

Feasibility study of the establishment of
SHGs in the Rajpur and Thikri blocks of
Barwani District, Madhya Pradesh



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List of Abbreviations

Abbreviation	Meaning
ASA	Action for Social Advancement
FGD	Focus Group Discussion
MF	Micro Finance
MP	Madhya Pradesh
NGO	Non-Governmental Organisation
SHG	Self Help Group

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Feasibility study of the establishment of SHGs in the Rajpur and Thikri blocks of Barwani District, Madhya Pradesh

1) Introduction

In 2005, the International year of Micro Credit, Kofi Annan (Secretary General of the U.N.) highlighted the importance of micro finance in helping to “alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs” (Annan, 2005). It is this same philosophy that Action for Social Advancement (ASA) have adopted through the creation of their Micro Finance (MF) programme that currently operates in the Jhabua, Ratlam, Barwani and Ujjain districts of Madhya Pradesh (M.P.). Similar to the majority of micro finance programmes, ASA centre their programme on the operation of Self Help Groups (SHGs).

ASA have been working on micro finance since 1998 working solely in Jhabua district; it wasn't until 2006-2007 that the programme was extended to the other three districts (ASA Annual Report, 2007, p.16). As the MF programmes in these new districts are only in their preliminary stages, there is clearly great potential for expansion. ASA have recognised this, stating in their Annual Report that by 2010 they aim to have promoted at least 3,000 more SHGs (ASA Annual Report, 2007, p.21). It is in this context that this report was commissioned to assess the feasibility of establishing SHGs in both the Rajpur and Thikri blocks of Barwani district. Though there are already a small number of SHGs in both blocks, this research aimed to investigate the need for further expansion. The objectives of the research were three-fold:

- To understand and analyse the livelihood strategies and predictable average annual credit needs of households from villages in the blocks of Rajpur and Thikri, Barwani district;
- To study the existing traditional credit delivery systems and the economic and social impacts; and

- To assess the feasibility of the establishment of further SHGs in the two blocks and whether they would have an impact on credit and savings patterns and lead to greater livelihood sustainability.

With these objectives in mind, it is useful to introduce the research area. The following section provides a brief overview of where the research was undertaken.

1.1) Overview of Research Area

Barwani District has an area of 3665 km² and is located in the south-west of Madhya Pradesh, bordering Maharashtra state. Main towns in the region include Barwani, Julwania and Sendwha. However, the District's population is chiefly found in rural areas; 85.4% of the 1,081,441 inhabitants live outside urban environments (Census of India, 2001).

Fig.1: The location of Barwani (Badwani) in Madhya Pradesh

Source: Adapted from <http://www.travelmadeeasy.in/map-madhya-pradesh.jpg>

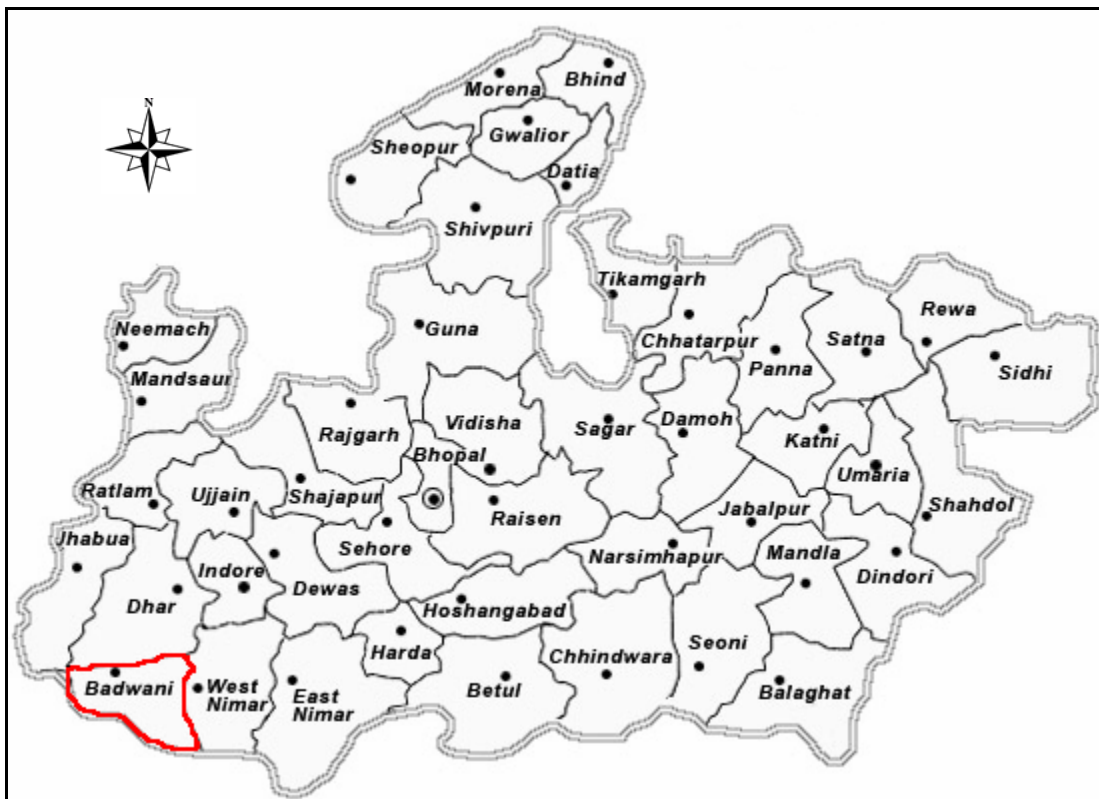
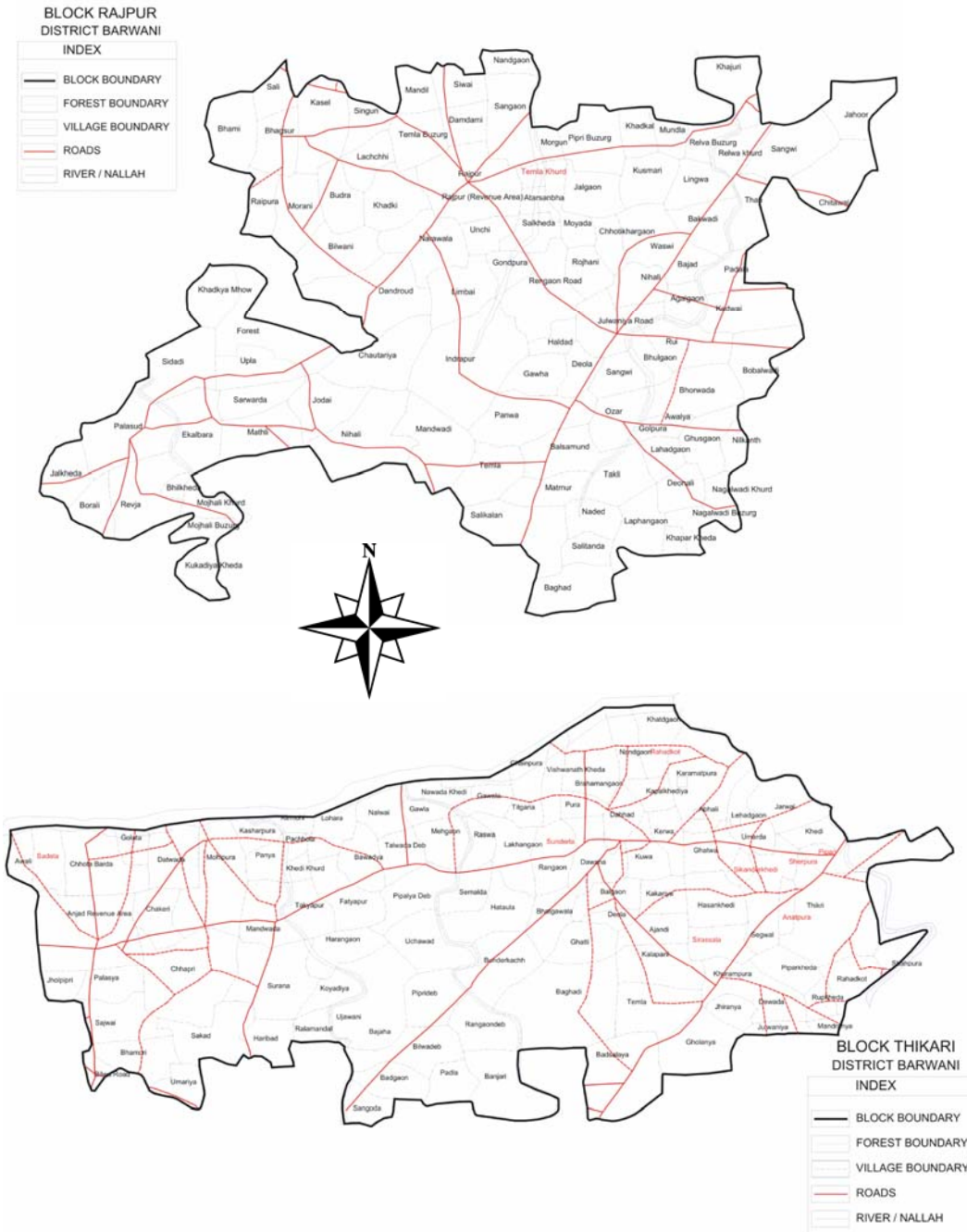


