

Linking CIGs to Credit Institutions

Introduction

The DPIP in Rajasthan has aimed at enhancing the economic and social status of the poor in selected districts of Rajasthan, by improving capacities, skills and facilitating access to economic infrastructure and services and employment opportunities. In the past few years the Common Interest groups (CIGs) have taken up a range of sub-project activities that have facilitated an improvement in incomes.

Given that the poor are often caught within vicious circles of many kinds and there is an acute need among the poor for credit for both consumption and production, the CIGs in DPIP have been further linked to formal credit institutions especially banks for financial support and sustaining their activities. According to official reports 623 CIGs had been linked to banks for credit purposes and the amount disbursed was Rs. 261.10 lakhs with an average loan of Rs.41, 894 per loan (SPMU/aide memoir, May 2005)(Table 1).

Table: 1 District-wise bank linkages upto April 2005

S.No.	District	No. of CIGs	Amount disbursed (Rs. in lacs)
1	Baran	-	-
2	Churu	-	-
3	Dausa	19	7.20
4	Dholpur	150	150.00
5	Jhalawar	311	38.11
6	Rajsamand	143	66.79
7	Tonk	-	-
Total		623	261.10

The present study focuses on –(i) studying credit linkages and utilisation (ii) studying the process of building credit worthiness of CIGs (iii) analysing the impact of accessing credit through formal credit institutions (iv) assessing the credit needs of CIG members.

The IDSJ Process Monitoring team surveyed four DPIP districts namely Dausa, Jhalawar, Rajsamand and Dholpur where the NGO partners had facilitated institutional linkages. A list of CIGs linked to formal institutions was obtained from the respective DPMUs. Of these the PM team gathered SHG and credit details of 58 CIGs. The PM team also interacted with DPMU functionaries and various NGO and bank functionaries during the field visit. Detailed discussions were carried out regarding the linkages of CIGs with the banks for meeting out their credit requirements.

This study covers 58 CIGs with a total of 627 members, of which 492 are women. Excepting the tent house activity women's membership is high in all other SPAs.

CIGs have been linked to various credit institutions, namely commercial banks, co-operative banks Regional Rural Banks, SIDBI and Rashtriya Mahila Kosh. In our sample 47 per cent CIGs have been linked to commercial banks (Table 2). The credit institutions do not have a uniform rate of interest. The RMK charges the highest rate of interest (14 percent while commercial banks have the lowest rate of interest (8.5 percent).

Table 2: Linkages to credit institutions

District	Commercial banks	Cooperative banks	Regional Rural banks	SIDBI	RMK	Total
Jhalawar	10 (50.0)	0 (0.0)	10 (50.0)	0 (0.0)	0 (0.0)	20 (100.0)
Dholpur	15 (83.3)	0 (0.0)	3 (16.7)	0 (0.0)	0 (0.0)	18 (100.0)
Rajsamand	1 (7.7)	12 (92.3)	0 (0.0)	0 (0.0)	0 (0.0)	13 (100.0)
Dausa	1 (14.3)	0 (0.0)	0 (0.0)	4 (57.1)	2 (28.6)	7 (100.0)
Total	27 (46.6)	12 (20.7)	13 (22.4)	4 (6.9)	2 (3.4)	58 (100.0)
Rate of Interest (%)	8.5	12	11-12	14	12	

Note: Figures in parentheses are row per cent

This study is organised as follows- Section I analyses the processes of accessing bank credit and credit utilization by the CIGs. Four scenarios emerge, each peculiar to a district depending on the nature of NGO initiative. Section II profiles the monthly savings and interloaning of CIGs/SHGs. These have been analysed for each Sub project Activity. Section III makes an assessment of the perceived credit needs of the CIGs. The last section presents the conclusions and some recommendations.

