Rajasthan: Strengthening grassroot institutions through good governance

Abstract: A *2016 World Bank study states that the key poverty reduction strategy of the Government of Rajasthan (GoR) was to promote projects and programs that focused on jobs, skills development, and wage and self-employment. Their performance, however, was found to be mixed particularly in terms of financial linkages and sustainability. Insufficient focus on human and other resources allocated for CBOs' institution-building was considered the main reason for their organisational weakness. This paper attempts to explain Letz Dream Foundation's role in creating financially sustainable independent grassroot institutions with income generating models catering to over 1.2 lakh women.*

Background

In Rajasthan, in 2000, an estimated 8.65 million people were living below the poverty line. Although poverty had declined from 50 percent in 1970 to 24 percent in 2005, being the eighth most populated state, the absolute number of poor remained considerably high. The geographical disparity of poverty in the state channelised the need for interventions directly targeting the poor. The state of Rajasthan implemented the National Rural Livelihood with the mission to collectivise women into groups and give them access to funds for livelihoods to address the poverty aspects. The program had more than 350,000 SHGs created under the programs. The performance of these groups was found to be mixed particularly in terms of financial linkages and sustainability - 60 percent of SHGs were unable to open a bank account and only about 44 percent received loans from commercial banks in 2016[1]. They were termed functional if meetings were held once a year instead of the mandated monthly meetings.

In 2016, RGAVP formed Self-Help Groups (SHGs) and Village Organizations (VOs) but struggled with setting up Cluster Level Federations (CLFs) – the apex monitoring institution. These are formal institutions registered under the Rajasthan Cooperative Society providing a wide range of services to members such as overseeing management of SHGs and VOs, members' access to funds through timely disbursement of project funds such as Community Investment Funds (CIF) and Revolving Funds (RF), rotation of on-lending funds and facilitating loans from commercial banks. CLFs also provide technical assistance to support members' livelihood investments through monitoring and assisting micro credit plans of members. Another important support given by CLFs is forward linkages with line departments knowledge dissemination and convergence with various schemes.

[1] http://documents1.worldbank.org/curated/en/499691556572956002/pdf/India-Rajasthan-Rural-Livelihoods-Project.pdf

LDF & RGAVP Partnership

In mid 2016, LDF partnered with RGAVP, with the aim of establishing financially sustainable organizations that would result is higher access of funds for the community. 42 CLFs in 13 resource blocks (intensive focus on expansion) in 10 districts - Churu, Kota, Tonk, Jhalawar, Bhilwara, Udaipur, Rajsamand, Bara, Dungarpur and Banswara were selected for intervention. The strategy was two pronged - a) Improve public delivery systems through good governance b) Establish CLF based livelihood models for financial sustainability of the institutions.

At the beginning of the program, 50% of the CLFs were not registered, had merely one staff and were without a dedicated office space. As the government's rural livelihood mission is based on empowerment, LDF's focus was on effective institution building. Initial focus was on establishing adequate physical and financial resources, specifically have dedicated office space to enable regular meeting of village leaders to address community issues and needs, recruit eligible community staff and cadres to assist CLF leaders in carrying out operational, financial, and monitoring activities, capacitate CLF members on their roles and responsibilities through exposure visits and classroom-based trainings, and set up systems and processes for overall direction, effective governance, monitoring and accountability.

Another aspect was non utilization of the 'start-up' fund that was to be used for setting up and operationalising the CLF offices, which was lying idle in the CLFs' bank account. For utilization of this fund, LDF facilitated identification of procurement committees towards purchase of office furniture and salary payment for one staff member per CLF. By early 2017, 100% of the CLFs had independent functional offices with adequate infrastructure.

