Chapter VI

Summary and Conclusions
INTRODUCTION

Micro finance includes the entire spectrum of financial services for broad segments of the population, but particularly for the poor. Micro finance has both poverty and gender dimensions. Micro finance has grown under two different systems of patronage in India. The SHG-Bank linkage programme anchored by NABARD has the patronage of state and formal banking system. A parallel system promoted by NGOs has been depending exclusively on subsidized, external agents to finance social mobilization and lending through the MFIs. Both target the poor and women. For the purpose of this study, micro finance programmes implemented through the SHGs were alone taken into account and not those through the MFIs because of the former’s concern for poverty reduction, especially among women, which is conspicuous by its absence in case of the latter.

In the context of micro finance through SHGs, sustainability can be defined as the ability of the programme to meet the growing needs (credit and other) of members through resources raised on its own strength or resources available at its command. Sustainability has two components - Institutional or operational sustainability and financial sustainability. Sustainability can be examined at three levels – individual, group and programme.

An analysis of the available literature reveals that there were no comprehensive studies on the sustainability of micro finance through SHGs in Indian context. Further, there is no clear evidence to indicate that the SHG model of micro finance is sustainable from the institutional and financial angles in the country. Also, the available evidence precludes definite conclusions on the sustainability of micro finance either at the individual or at the group or
programme level. Because of the huge investments and a massive drive for promoting micro finance through the SHGs in different parts of the country as a key strategy for poverty reduction and women empowerment, the need for comprehensive and systematic studies to examine the sustainability of SHG model of micro finance becomes pertinent.

Andhra Pradesh is one of the leading states in the country with regard to SHG movement. The state alone accounts for about one-third of all the SHGs in the country and the amount of financial assistance provided to them under SHG-Bank linkage programme. The state had implemented three major poverty reduction programmes, viz., SAPAP, APDPIP and APRPRP, which were essentially based on the SHG model. The APRPRP is still under implementation throughout the state. The state vigorously pursued the promotion of SHG model of micro finance aimed at poverty reduction and empowerment of women. The widespread variations across the state in terms of geographical and socio-economic characteristics justifies the need for region-specific studies to have deeper insights into the various issues related to the sustainability of SHG model of micro finance. The present study is a modest attempt in this direction, undertaken in the context of Guntur district of Andhra Pradesh.

OBJECTIVES OF THE STUDY

The specific objectives of the study are to:

- examine the provision of micro finance services through SHGs in the study area;
- analyse the functioning of SHGs at different levels in the study area;
• ascertain the role of members in the management of SHGs;
• assess the impact of SHGs on livelihoods of members; and
• suggest measures, in the light of the findings of the study, to strengthen the sustainability of micro finance services through SHGs in the study area.

METHODOLOGY

Multi-stage sampling method was adopted for the conduct of the study. At the first stage, two project mandals were chosen from each of the three revenue divisions in Guntur district on the basis of coverage of the programme, with a view to give adequate representation to different socio-economic and geographical situations. At the second stage, two villages were chosen from each project mandal selected on the basis of random sampling method. At the third stage, four SHGs that completed a minimum of two cycles of bank credit were selected from each sample village on the basis of random sampling method. At the last stage, five members were chosen from each sample SHG for an in-depth study on the basis of random sampling method. Thus, the sample for the study comprised 48 SHGs and 240 members spread over 12 villages in six project mandals from across all the three revenue divisions of the district.

In addition, the Executive Committee (EC) members and Office Bearers (OB) of the sample Zilla Samakhya (ZS), 6 Mandal Mahila Samakhyas (MMSs) and the 12 Village Organizations (VOs) in the study area were interviewed through FGDs in order to understand the functioning of these institutions at different levels and their linkages with the sample members. Interviews were also held with the officials of IKP at the district, mandal and village levels to
ascertain their views regarding the sustainability of micro finance through SHGs in the study district and the constraints faced in this regard. The reference period of the study is 2006-07.

The data collected from various sources was processed and analysed with the help of computer, using SPSS. Appropriate statistical tools and techniques were employed to analyse the data to draw inferences. The analysis was made by caste category in order to distinguish between the performance of sample SHGs belonging to different caste categories such as SCs, STs, BCs, Muslim Minorities and OCs. A similar attempt was made to draw a distinction between the performance of sample respondents belonging to different caste categories and economic categories in different aspects. In addition, the qualitative information collected from various sources was also analysed and reported where appropriate.

Multiple Regression analysis was used to examine the factors affecting the turnover of external funds accessed by the sample SHGs. The financial health of the sample SHGs was assessed in terms of indicators such as turnover of external funds accessed, built-up corpus, velocity of lending and recovery performance. Discriminant Function analysis was used to find whether there is a significant difference between the Poorest of the Poor (PoP) and other Poor as well as between the leaders and ordinary members among the sample respondents from the SHGs in respect of accessing financial benefits from the programme. Suitable Indices were developed to examine the role of sample respondents in decision-making process concerning different aspects.
LIMITATIONS OF THE STUDY

In spite of the best efforts to make the study foolproof, the study has certain limitations. Firstly, recall method was used to elicit the information from the sample respondents regarding changes in the occupation, income and asset position of the household before they became members of SHGs, and hence the data on these aspects would only be approximate but not accurate. Secondly, the respondents might not have revealed correct information on different aspects because of several apprehensions, in spite of attempts to build good rapport with them. Thirdly, time value of money was not taken into account even though the data on income pertained to different points of time in view of the difficulties in eliciting the information and computation process, and hence the results pertaining to changes in income would only be indicative but not precise. Lastly, the findings of the study specifically pertain to Guntur district for the reference period, which preclude valid generalizations, as the situation could be different in other parts of the state and the country. These limitations need to be borne in mind while analysing the results of the study.