Section I

Utilizing Bank Credit for Consumption and Supplementing contribution: The Case of Jhalawar CIGs

The CIGs covered in Jhalawar district were provided bank credit from State Bank of India (SBI) and Hadoti Kshetriya Grameen Bank (HKGB) in the month of February and March 2005. The functionaries of the partnering NGO-IIFDC reported that the loan was facilitated to the CIGs as a support in the first phase of production cycle. The bank credit was provided as collective loan to CIGs. CIGs in Jhalawar received group credit varying between Rs. 10000-Rs.27, 500. The bank functionaries told the PM team that the basis of sanctioning a loan is group savings. The NGO functionaries became the guarantors of these CIGs that were associated to banks as Self-help groups (SHGs).

Though the CIG members accompanied the CF at the time of loan disbursement but after the initial visit they rarely went to the banks. The CF collected the saving amount and

repayment instalments from the group and deposited the amount in the bank. During field level interactions only a few CIG members were aware of their actual savings deposits in the banks.

Table 3: Repayment status of CIGs in Jhalawar

S. No.	Name of the Village	Name of CIG	SPA	Amount received (Rs.)	Amount repaid (Rs.)	Amount due (Rs.)	Repayment source
1.	Bhanwarasa	Jagrati	Tent-house	11000	11338	0	Own
2.	Bhanwarasa	Savitri	Housing	10000	4000	6210	Own
3.	Bhanwarasa	Kranti	Durry-khes making	10000	10550	0	Own
4.	Bhanwarasa	Shiv	Goat rearing	27500	15500	14135	Own
5.	Bhanwarasa	Rata Devi	Durry-khes making	10000	11200	0	Own
6.	Bagdar	Teja ji	Trading	10000	10313	0	Own
7.	Bagdar	Laxmi*	Goat rearing	-	-	-	-
8.	Samrai	Kamal	Tent-house	20000	20580	0	SPA
9.	Samrai	Shriram	Stitching	8000	8160	0	SPA
10.	Samrai	Vikas	Goat rearing	10000	10284	0	Own
11.	Donda	Maa Santoshi	Trading	10000	10424	0	Own
12.	Donda	Jamna	Khet talai	12000	150	12701	Own
13.	Dabli kalan	Ramchander	Trading	10000	150	10714	Own
14.	Dabli kalan	Maa Dudhakhedi	Pattal dona	10000	150	10714	Own
15.	Haripura	Mahatma gandhi	Pattal dona	20000	2500	17929	Own
16.	Haripura	Rajeev gandhi	Tent-house	20000	2000	18428	SPA
17.	Ghatod	Rachana	Trading	6000	2800	3321	Own
18.	Mandawar	Kalash	Durry-khes making	10000	6000	4557	Own
19.	Mandawar	Khushi	Stitching	10000	8500	1881	Own
20.	Amali kalan	Seeta*	Goat rearing	-	-	-	-

Note: *These CIGs did not receive the bank loan. Repayment source OWN means that CIGs repaid from their earnings from sources other than the SPA. Repayment source SPA means that repayment has been supported by earnings from SPA.

Eighteen CIGs in the district utilised the loan amount primarily in household consumption. Among these three CIGs also utilised the loan for supplementing their contribution for the SPA. Seven of these CIGs have fully repaid their loan (Table 3). Three CIGs that were in the initial stages of production have repaid only the interest amount of Rs. 150 on their respective loans. The remaining ten CIGs have partly repaid their loan. Only in one CIG refused to take the bank loan. (See Case below)

Tejaji Saman Ruchi Samooh of Jhalawar district was formed in March 2004. The CIG comprising 10 women members was allotted the SPA of trading in which the CIG members were allotted the financial sanction for the construction of individual shops. Since the members were saving regularly, the CF from the NGO IFFDC facilitated loan of Rs.10, 000 for the group. However, when the CF approached the members of the group with the credit amount, they refused to take the sum. The members stated that they did not want to take the loan, as they did not have the capacity to repay the loan amount.

