

‘State of Micro Finance Sector in Rajasthan’

(Rajasthan microFinance Report 2010)



5th Micro Finance Colloquium
5-6 October 2010

Purpose of sector report

- Analyse the state of sector and put before stakeholders
- Compile the achievements and Identify the issues that the sector is facing
- Propose a 'way forward' for debate, discussion, agreement and Action

Chapters

- Context
- Trends, Development and Innovations
- Demand
- Supply
 - SHGs
 - MFIs
 - Banks
- Financial Inclusion
- Legal Issues
- Way Forward



RAJASTHAN



Rajasthan Micro Finance Sector Growth on key parameters



Indicators	As on March 2007	As on March 2010	Annual Growth (CAGR)
Number of SHGs reported	2 lakh	3.6 lakh	22%
Functional SHGs	1.6 lakhs	2.6 lakhs	18%
SHG Members	24 lakh	44 lakh	22%
Total Savings of SHGs	Rs. 102 crores	Rs. 450 crores	64%
Savings of SHGs as deposits in Banks	Rs. 52.23 crores	Rs. 180.18 crores	51%
SHGs with bank account	111248	217007	40%
SHGs credit linked	137837	159161	5%
Outstanding credit to SHGs	250.04 crores	501 crores	42%
Number of SHG federations	25 approx	42 federations and 312 clusters	--
Number of bank branches	4239	4655	2.45%
Number of MFIs	5	22	64%
Outstanding credit from MFIs	N.A.	Rs. 527 cr	--

SHG promoted by SHPIs

(as of March 2010)

	DWCD	NGOs	Coops	Others	Total
ICDS	196,273	1245			197518
SGSY		35,518		11,839	47357
NABARD - SBLP		11,069			11,069
DPIP		18000			18000
Others		11,417	47,638	27,690	86,745
Total	196,273	77,249	47,638	39,529	360,689

Achievements

- Good response from women
- Very good impact- increased confidence of women, reduced dependence on moneylenders, increased income (but only where SHG quality is good)
- Average saving per member per month increased from Rs. 35 to Rs. 60

Issues in SHGs

- Quality: However all SHG reported do not exist; and are not of same quality, Estimated 2.6 lakh SHGs in reality
- Bank Linkage: 2.17 Lakh SHGs with bank account and 60% SHGs linked with Bank for credit till March 2010