SIGNIFICANCE OF THE STUDY

In spite of the limitations mentioned above, the study assumes significance because of its topical relevance. In the absence of not many comprehensive and scientific studies on the sustainability of micro finance through SHGs, the study may serve the useful purpose of filling the research gap to some extent in this field. Further, since the study attempts to analyse the functioning of SHGs at different levels starting from grassroots level to the district level, the findings may throw light on the deficiencies in their functioning.
and the policy implications for improving their functioning. Similarly, the findings of the study may throw light on what needs to be done to ensure the sustainability of the micro finance activities through a network of institutions created at different levels. Besides, since the SHG approach has been adopted as a key strategy for poverty reduction and empowerment of women in different parts of India, especially in Andhra Pradesh, the findings of the study may be useful in modifying this strategy for benefiting the target community in a much more effective manner. The need for sustaining the micro finance activities through SHGs becomes especially important in the context of adverse consequences for the poorer sections as a result of the exploitative tendencies of the private MFIs virulently operating in the field of micro finance.

MAJOR FINDINGS OF THE STUDY

The major findings of the study are summarized here under.

Micro Finance through SHGs in AP

Micro finance through SHGs made rapid strides in Andhra Pradesh mainly because of the favourable climate created in the state due to the active role played by the government, formal rural banking system and the NGOs right from the launching of DWCRA during 1982-83 till date. The state government created structures from the grassroots level to the state level through programmes such as SAPAP, APDPIP and APRPRP and launched new initiatives in the fields of education, health and nutrition, food security, marketing, gender, disability and employment in collaboration with various public and private sector organizations, in order to build the SHG movement on strong lines. The NABARD's SBLP gave a big boost to the SHG movement in
the state with an increased flow of credit to the poorer sections of the society, which, besides relieving them from the burden of high cost credit to some extent, helped them to undertake new livelihood opportunities or strengthen their existing occupations, resulting in increased incomes and improved quality of life for the members of their households.

The growth of SHG movement was slow till 2000, but picked up momentum since 2001 to reach 6,91,753 SHGs as on March 2007, which further rose to 8,50,671 SHGs by March 2009. There were 1,01,82,181 members in these SHGs and their cumulative savings stood at Rs. 1,962.5 crores by March 2009. The SBLP progressed by leaps and bounds in the state, with an amount of Rs. 20,877.90 crores provided to 24,29,756 SHGs (on cumulative basis) by March 2009. As a result, the SHGs in AP secured a bank loan of Rs. 1.64 lakhs per SHG as against all India average of Rs. 0.48 lakhs by March 2009. Thus, it may be said that a strong banking support was given to the SHG movement in the state, especially under debt swapping scheme called Total Financial Inclusion (TFI) initiated during 2006-07.

The institution building efforts under IKP (erstwhile Velugu) became evident from the fact that these SHGs were federated into 35,525 VOs and 1098 MMSs including 126 MMSs formed separately for physically challenged persons, 17 for primitive tribes (Chenchu mandals) and 15 for fishermen by March 2009. Zilla Samakhyas also came into existence in all the 22 districts of the state. SERP claims that a large number of poorest of the poor and disadvantaged sections of society were organized under SHGs, which helped to strengthen the social capital among the poor.
The impact at the macro level has been quite impressive in terms of increased credit flow to the poorer sections due to SBLP and CIF and a rise in the school enrolment rate in the age group of 6-14 years in the target community. But, the increased credit flow has not clearly reflected in terms of increased production although credit is timely repaid whether through incremental income or from other alternative sources.

The important problems noticed in the functioning of micro finance programmes through SHGs at the state level include the bureaucratic tendencies in the SPMU, target driven and top-down approach, lack of effective convergence with the line departments, embezzlement of funds by the project staff, and virulent operation of the private-run MFIs posing a severe threat to the sustainability of SHG movement.

**Micro Finance through SHGs in Guntur District**

Guntur district has a unique place in Andhra Pradesh as it falls in the centre of the state and has borders with the districts falling under all the three regions of the state. The district is relatively well developed in agricultural and industrial sectors compared to many other districts in the state and its rich resources offer tremendous potential for diversification of livelihood opportunities. The district has a fairly good banking network and infrastructural facilities, besides a 43 km long coastline. The district is the home for many private MFIs operating in the areas nearer to urban centres. The district also has a predominant presence of SCs and STs and the population below the poverty line accounted for 49.5% of the total population. Thus, the study district
has all the features that justify its inclusion under IKP for promoting micro finance activities through SHGs.

The APRPRP was initially launched in Jun 2002 in 22 relatively backward mandals in the district, but extended to all the 57 mandals in Jan 2007. There were SHGs formed under DWCRA and IMY already functioning in the district prior to the launching of APRPRP. The PD, DRDA is responsible for spearheading the SHG movement in the district under IKP in collaboration with other public and private sector organizations. As on March 2009, 50,259 SHGs were formed in the district comprising 525,590 members.

The district recorded tremendous progress in terms of the number of SHGs bank-linked and the amount of credit flow to them under the NABARD's SBLP after the launching of APRPRP. While only 5072 SHGs were bank-linked to the tune of Rs.11.33 crores during 2001-02, the number of SHGs bank-linked steadily increased to 16654 to the tune of Rs.133.61 crores during 2006-07. There was a rapid growth in the number of SHGs bank-linked and the amount of bank credit sanctioned to them during 2007-08 and 2008-09 due to the launching of Indiramma housing scheme and TFI scheme, but there was a marginal decline during 2009-10 both in terms of the number of SHGs bank-linked and the amount of bank credit sanctioned to them. On the whole, a sum of Rs.1414.24 crores was provided as bank credit to 131,517 SHGs (cumulatively) during the period from 2002-03 to 2009-10, the average per group being Rs.1.08 lakhs. The IKP also benefited the SHG member households through other services/ schemes such as insurance, education of children, jobs, land to the landless, food security, collective marketing, dairying, CMSA, health and nutrition and so on.
The IKP project in Guntur district has been instrumental in social mobilization of the target community into the fold of SHGs to a large extent. But, the IKP is functioning like any other line department under the guidance of the Assistant Project Managers (APMs) or Community Coordinators (CCs) at the mandal level. The link between APMs/ CCs and Mandal Development Officers (MDOs) has not been built on sound lines. As a result, the required liaison is missing, and efforts to achieve the project objectives suffered under the leadership of Project Directors (PDs)/ Area Coordinators (ACs), mostly drawn from different government departments such as labour, revenue, audit, forest, agriculture, animal husbandry, etc. These officials are mostly bureaucratic in their approach focusing on adherence to rules rather than being development-oriented. Frequent transfer of PDs is another area of concern. A stiff competition from the private-run MFIs in the district with exploitative tendencies and whose membership also covered SHG members is yet another area of concern for the sustainability of micro finance through SHGs.