The bank statements of September 2005 (when analysed by the PM team) revealed that a loan of Rs. 10000 had been disbursed on 17 February 2005 in the name of the CIG. But the group members vehemently denied having taken the loan. The statements also showed the repayment of Rs. 239.60 by the CIG that never took the loan.

Field interactions with the CIG members revealed that the members were aware that the CF had withdrawn the loan amount taken in the name of CIG from SBI. But they were not aware about how the amount was used after their refusal. The CF had not been in touch with the group members for last few months.

After the visit of the PM team information received from the bank in November 2005 revealed that the account of CIG had been closed on account of repayment of entire credit amount with interest.

Utilizing Loan for Working Capital: The Dausa CIGs

Seven CIGs¹ in Dausa after having been initialised into group savings have been linked to formal credit institutions SIDBI and Rashtriya Mahila Kosh. Apart from using the loan for supplementing their contribution, CIGs also utilised the loan for purchase of raw material and other assets. The CFs in respective villages played a mediating role in making available the credit facility to these CIGs.

The CIG in Achalpura of Lalsot block in Dausa was provided a loan for further advancing its tent-house activity from SBBJ, Geejgarh with the intervention of the NGO. The bank had organised its loan camp in the village wherein the bank functionaries motivated the members to take the loan for further expansion of their SPA. The CF in the village helped the group in the bank processes for obtaining credit. The bank sanctioned a loan of Rs. 10000 at an interest rate of 8.5 per cent for the purchase of additional assets.

In the case of Devshree CIG of Nagina bindai SPA in Kushalpura the women members denied having taken any loan from SIDBI. In their understanding they had only borrowed some amount of money from the NGO to pay SPA contribution. On the other hand due to erratic electric supply in the village the group members are unable to work on the machines. There is only one inverter and no workshed. The members expressed their dissatisfaction regarding 'bindai' machines. None of the group members are presently engaged in the 'bindai' activity and the machines are now lying idle. The members are earning from wage labour.

The Vikas CIG of Munjbaan SPA in Alooda benefited from two loans during their association with DPIIP. It took its first loan of Rs. 55,000 from Rashtriya Mahila Kosh through the NGO for the purchase of raw material. The group took this loan before the purchase of DPIIP machines. It was repaid from the earnings or profits they received from their work. The group got the second loan of Rs. 1,10,000 from SIDBI for the construction of workshed after the acquisition of electric machines under DPIIP. The group loan was equally shared among the members. Three members have fully repaid their amount with interest while the others are still paying their instalments. The CIG members are not engaged in the SPA for last nine months. Since a large part of their group savings and earnings was used in meeting out the domestic needs, the CIG members do not

¹ Six CIGs of Matushree Gomti Devi Sansthan (MSGD) and one CIG of Jaipur Zila Vikas Parishad (JZVP)

have sufficient funds to invest in their activity. Beside that they are also not able to purchase the raw material (Munjbaan) on account of its soaring prices.

Bairwa, Roshni and Pawan CIGs have repaid their entire loan amount with interest (Table 4). Income generation from SPAs became the source of repayment in Bairwa and Roshni Samooh whereas Pawan Samooh repaid from its own sources. Moria and Jijabai CIGs had repaid their principal amount. The interest amount was still due when the PM team approached them. Repayment status of Sri Devshree and Pawan Samooh could not be gathered.

Table 4: Repayment status of CIGs in Dausa

S. No.	Name of the Village	Name of CIG	SPA	Amount received	Amount repaid	Amount due	Repayment source
1.	Achalpura	Bairwa	Tent-house	10000	10850	0	SPA
2.	Khawaraoji	Roshni	Basket making	55000	61600	0	SPA
3.	Alooda	Pawan	Nagina drilling	40000	44000	0	Own
4.	Alooda	Vikas	Moonjbaan	110000	-	-	-
5.	Kushalpura	Sri Devshree	Nagina drilling	12000	-	-	-
6.	Kushalpura	Moria	Leather work	25000	25000	7000	Own
7.	Sultanpura	Jijabai	Reja bunai	8000	8000	900	Own

Note: Exact repayment status of Vikas and Sri Devshree not known. Repayment source OWN means that CIGs repaid from their earnings from sources other than the SPA. Repayment source SPA means that repayment has been supported by earnings from SPA.

