may be ensured so that the same can be done by them independently or with minimum support of specialized agencies, in future, or whenever need arises with the expansion of programme. Few agencies those have skill and capacity in doing such kind of participatory exercises are ARAVALI, Jaipur, Vrutti, Bangalore and The Livelihood School, Hyderabad etc.

7.5 Extending Business Development Services

SHPIs need to develop mechanism and collaborate with appropriate specialized agencies having expertise in business development service packages for SHGs. The need for such engagement has come from the fact that livelihoods of sample household studied primarily depended on agriculture (33.33%), labour (43%) and livestock rearing (3%). Due to small land holding (80% of the borrowers had land less than a hectare including 33% landless borrowers) the scope for generating additional employment and income has been limited therefore to strengthen the existing livelihood pattern, the services of specialised agencies would facilitate having business development strategy and plans for enhancing the income at household level among SHG members.

Resources for availing such specialised services from Resource Agencies can be mobilized under SGSY programme and schemes of NABARD. SHPIs can engage with specialised resource agency for providing business development support services such as identification of a suitable livelihood activity and livelihood planning, support for quality improvement and marketing along with credit to strengthen existing livelihood pattern to generate additional income for sustenance.

7.6 Identification of Resource persons at district level

It has been strongly realized that group and SHPIs need continuous guidance and they need up-gradation with latest information of the sector. Cadres of resource persons from Government Departments particularly SGSY and DWCD and also from NGOs can be



identified and appropriately trained on technical and non-technical aspects of SHGs. DDMs of NABARD with the help of SHPIs should identify atleast ten such resource persons per district. At state level, trainings of such resource persons should be organized by NABARD with the help of specialised agencies such as ARAVALI, Jaipur; CmF, Jaipur etc.

7.7 Continuous Monitoring and Grading of Groups

Regular monitoring always remains a concern for all SHPIs. The regular grading shows performance of every group. Regular grading motivates the groups to perform well and to compete with other groups. The expectation to get better grading may help the group members to strive for exhibiting sustained group performance. Moreover, regular monitoring and accompaniment support by SHPIs would facilitate group to follow good practices such as regular savings, regular meetings, proper maintenance of records, internal lending etc. The SHPIs should do grading for all the groups at regular intervals through NABARD's grading format to understand the status and accordingly frame capacity building programmes for the groups. NABARD may evolve performance based incentive schemes for better performing groups and SHPIs.

7.8 Sensitising Bankers for SHG Promotion and Strengthening

Banks are one of the major stakeholders in terms of providing credit and other financial services to the SHGs. Hence, the role of bankers becomes very crucial in contributing to the SHG movement. Thus the need for sensitization of bankers is critical to strengthen the SHG movement. NABARD should frequently hold consultative meetings and interface workshops at district/state level and organize sensitization workshops at regular intervals for rural branch managers for facilitating linkages with SHGs.

7.9 Training and Exposure of groups

Trainings on Leadership development, group management, skill development can be conducted at regular intervals by SHPIs. SHPIs should leverage the funds from existing schemes of NABARD and SGSY to organize such trainings and exposure programmes. The



need based contents for trainings can be designed and imparted. DWCD and other SHPIs can collaborate with ARAVALI, Jaipur & CmF, Jaipur and other appropriate agencies to develop relevant module for leadership training. The exposure visits for Groups may be organized within and outside the state to such agencies which have long experience of SHG promotion and strengthening. To name a few within state are Ibtada, Alwar, People's Education and Development Organization (PEDO), Dungarpur, Professional Assistance for Development Action (PRADAN), Dholpur etc. and outside the state are Chaitanya, Pune, and Dhan Foundation, Madurai etc.

7. 10 Developing a comprehensive data base of SHGs

There is a need to have a comprehensive database of all the SHG's in the state for easy reference of development stakeholders such as SHPIs, Government, Bank, NABARD, funding agencies, researchers etc. There can be a common website having all the information of the groups promoted by all SHPIs, under both schematic and non-schematic category. The same will facilitate interested stakeholders to access the data about the groups. To develop and operationalize the website, NABARD can play a vital role by investing resources, appointing specialised agencies for developing and launching the website. NABARD may also take the leading role to facilitate SHPIs to come forward and develop mechanisms for furnishing appropriate information so as to update the database and thereby the website, at regular intervals.

7. 11 Developing and operationalising proper Management Information System (MIS)

There is an immediate need for all agencies involved in SHG and mF programme to develop proper MIS. This will be helpful in tracking group maturity and positive or negative changes in member's family. Moreover, it will facilitate timely support to groups and families. NABARD should develop both computerized and manual data base and MIS after thorough study of current practices of data management of SHPIs by appointing a specialized agency. After development of MIS, the same may be made available to SHPIs on affordable cost. It would also be convenient for SHPIs to monitor their programme and do the planning effectively.