Fig. 2: Maps of Rajpur and Thikri blocks. Villages in which data was collected are also highlighted.
Source: ASA



In 2005 Barwani received a total of 482.5 mm of rainfall between the months of June and September; this was the lowest rainfall since 2001. Due to this low rainfall, Barwani is an arid region that is prone to drought during the winter.

2) Theoretical Discussion

2.1) The Indebtedness of Rural (especially tribal) Communities

As the two blocks included in the research have relatively high proportions of Scheduled Tribes, it is useful to understand their unique credit requirements. “Tribal people have all along been subjected to large-scale exploitation by non-tribals” (Karmakar, 1999, p.137). This, along with the lack of infrastructural facilities (e.g. transport and communication), an adequate organizational base, and absence of an organised/monetized market system has seriously hampered the development of a tribal economy (*ibid*, p.137). In addition to these issues, the harsh climatic conditions and physical environment of rocky terrain in Barwani (previously outlined) restrict the year-round potential of subsistence agriculture (Kumar & Katiyar, 2006, pp.3-4). This, coupled with other lifecycle needs such as illnesses, old age, festivals and marriage (Rutherford, 2000) often results in a shortage of capital and need for credit.

2.1.1) Needs for Credit

Credit can be defined as “a device facilitating the temporary transfer of purchasing power from one individual or organisation to another. Whenever income is less than consumption, there is a need for credit” (Khanna *et al.*, 1996, p.1). The purpose of credit can broadly be categorised into two types: Consumption credit and Production credit.

Consumption Credit

Consumption credit encompasses the requirement of loans to purchase items of consumption such as food and medicine as well as costs associated with festivals and marriage (*ibid*, p.1). In the case of marriage, the Tribal in the research area practice the system of reverse-dowry. This

means it is the bridegroom and his family who have to pay the large costs for marriage. These can be extremely high and therefore are one of the major reasons that households are forced to acquire loans (Kumar & Katiyar, 2006, pp.3-4).

Production Credit

This form of credit usually refers to loans utilised for the purchasing of inputs for production (Khanna *et al.*, 1996, p.1). For example, in agriculture, these can include seeds, fertilizers, insecticides, and costs associated with irrigation and labour.

2.1.2) Sources of Credit

With the needs established, it is now necessary to question how can a typical village household acquire credit? Sources of credit can be categorised into two forms: Formal and Informal.

Formal

The main formal credit sources include commercial banks, co-operative banks, regional rural banks and non-banking financial corporations. Formal credit sources are usually characterised by certain procedures and rules that the borrower should follow. Due to this formalisation, they are often found to be extremely bureaucratic in nature (Kumar & Katiyar, 2006, p.23).

Lack of access to this source of credit is a major obstacle to poor villagers; “conventional finance institutions seldom lend down-market to serve the needs of low-income families and women-headed households. They are very often denied access to credit for any purpose, making the discussion of the level of interest rate and other terms of finance irrelevant.” (Tiwari & Fahad, 2005, p.1). This denial of access can be for a variety of reasons. These include the physical inaccessibility of the village, the deficiency of economic capital to provide collateral and lack of social capital of the villagers (Brata, 2005, p.6). The fundamental problem, therefore, is not so much the unaffordable terms of the loan, but the lack of access to credit itself (Kim, 1995).

