

Micro Financing within Joint Forest Management Committees for the empowerment of women's Self Help Groups in India: a case study from Betul district, M. P.

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1 Justification and problem statement

Micro financing has been proved to be an effective measure to provide financial access to the poor people. In India, women Self-Help Groups (SHGs) have served as vehicles for providing financial access to the rural women. But there is a huge unmet gap in demand and supply of micro finance to the rural women, which requires a number of Micro Financing Institutions to be developed at local level. The success of Joint Forest Management (JFM), in the state of Madhya Pradesh, has created such local level institutions. The functioning of SHGs and Joint Forest Management committees (JFMCs) will be analysed. With this background the opportunities created by micro financing as a tool for poverty alleviation can be used to strengthen rural women SHGs.

2 Research strategy

JFM is a contemporary phenomenon within the Forest Management context. The JFMCs are elements of JFM at local level. Women SHGs are sub-village level institutions, whose members are members of the JFMC, too. This empirical inquiry is to analyse the situation for developing a financial linkage model between JFMC and SHGs.

The villages Kuppa and Bod have been identified for the study in consultation with the forest department officials. The villages fall in Betul district of the state of Madhya Pradesh. Each village has one JFM committee. While village Kuppa has five women SHGs with a total membership of 66 women, village Bod has three SHGs with 38 members in total. Two SHGs from each of these villages were selected and ten members from each of these SHGs for primary data collection. Both of the JFMCs are functional. The SHGs are being promoted by an NGO (PRADAN) in village Kuppa whereas, by the forest department in village Bod. The representatives of NGO assisting SHGs in Kuppa are well conversed with the concept of SHGs. The forest personnel at village Bod perform this task as part of their official duty. Thus, there is a perfect situation to present contrasting developments of the SHGs in two villages. Secondary data was collected from archives, state forest department reports, etc.

Tools employed for primary data collection were: Face-to-face interviews had been favoured for keeping sampling bias and response bias as low as possible. Semi-structured questionnaires helped to collect data from the mostly illiterate JFMC and SHG members. Unstructured interviews of various officials were carried out. Group discussions were held in order to get data about the committee's fund management, working of the women SHGs, perception about the SHGs and financial linkage of committee with these SHGs. Scales and indexes are used for the ranking of different financing institutions (Neuman 1994; Skinner 1991; Allan 1991). Triangulation was done using different sources of data to verify the validity of the data collection (Yin 1994, Clark, Causer 1991). The software package SPSS was used for analysing coded data (Glastonbury, MacKean 1991).

3 Briefing on the study area

The district Betul is located between 21°22' to 22°24' N and 77°04' to 78°33' E (GOMP 2001a). It is situated in the south-central part of the state Madhya Pradesh (Fig. 1).