Conclusion

The study attempted to understand the issues of quality and sustainability of the SHGs in the state of Rajasthan. The overall assessment of various institutional and financial aspects of the SHGs formed under both schematic (SGSY and DPIP) and non-schematic (DWCD and NGO) category, gives a clear picture that there is potential to bring changes in the lives of the poor through this programme.

The presence of large number of groups (About 2 lakhs) in the state and considering its growth pace definitely reflects that the group formation is not a major challenge; the challenge lies in strengthening of groups by ensuring adoption of good practices. For that, the role of the facilitators becomes very vital to guide and facilitate the groups to evolve in a self-sustaining manner. Therefore, SHPIs needs to have more intensive engagement and provide accompaniment support in strengthening the groups in the initial years. The same will help in developing norms, ensuring adoption of best practices by groups and overall development of SHG as an institution.

The study also realises the need for a well-designed withdrawal strategy to be designed by SHPIs before hand for matured groups other than regular engagements with the groups at initial stages. Moreover, SHPIs and other stakeholders need to work for generating avenues for alternative livelihood opportunities, identifying the resources, skill and demand of the groups and then linking them up with market. The design of the programme should give more emphasis on innovations and creative capacity building that will genuinely make groups more vibrant, sustainable and remain relevant for poor members for a longer period.

Key conclusions drawn from the study are as follows:

1. To enhance the quality and sustainability of SHGs focus should be on the following key aspects:
 - Targeting the poor- strengthening the poorest family targeting approach for SHG formation and increasing the outreach. Currently only BPL status is looked for targeting the poor.
 - Facilitating accompaniment support to SHGs by developing a pool of Para SHG facilitators from the members of the group itself, who would be as accompanier to facilitate group functioning (day to day), holding meetings, record keeping etc. as



well as carrying developmental initiative in their own villages. They should be given training for enhancing their knowledge, skill and attitude by specialised mentoring and capacity building organisations, giving emphasis on both on-field trainings as well as class room trainings. This would reduce dependency on SHPIs and facilitate sustainability of functioning and performance of these groups to take bigger development challenges within their village.

- Strengthening the internal group processes within the SHGs such as practices of internal lending, quality of group meetings, decision making process, rotation of leadership, vision building, livelihood planning, record keeping and maintenance etc. This again can be facilitated through trained SHG facilitator's and SHPIs.
- Empowerment of women as core objective of SHGs should be given adequate emphasis apart than saving and credit activities. Other focus should be to enhance the functional literacy level of group members.
- While any special project initiative such as DPIP is initiated and project work on group based approach, focus should be given on adhering group building norms and functionality else these groups become non –functional during and after the project period ends. One important aspect is to have adequate timeframe for group formation.
- NABARD can play a major role in having Resource / Reserve fund for capacity building of SHGs programmes. Also the quality of the training programmes needs to be improved in terms of contents and inputs. Specialised capacity building resource organisations services should be taken for strengthening the training programme quality. Investment in capacity building of SHGs would facilitate change in the enhanced role of women in *Gram Sabha* and other developmental works at village level.

2. Facilitating SHG Bank- linkages:

- Enhancing the cycle of loaning to SHGs by sensitizing bankers at different levels. NABARD can play a significant role by facilitating commercial banks and regional rural banks to extend credit services to SHGs. It came out during the study that in facilitating bank linkages especially second and third cycle of bank loan, NGOs facilitated SHGs performed better than other agencies. Therefore. Support should be provided to NGOs in being accompanier in facilitating SHGs. On the other hand, Banker's cited work pressure and non availability of adequate human resource for unable to give due attention to SHGs. At the same time they also referred improper maintenance of records as other key reasons for non-sanctioning or delay in sanctioning of loan to SHGs.



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Annexure

SCHEDULE-I

Schedule for Group Level Information

I. Basic information

1. Name of group
2. Village
3. Panchayat
4. Block
5. District
6. Date of Formation of Group
7. Date of opening of bank account

II. Social Status of Members

Status	SC	ST	General	OBC	Total
No. of members					

III. Educational Status of Members

Status	Literate	8 th Pass	Secondary	Higher Secondary	Graduate
No. of members					

IV. Economic status of members

Status	APL	BPL	Total
No of members			

V. Financial Information of Groups

1. Saving amount per member in the group.



2. Total savings of the group. Date
3. How do they used to save before formation of group?
4. Total loan received by groups from various sources

Sl No	Institutions/Name	Amount	Interest Rate	Tenure	Date of receipt	How many time
1.	Bank-					
2.	MFI-					
3.	Others-					

5. Total loan outstanding of the group to its members
6. How many members of the group have not taken loan from the group?
7. Interest rate charged by group from its members.
8. Is it different as per source of credit?
9. On Time Recovery Rate of Group (OTRR)