Informal

With the difficulty of access to formal sources, villagers often have no choice in having to use informal sources of credit. Money-lenders (either from the village or local town) dominate this sector and are thus villagers' most important source of credit (Karmakar, 1999, p.117). Though credit is often provided without the need of collateral, interest rates are often exorbitant (sometimes up to 25% per month (Kumar & Katiyar, 2006, p.25)) and tend to exploit poor villagers (Fisher & Sriram, 2002, p.44).

Due to the nature of this credit source, the poor are often vulnerable and can find themselves trapped in a 'vicious circle of debt' with the villager sometimes forced to sell their agricultural produce to the money-lender at below market-rates.

As it can be seen, in many villages, sources of credit are characterised by lack of access and exploitation. Micro finance aims to address these problems and assist poor households in the creation of sustainable livelihoods.

2.2) Sustainable Livelihoods and Micro Finance

To assist the understanding of the 'needs' of the poor, the last 30 years have seen a shift in development thinking, moving away from previous macroeconomic bias, towards viewing development "in terms of individual and household health, education and well-being" (Solesbury, 2003, p.5). In response to this, in 1992 Robert Chambers and Gordon Conway introduced the notion of 'sustainable livelihoods'. Instead of previous consumption and income-based conceptualisations of poverty (Rakodi, 1999, p.315), this new approach attempted to provide an "holistic means of understanding and analyzing poverty, bringing together former experiences, but also relating other analytical concepts and focuses, such as the households, gender, governance, and farming systems" (Appendini, 2001, p.24). Due to the wealth of issues that surround this concept, "definitions of sustainable livelihoods are often unclear, inconsistent and relatively narrow" (Carswell et al, 1997, p.10). The definition currently used by policy makers such as the Department for International Development (DfID) is an adapted version of

the one originally developed by Chambers and Conway and will be used as the main definition for this research:

“A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain and enhance its capabilities and assets both now and in the future, while not undermining the natural resource base”

(DFID, 1999, cited from Power, 2003, p.181)

An important aspect of this definition is that a ‘living’ can be composed of a wide range of resources. Often, these resources and assets are managed in a complex portfolio that is known as a ‘livelihood strategy’ (Rakodi, 1999, p.318). The ability to engage in different livelihood strategies is usually reliant on the basic “material and social, tangible and intangible assets that people have in their possession” (Scoones, 1998, p.7).

Reducing the vulnerability and increasing the survival options of the rural poor is seen as an important way to improve livelihoods sustainability and an “important goal of development policy” (Ellis, 1998, p.18). Micro Finance is recognised as a significant means in achieving this through “providing the poor with necessary financial services in order to either take advantage of income generation opportunities or reduce their vulnerability to livelihood shocks” (El-Mahdi, 2005, p.1). Tiwari and Fahad (2005) also subscribe to this idea, claiming that new financial services provided by Micro Finance “enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security” (Tiwari & Fahad, 2005, p.1).

Through Micro Finance, the provision of loans (in contrast to grants for example) allows the provider to “become sustainable by recycling resources over and over again” (Kumar & Katiyar, 2006, p.2). This delivery has been dubbed by Fisher and Sriram (2002) as the ‘holy trinity’, as it provides outreach, impact and sustainability (Fisher & Sriram, 2002).

2.3) Self Help Groups (SHGs)

The main form of micro finance in India is based around the operation of SHGs (Nair, 2001, p.1). An SHG can be defined as a “voluntary group valuing personal interactions and mutual aid as a means of altering or ameliorating the problems perceived as alterable, pressing and personal by most of it’s participants” (Smith & Pillheimer, 1983, cited from Jerinabi, 2006 p.2). Kropp and Suran (2002) provide a more succinct definition of SHGs, defining them as “financial intermediaries owned by the poor” (Kropp & Suran, 2002).

This form of rural finance was first introduced in 1992 by the National Bank for Agricultural and Rural Development (NABARD) in an attempt at providing an accessible and viable form of institutional finance to poor communities (Jerinabi, 2006, pp.6-7). This form of finance also helps to reduce the villagers’ dependency on exploitative moneylenders as it provides a new, alternative source of credit.

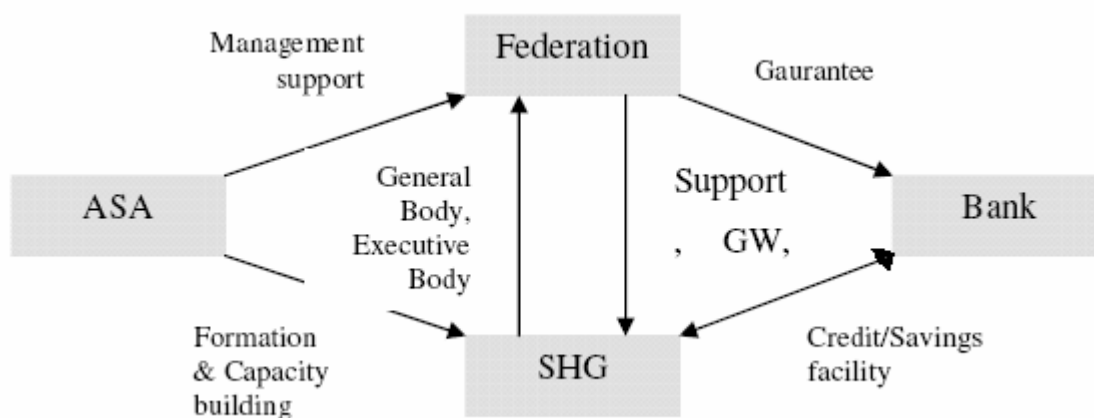
SHGs usually consist of 10-20 people (predominantly female) and work on the principle which substitutes peer pressure as the new collateral around which the bankers are willing to lend. As Karmakar (1999) observes: “individually a poor person tends to be rather tentative and uncertain in his/her behaviour but group membership smoothens the rough edges of [their] behaviour pattern, making [them] a more reliable borrower” (Karmakar, 1999, p.210). As a collective group, members are far more likely to be able to acquire loans from formal sources and subsequently disperse credit amongst themselves in an effective manner.