Credit Support to the Dairy SPAs: The Case of Dholpur

The CIGs of Dholpur in our sample had availed credit facility from SBI and Alwar Bharatpur Aanchlik Grameen Bank (ABAGB). Both these banks had provided credit on 'grading' basis. They graded the CIGs (or SHGs) on the basis of their regular savings, monthly meetings, record-keeping and interloaning activities. The NGO Pradan has formed the CIGs around animal husbandry and goat rearing activities in Dholpur and Bari blocks. RCDF has also linked its two dairy CIGs (in our sample) to ABAGB. The credit support helped the CIG members in repaying the debt taken from local moneylenders for supplementing contribution at high interest rate of 36 per cent. The members themselves go to banks for paying instalments.

Pradan identified the poor through PRA/PLA techniques and then on the basis of 'wealth ranking' formed Mahila Bachat Samitis (SHGs/Women's savings group). The NGO functionaries motivated the group members for regular savings. Regular meetings (four times a month) were held in which the savings amount was collected. These groups were then linked to DPIP. Discussions were held in these meetings regarding their linkages to banks and a consensus was arrived at for availing credit from the banks. Women members gave different responses regarding their credit needs including credit support for paying contribution and repaying debts taken for contribution. Some dairy CIGs wanted credit to meet expenditures for purchase of buffaloes from Rohtak (Haryana). While DPIP gives a fixed amount, some members felt that by spending a little more (say up to Rs. 5000) they could purchase a better quality buffalo. Some members also expressed a need for credit to purchase feed and fodder for livestock. Hence given the credit requirements of different groups, Pradan linked its CIGs to ICICI and SBI.

Pradan had initially provided loan facility to five CIGs in our sample from ICICI. The bank provided credit to CIGs by making Pradan the guarantor. But the transaction charges of this private bank became a burden on repayment. Therefore, these CIGs took the second loan from SBI primarily to repay the first loan of ICICI. Ten other CIGs that took the loan from SBI have utilised the loan amount in repaying the borrowings taken from 'bohras' i.e. local moneylenders at high interest rate of 36-48 per cent for paying the contribution under DPIP. The women members also utilised some amount in meeting out the domestic expenditures and to purchase feed and fodder for the livestock.

All 16 CIGs of Dholpur in the sample were found to be regularly repaying their monthly instalments (Table 5).

Table 5: Repayment status of CIGs in Dholpur

S. No.	Name of the Village	Name of CIG	SPA	Amount received	Amount repaid	Amount due	Repayment source
1.	Kharagpura	Shiv	Dairy	30000	18500	14986	SPA
2.	Mirzapur	Papdi	Dairy	120000	64800	60985	SPA
3.	Rajora	Bhedwali	Dairy	120000	28800	101394	SPA
4.	Bijauli	Karauli	Dairy	140000	49000	101808	SPA
5.	Aari	Mahadev	Dairy	28000	28196	0	SPA
6.	Aari	Saraswati	Dairy	28000	28019	0	SPA
7.	Bijauli	Gainda baba	Dairy	130000	38500	102367	SPA
8.	Bijauli	Chamad Mata	Dairy	100000	30000	78802	SPA
9.	Bijauli	Gelanath baba	Goat rearing	160000	48000	125302	Own
10.	Sarani	Papdiwali Mata	Dairy	95000	55200	43971	SPA
11.	Garhi Chautala	Santoshi	Dairy	150000	75000	82336	SPA
12.	Salempur	Mahadev	Dairy	30000	5475	27165	SPA
13.	Aari	Laxmi	Dairy	34000	34950	0	SPA
14.	Mirzapur	Gainda baba	Dairy	92000	49500	46954	SPA
15.	Bijauli	Ramgir baba	Dairy	150000	36000	128336	SPA
16.	Bhaddapura	Chamand	Dairy	100000	35000	72720	SPA
17.	Rajora	Papdiwali Mata	Dairy	100000	27000	80650	SPA
18.	Garhi Chautala	Balaji	Dairy	25000	25678	0	SPA

Note: Repayment source OWN means that CIGs repaid from their earnings from sources other than the SPA. Repayment source SPA means that repayment has been supported by earnings from SPA.