Following this development, over Rs. 1.4 crores of Start-Up fund was utilized in the 42 CLFs, from 2016 to 2018

As a next step towards strengthening CLF operations, by mid 2017 LDF facilitated employment of several staff and community technical paraprofessionals, from among SHG members, and trained them on their roles and responsibilities. This resulted in an executive team at every CLF comprising a cluster manager, 4 – 6 cluster coordinators, an accountant, a data entry specialist and a full team of community cadres such as Master Book Keepers (MBKs) for accounting and financial record-keeping support to SHGs and VOs, Bank Sakhis for supporting commercial loan applications and other bank transactions; Krishi Sakhis and Pashu Sakhis for providing extension services and Yojna Sakhis for providing support for access to government schemes and entitlements.

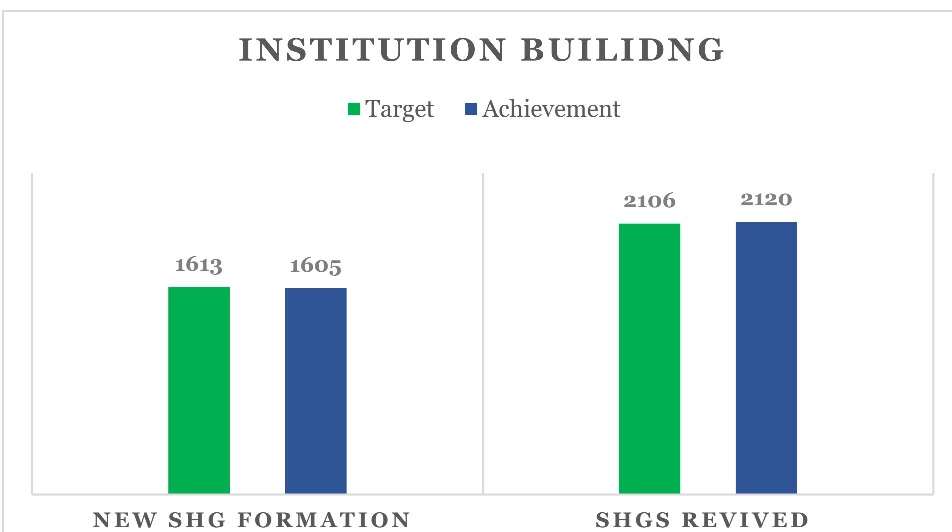
More than 440 CLF staff and 2000+ community cadres were identified and recruited by LDF.

While training was being provided at various levels and for several roles, it was understood that a project with such an extensive geographical coverage would require a structured approach to capacity building. Therefore, capacity building modules were prepared by LDF on diverse topics like fund management, governance, roles and responsibilities of subcommittees, RGB and EC members, preparation of annual action plans, grading of SHGs, micro credit plan etc. Since the focus was on sustaining their technical and professional skills, numerous refresher trainings were also provided in addition to regular handholding support.

During the two years, LDF imparted 4000+ classroom trainings and 1000+ refresher trainings to more than 15,000 community women in Rajasthan

An unintended outcome of improved public service delivery systems enabled by LDF was the exponential growth in SHG formation leading to enhanced inclusion of many more marginalised women. Another impact was that more than 2000+ defunct SHGs (not meeting for more than 3 months) were revived within 2 years.

While exiting the program after more than two years, in September 2018, a few unintended outcomes were achieved - was 100% formation of new SHG (RGAVP target), and revival of 99.3% defunct SHG were revived.