In India, there are basically four types of models of Micro Finance/Micro Credit delivery. These are:

- 1) SHG – NGO – Bank**
- 2) SHG – Federation – Bank**
- 3) SHG – Cluster – Federation – Bank**
- 4) SHG – Bank – Federation/NGO**

The 4th model is the most prevalent version of SHG microfinance in India and was developed by NABARD and is what ASA uses. This model links the SHG directly with a bank with a Federation acting as a facilitator. This helps to ensure sustainability as SHGs are encouraged to become more and more independent of ASA. Below is a generic diagram of ASA’s model.

Fig. 3: ASA’s model of micro finance
Source: Kumar & Katiyar, 2006, p.12



2.4) Empowering Women through Micro Finance

Development is a human-centered process. However, it is often the case that the ‘fruits of development’ are unequally distributed between males and females (Chandra, 2007, p.1). Despite the constitutional guarantee for equal rights, women in India continue to be the most neglected and deprived segments of society; victims of a process of political, economic and social cultural marginalisation (Jerinabi, 2006, p.9).

Empowerment “stands for acquiring the power to think, to act freely, to exercise choice, to raise voice and to be able to take a decision” (Pathi, 2007, p.116). The empowerment of women in particular allows them an opportunity to realise their identity and power in all spheres of life. The participation in income-generating activities is an important way that can increase the status and decision-making power of women (Jerinabi, 2006, p.10). Micro Finance through SHGs is an

extremely beneficial model that can encourage this form of empowerment. This broadly works in three ways:

- 1) By providing external sources of capital, Micro Finance helps to reduce the economic dependency of women on husbands, enhancing their autonomy;
- 2) The same independent source of income, together with the exposure to new sets of values, ideas and social support makes the women more assertive of their rights; and
- 3) Through Micro Finance, the control over material resources raises the women's prestige and status, often resulting in greater decision-making democracy in the household.

(Bayes, 2003, p.27)

Micro Finance has become a crucial element in increasing the economic opportunities and livelihood sustainability of women and their households (Jerinabi, 2006, p.10). It is this potential that has encouraged ASA to expand their SHG programme and thus commission this research.

3) Research Questions

Within the context of ASA's expansion of their SHG program, this research plays an important role in assessing whether the conditions are favourable to continue the establishment of micro finance interventions in the Thikri and Rajpur blocks. Also, due to the current lack of empirical research in this region, the need for this study is further reinforced. With this in mind and in concordance with the overall objectives, the research questions were:

- What are the livelihood strategies and predictable average annual credit needs of households from villages in the blocks of Rajpur and Thikri, Barwani District?

- What are the existing traditional credit delivery systems and their economic and social impacts on the villagers?
- How feasible would the establishment of further SHGs in the two blocks be and what impact would they have on credit and savings patterns?

4) Methodology

To effectively answer these research questions, the choice of what methods to use was very important. ‘Participatory Rapid Appraisal’ (PRA) was the core research technique used. PRA is “a way of learning from, and with, community members to investigate, analyse, and evaluate constraints and opportunities, and make informed and timely decisions regarding development projects” (Theis & Grady, 1991, p.22). Based around a number of qualitative methods, this technique seemed ideal as one of its main purposes is to gain a greater understanding of some of the complexities of a topic in a rural context where the community is relatively homogenous (*ibid*, p.22). Data was collected in six villages (three in each block). The table below provides details of each village.

Fig. 4: Village details
Source: Author

Block/Village Name	Number of Households	Population
Rajpur		
Bobalwadi	2,049	334
Nagalwadi Khurd	1,077	174
Lahadgaon	765	109
Thikri		
Segwal	2,755	447
Umarda	654	110
Jadwada	650	225

4.1) Study Design

The research was commissioned by ASA and was accordingly designed to fit-in with their requirements. For the data collection itself, the author worked alongside ASA field staff who provided language and transportation support. The research schedule was the following:

- **22nd – 26th October 2007:** Preliminary visit to ASA’s office in Ojhar. This provided an opportunity to introduce the research to field staff, arrange practicalities (e.g. accommodation, food, water etc) and conduct pilot interviews in two separate villages.
- **19th – 23rd November 2007:** Period of data collection. The following table provides the exact schedule for this time.

Fig. 5: Research Schedule

Source: Author

Date	Activity AM	Activity PM
19/11/07		Arrive in Sendhwa
20/11/07	Travel to Ojhar field office	Conduct Questionnaires and FGD in Nagalwadi Khurd, Rajpur
21/11/07	Attend SHG meeting in Rajpur District	Conduct Questionnaires and FGD in Bobalwadi, Rajpur
22/11/07	Conduct Questionnaires and FGD in Segwal, Thikri	Conduct Questionnaires and FGD in Umarda, Thikri Conduct Questionnaires and FGD in Jadwada, Thikri
23/11/07	Conduct Questionnaires and FGD in Lahadgaon, Rajpur	Travel from Julwania to Indore

To select the villages and who to interview, deliberate sampling was used. Decisions regarding which villages to collect data in were made by ASA and the households chosen were mainly dictated by who was in the village and available to talk at the time of visiting. It was ensured that women were given priority and that the FGDs consisted entirely of them. When undertaking the research, the household was used as the chief unit of measurement. Generally viewed as the main unit of consumption and production, the household is “a unit within which a range of different

activities are organised – moreover, activities which are absolutely central to individuals’ lives” (Crehan, 1992, p.90).

4.2) Research Tools

Semi-structured interviews provide the ‘core’ of good rapid appraisals (Grandstaff & Grandstaff, 1987, cited from Chambers, 1994, p.959). Believed to be “at the heart of social research” (Esterberg, 2002, p.82), this technique encourages the respondent to answer within their own frame of reference, whilst allowing the interviewer to focus the route of inquiry (May, 1993). A total of 18 household interviews (3 in each village) provided the back-bone to the research. The questions included were targeted to cover the following topics (a full copy of the questions can be found in Appendix 1):

- General information (e.g. number of members in the household, education, occupation, total landholding, land under cultivation etc)
- What are the household’s annual sources of income?
- How much money is the household able to save in a year? Where is the surplus cash kept?
- What are the household’s major annual expenses?
- What inputs are required for agriculture? How are these obtained?
- Which kind of expenses does the household need to borrow from others?
- Provide history of credit over the last 2 years (purpose, source, RoI, loan term etc)
- Where is the household’s produce sold? Is it sold to the same trader who provides the inputs?