Some CIG members themselves go to banks to repay the instalments while some groups give the repayment instalments to PFT to be deposited in banks. The CIG members feel that the loan support from banks at lower rate of interest has helped them in earning their livelihoods and has also reduced their dependence on the local moneylender.

Loans for Supplementing Contribution: The Case of Rajsamand

The NGO Vishwaas in Rajsamand facilitated bank credit worth Rs. 70 lakhs to its 167 CIGs of Khamnor block. The other NGOs-Rachna and CUTS have also linked five and four CIGs respectively to banks for credit.

Initially the CIGs were motivated for regular savings and monthly meetings. On the directions of SPMU, the DPM in Rajsamand gave the financial sanction of the SPAs and

transferred the amount in the project accounts. But the CIGs could not manage the contribution under DPIP on account of severe drought conditions prevailing in the district. The NGO functionaries then intimated the DPM of this situation. The District Collector called a meeting of various NGOs working for DPIP and the bank functionaries (of banks operating in the region) to resolve the issue. The Rajsamand Urban Cooperative Bank (RUCB) of Nathdwara took the initiative and deposited the contribution amount of most of the CIGs that had demanded credit in their respective project accounts. RUCB sanctioned the loan on the repayment responsibility of NGO. The project and the savings account of these CIGs were also opened in various branches of RUCB.

In Rajsamand all 17 CIGs covered during the present study utilised the loan amount for paying contribution. Three groups had repaid the entire amount with interest whereas the remaining 14 CIGs had repaid some instalments (Table 6). The repayment was done through CFs, the CIG members had little information regarding amount due.

Table 6: Repayment status of CIGs in Rajsamand

S. No.	Name of the Village	Name of CIG	SPA	Amount received	Amount repaid	Amount due	Repayment source
1.	Namama	Alka	Dairy	16800	13637	4394	Own
2.	Sanga ka khera	Teja	Dairy	25200	27189	0	SPA
3.	Gudla	Shreenath	Goat rearing	44400	12296	42984	Own
4.	Maanpura (Nainapuriya)	Bhawani	Goat rearing	59200	14183	59293	Own
5.	Dhayala	Bherunnath	Goat rearing	37000	41440	0	Own
6.	Peepli ahirayan	Chamunda	Goat rearing	40000	40000	3400	Own
7.	Sanga ka khera	Sanwariya	Dairy	42000	27783	22826	SPA
8.	Maanpura (Nainapuriya)	Chamunda	Goat rearing	51800	13513	50871	Own
9.	Khokhadhani	Mateshwari	Tent-house	45600	51072	0	SPA
10.	Parawal	Ramdev	Dairy	65700	23692	57731	Own
11.	Sanga ka khera	Jai ambey	Dairy	28800	30666	694	SPA
12.	Kotela	Bhairwanath	Dairy	51100	13897	43562	SPA
13.	Khokhadhani	Mahalaxmi	Goat rearing	44400	11285	44096	Own

Note: Repayment source OWN means that CIGs repaid from their earnings from sources other than the SPA. Repayment source SPA means that repayment has been supported by earnings from SPA.

The six goat rearing CIGs have a total of 43 members and have received 645 goats. In the last one-year they have earned Rs. 48,300 from sale of lambs. On an average each CIG member has earned Rs. 1100. In other words on an average they have sold 1-2 lambs per member. Having little earnings, the CIGs have not been able to pay their instalments in time.