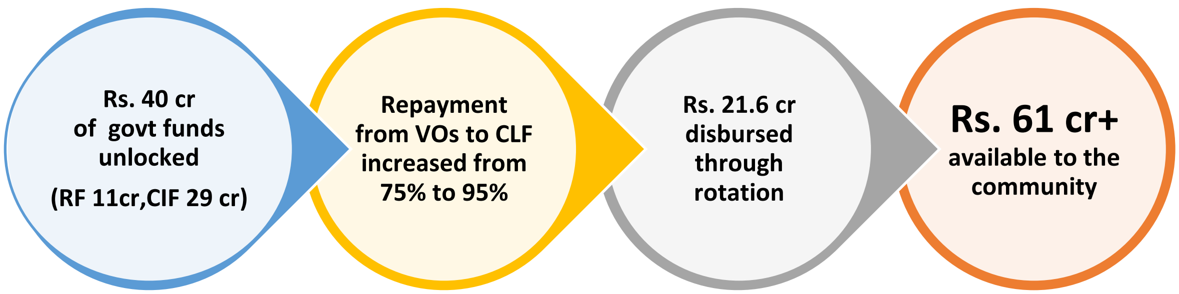


Increased access to funds

Setting up and strengthening of the CLFs was essential to effectively increase the community's access to funds. One of the core functions of the CLF is to manage the disbursement of CIF to the community via VOs and SHGs. It is important to note that the objective of the fund is to support asset creation of SHG members and their federations so that members of the CLF could undertake productive livelihood enhancing initiatives.

In 2016, only 40% of the SHGs had received CIF and the CLFs had less than 20% repayment. As a result, the CLFs had not yet started reloaning the funds collected as repayments.

It was observed that the bottlenecks towards effective disbursement of CIF were inadequate maintenance of records, no demand generation by the community, inadequate monitoring and reporting to the district office, rigorous follow ups required etc. LDF intervened and emphasized on timely transfer of RF and CIF to SHGs with regular tracking and reporting to the district level. To ensure that demand for loan was raised regularly by the community, LDF helped in setting up of fund and repayment monitoring committees. It also ensured regular follow up on the disbursements, with district offices. For timely repayment, issue resolution was the focus. This was achieved by streamlining processes at the VO level.



As an outcome, LDF helped leverage nearly Rs. 62 cr of government funds:

- Disburse Rs. 40 crores of project funds to 42 CLFs
- Reloan Rs. 21.6 crores funds to existing and new SHGs through rotation
- Increase repayment rate from 75% in 2016 to 95% in 2018

Self Sustainable CLFs

CLFs in LDF's intervention areas were established in 2015 and had a graded exit plan w.r.t. its funding by the government/World Bank – providing 100% funding for CLFs in first year (2015), 50% in second year (2016) and 25% in third year (2017). By the fourth year, CLF were expected to become self sustainable and have their own source of income for all expenditure like staff salaries, meeting expenses, furniture etc. However, even in 2017, the CLFs were supported through 100% funding as they had not been able to generate enough income to become self sustainable. The project was supposed to withdraw its full financial support in 2018.

In 2018, after LDF's focus on improving flow of funds at the CLF, World Bank decided to withdraw 50% fund support with the view that all CLFs were generating sufficient revenues from interest and principal repayments from VOs and SHGs, to cover 50% of its operating cost.

LDF also facilitated credit camps mobilizing groups of SHGs to meet with banks at the district level and submit commercial loan applications, resulting in a substantial scaling up of SHG-commercial bank linkages.

Case Study: Bank linkages in rural Rajasthan

LDF identified the bottleneck for low bank linkages to be unavailability of cadres to coordinate between the bank and the community. As an innovative measure, LDF trained and deployed a special community cadre called Bank Sakhis, enabled Business Correspondents and took up risk mitigation strategies.

In all the 10 intervention districts (with more than 30 SHG accounts), 160 Bank Sakhis were trained and deployed, to facilitate SHG member transactions and commercial loan applications. Additionally, 40 Business Correspondents were promoted to facilitate doorstep transactions for 1.5 lac SHG households. Along with RGAVP, risk mitigation initiatives through effective monitoring was introduced. Credit Risk and Banking Management committees were formed to monitor bank loan defaults, resolve operational issues and act as a mediator between SHGs and banks.

Through these concerted efforts, the project successfully leveraged an additional Rs. 25.6cr as credit to SHGs from the formal financial sector.