To supplement the semi-structured interviews, a number of other PRA methods were utilised. Focus Group Discussions (FGDs) were conducted with 10-20 women in each village (6 in total). This method was chosen as it has the advantage of allowing people to “speak comfortably together, share common problems and a common purpose” (Jayanthi et al., 2007, p.21). Subjects covered in the FGDs included:

- The different sources of credit available to the villagers;
- Problems faced when dealing with formal financial institutions;
- Problems faced in dealing with informal money-lenders; and
- Issues relating specifically to women – e.g. what work do they do other than housework?
How much are they able to contribute towards household decision making? Etc.

Fig. 6: Conducting a Focus Group Discussion in Segwal, Thikri

Source: Photo taken by author



At the same time as the FGDs, the drawing of seasonal calendars and preference ranking of credit sources were also conducted with the group. As “all rural livelihoods confront seasonality as an inherent feature of their livelihoods” (Ellis, 1998, p.11), the drawing of seasonal calendars containing the main activities, problems and opportunities throughout the year can help to “identify the months of greatest difficulty and vulnerability, or other significant variances which have an impact on people’s lives” (Theis & Grady, 1991, p.91). Preference ranking was also another tool used that helped to identify the main problems or preferences of the community members, especially in relation to acquiring credit (*ibid.*, p.62).

4.3) Limitations

Time and manpower were two of the main limitations of the research. Due to the limited availability of ASA field staff in Ojhar, it was not possible to dedicate more time to the research

and visit more villages, thus spending more time in the field. Fortunately, given the relatively homogenous nature of the villages, this was not too much of a problem as the data was still able to provide an overview of the reality and problems of households in both blocks as a whole.

Another problem faced when collecting the data was gaining access to women. As ASA do not currently work in any of the villages, we had to introduce who we were and what we were doing to the senior men of each village before we could conduct interviews or FGDs. This was particularly the case in Rajpur. Even when permission was granted for us to speak to the women, the men often still remained present. This would have clearly affected what the women would say, especially when asked questions regarding their status in the household and whether they are involved in decision-making.

5) Results and Interpretations

5.1) What are the livelihood strategies and predictable average annual credit needs of households from villages in the blocks of Rajpur and Thikri, Barwani District?

India's last Census from 2001 is useful in providing some baseline data regarding the socio-economic situation in Barwani and the two blocks. The table below (Fig. 7) highlights the high Scheduled Tribe population in the District. Compared to 8.2% in India and 20.3% in Madhya Pradesh, the proportion of Scheduled Tribals is high in Barwani, accounting for 67% of the District's population. This figure increases further to 76% in rural areas.

Fig. 7: Select population statistics of India, Madhya Pradesh, Barwani, Rajpur and Thikri
Source: Census of India, 2001

	Population	Scheduled Caste % of population	Scheduled Tribe % of population	Literacy Rate (%)
India (Total)	1,028,737,436	16.2	8.2	64.8
Madhya Pradesh (Total)	60,348,023	15.2	20.3	63.7
Barwani (Total)	1,081,441	6.3	67	41.5
Barwani (Rural)	923,466	5.6	76	35.4
Rajpur (Rural)	153,139	5.3	74.5	39.7
Thikri (Rural)	113,348	12.7	42.5	61.1

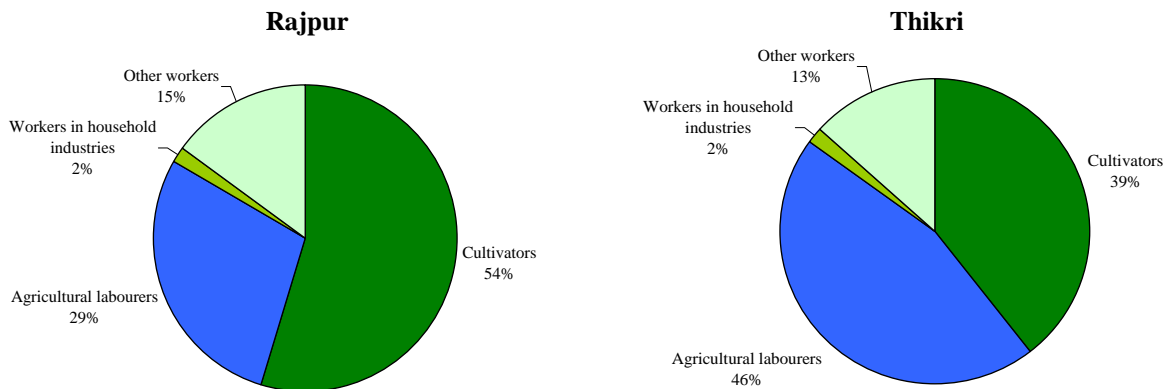
Also worthy of note is the comparatively low literacy rate in Barwani compared to India and Madhya Pradesh. However, as it can be seen, this varies significantly between the two research blocks; Rajpur (39.7%) and Thikri (61.1%). Though there is a large disparity in the literacy rate between these two blocks, the employment patterns remain relatively homogenous. This data is presented in Fig. 8.

Fig. 8: Employment patterns in Rajpur and Thikri

Source: Census of India, 2001

	Work Participation Rate (%)	Proportion of Main Workers (%)	Proportion of Marginal Workers (%)	Proportion of Non-workers (%)
Rajpur	48.9	40	8.9	51.1
Thikri	47.8	40.8	7	52.2

Sources of Employment in Rajpur and Thikri



The data above is useful to provide a ‘snapshot’ of the livelihood profiles of the two blocks. As it can be seen from the table, unemployment is high in both blocks; 51.1% in Rajpur and 52.2% in Thikri. For those employed, agriculture is overwhelmingly the chief livelihood generator with large numbers employed in both cultivation and agricultural labour. This census data was reflected in the results from the research; every single household questioned engage in either cultivation (subsistence and cash crop) or wage labour on agricultural plantations; seven of the households are employed in both activities.