However, two CIGs have repaid almost the full amount. The first repaid due to fear instilled by the bank. The members obtained credit from a moneylender at 36 per cent

rate of interest. The second CIG being afraid of the hassles of recovery took credit from relatives and friends to repay the loan amount.

The six Dairy CIGs have paid their instalments from earnings from the sale of milk and ghee. Only Teja and Jai Ambey have repaid almost the full amount. The CIGs have two sets of problems. First, there is no milk collection centre in or around their villages. Since milk is sold locally, and the yield of milk being low, the CIG members are not able to save the monthly stipulated savings of Rs. 740 as part of their contribution to receive the second buffalo. Second, the buffalo having gone dry following its milching period, their present earnings from SPA are nil and are therefore not able to repay. Not being able to repay the first loan, four sample CIGs would disqualify for a second loan.

Besides, there are conflicts within the Ramdev group and no repayment has been made in the last few months. One of the reasons for the conflict is that the CF who was the conduit between the CIG and the bank has been removed and the CIG members have little information, if any, as to who amongst them is the defaulter and how to transact with the bank. The bankers also dealt with CF and the NGO and have little direct contact with the CIG. The NGO has failed to empower CIG members with information and knowledge. In contrast in Dholpur the CIG members have been empowered to deal with the bank.

In almost all the CIGs visited, members expressed their preference for formal credit institutions primarily due to lower interest rate, facility of repayment in instalments and clarity in the financial statements.

Section II

Monthly savings and Interloaning by CIGs (or SHGs)

Fifty-four groups had initiated their monthly savings but only 36 (65.5 per cent) have continued till date (Table 7). Increasing burden of domestic expenditures and lack of returns from SPAs has been cited as the main reasons for this discontinuance.

Table 7: Activity-wise classification of CIGs presently involved in savings

Classified activities	Number of CIGs initially involved in per member monthly savings	Number of CIGs presently involved in per member monthly savings
Dairy	21	16
Goat rearing	9	6
Tent-house	5	4
Other micro enterprise activities	19	10
Total	54	36

Though savings is not a recurrent feature in most of the CIGs, some groups have been able to manage a good amount in their saving deposits. The savings of 37 groups that are currently saving is shown in Table 8. Substantial savings (Rs. 5000 and above) is reported by 25 per cent groups. Only one group of Dairy SPA in Dholpur has savings more than Rs. 10000 in its account. There are 23 groups that have discontinued their saving activity but they have saved some money.

Table 8: Savings account of 36 CIGs till October 2005

Classified activities	Saving deposits (in Rs.)				Total
	Up to 1000	1000-5000	5000-10000	>10000	
Dairy	14	1	0	1	16
	(87.5)	(6.3)	(0.0)	(6.3)	(100.0)
Goat rearing	2	2	2	0	6
	(33.3)	(33.3)	(33.3)	(0.0)	(100.0)
Tent-house	0	2	2	0	4
	(0.0)	(50.0)	(50.0)	(0.0)	(100.0)
Other micro enterprise activities	4	2	4	0	10
	(40.0)	(20.0)	(40.0)	(0.0)	(100.0)
Total	20	7	8	1	36
	(55.6)	(19.4)	(22.2)	(2.8)	(100.0)

Note: Figures in parentheses are row per cent

Sixty one per cent CIGs are able to manage their savings from DPIP activity (Table 9). The tent-house CIG members understand that reinvesting a part of group earnings, as savings would eventually support the further expansion of their economic activity in future. There are only 9 CIGs who have increased their monthly savings due to higher earnings gained from their SPAs.