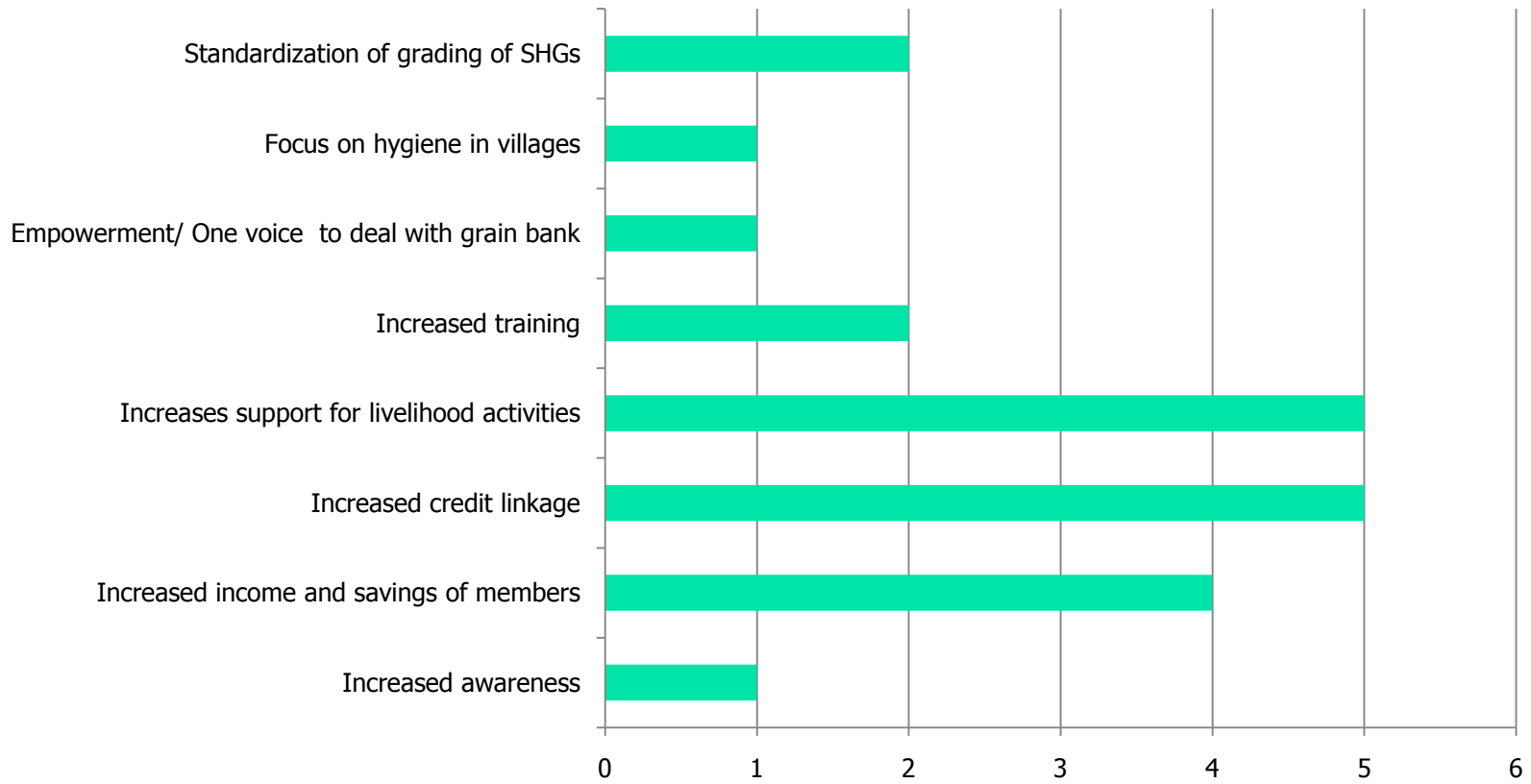
Issues in SHGs

- Different approaches by different promoters- Subsidy; different perspectives-> confusions in field
- Movement is still to reach to many more poor
- No single department or agency in government to engage with SHGs

Federations of SHGs in Rajasthan as on March 2010

- SHG clusters :312
- SHG Federations :42
- Of which registered :19
(as trusts 9, as coops 7 and societies 3)
- All federations are promoted by NGOs