**Functioning of the Sample SHGs**

The social composition of 48 sample SHGs revealed that about 40% of them belonged to SCs and STs and another 46% to BCs and Muslim minorities. The sample SHGs were aged between 3 and 9 years at the time of field survey, the average age of an SHG being 5 years. The sample SHGs comprised 524 members in all, the average being 11 members per SHG. About 67% of the SHG members belonged to the younger age group of 21-40 years. But, a vast majority (90%) of the SHG members were either illiterate or did not cross primary school. Similarly, 96% of the SHG members were unskilled.
About 66% of the SHG members were landless and 31% were marginal farmers with less than 2.5 acres. Most of the SHG members (74%) were dependent on agricultural sector for their livelihood, especially on wage labour (62%), and a few others on animal husbandry sector (18%). Thus, the socio-economic background of the members of sample SHGs justified their inclusion in the project.

Although the average age of the sample SHGs was 5 years, yet changes in membership were noticed in the case of 30% of the groups. A large majority of the sample SHGs (79%) were meeting once in a month. The average attendance at the meetings was more than 75% in the case of only 58% of the sample SHGs. The average time spent at the SHG meetings was 29 minutes, with the discussions essentially centred round the financial matters.

The norm for savings was Rs.50 per month in the case of 75% of the groups, but the regularity in savings could be noticed only in about 65% of the groups. The savings were distributed among the members at least once in the case of 37.5% of the groups.

Even though 94% of the sample SHGs practiced internal lending at the rate of interest of 24% per annum (in the case of 69% groups), the internal loans lent to the members did not cross 75% of their corpus. More so, a vast majority of the SHGs (79%) did not adhere to the repayment schedule agreed upon by their members at the time of taking loan.

The norm of sharing of responsibility in depositing and withdrawing money and other tasks was not properly inculcated in the sample SHGs as evident from the fact the responsibility was shared among the members only in
the case of a majority (54%) of the groups, with the leader (usually the first leader) alone performing this responsibility in the case of the remaining groups. It was also noted that leadership rotation was not put into practice in all but one of the sample SHGs.

A majority of the sample SHGs (54%) were still dependent on the animator/activist for bookkeeping. The bookkeepers were paid an amount of Rs20-30 per month in the case of 79% of the groups. Over 90% of the groups adopted DRDA books and the quality of bookkeeping could be termed average in the case of a majority (52%) of the groups. The books were updated once in a month in the case of 77% of the groups.

All the sample SHGs were linked to banks, most of them twice or thrice and a few others 4-5 times as on March 2007. While 60% of them depended on the project staff for getting bank linkage, 40% could do so either on their own or through their federations (VOs). The time taken for latest bank linkage was 30 days in the case of a majority of the groups (65%), with the average expenses incurred worked out to Rs.160 per group.

The sample SHGs accessed bank credit (cumulative in all the credit cycles) to the tune of Rs.72.33 lakhs under the SBLP. The total bank credit accessed per SHG ranged between Rs.50,000 and Rs.390,000, the average being Rs.150,688. Across the social groups, the average bank credit accessed was lesser in the case of Muslims and STs (Rs.90,250 and Rs.117,000 respectively), when compared to OCs, SCs and BCs (Rs.215,714, Rs.154,857, and Rs.144,944 respectively).

A vast majority of the sample SHGs (79%) obtained revolving fund to the tune of Rs.3.95 lakhs for all the groups taken together, which was distributed
equally among the members of the respective groups and did not help them to
build their corpus.

A large majority of the sample SHGs (72.9%) obtained CIF to the tune of
Rs.23.14 lakhs. The CIF obtained per group varied between Rs.11,000 and
Rs.158,000. The average CIF accessed per group was highest in the case of
OCs (Rs.102,250), followed by SCs (Rs.77,269), BCs (Rs.50,382) and least
among STs (Rs.44,000). None of the Muslim groups obtained CIF.

The total funds accessed from all the above sources worked out to
Rs.99.42 lakhs in respect of the sample SHGs. On an average, each SHG
could access Rs.2.07 lakhs from banks and other government agencies. The
average amount accessed per SHG was highest in the case of OCs (Rs.2.83
lakhs), followed by SCs (Rs.2.36 lakhs) and BCs (Rs.2.01 lakhs), whereas the
corresponding figures for the STs (Rs.1.34 lakhs) and Muslims (Rs.0.93 lakhs)
fell far below the average for all the groups taken together.

The external credit was mostly utilised for agriculture, housing, livestock
and non-farm activities, along with social functions, education and health and
domestic consumption. Only less than half (47.5%) of the external credit
accessed was utilized for economically productive purposes with potential for
generating incremental/ additional income.

The corpus of the sample SHGs varied between Rs.10670 and
Rs.49850. The average amount of corpus worked out to Rs.24,913 per group,
being highest in the case of SC groups (Rs.29,700), followed by BC groups
(Rs.28,552), OC groups (Rs.26,715), Muslim groups (Rs.20183) and least in
the case of ST groups (Rs.16,383).
The turnover of external funds stood at 5 to 10 times of the corpus in respect of a majority (60%) of the sample SHGs, the average per group working out to 8.6, the corresponding figure being higher for OC groups (12), followed by STs, SCs, BCs and Muslim groups (9.44, 9.14, 7.44 and 4.71 respectively.