Table 9: Source of Savings

Classified activities	Source of savings			Total
	Income from DPIP	Self	Both DPIP+ Self	
Dairy	15	1	0	16
	(93.75)	(6.25)	(0.0)	(100.0)
Goat rearing	2	4	0	6
	(33.3)	(66.7)	(0.0)	(100.0)
Tent-house	1	1	2	4
	(25.0)	(25.0)	(50.0)	(100.0)
Other micro enterprise activities	0	8	2	10
	(0.0)	(80.0)	(20.0)	(100.0)
Total	18	14	4	36
	(50.0)	(38.9)	(11.1)	(100.0)

Note: Figures in parentheses are row per cent

Interloaning

Interloaning can be defined as the sharing of group fund (comprising per member monthly savings and income generated of SPA) at an interest rate so as to raise the total savings of the group. These savings build the credit worthiness of CIGs, which eventually helps them in receiving micro finance facility. Of the 36 CIGs that are maintaining some group savings, 30 CIGs (83.3 per cent) are involved in interloaning (Table 10).

Table 10: Interloaning status of 36 CIGs till October 2005

Classified activities	Interloaning done (Amount in Rs.)				Inter loaning not done	Total
	<5000	5000- 10000	10000- 20000	>20000		
Dairy	2 (12.5)	2 (12.5)	9 (56.3)	3 (18.8)	0 (0.0)	16 (100.0)
Goat rearing	2 (33.3)	1 (16.7)	0 (0.0)	1 (16.7)	2 (33.3)	6 (100.0)
Tent-house	0 (0.0)	4 (100.0)	0 (0.0)	0 (0.0)	0 (0.0)	4 (100.0)
Other micro enterprise activities	2 (20.0)	3 (30.0)	0 (0.0)	1 (10.0)	4 (40.0)	10 (100.0)
Total	6 (16.7)	10 (27.8)	9 (25.0)	5 (13.9)	6 (16.7)	36 (100.0)

Note: Figures in parentheses are row per cent

Interloaning among the group members generally takes place at the interest rate of 12-24 per cent. They utilise the loan to meet their domestic requirements and contingency expenditures on sudden illness, deaths and births in the family, etc. The CIG members also give the loan to other community members but at a higher rate of interest.

Section III

Perceived Credit Needs of CIGs

Out of a total of 58 CIGs, 28 CIGs expressed need for credit for various purposes. A majority of them preferred a group loan and only 8 CIGs expressed a preference for individual loans. Thirty CIGs did not indicate a need for credit (Table 11). The reasons cited for not wanting credit include non-functional SPAs, the burden of past loans from credit institutions or moneylenders.

Table 11: Activity-wise Credit needs assessment

Classified activities	Credit needs					
	Yes	No	Total	Individual	Group	Total
Dairy	9 (39.1)	14 (60.9)	23 (100.0)	0 (0.0)	9 (100.0)	9 (100.0)
Goat rearing	8 (72.7)	3 (27.3)	11 (100.0)	3 (37.5)	5 (62.5)	8 (100.0)
Tent-house	5 (100.0)	0 (0.0)	5 (100.0)	1 (20.0)	4 (80.0)	5 (100.0)
Other micro enterprise activities	6 (31.6)	13 (68.4)	19 (100.0)	4 (66.7)	2 (33.3)	6 (100.0)
Total	28 (48.3)	30 (51.7)	58 (100.0)	8 (28.6)	20 (71.4)	28 (100.0)

Note: Figures in parentheses are row per cent

CIGs of Goat Rearing SPA

There are 11 CIGs of goat rearing SPA in the sample. In Jhalawar, three CIGs presented individual credit needs. Each member requires Rs. 5000-Rs.10000 for the purpose of goat

rearing. The members need the loan support to meet out the expenditures incurred on healthcare of goats and also to bear the financial burden in managing the death certificates of goats for claiming their insurance.

In Dholpur only one CIG asserted that each member required credit amount of Rs. 20000 for the purchase of buffalo. The members were not satisfied with the activity and showed their inclination for dairy SPA

In Rajsamand four CIGs showed individual or collective needs for credit for the purchase of additional goats.