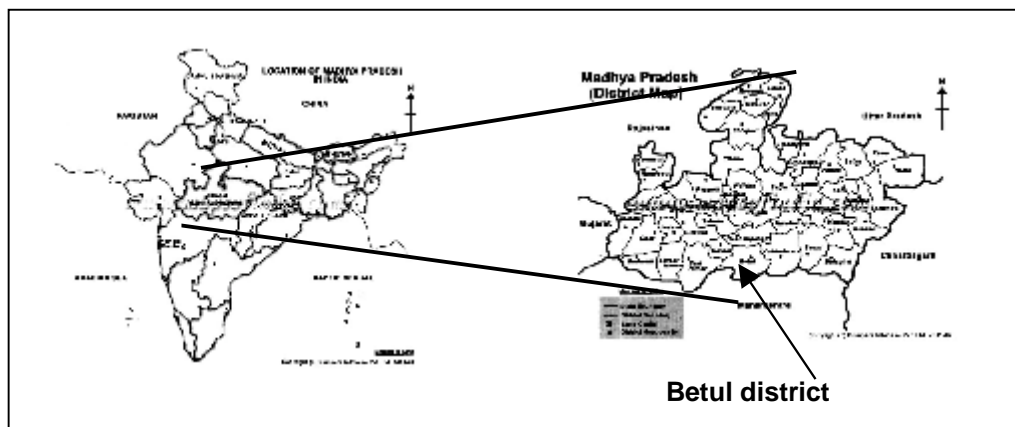


Fig. 1: Location of the study area

The total population of the district amounts to 1,181,501, showing a growth rate of 27.7% from the previous decade (GOMP 1998). The density of population is 118 persons per sq. km. The climate has been classified under tropical dry sub-humid. The district receives an average of 1,130 mm rainfall (900 - 1,200 mm). The mean annual temperature varies from 24°C to 26°C. The region experiences hot summer and mild winter with mean temperature 37°C and 11°C respectively (GOMP 2001b). Betul district is rich in forest with a total area of 393,900 ha, i.e. 41.5% of the entire area (FSI 2001). A total area of 248,583 ha. is being protected by 632 committees under JFM. Out of these committees 213 committees have women SHGs in them (MPFD 2002).

4 Results and discussion

4.1 Functioning of Self-help Groups

A good SHG must discuss and finalise a set of bylaws indicating rules and regulations for SHG functioning (NABARD 2002). A general set of rules has been framed (Table 1).

Table 1: Bylaws to be framed by the Self-help Groups

Rule	Regulation criteria
Objective of the group	Economic and social strengthening
Meetings	Frequency, attendance, timing
Savings	Frequency, amount
Lending	Rate of interest, ceiling amount, repayment, purpose
Fines	In case of default in attending meetings and repayment of loan
Leadership	Election or nomination of leaders, rotation of leaders
Personal/ social improvement	Minimum literacy level to be achieved, income generation activities
Maintenance of books	Records of saving and lending, attendance register, individual pass books, petty cash register, minutes of meetings

All the four studied SHGs have framed certain bylaws in oral form.

Objective: In both of the villages only saving and credit issues are defined.

Meetings: The effectiveness of meetings has been analysed through three main factors, frequency, attendance and timing of meetings (Table 2).

Table 2: Chi-square test for regularity of attending meetings

Village	Observed values		Sum of rows	Expected values		Significance
	Regular	Irregular				
Kuppa	17	3	20	14.0	6.0	0.038434
Bod	11	9	20	14.0	6.0	
Sum of columns	28	12	40	Null hypothesis rejected		

Source: Devi 2002, p. 34

The result of this test indicates that the difference of regularity in attending meetings in the two villages is statistically significant. The timing of meetings for all the groups has not been proper. The scheduled daytime depends on the availability of the facilitators.

Savings: All the groups have decided about the saving frequency, which is once a week, and the amount to be saved by every member. This is Rs. 5 and Rs. 0.5. for the groups in village Kuppa and for the other two in village Bod. The facilitator in Kuppa has explained about the importance of savings in improving financial strength of the group. The groups in village Bod are about to develop savings habits among their members.

Lending: While SHGs in village Kuppa have fixed an interest rate of 3% per month, SHGs in village Bod have 2%. These rates are decided on monthly basis. The two groups in village Kuppa have not fixed any upper limit for credit. Members require loans mainly for family needs such as food, health and education; agriculture; and income-generation activities. In village Kuppa, a total amount of Rs. 26,781 has been sanctioned as loan for different time periods, ranging from one to twelve months. The repayment of loans is regular for the peer pressure that works among the group members.

Fines: In the village Kuppa, fines of Rs. 5 and Rs. 3 have been levied for being absent and being late in the meetings. The members of SHGs had been made understood by the facilitator that with more attendance in the meetings, the chances of discussion are increased which leads to increased chances of solutions of the problems. But in village Bod the facilitator could not motivate the members of the SHGs about the importance of high attendance. These groups did not frame any rules for levying fine on the absentees.

Leadership: Rules for change in leadership have not been framed by any of the groups. Each group has one woman who is a member of the executive body of respective JFM committee too and the same women are selected as leader in all these groups.