Regarding the factors affecting the turnover of external funds accessed by the sample SHGs, results of multiple regression analysis indicated that the chosen variables (‘age of the group’, ‘number of times linked to bank’ and ‘savings amount’) influenced the turnover of funds accessed by them to the extent of 49.16%, which is significant at 1% probability level. While the first two variables had a significant positive impact (at 10% and 1% probability level respectively), it is surprising to note that the savings amount had a significant negative impact (at 1% probability level) on the turnover of funds of the sample SHGs, which could be due to withdrawal of savings amount in quite a few groups.

The velocity of lending (internal loans) was less than 2 times the corpus in the case of 75% of the sample SHGs, more so among the Muslim and SC groups when compared to others. The average velocity lending in respect of the sample SHGs (average age being 5 years) worked out to 1.9 times the corpus, ranging from a high of 3.8 in the case of OCs to 0.8 in the case of Muslims. The velocity of lending of the sample SHGs is far below the expected performance (1 ½ times the corpus per annum).

The recovery performance of the sample SHGs was very good in respect of bank loans taken (101%), while it was poor in the case of internal
loans (48%). The recovery of loans taken from CIF (73%) could be termed average.

The members in respect of 46% of the sample SHGs gained an average knowledge on the functioning of SHGs. While the knowledge gained by the members was limited in the case of 19% groups, it was nil in the case of 10% groups. The knowledge gained by the members was high or very high only in the case of about 25% of the groups. As a consequence, a majority of the sample SHGs were still activist-driven, while the activists largely depended on MBKs and occasionally on CCs and other staff for carrying out different activities under the IKP. But, the groups were self-reliant in so far as the ability to meet their own expenses with regard to conducting their meetings, visits to bank, payment to bookkeepers, treating the guests, and so on.

Inter-institutional relations of the sample SHGs were largely confined to VOs and banks, and to some extent with PRIs at the village and mandal level. Relations with other line department have not improved in any significant manner. The sample SHGs were also not able to resist pressures in the sense that there was no strict adherence to micro credit plans (MCPs) while sanctioning loans, and there was no proper monitoring on the end-use of loan; the members were acting on their own in these matters.

Functioning of the Sample VOs

The 12 sample VOs were formed between 2003 and 2007. Of these, 7 VOs (58.3%) were registered under the APMACS Act, 1995. Out of 4458 households falling under the area of operation of the sample VOs, 3235 households (73%) were brought into SHGs. Social mobilization of households
in the VO area was 100% in the case of four villages, while in other villages, the corresponding figure varied between 51% and 94%. Over 70% of the households covered by the sample VOs were classified as poor and about 13% as poorest of the poor (PoP). The remaining 17% of the households covered by the sample VOs belonged to the category of non-poor.

The organizational set-up of VO consists of general body (GB) at the base level comprising all the members of SHGs covered, executive committee (EC) comprising representatives of SHGs at the middle level, and office bearers (OB) at the apex level comprising president, vice-president, secretary, joint secretary and treasurer. The OB is assisted by 3-5 sub-committees drawn from among the EC members to review and monitor the implementation of different activities undertaken by the VO. But, these sub-committees were hardly functional in the case of a majority of the sample VOs. The GB meetings were rarely held in the case of the sample VOs. The EC meetings were held twice a month in the case of the sample VOs where all the financial transactions of the member SHGs take place.

The sample VOs were provided with quite a few funds under CIF. The total releases of CIF for the sample VOs stood at Rs.61.47 lakhs, which indicate that the releases were higher than the initial entitlement by Rs.29.1 lakhs. The releases were higher than the initial entitlement in the case of 8 out of 12 sample VOs. The average IGA entitlement and releases per VO worked out to Rs.2.7 lakhs and Rs.5.1 lakhs respectively, which indicates that the releases were higher by about 89% as compared to the entitlement.

It was stipulated that the SCs should be allotted 50% of the funds under CIF, STs 10% and disabled persons 10%. But, it was noticed that the project
staff did not adhere to the guidelines in providing CIF assistance. The CIF was provided to 1169 members in 120 SHGs. Further, 722 members in 122 SHGs were provided loans under recycling of CIF. Thus, a total of 1891 members were benefited with loans under CIF. The cumulative loans to the members from CIF stood at Rs.81.09 lakhs as on March 2007. The percentage of recovery of CIF loans varied between 71% and 100% in respect of the sample VOs, the average being 89%. The total bank balance for the sample VOs worked out to Rs.14.34 lakhs, the average being Rs.1.43 lakhs per VO. The bank balance as of March 2007 accounted for about 42% of the loans advanced during 2006-07 by the sample VOs, which indicates that the available funds were not effectively utilized to cater to the credit needs of the target group.

Trainings conducted were mostly thrust on the members and the needed zeal and enthusiasm was not visible. It was also observed that the training programmes were not planned by synchronizing lean/ busy agricultural seasons and to suit the convenience of the members by making them participants in the finalization of the training calendar. Further, the contents of the trainings had no relevance to the work on hand. No leadership rotation was observed in the sample VOs.

It was observed that the CA or MBK largely drove the functioning of VOs. The concerned CC seldom attended the VO meetings. None of the sample VOs submitted monthly progress report and only one of them undertook marketing of maize during 2006. Even though a majority of the VO OB (56%) belonged to SC/ST and to younger age group of less than 45 years, about two-thirds of them were either illiterate or studied only up to primary
school. Further, even though a vast majority of the activists (83%) had studied up to 10th class or above, about half of them had less than two years of experience. As such, the capacities of OB and the activists of the sample VOs were limited.

**Functioning of the Sample MMSs**

The six sample MMSs were formed between 2003 and 2005 and the number of VOs enrolled as members per MMS varied between 20 and 28. One of the main functions of the MMSs was to undertake lending of CIF and recover the same in stipulated instalments on a regular basis. The CIF provided to the sample MMS at different points of time since their formation varied between Rs.47.24 lakhs and Rs.92.86 lakhs, the average per MMS being Rs.68.25 lakhs. The OB was changed only once after the formation of the sample MMSs during Jan 2010. The OB hailed largely from underprivileged sections of the society and belonged to younger age group, but with low levels of education. As such, the OB was largely dependent on the project staff (CCs, APMs, etc.) to take decisions on important issues. The MSMs were positioned in all but one sample MMSs as on March 2010. They were well-qualified (graduates or postgraduates) and belonged to relatively younger age group.