Key benefits of SHG Federations



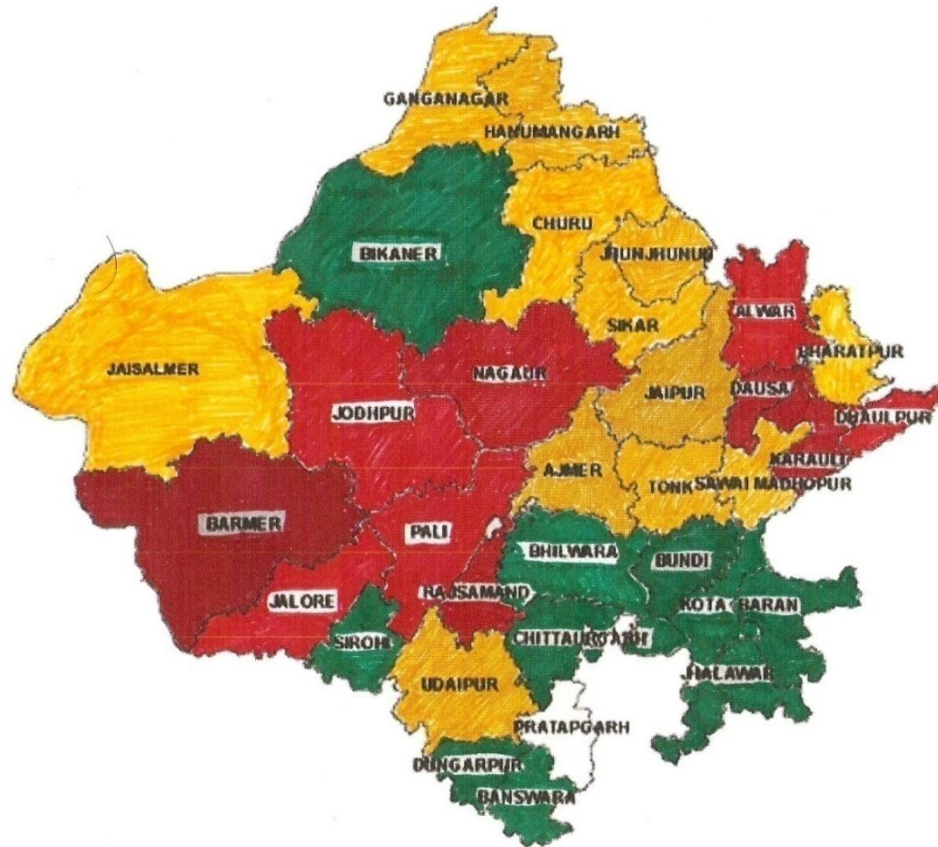
Issues on Federations

- Inadequate initial support for 'institutional building'
- Facilitating SHG- bank linkage or financial intermediation