5.1.1) Cultivation

On average, the total landholdings of the sampled households are 2.7 acres in Rajpur and 0.5 acres in Thikri. In every case where the household own land, they are involved in cultivation. Common crops include cotton, wheat, maize and soybean. The photo below shows a group from Nagalwadi Khurd in Rajpur picking the cash-crop cotton near the village.

Fig. 9: Cotton picking in Rajpur Block
Source: Photo taken by author



5.1.2) Wage Labour

This form of employment is found in both Rajpur and Thikri. In Thikri this is a particularly important source of employment as every questioned household draw some or their total income from it. Wage labour usually comes in the form of either working in agricultural plantations (such as cotton and sugar cane) or in construction. The latter is often associated with migration.

5.1.3) Migration

The level of migration varied between the two blocks. In Rajpur, migration levels are very high; in Bobalwadi for example, villagers in the FGD stated that between the months of November to May, up to 75% of the village population migrate to urban centres such as Thikri, Dewas, Indore and Gujarat in search of work. As previously stated, work usually involves manual labour in the construction industry. Often the whole family will migrate to enable both men and women to work.

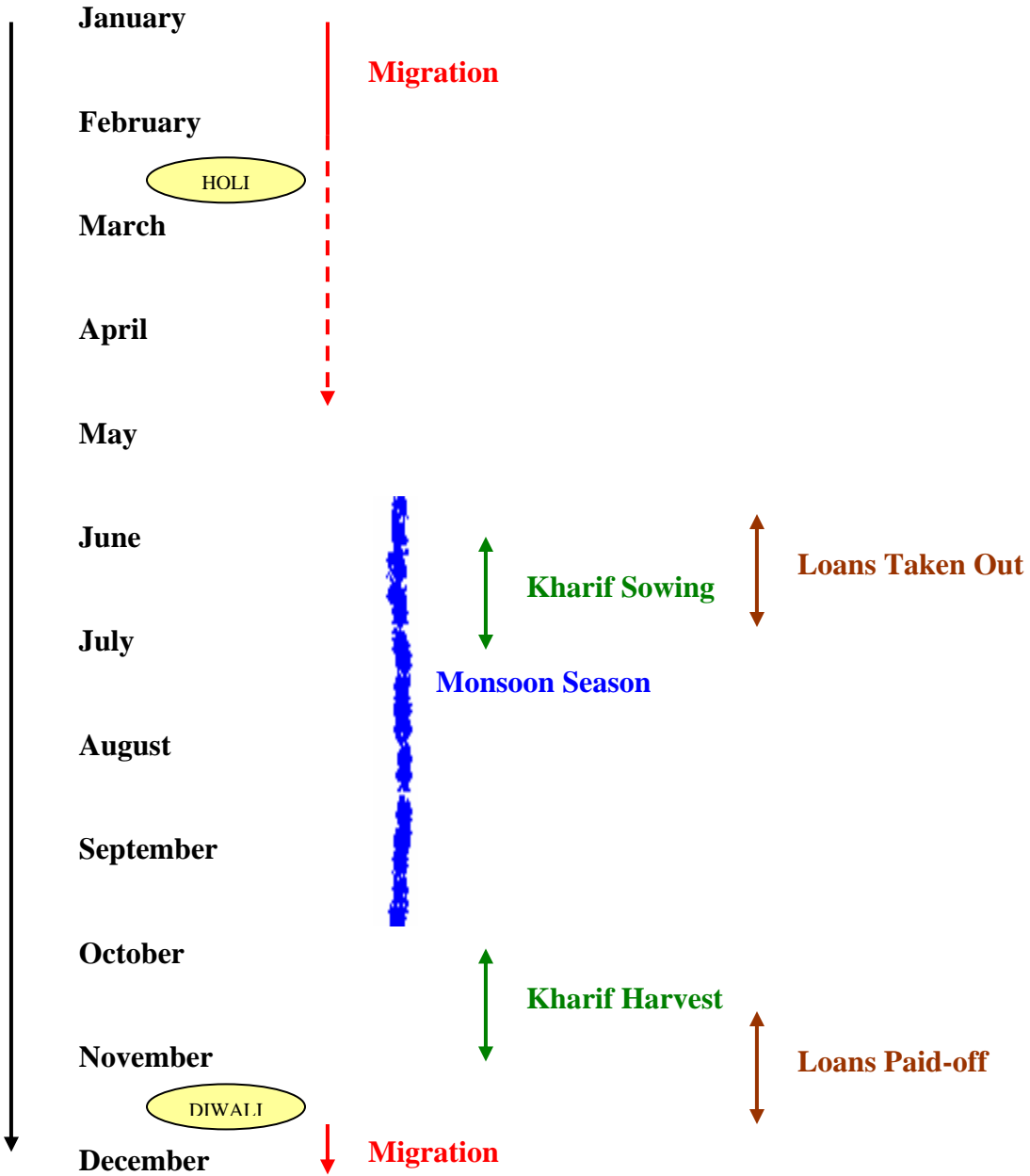
Migration levels were found to be higher in Rajpur than in Thikri. This is mainly because the villages in Rajpur are more isolated than those in Thikri. Many villagers in Thikri are able to find wage labour work locally whereas in Rajpur this is not possible.

5.1.4) Annual Credit Needs

15 out of the 18 households interviewed have taken out loans over the last 2 years. The main reasons given for borrowing included the purchasing of agricultural inputs, paying for gifts, marriage, illness and travel expenses. The amount borrowed varied from Rs. 150,000 to Rs. 3000. On average across the two blocks, the amount of the last loan taken out was Rs. 28,142.9.

Though loans are taken throughout the year, the majority are taken out during June and July so as to pay for agricultural inputs (such as seeds, fertilizer and insecticide) for the Kharif crop. Once this crop is harvested (October) and then marketed (November), the majority of people pay-off their loans. Fig. 10 is a seasonal calendar that is based on the data from the FGDs. This highlights the different factors such as weather, festivals and migration that influence when credit is usually required.

Fig. 10: Seasonal Calendar
Source: Focus Group Discussions



5.2) What are the existing traditional credit delivery systems and their economic and social impacts on the villagers?

This section will examine the current credit delivery systems that were observed in the sampled villages and what socio-economic impacts they are having.