Cluster based livelihood models/pilots

To channelize the CLFs towards self reliance and to generate more income, LDF developed cluster based livelihood models as pilots.

1. Custom Hiring Centers for farm machinery

As a pilot, two Custom Hiring Centres (CHC) were set up in Rishabhdev cluster in Rishabhdev block and Channi CLF in Kherwara block of Udaipur district to enhance access of small farmers to appropriate farm machinery, to enhance agricultural productivity and reduce cost of cultivation. LDF facilitated release of funds from RGAVP for the purpose – for CLFs to purchase agricultural machinery; as well as capacity building of the CLF staff towards setting up and managing rental operations.

These CHCs catered to the demand of two intervention clusters in Rishabdev block as well as three other clusters outside of the treatment group.

Summary of CHC operations in 2 clusters

Cluster	No. of HHs	Rental hours	Total Revenues (INR)	Expenses (INR)	Profit (INR) FY 2017-2018
Chhani CLF	444	427	2,51,313	1,84,604	66,709
Rishabhdev CLF	63	102.3	60,510	58,311	2,199

2. Custard Apple Value Chain

Custard apple, a forest produce in certain areas of Udaipur, was identified for value addition to encourage entrepreneurship among small and marginal farmers and to provide additional income to the CLF.

Therefore, the 'Custard Apple Value Chain' livelihood project was carried out in two blocks (Kherwara and Kotra) of Udaipur involving 2 CLFs and 130 SHGs from 15 villages covering 500HHs. It involved grading, sorting and processing (pulp extraction) for value addition. The processed product was sold to buyers in Udaipur and Ahmedabad, along with raw fruit surplus being sold in bulk to buyers in Udaipur.

Training and capacity building sessions were conducted for CLF and SHG members involved in product processing (pulp extraction, packaging and storage) along with exposure visits. The related VO identified 15 villages and converted these into Village Level Collection Centre (VLCC) for procurement of custard apple. Processing centres were also established where pulp from the fruit were extracted, packed and stored.

Total fund utilised for the project was Rs. 9 lakhs with 20% contribution by CLF and the remaining sanctioned by RGAVP under livelihood support fund. In the 1st year, the CLFs gained an income of nearly Rs. 3.3 lakhs with the processed product being sold at the profit of Rs 41 per kg. The farmers gained surplus income of Rs. 20-40 per crate (20 Kg) of custard apple sold at the procurement centres.

3. Development of Farmer Producer Companies

Guru Goraknath Farmer Producer Company

This FPC in Churu was initiated with Rs. 6.13 lakhs as share capital of 1226 SHG members. With a staff of 6 employees, the major activities undertaken were seed trading and crop procurement. The FPC procured seeds of cereals such as Bajra, Gwar and pulses like moong and moth. The FPC further traded moong and moth by procuring 55 quintal of moong and 40 quintals of moth from its members earning a profit of Rs. 3.5 lakhs.

The FPC was awarded by the Ministry of Rural Development for outstanding performance and work.

4. Bulk Procurement through CLFs in Kota

Collective procurement of soybean and mustard was initiated by four CLFs in Kanwas, Bapawar, Deoli and Kundanpur clusters in Kota, with 63 farmers in kharif season and 76 farmers in rabi season. A total of 974 quintals of mustard and 77 quintals of soybean was procured. The farmers were offered an assured price of Rs. 3,300 - 3,480/quintal depending on the fluctuating mandi price. As a result of this collective procurement process, the CLFs made a total profit of Rs. 42,000 and the farmers' income increased by more than Rs.200/quintal and a total profit of Rs. 42,000 was made by three CLFs.

Case Study: CLFs as Primary Implementing Agency (PIA) for MGNREGA

In Rajasthan Category B works under MGNREGA, grants up to INR 380,000 towards material and labor costs for improvement of individual land and assets belonging to SC, ST, and other vulnerable households. Works such as cattle sheds, horticulture plantations, irrigation facilities, and other land development works can be availed by eligible households under the scheme. In 2016, CLFs were authorized as PIAs.