Saturation Index of SHG

Population/SHG
members

High
Medium
Low



DEMAND FOR MICROFINANCE

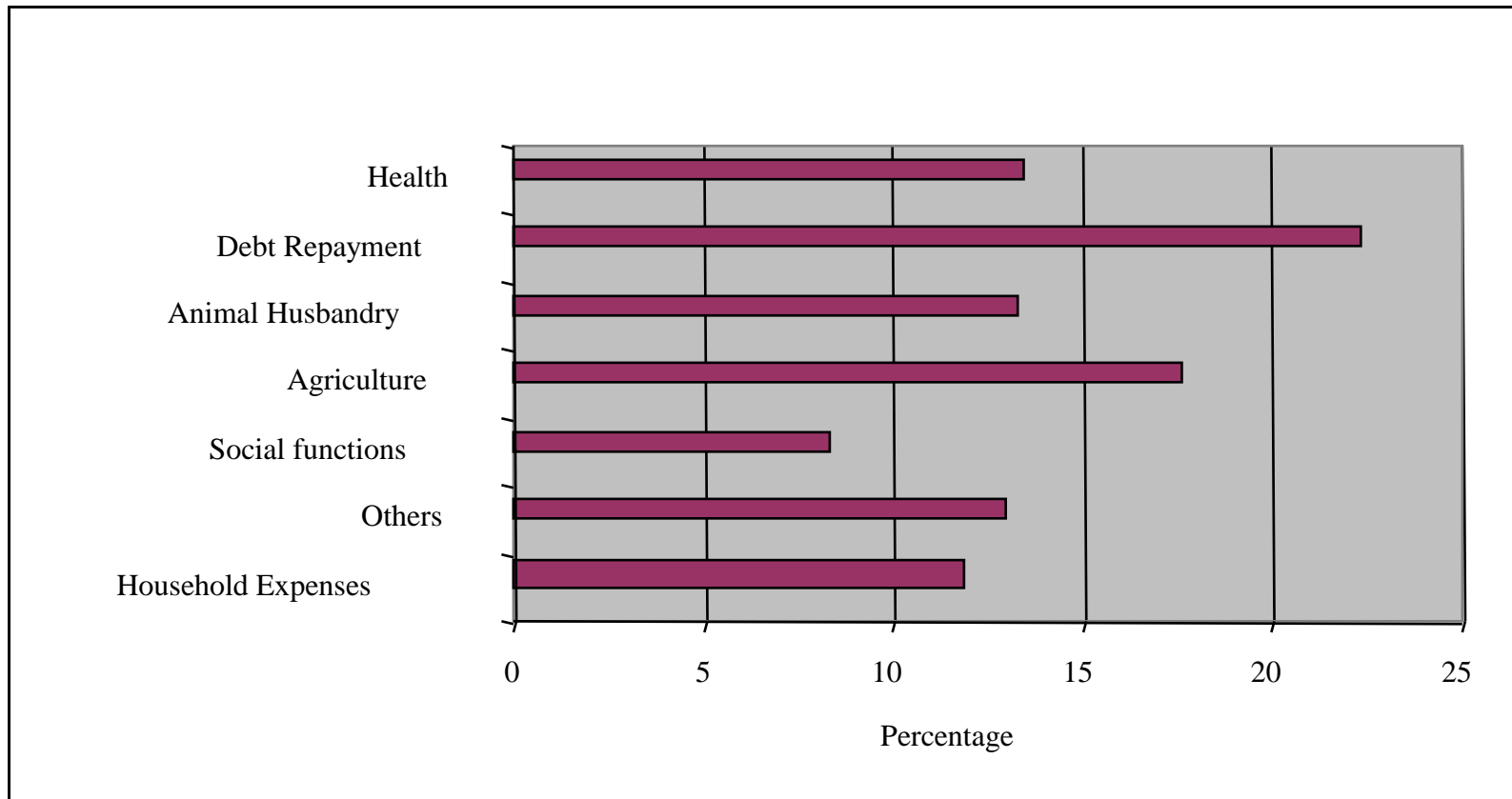
■ Savings

- Most critical need for poor; but Poor need door step services
- Most savings of poor in cash in pocket/hand, followed by Banks, LIC and RD in Post Offices
- Saving potential estimated: Rs. 11,000 Crores
- SHGs meet only a part (5-25%) saving needs of HH
- Many companies and MLM have are mobilising savings of poor

Savings by SHGs

- Total savings of SHGs (2010): 450 crores - increased from 102 crores in 2007