Personal / social improvement: The SHGs are formed for personal improvement like attaining minimum education level, too. None of the groups has framed any rule regarding this. Neither of the groups has started any income generating activity. The main reason has been found that the members have not been provided with any skill development training to take-up self-employment activity. Moreover, a bigger amount of money is required for starting such an activity.

Maintenance of books: Some simple formats for the minimum requirements of records have been suggested by NABARD (2002). In village Kuppa, the two studied groups maintain the records such as membership and attendance register, saving account, credit and repayment ledger of the members. However, a literate person from the same village maintains the records against payment. On the other hand, the facilitator of the groups in village Bod has kept records only for the savings done by the members.

4.2 Impacts of Self-Help Groups

Change in spending on family needs: As satisfying family needs is the top-most priority for all the respondents, the change in spending on family needs after the formation of SHGs could be a major indicator of assessing impacts of SHGs. Practically, it was not possible by the respondents to clearly indicate their spending for the various requirements. They have their own way of measuring the change in spending. The majority of respondents of village Kuppa (75%) have increased their spending on family needs. In village Bod, they have not yet started getting loans from SHG funds.

Decision making about spending/ investment: There has been a perceptible change in decision making about spending/investing money in the family. Earlier, husbands used to take most of the decisions alone about spending money. But, this situation has

changed after the formation of women SHGs. More respondents have opined that both husband and wife now take the decisions together.

Change in self-confidence: Poor rural women coming out of their houses for attending a meeting itself is a step towards empowerment. This should have a change in their self-confidence. However, it is not possible to quantify this change. The respondents have opined that they feel freer in talking to bank officials; they are able to discuss their experiences with the outsiders; they are more active in putting forth their requirements in JFMC meetings. Therefore, the opinion of respondents has been collected about this change on the basis of their own perception (Table 3).

Table 3: Change in self-confidence of the respondents after joining the SHG

Village	SHG	Number of respondents						Less than before
		Same as before			Better than before			
		yes	total	%	yes	total	%	
Kuppa (n=20)	1	1	3	15	9	17	85	0
	2	2			8			0
Bod (n=20)	1	4	10	50	6	10	50	0
	2	6			4			0

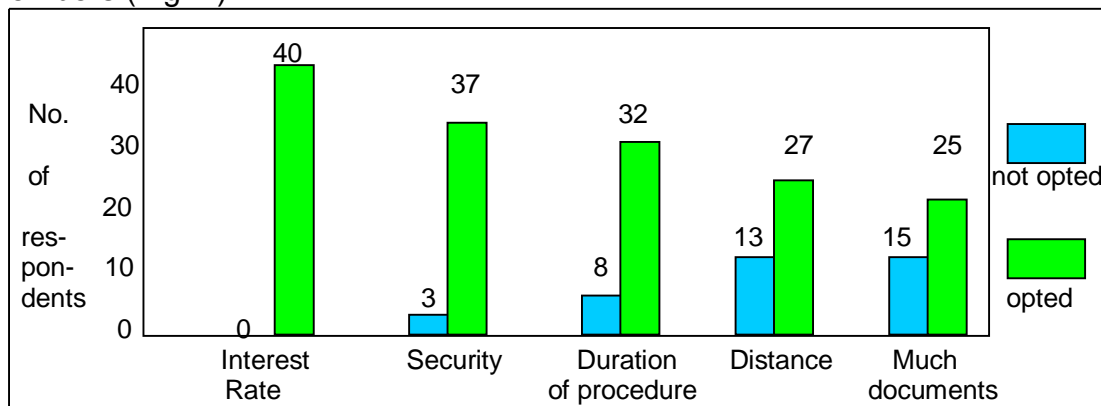
Source: Devi 2003, p. 47

The change is more evident in the groups of village Kuppa as 85% of them have responded of increase in their self-confidence whereas only 50% in village Bod feel more confident after joining SHG.