The total receipts were of the order of Rs.7.87 lakhs to Rs.27.38 lakhs in three sample MMSs, while they stood at Rs.54.75 and Rs.90.09 lakhs in two others; the huge amounts were essentially due to the distribution of social security pensions by selected VOs in the latter two mandals on pilot basis. The opening balances were also quite impressive ranging between 29% and 60% of the total receipts in the case of the sample MMSs. The audit statements clearly
indicate that the sample MMSs were largely dependent upon the project grants for CIF/RCL and funds provided for IHCB. The recovery of CIF from the member VOs was yet to start in a major way as on March 2007. It was learnt that the recovery of CIF from the VOs was planned from 2007-08 onwards in 60-100 monthly instalments. Only two of the sample MMSs earned considerable income during 2006-07. The other sample MMSs were yet to undertake marketing and other activities through which they could earn some income.

Functioning of the Sample ZS

The ZS, Guntur started functioning from March 30, 2005, but it was formally registered only on 6th February 2009 under the APMACS Act, 1995. The ZS OB manages the functioning of the ZS with the assistance of one ZS manager and one or two clerks. There has been a change in leadership of ZS three times during the five years of its existence. Because of low levels of education and limited experience, the OB is yet to fully understand the purpose of forming the ZS and its functions. As such, the entire OB functions largely as per the directions of the PD, DRDA and other project staff at the DPMU.

The funds provided to the sample ZS increased from Rs.57.46 lakhs during 2005-06 to Rs.178.67 lakhs during 2008-09. The other income of the ZS represents income from service charges on insurance schemes and outsourcing of jobs. There was a considerable income from these sources during 2007-08 and 2008-09, which stood at Rs.12.76 lakhs and Rs.2.72 lakhs respectively. The audit reports indicate that the sample ZS had excess of income over expenditure to the tune of Rs.267,540 and Rs.204,48,873 during
2005-06 and 2006-07 respectively, while it had excess of expenditure over income to the tune of Rs.6259,072 and Rs.12723,200 during 2007-08 and 2008-09 respectively. This was essentially due to acceleration in the activities taken up by the sample ZS during the latter two years.

Role of Members in Managing the Sample SHGs

The profile of 240 sample respondents indicates that about 79% of them were poor and 17% poorest of the poor (PoP). A vast majority (87%) of them belonged to socially underprivileged sections. About 73% of the sample respondents belonged to the age group of 21-40 years. About 61% of them were illiterate, while 24% were either just literate or had primary school education. A majority (61%) of them were landless, followed by marginal farmers (35%) possessing less than 2.5 acres. About two-thirds of them were dependent upon agricultural sector for their livelihood, mostly as wage earners. Over 90% of them were unskilled.

While 94% of the sample respondents reported that they had only one member in the SHGs, the remaining 6% had two members each. A vast majority (79%) of them were members alone, while the rest held the position of either leader in the past (2%) or leader at present (19%).

The average savings per member stood at Rs.2484, being highest in the case of the BCs (Rs.2890), followed by OCs (Rs.2721), SCs (Rs.2308), Muslims (Rs.2016), and STs (Rs.1676). About 73% of the sample respondents were regular in contributing savings to the SHGs, while the rest 27% were defaulters at one time or another.
About 79% of the respondents reported that they regularly attended the group meetings. Similarly, 73% of the respondents had regularly spoken at such meetings.

About 76% of the sample respondents availed internal loans as on March 2007, the corresponding figure being highest in the case of Muslims and OCs (94% each), followed by SCs, BCs and STs (78%, 69% and 66% respectively). The average amount of internal loan availed so far (cumulative) stood at Rs.5404 per member, which varied from Rs.1353 in the case of Muslims to Rs.9200 in the case of OCs. Internal lending was not very effective in terms of both the number of loan cycles and the average amount of loan per member in the case of the sample respondents.

Almost all the sample respondents (99%) accessed bank credit as of March 2007. The average bank loan accessed per member worked out to 14,551, being highest in the case of OCs (23,878), followed by SCs (15,165), BCs (12,731), Muslims (11,077) and STs (10,756).

About two-thirds of the sample respondents availed the CIF loans. The percentage of sample respondents availing CIF loans was higher among the SCs (87%) and BCs (78%) when compared to others. Similarly, about 75% of the sample respondents availed the revolving fund, being slightly higher among the SCs and STs (85% and 79% respectively) when compared to others.

Discriminant function analysis was used to examine whether there was any significant difference between the poorest of the poor and other poor among the SHG members in respect of accessing financial benefits. The variables taken into account for this purpose include ‘number of times internal loans were availed’, ‘amount of internal loan availed’, ‘number of times bank
loan was availed', and 'amount of bank loan availed' and 'savings amount' cumulatively as on March 2007. It was found that the sum total effect of these 5 variables could distinguish between the PoP and other poor among the SHG members, which is statistically significant at 5% probability level; the performance of other poor was significantly better when compared to the PoP in respect of both savings and availing financial benefits.

Discriminant function analysis was also used to examine whether there was any significant distance between the leaders and ordinary members among the SHG members in respect of availing the financial benefits by taking into account the same variables that were used to distinguish between the PoP and other poor. It was found that the sum total effect of these 5 variables could not significantly distinguish between the leaders and ordinary members. It clearly indicates that the SHGs were functioning in a democratic fashion and the leaders did not misuse their office to corner extra financial benefits.

Regarding the access to non-financial benefits, it was found that about 60% of the sample respondents availed food security scheme during 2006-07, the corresponding figure being considerably high in the case of BCs and STs (88% and 69% respectively), followed by SCs and OCs (46% and 32% respectively), and very low in the case of Muslims (11%). Over 81% of the respondents who availed food security scheme had repaid the loans taken. About 38% of the sample respondents subscribed to the JBY scheme, the corresponding figure being highest in the case of Muslims (67%) and lowest in the case of STs and OCs (17% and 19% respectively), with the SCs and BCs falling in between (42% each). But, only 8% of the sample respondents availed
the benefit of collective marketing during 2006-07 or before. Similarly, a negligible percentage of sample respondents took to NPM practices.