- SHG savings in saving a/c banks: 180 crores, increased from 52 crores in 07
- Need for taking out SHG saving from banks and encourage internal lending
- Need for new saving products at SHG level
- Projected SHG Saving by 2015: Rs. 2596 crores

Credit use by SHG members



Credit- demand

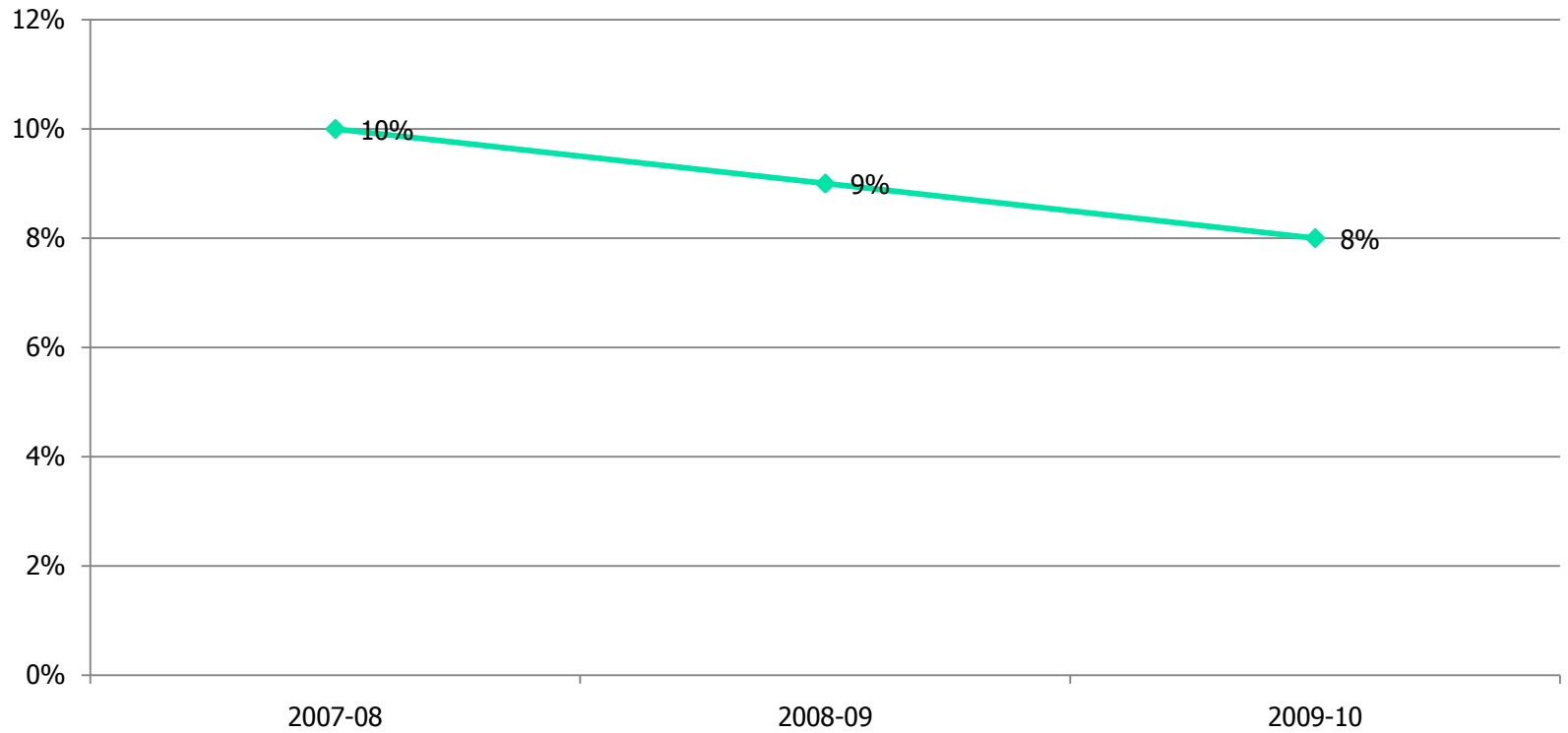
- Credit is needed for various things- consumption, social, health, investments
- Less than 10% poor in Urban Areas have credit from formal sources
- Annual credit need of poor in rural is Rs. 8700 Crores and about Rs. 2700 crores in urban