VI. Yearly Income and Expenditures statement of the group

Sources of Income	Amount	Expenditure
Grant		
Interest		
Service Fee		
Others		
Total		

VII. Discipline in Functioning of groups (Validate with meeting register)

1. No. of meetings held last year
2. Average presence of members in meeting
3. Issues discussed in meeting/Agenda



VIII. Record maintenance

Name of the record	Complete/Incomplete	Dependency on promoters	SHG employed some one	Some one from SHG

IX. Maturity of Group

A. Meeting without external support

No of meetings without representative of promoters	No. of meetings organized with the help of leader	No of members even organize meeting in absence of leader

B. Handling of disputes/conflicts

Not able to handle disputes without support of promoters	SHG have solved disputes themselves	No disputes so far

C. Leadership

No change in leadership since inception of group	Leaders changed on yearly basis and regularly	Leaders changed but not on regular base.

X. Purpose of Loan

Sl No	Purpose	No of borrowers	Amount	Reasons for delayed repayment

XI. Stated purpose and actual usage of borrowings from SHGs

Purpose of loan	Amount	No of Members	Used for the	Amount	No of Members	Reason



			purpose			

XII. Type of income generation activities taken by members

Income generation activity	No of members involved	Income	Usage of income

XIII. Issues of Women Empowerment

- What kind of social issues have been taken/solved by members
- Any change in women’s Role in village level Institutions.

XIV. Participation at house holds level decisions.

Decision	Decision taken without consent of women	Women’s view asked	Women’s view incorporated in while making decisions
Buying and selling of assets			
Education of children			
Crops			
Marriage of children			
Buying and selling of animals			
Any other decision			

XV. Participation of women in community and villages level disputes/development.

Decision	Decision taken without consent of	Women’s view asked	Women’s view incorporated in



	women		while making decisions
NREGA related work			
Any other government scheme related work			
Village level disputes			
Community level decision			

XVI. Training/workshop/exposure and other inputs so far

Sl No	Name of the training/workshop/exposure	Duration

XII. Linkages with government department and schemes

Name of Scheme	No of members got benefit	Type of benefit



SCHEDULE-II

Schedule for Borrower Level Information

I. General Information of Borrower

1. Name of the borrowers
2. Total No of family members
3. No of earning members in family
4. Total Land own by family
5. Total numbers of Livestock in the family
 - Buffalo
 - Cow
 - Goat
 - Sheep
 - Camel
6. Housing condition- Kutcha/ Pucca

II. Borrowing pattern: At Family Level (Most Recent Ones)

Purpose	Sources of borrowing	Amount	Rate of interest	Amount to be paid

III. Livelihood profile of borrowers at the House Hold level:

A.

Sl No	Primary Occupation	Total Span of the work	Gross Income	Expenditure	Net Income



B.

Sl No	Secondary Occupation	Total Span of the work	Gross Income	Expenditure	Net Income

IV. Change in Livelihood

1. Is your income enhanced because of Loan?
2. Is there any observable change you see in your life?



SCHEDULE-III

Checklist for Group Discussion

1. Objective of groups?
2. Why members have joined groups?
3. How group norms evolved?
4. What are the group norms they think unnecessary and why?
5. What is the role of leader in the group?
6. What are various discussions they do in the group other than savings/credit?
7. Impact of groups in their individual life.
8. Impact of groups at house hold level
9. Impact of group at village level.
10. Rate of interest charged by money lenders-
 - Earlier
 - Now
11. Any change in business modalities of money lenders
12. No. of money lenders-
 - Earlier
 - Now
13. What are the punitive actions taken by members if members do not follow rules?
14. Difficulties members are facing:
 - While starting the group
 - While running the group



SCHEDULE-IV

Checklist for SHPIs

1. Objectives of group promotion.
2. Process followed to form group.
3. What are various inputs given to group so far?
4. Difficulties you face while promoting groups and after formation of groups.
5. Difficulties you face during Bank linkages and collaboration with government department.
6. Impact of SHGs at village level
7. Impact of SHGs at house holds level.
8. Type of income generation activities taken by members
9. Factors hindering member's effective partnership at group level
10. What kind of capacity building inputs required for further development/strengthening of SHG?
11. What capacity building inputs required at organisational level.



SCHEDULE-V

Checklist for discussion with Commercial Bank Manager

1. How many groups have got loan from bank so far.
2. Name of other banks providing loans to SHGs.
3. Criterion's to get loan from banks.
4. Process to provide loans to banks.
5. Amount of loan given to SHGs so far.
6. Which type of inputs SHGs require for further development?
7. What kind of inputs SHPI's require for further development of SHGs?
8. What are your views/ impressions on overall SHG bank linkage programme?
9. What are various reasons of rejecting loan application of SHGs?
10. Do you find any difficulties in loan recoveries?
11. How do you think the programme can be strengthened further?