Attending JFMC meetings: As the respondents are members of the JFMC too, they attend the meetings organised by JFMC. The opinion was collected about their involvement in the meetings of JFMCs, before and after joining SHGs. It is found that the degree of participation has increased and more participants give their opinion.

4.3 Selecting an external loaning agency

There are many factors that affect the selection of a specific loaning agency by the SHG members (Fig. 2).



(Source: Devi 2003, p. 50)

Fig. 2: Factors affecting selection of a loaning agency

It is assessed that high interest rate and need for a security at banks are the most limiting factors to get a loan. In actual situation the importance of these factors may change depending upon the urgency, e.g. medical needs. This is why villagers take loan from a moneylender, despite his charging of a high interest rate.

In order to analyse the suitability of the available loaning agencies for giving loans to SHGs opinions of ten key persons were collected. The loaning agencies were ranked on a scale from 1 to 4, where 1 represents the most preferred loaning agency. The ranking scores for these loaning agencies were combined for all factors and difference of preference tested using the Friedman test for related samples (Table 4).

Table 4: Results of Friedman test (for related samples) for ranking financing agencies

Financing institution	Mean rank	Test statistics
JFM Committee	1.15	N = 10 Chi-square = 26.179 Df = 3 Asymp. Sig. = 0.000008
Money lender	1.90	
Bank	3.30	
Government schemes	3.65	

Source: Devi 2003, p. 51

The results show that between the four different loaning agencies, there exists, in the minimum, one significant difference between mean ranks on one pair of loaning agencies. In order to find the pair-wise significance, Wilcoxon paired-sample tests were used (Table 5).

Table 5: Results of Wilcoxon paired-sample test by ranks

	A	B	C	D
A				
B	* (0.016)			
C	* (0.005)	* (0.007)		
D	* (0.005)	* (0.005)	-	

A = JFMC; C = Bank; B = Money lender; D = Government schemes;

() values of significance; * - significant

Source: Devi 2003, p. 52

The results of the test indicate, for all factors combined, JFMC is the most preferred financing institution. The main features are as follows:

The JFMCs are easily accessible; the procedure for sanctioning loan is simple. As JFMCs work on the principle of mutual trust, they do not require any kind of security for sanctioning a loan. JFMCs have a system of flexible instalments for repayment of loan, which coincides with the income flow of the borrowers. JFMCs accept repayment of loan in cash as well as in kind (labour or grain or NTFPs), which suits most of the borrowers.

4.3 Functioning of Joint Forest Management committees

Fund availability with the JFMCs

The four main sources through which money is added to JFMCs account: (1) protection money, (2) fines collected by them, (3) loans repaid by its members and (4) interest accrued. The major share is attributed to their protection money, which they receive if they are protecting the forest area, allotted to them, from fire, grazing and illicit felling. In times of urgency, they have to support each other with the fund available to them. The other main function is to support their members through internal financing and to achieve proper utilisation of their fund. Therefore the first factor for assessing the functioning of JFMCs is the fund available with them (Table 6).

Table 6: Financial position of JFMCs

Village	Year	Balance at the start of the year	Amount received during the year	Fund utilised during the year	Balance at the end of the year
Rs.					
Kuppa	2000/01	199,772	189,791	118,513	271,050
	2001/02	271,050	31,656	152,216	150,490
	2002/03	150,490	147,750	116,995	181,245
Bod	2000/01	43,262	138,100	14,060	167,302
	2001/02	167,302	12,626	123,442	56,486
	2002/03	56,486	45,466	89,085	12,867

Source: Records of JFMC Kuppa and Bod

The huge variation from the year 2000/01 to 2001/02 in the amount received is because the protection money was deposited one year in advance due to administrative considerations. More fund received by Kuppa committee refers to the much larger forest area allotted to them (1846 ha) as compared to Bod committee (1029 ha). But, there is huge balance left with both of the committees at the end of every financial year indicating unutilised fund with them (Table 7).