5.2.1) Informal Credit – The Moneylender

In every village visited, moneylenders were found to be the main source of acquiring credit. These tend to be located in urban areas such as Ojhar in Rajpur and Thikri (the town) in Thikri. As outlined in the theoretical discussion, relying on moneylenders can have serious negative socio-economic implications for poor villagers. As this is often the only source of credit available to villagers, this is abused by the moneylenders who charge exorbitant rates of interest, reflected in the data gathered. The table in Fig. 11 presents the interest rates of each household's previous loan from a moneylender. In Rajpur, the average rate of interest was found to be 54.8% and in Thikri it was 49.7%.

During the FGDs villagers also raised other concerns that they have with moneylenders. These included the fact that they often have to mortgage household items (such as silver) and that the moneylenders will often call to collect money without giving any notice.

Suffering from high interest rates and vulnerable to random visits from moneylenders, villagers often find themselves in a circle of debt with livelihoods becoming less and less sustainable. Increasingly, they are forced to migrate to earn money to pay-off debt that has been acquired throughout the year. Due to this constant struggle, households are unable to save money and invest in assets (such as schooling or agricultural technologies) that would provide numerous socio-economic benefits. Instead, a hand-to-mouth existence is often the only option available. This was apparent in all of the researched villages.

Fig. 11: Moneylender Rates of Interest
Source: Household Interviews

Village	Household Number	Annual Rate of Interest (%)	Collateral
Umarda, Thikri	1	36	
	2	60	Ornament
	3	60	
Jadwada, Thikri	4	48	
	5	48	
	6	N/A	
Segwal, Thikri	7	N/A	
	8	48	
	9	48	
Nagalwadi Khurd, Rajpur	10	48	
	11	N/A	
	12	N/A	
Lahadgaon, Rajpur	13	36	0.5 kg of silver
	14	N/A	
	15	75	1.5 kg of silver
Bobalwadi, Rajpur	16	N/A	
	17	N/A	
	18	60	
	Av	51.5	

5.2.2) Formal Credit

Banks and other formal institutions provide another potential option for credit. However, during the FGDs, when asked “what are the different sources of credit available to you?” banks were never mentioned in all six villages. Many people seemed to have only limited knowledge of this source, suggesting a psychological barrier between them and the formal institution. This, coupled

with the lack of access (both financially and physically) results in banks not being perceived as a viable source of credit. In Thikri, one enterprising villager has overcome these barriers by taking out a bank loan in someone else's name. Clearly, this is a high risk source of credit as it is illegal and potentially extremely damaging to the household's livelihood.

At present, the credit sources available to villagers in Rajpur and Thikri are not sufficient and are having negative socio-economic impacts on their livelihoods. The final results section views how and whether this could be amended through the introduction of SHGs.

5.3) How feasible would the establishment of SHGs in the two blocks be and what impact would they have on credit and savings patterns?

5.3.1) The Impacts of SHGs

As it can be seen, there is clearly a need for further SHGs to be established in both Rajpur and Thikri blocks. If implemented, these would help to reduce the reliance on exploitative moneylenders and provide an easy way for villagers to access formal credit institutions with fairer rates of interest. This is in contrast to the current hand-to-mouth existence that the majority of households in Rajpur and Thikri currently engage in. Through being able to save more money, over time households would be in a position to financially plan and invest in assets that would ultimately allow them to improve their socio-economic status and increase the sustainability of their livelihoods.

As the majority of SHGs consist entirely of women, the establishment of the groups would also help to empower women to become more financially responsible leading to a greater influence in household decision-making. This empowerment of women is an important aspect of SHGs and is another way the programme can have beneficial social impacts.

5.3.2) Feasibility in Rajpur and Thikri

During the FGDs a detailed explanation on SHGs and how they work was given to those in attendance and the response was very positive with many present eager to form an SHG. This is encouraging as one factor that determines an SHG's feasibility is whether the concept is accepted by villagers. It is important that this interest is followed-up by ASA field staff and that the rapport developed during the data collection is not diminished.

It is also encouraging to note that even though they are in their early stages, the SHGs currently operating in both blocks are progressing well with payments being met and regular meetings going ahead as scheduled. Given the homogenous nature of the blocks, this bodes well for future interventions and programme expansion.

6) Conclusions and Recommendations

This research aimed to understand some of the problems relating to credit access that are being faced by the rural poor in the blocks of Rajpur and Thikri. To do this, it was necessary to gain an insight into the livelihood strategies of different households with special focus on their credit requirements.

The methodologies used were an effective way to rapidly question a large number of people across six different villages and I am very pleased with the data gathered. As outlined in the previous results section, the situation in Rajpur and Thikri is very similar to that seen across Madhya Pradesh; because of the limited access to formal credit sources, moneylenders are often the only option for villagers when they need credit. Due to the nature of these loans and high rates of interest, villagers often find themselves trapped in debt and unable to save money.

As a response to this problem, expanding ASA's SHG programme would have a positive impact on the sustainability of livelihoods in both blocks. I would therefore encourage that further SHGs are established in both blocks with the overall objective of creating a Federation in the future.

As ASA expand their micro finance programme, I would encourage similar feasibility studies to be conducted to help decide exactly where new SHGs should be established. It is also crucial that ASA continue to place a large emphasis on monitoring and evaluation to ensure that their resources are put to the best possible use and that the SHGs continue to function efficiently and effectively.

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Appendices

Appendix 1 – Semi-structured Interview Questions

1. General information

- Name of respondent:

- Age:

- Caste:

- Male/female

- Number of children in household:

- Education:

- Number of members in the family/household:
 - How many members earn money?

- Main occupation:

- Total landholding:

- Land under cultivation:

- Source of irrigation (if any):

- Irrigated area of land:

2. Sources of income (Annually)

Source	Quantity	Rate	Income (Rs)
Agriculture (selling of crops)			
Poultry			
Milk			
Goat rearing			
Service			
Labour:			
In village			
Migration			
Any other			
Total			

3. Savings and investments

- How much are you able to save in a year?
- Where do you keep the surplus/ extra cash?

At home	
With Relatives	
Bank Account	
With any other safeguard	

- In which form do you keep your surplus / do you invest in purchase of assets? (E.g. silver, land, equipments, livestock etc.)
- What type of services do you get from the bank? (E.g. loans)

4. Expenditure

- What are the major annual expenses?