CIGs of Dairy SPA

There are 23 CIGs of dairy SPA in the sample. In Dholpur, 10 CIGs were identified with credit requirements. Five of them need credit support for contribution required for the purchase of second buffalo. The other five CIGs have deposited their contribution for the second buffalo. They had managed the amount from borrowings. So these CIGs need a collective loan to repay their debts and also to meet out the other expenditures incurred on travel and stay during buffalo purchase from Rohtak. The members also need some external financial support for the purchase of feed and fodder for buffaloes.

In Rajsamand only one CIG expressed need for credit and that too as a support in the second buffalo purchase.

CIGs of Tent-house SPA

All the 5 CIGs of tent-house SPA in the sample expressed their demand for credit. Four CIGs need collective loan of Rs. 50000-Rs.10000 for the purchase of additional assets required in furthering their SPA. Members of one CIG in Jhalawar expressed a need for individual credit (Rs. 5000 per member) for self-consumption.

CIGs of other Micro-enterprise SPA

The CIG members of trading SPA in Jhalawar require individual credit worth Rs. 10,000 for the purchase of shops as the CIG members have only received funds for the material to be sold in the shops in their SPA. The members in another CIG of the same activity in Jhalawar require individual credit worth Rs. 5000 merely for self-consumption, as the members have not yet started off with their activity.

One CIG of stitching SPA in Jhalawar requires collective credit worth Rs. 10000 for the purchase of raw material. Members of two CIGs of weaving or dhurrie-khes making in the same village Bhavrasa of Jhalawar need individual credit support of Rs. 2000-Rs. 5000 for the purchase of threads. Another CIG of the same activity demands collective credit worth Rs. 50000 for the purchase of raw material.

Section IV

Conclusion

The present study has looked at various dimensions of credit linkages and utilisation, understanding the process of building credit worthiness of CIGs, analysing the impact of accessing credit through formal credit institutions as well as assessing the credit needs of CIG members.

Four scenarios of bank credit have emerged in this study. Jhalawar provided group credit on the basis of group savings for the first phase of production cycle. These amounts were partly used for supplementing contribution, and partly for consumption. These being small amounts, averaging about Rs. 1,000 per member have largely been repaid. Overall the credit gave initial support to the SPAs. However none of the CIGs have approached the banks for another loan. One of the reasons would be that the CIG members are not fully informed of bank rules and processes transactions.

The second scenario is of credit for working capital. This credit supported the micro enterprises that were actively engaged in production. Those CIGs who are not presently active are also somehow repaying their loans.

The third scenario is of CIGs who successfully organised themselves into SHGs, regularly saved, linked to DPIIP and were finally linked to banks. They have borrowed according to their well-identified needs and are also repaying their loan amounts. Being SHGs their small credit needs are met through interloaning.

The fourth scenario is of availing credit to supplement the contribution. These CIGs have multiple problems related with infrastructure and natural resource endowment necessary for their goat rearing and dairy SPAs.

That there is a need for credit for expanding SPAs is indisputable. The support of internal as well as external sources of credit has helped the members in a group (CIG or SHG) to meet their credit requirements for consumption as well as investment purposes. Interloaning of the group fund gradually evolves the group as internal credit agency to satisfy the small emergent credit needs of the CIG members.

Recommendations

1. There is an urgent need to assess credit needs of individual CIGs. This could be undertaken by NGOs associated with these CIGs.
2. Wherever CIGs have not formed active SHGs, the process needs to be strengthened and CIGs subsequently linked to banks.

3. Only those CIGs with functioning SPAs and potential credit worthiness be linked to banks for credit. The NGOs should not link otherwise to fulfil their targets, as the bank loan may become a burden.
4. The NGO should ensure that all CIG members have full knowledge of group savings, credit availed, amounts repaid and so on.
5. Assessment of credit needs and linkage with banks be taken on a priority to save some CIGs from discontinuing their SPAs and strengthen and sustain those CIGs who have started earning from the SPAs.