The percentage of the sample respondents who had clear perception of the roles of the SHG leaders varied from one aspect to another: collecting savings (92%), providing information to the members on different issues (88%), depositing the savings collected from the members (63%), visiting the bank and other offices to access financial and non-financial benefits for the group (57%), participating in social issues (50%), and conducting of group meetings properly (47%), resolving group conflicts (10%), maintaining the records (3%), searching for marketing of produce (0.4%) and assigning works to the members (0.4%). Thus, a majority of the sample respondents were yet to have a clear perception of different roles of the SHG leaders.

Regarding the perception of the sample respondents about the benefits from SHG federations, their views were largely confined to VOs: gaining access to higher quantum of financial resources/loans (75%), collective purchase and sale of commodities (59%), resolving wider social issues (13%). Very few respondents were clear about the benefits that could be drawn from MMSs and the ZS.

With regard to improvement in their awareness/confidence levels after joining the SHGs, a vast majority of the sample respondents (86%) viewed that they had improved level of awareness of different social, economic and political issues only to some extent. Similarly, the level of improvement in self-confidence and self-esteem was to some extent only according to over 84% and 78% of the sample respondents.
Three indices were developed to measure the level of involvement of sample respondents in decision-making process pertaining to the group functioning, financial matters and household matters, viz., group decision-making index, financial decision-making index and household decision-making index.

Group decision-making index was developed taking into account the combined score obtained by each respondent in respect of 11 issues concerning the functioning of SHGs. It was found that the level of involvement in group decision-making was low in respect of a vast majority (89%) of the respondents. This was true across all caste categories. The level of involvement in group decision-making could be considered as high only in respect of 3% of the respondents, ranging between 0 in the case of Muslims and 5% in the case of BCs.

'Financial decision-making index' was developed taking into account the combined score obtained by each respondent in respect of five issues, viz., borrowing, spending, repaying, taking up IGA and making other investments. It was found that the level of involvement of the sample respondents in financial decision-making was low in respect of 75%, ranging between 65% in the case of OCs and 90% in the case of STs. The level of involvement could be considered high only in respect of 19% of the respondents, ranging from 7% in the case of STs to 29% in the case of OCs.

'Household decision-making index' was developed by taking into account the combined score obtained by each respondent in respect of five issues, viz., children's education, health, children's marriage, family planning and dressing. It was found that the level of involvement of the sample
respondents in household decision-making could be termed low in respect of 93%, ranging between 86% in the case of STs and 99% in the case of SCs, and nil in the case of the rest, which is, however, not statistically significant.

A 'composite decision-making index' was developed by combining the scores of all the above three indices for each respondent in order to determine the level of involvement of sample respondents in decision-making process as a whole. It was found that level of involvement of the sample respondents in decision-making could be termed low in respect of 76%, being higher in respect of all caste groups (79% in BCs and STs to 94% in Muslims) when compared to the OCs (39%). The level of involvement of the sample respondents in decision-making could be termed high only in the case of 9%, ranging from 0 in Muslims to 19% in OCs. Thus, it is clear that the level of involvement of sample respondents was considerably low in decision-making process.

Impact of SHGs on Livelihoods of Members

Almost all the sample respondents perceived that their access to institutional credit increased after joining the SHGs. The percentage of sample respondents reporting increased incomes in their households after joining the SHGs stood at 88%, the corresponding figure varying from 100% in the case of the SCs and OCs to 77%, 79% and 83% respectively in the case of BCs, STs and Muslims. Similarly, the percentage of sample respondents who felt that there was an improvement in the asset position of their households after joining the SHGs stood at 79%, the corresponding figure varying from 100% in the case of OCs and Muslims to 86%, 85% and 62% respectively in the case of STs, SCs and BCs. Similarly, the percentage of sample respondents reporting
increased incomes in their households after joining the SHGs stood at 88%, the corresponding figure varying from 100% in the case of the SCs and OCs to 77%, 79% and 83% respectively in the case of BCs, STs and Muslims.

The micro finance programmes through SHGs helped the sample respondents and their household members to strengthen their existing occupation or to diversify their occupational pattern. The occupational diversification had taken place from agriculture towards business, livestock rearing and other services. The occupational shift was on both full-time and part-time basis. The occupational shift mainly enabled the members to pursue different IGAs as a secondary occupation.

The changes in the occupational pattern led to changes in the income pattern as well. There was a substantial increase in the proportion of households drawing income from the animal husbandry sector, especially dairying, from 9% before joining the SHGs to 45% at present. There was also a substantial increase in the proportion of households drawing income from the services sector from about 20% before joining SHGs to about 32% at present, while the proportion of households drawing income from business sector rose from 28% before joining the SHGs to 33% at present. As a result, the average household income per annum increased from Rs.29,683 before joining the SHGs to Rs.47,229 at present in the case of the sample respondents, recording a rise of about 59%.

Regarding specific increases in the acquisition of assets, it was found that about 25% of the sample respondent households acquired unirrigated land to the tune of 80.85 acres after joining the SHGs, the corresponding figure being relatively higher in the case of OCs (42%) and STs (38%), when
compared to SCs, BCs and Muslims (18%, 19% and 22% respectively). Besides, about 11% of the sample households acquired irrigated land to the tune of 26.8 acres after joining SHGs, the corresponding figure being highest in the case of STs (38%), followed by Muslims (17%), OCs (16%), BCs (7%) and SCs (1%). Similarly, about 40% of the sample households acquired milch animals after joining SHGs, being highest in the case of OCs (77%) and ranged between 28% and 41% in the case of STs and SCs respectively. On the whole, the sample households acquired 153 milch animals valued at Rs.17.28 lakhs.