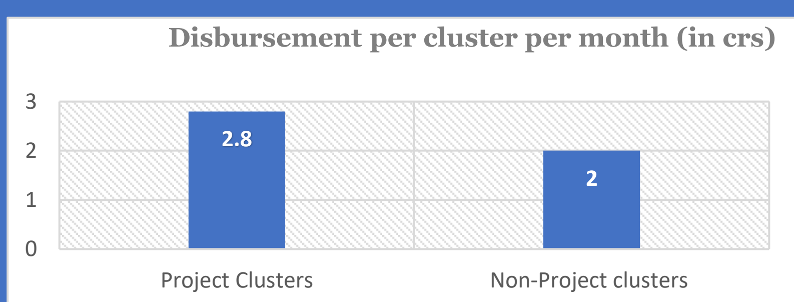
Key objectives for LDF was to ensure

a)timely release of payments through overall monitoring of the process and capacity building. Timely collection and submission of muster rolls, rigorous follow-up for disbursement of payments along with facilitating material procurement were some of the major activities undertaken. LDF also facilitated training of necessary human resources.

b) fair wages as per job cards allotted to beneficiaries

Outcome:

In the 50 resource clusters (with CLF as the PIA), overall MGNREGA disbursement per cluster was considerably higher in the 42 intervention clusters in relation to the 8 remaining clusters.



Other Initiatives

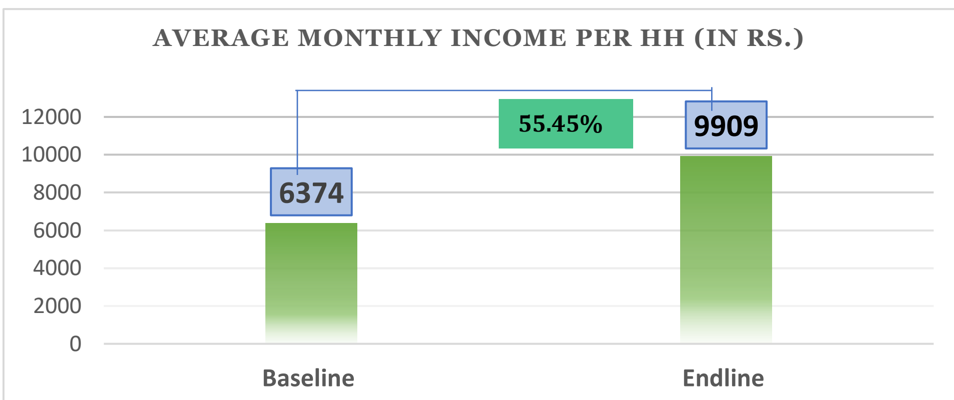
LDF facilitated identification and training of 4,258 youth of whom 648 were placed. LDF conducted several camps to motivate youth and women to engage in employment opportunities. 120 special cadres known as the "Yojna Sakhis" were trained and deployed across districts.

Over 500 micro enterprise were promoted in Udaipur, Bhilwara and Kota. The initiative involved providing funds to community women to start small businesses such as kirana shops, stationary shops, dairy product manufacturing etc.

Program impact on average monthly income of HHs

A baseline survey was conducted with 4200 households across the 42 clusters to understand early intervention characteristics of the area and establish a starting point for the program. Subsequently an endline was conducted with the same HHs two years later to measure the impact generated by LDF's intervention.

During endline, the average monthly income per HH was **Rs. 9,909** as compared to **Rs. 6,374** during baseline, exhibiting an **increase of 55%.**



Exit model: Government adoption of professionals at cluster level

While exiting the program, RGAVP recognized the efforts and value addition made by the technical expertise provided by LDF and hired professionals as cluster level managers across all districts in Rajasthan. LDF's model was replicated across all clusters and districts for long term sustainability