Credit- Banks credit through SHGs

- Loan disbursed to SHGs in 2009-10: Rs. 210 crores
- Bank loan outstanding to SHGs increased from Rs. 250 Cr in 2007 to Rs. 501 Cr in 2010 but
 - As a ratio of SHG savings it decreased from 2.44 to 1.11
 - Ideally, credit should be at least 3 times of savings; thus by 2015 banks credit to SHGs in Rajasthan should be about Rs. 7800 crores

SHG-Bank linkage

SHGs credit linked during the year



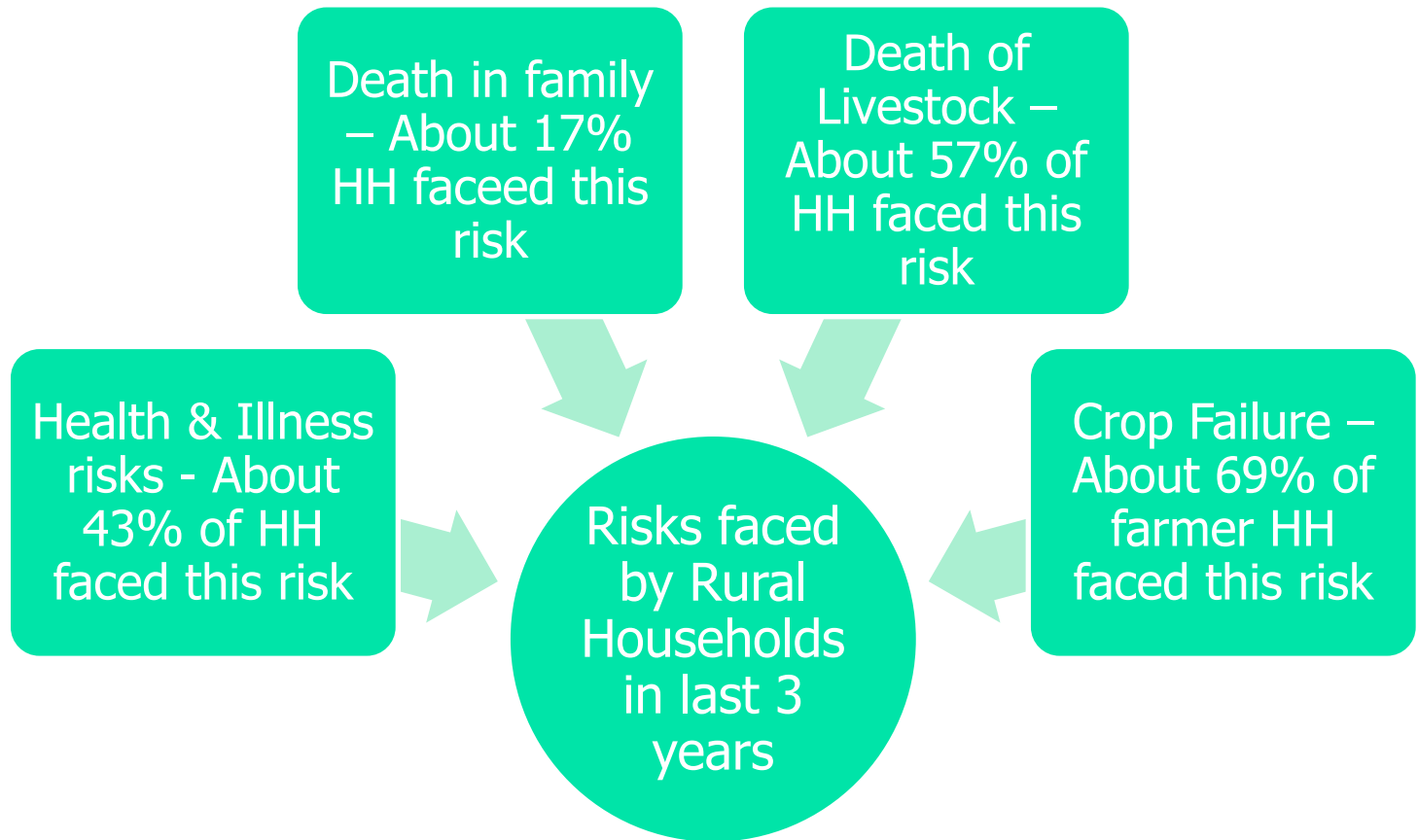
SHG-Bank credit linkage

year	Commercial Banks		Regional Rural Banks		Cooperative banks	
	Nos. of SHG loans	Growth w.r.t. 2005-06	Nos. of SHG loans	Growth w.r.t. 2005-06	Nos. of SHG loans	Growth w.r.t. 2007-08
2005-06	19184		12637		N.A.	
2006-07	18445	-3.8%	13923	+10%	N.A.	
2007-08	14823	-22.73%	10533	-24%	11864	
2008-09	9729	-49.28%	7949	-25%	10639	-10%

Issues in SHG-Bank credit linkage

- Low recognition of quality while lending by banks
- Too many operational issues and procedural problems at branch level
- SHG-bank linkage on 'low priority' of banks though it is in counted under 'priority sector'

Insurance and Risk faced



Insurance and Remittances

- Insurance coverage in rural is 7.5% HH and in urban (poor) 10%, life insurance
- Life and non life insurance demand Rs. 600 crores premium (Rs. 130,000 Crores insurance); urban poor- Rs. 250 crores premium (Rs. 50,000 crores insurance)
- 1.39 crores migrants in Rajasthan, remittances mostly informal