Besides, about 30% of the sample households benefited from housing finance, the corresponding figure being higher in the case of SCs and STs (52% and 31% respectively) when compared to BCs, Muslims and OCs (23%, 11% and 9% respectively). The total housing finance obtained by the sample households stood at Rs.18.44 lakhs.

In addition, about 25% of the sample households acquired household durable assets worth about Rs.6.86 lakhs. The percentage of households acquiring the household assets was higher in the case of Muslims and SCs (33% and 31% respectively) when compared to BCs, OCs and STs (23%, 19% and 17% respectively). There was also an increase in the other assets acquired by the sample households after joining the SHGs.

Further, the micro finance programmes also had a positive impact on migration in respect of the sample households in the sense that the proportion of households reporting migration and the number of days migrated per annum declined considerably after joining the SHGs. It was observed that a sort of reverse migration was also taking place in the study district in the sense that the labour settled earlier in urban areas often migrated to rural areas to take up
seasonal works in farms, besides working in market yards, construction work-sites, etc.

CONCLUSIONS

Based on the above findings, the following major conclusions could be drawn:

1. The progress of micro finance through SHGs has been quite impressive at the state level in quantitative terms in respect of social mobilization, creation of structures and institutions, flow of credit and launching of several initiatives in diverse fields for the benefit of the target community, but the same thing cannot be said in qualitative terms crucial for the sustainability of the SHG movement. Bureaucratic tendencies have crept into the functioning of SERP as reflected by target-driven and top-down approaches in the pretext of maintaining uniformity, which is against the philosophy of self-help that rests on democratic traditions and flexibility principle.

2. The micro finance programmes through SHGs made rapid strides in Guntur district in terms of the number of groups formed, increased credit flow under SBLP, coverage under insurance intermediation and other interventions, but there is lack of coordination among the project staff drawn from varying backgrounds and the absence of effective convergence with the line departments at the grassroots level.

3. The implementation of IKP suffered from several weaknesses at the district level and below such as filling the positions in DPMU by deputation of staff without proper development-orientation from different
government departments and frequent transfer of key officials, besides pursuing the target-driven approach imposed from above, entrusting the field staff with non-project functions, absence of timely release of budget to pay staff salaries, abandoning of the scheduled training programmes for want of budget releases in time, and the absence of skill development training programmes in spite of the availability of training infrastructure and equipment. As a result, the focus was only on the progress but not on the process concerned with IHCB, thereby adversely affecting the sustainability of micro finance programmes through SHGs.

4. Although some traces of self-management and self-reliance are visible in the functioning of SHGs at the grassroots level, yet the scale or extent of the same is not conducive to attain institutional/ operational sustainability as evident from the practices such as default in savings, withdrawal of savings, irregularity in internal lending, absence of adherence to norms of repayment in internal lending, poor attendance at the meetings, obtaining signatures of members in the minutes book outside the meeting, absence of sharing of responsibility, inadequate capacity building of leaders/ members, dependence on Community Activist for bookkeeping, and average quality of bookkeeping.

5. The financial health of SHGs at the grassroots level is also not conducive for attaining financial sustainability as evident from the failure to build-up the corpus, absence of optimum utilization of corpus for internal lending, poor recovery performance in respect of internal loans, and poor performance in terms of velocity of lending and turnover of external funds.
6. There are variations in the performance of SHGs belonging to different social categories in respect of access to external funds, often to the disadvantage of underprivileged groups as compared to others. Even though the SC and BC groups had higher corpus when compared to OC groups, their performance was lower than that of the latter in accessing external funds.

7. Even though the VOs fared well in terms of social mobilization of poor into the fold of SHGs, besides being allocated higher amounts of CIF as against their entitlement, the functioning of VOs is not conducive to attain institutional and financial sustainability as reflected by inadequate capacity building of both the EC members and the OB, absence of proper functioning of sub-committee system, dependence on the CA for decision-making, inability to optimally utilize the funds at their disposal for meeting the credit needs of the target community, failure to adhere to norms while distributing CIF to the underprivileged sections, and inability to earn additional income through collective economic activities.

8. The functioning of MMSs is also not conducive for attaining institutional and financial sustainability, as indicated by the inadequate capacity building of EC members and OB, inability to ensure the proper functioning of the sub-committee system, inability to build inter-institutional relations on sound lines, dependence on project staff for decision-making, complete dependence on project funds, existence of idle funds on a large-scale and inability to earn additional income through collective economic activities.
9. The functioning of ZS reflects its potential for attaining financial sustainability as evident from its ability to earn income through service charges on insurance schemes and outsourcing of jobs, but has to go a long way for attaining institutional sustainability as indicated by inadequate capacity building of EC members and OB, and dependence on PD, DRDA and other staff in DPMU for decision-making.

10. Even though there were no significant variations in terms of access to financial benefits between 'leaders' and 'ordinary members' in SHGs, there were significant variations in terms of access to financial benefits between the PoP and the 'other poor' (which includes a few non-poor) among the SHG members; the performance of the other poor was better when compared to that of the PoP in respect of access to internal as well as external loans in both absolute and relative terms. Other scholars also viewed that micro finance programmes do not support the poorest (Hulme and Mosley, 1996; Mosley and Hulme, 1998; Hulme, 2000; Nevajas et al, 2000; Fujitha, 2000; Meyer et al, 2000). Similarly, Rajasekhar (2004b) concluded that micro finance programmes often benefited the non-poor.

11. The participation of members in the functioning of SHGs could be termed passive, as reflected by their low level of involvement in group decision-making. The level of involvement of SHG members was also low in decision-making pertaining to financial and household matters. The level of involvement of SHG members in decision-making process as a whole was limited, owing to their low levels of education and skills and due to gender inequalities in their households.
12. The SHGs have had a positive impact on the member households as reflected by their increased access to institutional credit, assets and income and reduced migration; the increase in asset position of the households is indicated by the acquisition of land, cattle wealth, household durable assets and other assets, while the increased income is indicated by multiplication of income sources and increase in income from different sources in absolute and relative terms after joining the SHGs. Morduch and Heley (2002)\(^8\) and Hulme and Mosley (1996)\(^6\) also observed that, by and large, access to microfinance has had a positive economic impact. NABARD (2002,\(^{10}\) 2007a\(^{11}\) and 2008\(^{12}\)) also reported that microfinance programmes resulted in significant increases in income and asset position of the households.