Agricultural inputs	
Working capital for enterprise	
Medical treatment	
Purchasing livestock	
Daily expenses	
Food grain	
Festivals	
Marriages	
Gifts	
Other ceremonies	
House construction	
House repair	
Travel for migration	
Total	

- What are the inputs required for agriculture?

Seed	
Fertilizer	
Insecticide	
Irrigation	
Labour	

- Where do you obtain the inputs?

5. Information on credit – needs and sources

- For which kind of expenses do you need to borrow from others?
- History of credit for the last two years?

Time (Month)	Purpose	Amount (Rs)	Source	Rate of interest (per month)	Loan term	Repaid/ not repaid	Other conditions such as collateral

- Where do you sell your produce?
- Do you sell the produce to the same trader who provides the inputs?
- Do you always repay loans in cash?

Appendix 2 – Semi-structured Interview Data

	Main Occupation	Migrate?	Caste	Number in Household	Number of Earners in Household
Rajpur					
Nagalwadi Khurd					
10	Agriculture, wage labour	Y	ST	8	4
11	Agriculture, wage labour	Y	ST	10	4
12	Agriculture, wage labour	N	ST	10	6
Lahadgaon					
13	Agriculture, wage labour	N	ST	11	5
14	Agriculture, wage labour	Y	ST	9	7
15	Wage labour	Y	ST	11	8
Bobolwadi					
16	Agriculture	N	ST	9	2
17	Agriculture	N	ST	9	5
18	Agriculture, stitching	Y	ST	9	2
Average				9.6	4.8
Thikri					
Umarda					
1	Wage labour in construction and agriculture	Y	OBC	4	2
2	Wage labour in construction and agriculture	N	OBC	7	2
3	Wage labour	Y	OBC	5	2
Jadwada					
4	Wage labour	N	SC	15	7
5	Wage labour	N	OBC	6	2
6	Wage labour	N	SC	11	5
Segwal					
7	Agriculture, wage labour	N	ST	5	2
8	Agriculture, wage labour	N	OBC	10	4
9	Wage labour	Y	OBC	6	2
Average				7.7	3.1

	Total landholding (Acre)	Crops	Total annual income (Rs)	Total annual expenditure (Rs)	Reason for borrowing
Rajpur					
Nagalwadi Khurd					
10	4	C, W, M, S	33000	36000	Agriculture, travelling, gifts, illness
11	1	C, M	22000	19500	Do not borrow
12	7	C, W, M	54000	49600	Marriage, agricultural inputs
Lahadgaon					
13	2	W, C	40000	35400	Agricultural inputs
14	2	C	65000	59000	Not in last 2 years
15	0		65000	75500	Travel and marriage
Bobolwadi					
16	2	C, T, M	43500	57950	Agricultural inputs
17	1	C, P, M	24500	25800	Agricultural inputs, paying off old loans
18	5	C, S, M, P, G	62000	77000	Agriculture, shop, other expenses
Average	2.7		45444.4	48416.7	
Thikri					
Umarda					
1	0		45000	44500	Travel and illness
2	0		25000	34950	Illness, festival, marriage
3	0		30000	26000	Illness
Jadwada					
4	0		44000	35500	Festival
5	2		35000	39000	Agricultural inputs
6	0		34000		
Segwal					
7	1		28000	29750	To buy an auto
8	1.5		50000	51250	Agricultural inputs
9	0		54000	74500	To set up a grocery shop
Average	0.5		38333.3	41931.3	

C = Cotton, W = Wheat, S = Soybean, P = Pulses, G = Groundnut, T = Tuar

	Sources of loans	Amount of last loan (Rs)	Moneylender Rol (%)	Other Comments
Rajpur				
Nagalwadi Khurd				
10	Bank, moneylender	40,000	48	Used bank loan to pay debt with moneylender
11				
12	Bank, moneylender	35,000		Bank loan
Lahadgaon				
13	Moneylender	25,000	36	Collateral = 0.5 kg silver
14				
15	Moneylender	60000	75	Collateral = 1.5 kg silver (Feb 2006, marriage)
Bobolwadi				
16	Bank society	20000		Receive benefits from government (12000 pa)
17				
18	Moneylender	25000	60	Able to save 5000 a year - kept at home - invest in silver, foodgrains and fertilizer
Average			54.8	
Thikri				
Umarda				
1	Moneylender	3000	36	Have a saving account with bank
2	Moneylender	7000	60	Collateral = Ornament
3	Moneylender	10000	60	
Jadwada				
4	Moneylender	4000	48	
5	Moneylender	5000	48	
6				
Segwal				
7	Bank of India	150000		Loan taken out in other person's name in Aug 2006
8	Moneylender	5000	48	
9	Moneylender	5000	48	
Average			49.7	

Appendix 3 – Focus Group Discussion Schedule

What are:

- The different sources of credit available to the villagers?
 - Preference ranking of credit sources.
- Problems faced when dealing with formal financial institutions?
- Problems faced in dealing with informal money-lenders?
- Construction of Seasonality calendar depicting time of requirement for different types of loans – consumptive and productive and the time when most repayments are done. Include festivals and details of agriculture (when and what?) and migration (where and what?)

Questions specifically for women:

- What work do you do, other than housework?
- Do you keep some cash income with you?
- Do you have say in decisions on major expenses in the household?
- If not who maintains the cash in the family?
- How do you meet the routine household expenses?
- When you are in need of credit do you personally to go seek for the loan?

Appendix 4 – Combined Results of Focus Group Discussions

What are:

- **The different sources of credit available to the villagers?**
 - **Preference ranking of credit sources.**
 - In village, moneylender (Thikri, Ojhar)
 - Relatives – if they have money

- **Problems faced when dealing with formal financial institutions?**
 - No access to them

- **Problems faced in dealing with informal money-lenders?**
 - High rates of interest
 - Need for bargaining
 - Disturbances – will call at any time
 - Forces us to migrate
 - Have to mortgage household goods

- **What work do you do, other than housework?**
 - Wage labour (agriculture)
 - Work in agriculture

- **Do you keep some cash income with you?**
 - No savings – just enough for daily expenses
 - Sometimes – only Rs. 5-10

- **When you are in need of credit do you personally to go seek for the loan?**
 - When the men are not available
 - Sometimes
 - Yes