

# Quality of SHGs in Rajasthan

Jaipal Singh; Damodar Mishra; Roma Bhujabal; Sourav Roy

*In Rajasthan, the Self Help Group movement is over two decades old and has matured to a level where it can make significant contribution to the women empowerment and poverty eradication efforts. There are about 3.6 lakhs SHGs of which 2.33 lakh SHGs have saving bank accounts. As on March 2011, 90393 SHGs are have loan outstanding of Rs 445 Cr from banks. Annually about Rs 200 Cr credit is disbursed through SHGs by banks. In spite of the substantial achievements, concern over quality of these groups and future course of action remains. How are the SHGs fairing? What factors influence quality & sustainability of the SHG movement? How has SHGs impacted the lives of poor? To seek an in-depth understanding on these issues CmF conducted the study on Quality of SHGs in Rajasthan during August – October 2011 drawing information from 266 sample women SHGs across 6 districts of Rajasthan.*

## Key findings of the study

### 1. Coverage of vulnerable segments

- About 87% of SHG members belong to socially & economically disadvantaged sections. Socially, SHG members belong to ST-25%; SC-38%, OBC-19% and minority-5%.
- Primary occupation of nearly 57% of SHG member households is daily wage Labour, for 37% member HH it is agriculture, for 2% member HH is Govt. / Pvt. Service and 4% involved in Non-Farm, trading and other activities.
- 47.2 % of members are from BPL families. 39% SHGs in state have predominant (more than 70%) members from BPL households.
- 14% of SHG members are from landless families. About 75% of members are from marginal farmers (less than 2.5 acre) and remaining 11% of members are from families owning more than 2.5 acre land.
- Majority of members, 54% belong to 18-35 yrs age group, followed by 43% members in 36-55 yrs age

group. Only 3% members are more than 55 years age.

- 44% members are neo-literates, while 41% members are illiterate.
- 7% members are widow and 1% members are unmarried/ separated. The coverage of people with disabilities is negligible (2 out of 2995).

Overall, it can be inferred that within the current membership SHGs have covered largely disadvantaged sections. However, the coverage of ultra-poor segments like people with disabilities, widows/destitute, nomadic tribes etc is insignificant.

#### Quality of SHGs – Social & Institutional Parameters

- Membership – 87% from backward communities;
- Purpose of SHG: Savings – 89%; Availing Credit – 51%
- Age of groups: 69% SHGs < 3 yrs
- Group meeting: 71% SHGs followed monthly meeting
- Attendance: 58% groups, had good attendance (> 90%)
- 85% groups have defined norms
- 62% groups have and maintains complete set of records

### 2. Functioning & operation of SHGs

- Purpose of group formation - 89% SHGs reported savings as one of the main purpose for group formation. 51% groups reported taking credit; 8% groups reported livelihood enhancement; 3% group reported availing govt. schemes as the prime purpose 2% groups reported having no knowledge about objective of group formation.

- Age of the SHGs - 26% less than one year; over 43% groups are in the age group 1-3yrs; 3% in the age group 4-6 yrs; 26% above 6 yrs
- Average membership in SHGs is 11.5.
- About 5 % members dropped after group formation. This drop of members was in 18% SHGs. Reported reasons for dropout – expulsion by other members (18%); Lost interest in group (16%); Not able to save (15%); Migration (13%); old age/Death (13%)
- 71% SHGs followed monthly meeting frequency; over 26% SHGs did not follow any decided meeting frequency; weekly & fortnightly meeting reported in 2.6% SHGs. 58% groups, had good attendance (over 90%) in last 6 months, 25.5% SHGs had attendance in the range 70-90%; 16% groups had attendance below 70%.
- 85% groups have defined norms with respect to group meeting, date and attendance of members, savings, loaning, record keeping; 15% groups have no set norms. However only 69% groups adhered to the group norms of on meeting and attendance.
- 62% groups have complete set of records (cash book; member passbook & minutes book) for group; 27% groups have no or improper records; 10% groups have some records.
- In very few SHGs, practice of leadership rotation has been adopted. Even where elections were held, only the portfolios of the leaders were interchanged in most cases.

#### Financial transaction

- In 90% groups, saving collection takes place at the meeting. However in 10% groups' saving through door to door collection by facilitator has been reported.

#### **Quality of SHGs – Financial Parameters**

- Avg. fund of SHGs – Rs 25214 (72% SHGs have less than Rs 25000 as group fund)
- 49% SHGs practice internal lending
- Loan Utilization (% of members)
  - Enhancing Livelihood: 34%
  - Household needs: 23%
  - Social occasions: 12%
  - Medical reason: 9%
- Savings bank a/c – 90% SHGs
- 26.6% SHGs Credit linked by banks (54.9% SHGs availed <Rs 50000 bank loan)
- 28% SHGs have >90% repayment rate: 28% SHGs

- Over 93% groups follow saving norm on monthly frequency. 77% groups doing regular saving; 23% groups have irregular frequency.
- 32.7% groups have saving rate of Rs 100 pm and above; 36.8% groups have saving rate in the range Rs 50-99
- Average fund of SHG is Rs 25214; 72% SHGs have group fund below Rs 25000; 17% SHG have fund in range Rs 25000-50000; 7% SHG have fund in range Rs 50000-100000; 4% SHGs have fund above 1 lakh
- About 49% groups practice internal lending of group funds. 34% members have taken loan for enhancing livelihood; 23% have taken for immediate household needs; about 12% for social occasions and over 9% for medical reasons.
- Over 90% SHGs have opened their savings a/c with different banks; only 26.6% SHGs have received bank loan; of the credit linked groups 54.9% groups have availed bank loan less than Rs 50000.
- 28% groups maintained high repayment frequency (over 90% repayment rate); 18% groups maintained average repayment rate (70-90% repayment rate); over 54% SHGs have low repayment rate (less than 70% repayment rate).

### **3. Performance quality of SHGs**

Groups surveyed were assessed using two tools – Critical Rating Index (CRI) for SHGs and SHG grading tool approved by SLBC, Rajasthan.

- Outcome of CRI Tool – 33.4% SHGs ‘A’ grade; 17.9% SHGs ‘B’ grade; 17.66% SHGs ‘C’ grade; 31.5% SHGs ‘D’ grade groups.
- Outcome of SLBC Tool: 48% SHGs ‘A’ grade; 18% SHGs ‘B’ grade; 12% SHGs ‘C’ grade; 22% SHGs ‘D’ grade.
- Majority of the SHGs have performed poorly on account of the financial parameters and record keeping resulting in overall poor performance.

- Capacity building inputs from promoters were found wanting in most groups, as a result of which the capacities of groups to self manage, was effected.

#### **4. Impact of SHGs**

- 48.8% members reported developing savings habit; 60% members reported greater access to financial services and reduced dependence on moneylenders; 48% members reported enhancement of awareness level; 30% members reported being able to take benefit of various development programmes
- 28.6% members reported having created or enhanced their livelihood asset base.
- SHGs have reported involvement in social activities like stopping of child labour, promoting girl child education, involvement in pulse polio mission, anti-liquor movement and distribution of mid-day meal.

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