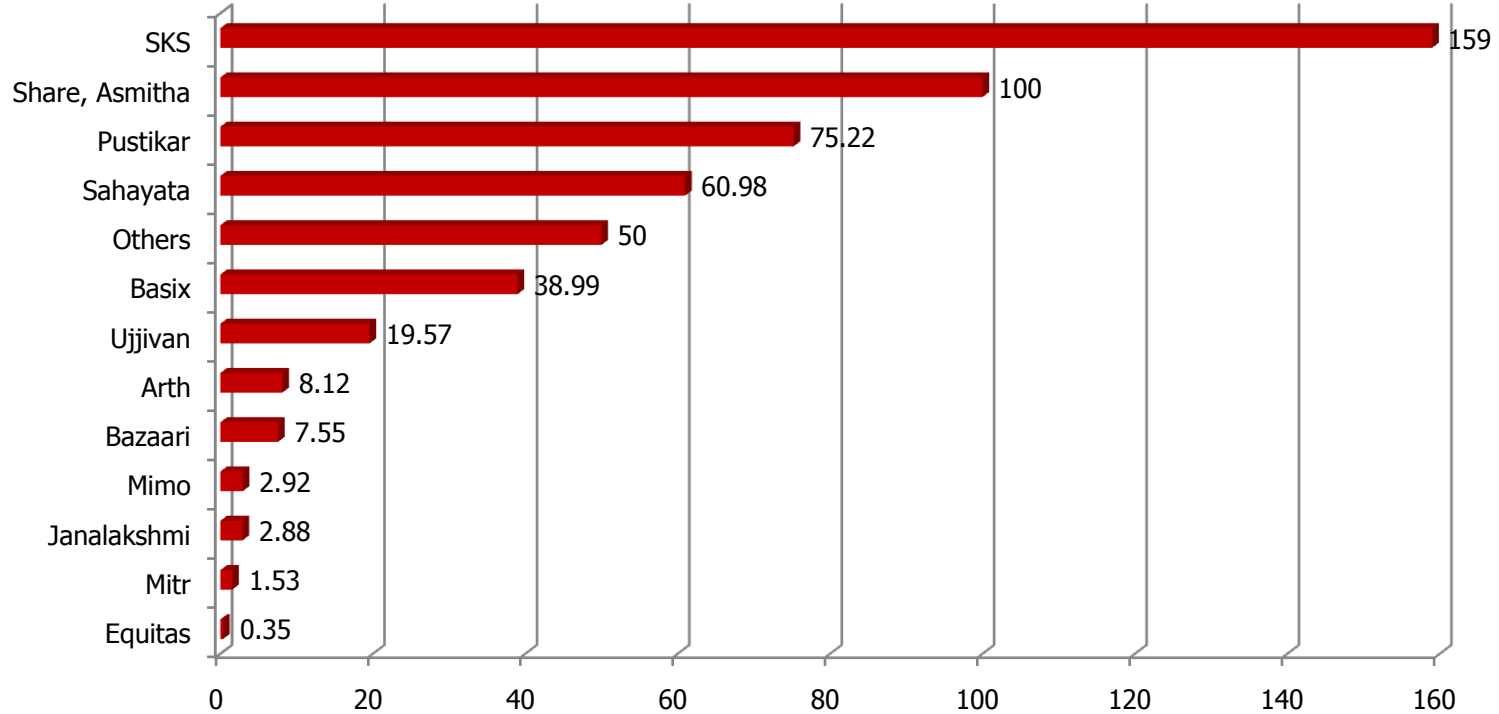
Sakh se Vikas

An initiative supported by Sir Ratan Tata Trust that seeks to demonstrate and up-scale community based microFinance and livelihoods in Rajasthan

- Dholpur, Tonk, Ajmer, Alwar, Banswara and Dungarpur
- *Outreach to 70,000 poor through 4400 SHGs, 19 Federations of SHGs*
- *Savings of Rs. 12 crores, Credit mobilised Rs. 23 crores*
- *Livelihoods- Dairy, Goat rearing, agriculture (foodgrains, vegetable, spices etc.)*

Micro Finance Institutions

Loan Portfolio (in Rs. Cr)



Savings of SHGs lying idle in banks

- 40% of SHG savings are in banks (09-10), in 07-08 it was 51%
- But in absolute terms, it has increased from Rs. 52 crores to 180 crores
- Would like not more than 10% of SHG savings in banks by 2015; i.e Rs. 259 crores of Rs. 2596 crores savings estimated by March 2015

Banks spreading more in urban and semi urban than rural

Bank Type	Branches (March 2009)				Branches (March 2010)			
	Rural	SU	Urban	Total	Rural	SU	Urban	Total
Com. Banks	995	786	1080	2861	1014	850	1178	3042
RRBs	810	181	49	1040	814	187	51	1052
Coop Banks	189	286	83	558	189	287	85	561
Total	1994	1253	1212	4459	2017	1324	1314	4655

Recent Development, Trends and Innovations

- **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**
- **NRLM (National Rural Livelihood Mission)**
- **MPOWER (Mitigation of Poverty in Western Rajasthan)**
- **District Poverty Initiative Project (DPIP) II**

Developments, trends Contd.

- **Bhamashah Financial Empowerment Scheme**
- **Loan Waiver and One Time Settlement of Debts Scheme**
- **Financial Inclusion**
- **Interest subsidy of 50% on loans taken by women SHGs**

Policy trends having impact on microfinance sector

- **Addressing all poor rather than targeting only Below Poverty Line (BPL)**
- **Focus on institutions of poor (e.g. SHG Federations and CBOs)**
- **Use of one time subsidy and grants as seed capital**
- **From group enterprise to micro-entrepreneurs' group**
- **Shrinking Donor Funds for promotion and nurturing SHGs and SHG federations**
- **Impressive growth by MFIs**

What should be done!

- **Reach out to 'all poor families' and 'not restrict to only BPL'**
- **Strengthening SHG movement in Weaker Areas**
- **Standardized systems and processes for all SHGs in the state**
- **A single agency in state to engage with SHG movement**

What should be done!

- **Increasing Bank Credit through Self Help Groups**
- **Replicating models like 'Dungarpur Initiative' – banks can take up 2-3 districts and saturate**
- **Special initiatives- Credit Fund for SHGs**

What should be done!

- **Building dedicated support structure for SHG movement**
- **Developing human resource for movement**
- **Saving first, credit later**
- **Promoting 'area centric' federations of SHGs**

What should be done!

- **Need for Investment in Sector-
Investment by Government and
Banks**
- **Livelihood enhancement of poor**



Thanks