Table 7: Utilisation of committees' fund

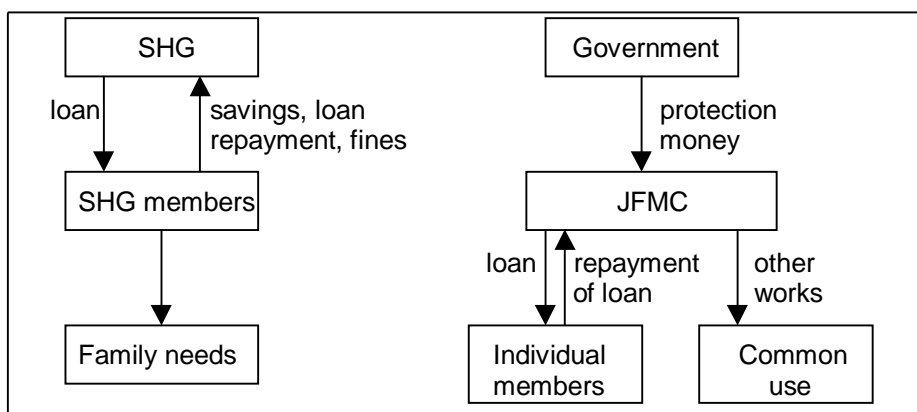
JFMC	Year	Total fund used	Lending to members		Used in other works	
		Rs.	Rs.	%	Rs.	%
Kuppa	2000/01	118,513	13,300	11,22	105,213	88,78
	2001/02	152,216	5,200	3,42	147,016	96,58
	2002/03	116,995	48,030	41,05	68,965	58,95
Bod	2000/01	14,060	13,500	96,02	560	3.98
	2001/02	123,442	23,100	18,72	100,342	81.28
	2002/03	89,085	43,030	48,31	46,055	51.69
Total		614,311	146,160	23.79	468,151	76.21

Source: Records of JFMC Kuppa and Bod

In total, about 76% of the fund used has been spent to other works of common use such as repair of road, repair of roof of the village school, cleaning of wells, etc. whereas 24% is used for lending to the preferably male members.

4.4 Relationship between JFMCs and SHGs

A new dimension of activities of JFMCs is added after the formation of SHGs within these committees. As the members of the SHGs are the members of the respective JFMCs too, it is expected that JFMCs should work towards strengthening these SHGs. Relationship between JFMCs and SHGs is the third factor for assessment of functioning of these committees. The qualitative data collected from the members of the executive bodies of JFMCs indicates that there is no direct financial linkage between the JFMC and the SHGs (Fig. 3).



Source: Devi 2003, p. 57

Figure 3: Existing functioning of JFMC and SHG

4.5 Development of linkage between JFMC and SHGs

By synthesising the results of analysis, it has been found that JFMCs have certain potentialities that could be utilised and weaknesses that are to be overcome for developing these committees as Micro Financing Institutions.

Potentialities are:

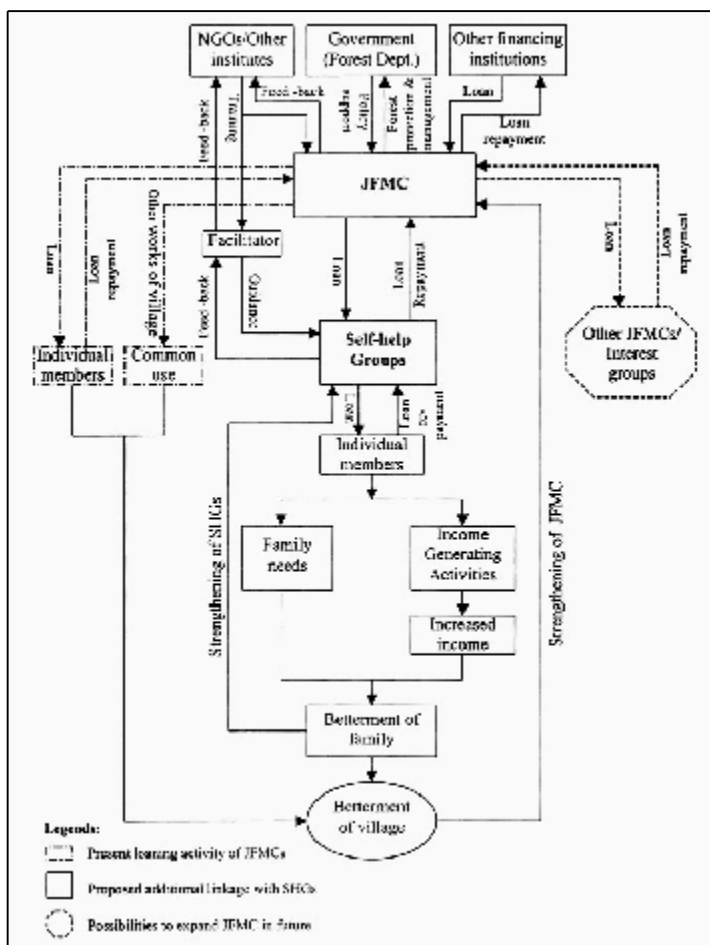
- 1) Availability of sufficient fund, which is an essential requirement for an MFI;
- 2) Less rule bound, non-bureaucratic, non-formal and flexible in their operation;

- 3) JFMCs and SHGs are village and sub-village level institutions and thus, both are owned by the people and are built on mutual faith and trust;
- 4) When the poor own the organisation, they feel more responsible towards it.

Weaknesses are:

- 1) Lack of any instruction or guidelines from the government / forest department for linking SHGs with their respective JFMCs;
- 2) Present bias in loan sanctioning process, which gives undue favour to the male members of the committees;
- 3) Lack of experience in giving loan to groups;
- 4) Illiteracy of majority of members and lack of knowledge in proper financial planning.

For developing a linkage between JFMCs and SHGs, policy intervention from the government / forest department will be very helpful as the availability of fund, at least in the initial stages, could only be assured through the commitments of the forest department. There is also the need to educate the executive body of JFMC about the advantages of linking them with SHGs and they should also be trained in utilising their fund in a more planned manner. Ensuring only loan availability to SHGs will not be sufficient for their development. They should also have to explore the possibilities of income-generating activities, market network and forward and backward linkages. Thus, an integrated approach is required for achieving the aim of empowerment of these SHGs and the main actors would be their respective JFMCs, government through forest department, locally based NGOs and other training agencies and dedicated facilitators (Fig. 4).



Source: Devi 2003, p. 60

Fig. 4: Derived JFMC-SHG linkage model

5. Conclusions

These linkages between JFM committees, women SHGs and other related institutions would prove to be mutually beneficial to both the JFMCs and SHGs:

From the perspective of JFM committees -

- 1) Improved fund mobilisation by faster recycling of fund;
- 2) Easy monitoring and collection of loan as both JFMC and SHGs are stationed in the same village;
- 3) Easy accounting as only one account has to be kept for the SHG, instead of maintaining the number of individual accounts;
- 4) Higher regulatory in repayment of loans by SHGs;

From the perspective of women SHGs –

- 1) Easy access to larger quantum of funds;
- 2) Doorstep credit with no hassles;
- 3) Flexible instalments for repaying loan;
- 4) Better negotiation power to finalise interest rate as SHGs representative being a member of the executive body of JFM committee;
- 5) Interest paid will add to the committee's fund, improving chances for subsequent loans;
- 6) Strengthening of SHGs' position in the society.

The study concludes that the much-needed financial linkage between JFM committees and women SHGs could be developed by proper integration of the government, NGOs and other training institutes, and committed facilitators. This will have synergetic effect for both of them, resulting in the betterment of families, which would ultimately lead to the strengthening of both these institutions, too.

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