POLICY IMPLICATIONS

Based on the conclusions drawn, the following suggestions could be offered to improve the functioning of microfinance programmes through SHGs so as to make them sustainable from both the institutional and the financial perspectives:

1. There is an urgent need to strengthen the IHCB component of APRPRP to undertake capacity building programmes for the members right from the SHG to ZS level to help them fully appreciate the spirit of self-help and understand the different components of the programme, and avail the financial and non-financial benefits from the public and private sector organizations working for the development of rural poor. The CRP strategy needs to be properly reoriented for capacity building of the
SHGs and VOs; the trained internal CRPs must be fully made use of to ensure proper functioning of SHGs and VOs in their own villages, at the convenience of members.

2. The low levels of skills among the SHG members emphasizes the need for undertaking skill development training programmes in different trades, fully making use of the training infrastructure and equipment already available in the study district under the aegis of DRDA, so as to enhance their skills and the opportunities to earn additional income.

3. The PoP strategy initiated during 2010-11, to ensure not only social mobilization of the PoP into the fold of SHGs but also evolve appropriate IGAs in accordance with their felt-needs, needs to be vigorously pursued to reduce the significant difference between the PoP and other poor among the SHG members in accessing financial benefits. The project staff at all levels – right from the VO to the MMS and ZS – should be specially oriented for this purpose and should facilitate the respective organizations to take appropriate decisions to mainstream the PoP households into the programme and within it.

4. The SHGs at all levels must launch innovative programmes to ensure optimum utilization of the funds at their disposal and to earn additional income so as to become financially sustainable. These programmes should be based on the changes taking place in livelihood opportunities and should reflect the felt-needs of the member households, and may include procurement and collective marketing of agricultural and minor forest produce, marketing of fertilizers and NPM products, and marketing of goods or items prepared/ manufactured by the members.
5. The SHGs, especially the VOs, should identify and market new savings products among the target community to cater to different lifecycle needs such as education, marriage and health emergencies, which appear to be feasible because of increased flow of money in the villages both due to IGAs undertaken by the members and the implementation of MGNREGP, besides increase in wage rates in general. These savings products should carry an acceptable rate of interest to the clients, comparable to that of recurring deposits.

6. The present practice of the VO giving CIF loans to individual members on the recommendation of the concerned SHG but without any accountability on the part of the latter needs to be streamlined in terms of diversifying the loan portfolio. It has been rightly argued that individual lending tends to be more attractive to the clients because they do not risk having to pay for someone else's shortcomings and can avoid attending group meetings by foregoing wages, and as such, are likely to be sustainable in the long run by withstanding the competition in the micro finance markets. In view of this, it is important that the VO should be evolved into a strong institution called 'village bank' which undertakes the normal banking business of deposit mobilization and sanction of loans, which is permitted under law, as the VOs were registered under APMACS Act, 1995. However, it is also important that the project should provide for facilitation support and close supervision by paid staff until the self-management capacities are built among the members to enable them to manage the village bank on their own.
7. In view of the negligence of members with regard to internal lending on the pretext that it is their own money and there is no need to strictly adhere to norms in respect of repayment, it is important that the SHGs start paying interest on savings to the members comparable to that of rate of interest paid on money kept in SB account by the banks once in six months. Such a practice is likely to create some sort of seriousness among the members to strive for optimum utilization of the built-up corpus and the prompt recovery of internal loans as well as to prevent withdrawal of savings amount from the SHGs.

8. Since the gender disparities persisted in members' households as reflected by the limited role of SHG women in financial and household decision-making process, despite an increase in the financial burden on them due to repayment responsibility associated with obtaining credit from banks/SHGs but without any control over its use, there is a need to reorient the gender strategy adopted in the programme in such a way that the gender issues are tackled in combined meetings of men and women rather than in the meetings of women alone.

9. The project staff at all levels should play the role of facilitators in building the SHGs at different levels and should be willing to withdraw from the scene once the members' capacities are built to the desired level. Since the sense of insecurity among the project staff has been removed to a large extent with the formulation of HR policy, the project staff should be willing to impart self-management skills and knowledge to the SHG members so that the latter can manage their institutions in a sustainable manner.
10. Even though SERP is responsible for monitoring the functioning of micro finance programmes through SHGs at the state level, it must not pursue target-driven and top-down approaches but confine its role strictly to formulation of policies and convergence with the government departments, and should allow complete freedom and flexibility to the DPMUs and the SHGs at various levels to take independent decisions on all matters warranted by the local situation.

11. The state government should play a proactive role in regulating the activities of private MFIs, finance corporations/chit funds and private moneylenders who charge exorbitant rates of interest, in order to not only protect the target community but also to ensure the sustainability of micro finance activities through SHGs. The ordinance issued by the state government to regulate the activities of MFIs should be replaced by a full-fledged legislative Act, taking into account the recommendations of the T.H. Malegam committee on MFIs.

12. The DPMUs should be separated from DRDAs and allowed to function independently so as to exclusively focus on the micro finance activities under the APRPRP, but at the same time maintaining close relations with the DRDAs, DWMAs and other line departments of the government at the district level for effective convergence of services.

13. The practice of appointing personnel in SPMU/ DPMUs on deputation basis must be dispensed with and it should be replaced by appointing the personnel through advertisement, prescribing the qualifications and experience required for different positions.
14. The APDPIP and APRPRP were subjected to continuous process monitoring by independent agencies up to 2007, but the same was discontinued even though the APRPRP was continued later and extended to all the districts in AP. It is important that the process monitoring of APRPRP by independent agencies is continued and the findings of the process monitoring are taken note of from time to time by the respective DPMUs, and appropriate directions are issued to the concerned to take necessary action.

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