Micro Finance through SHGs in Andhra Pradesh with Special Reference to Guntur District
INTRODUCTION

Human beings have an intrinsic propensity to work in groups. Smaller groups promote participation of members and their interactions facilitate achievement of tasks, if organized for a purpose of common interest. Based on this idea, SHGs were promoted in different countries for the poorer sections to enable them to mobilise financial resources in order to meet their consumption and development needs. The SHGs are the institutions of the poor; experience has shown that they are also the appropriate institutions to manage the credit. The SHGs are expected to "foster a process of an ongoing change in favour of rural poor in a way in which this process can be sustained by them, through them and managing appropriate and innovative local level institutions rooted in values of justice, equity and mutual support".

The NABARD, with the approval of RBI, launched the SHG-Bank Linkage Programme (SBLP) in 1992, to prove that poor were bankable and had the propensity to save small amounts if motivated, and facilitated them to form into SHGs and build these institutions in such a way that they can undertake the micro finance activities on a sustainable basis. The SBLP is built on the existing banking infrastructure first to save and borrow later through group mode in the novel 'purpose neutral' and 'collateral free' approach. Andhra Pradesh is one of the premier states in the country to have vigorously promoted the SBLP.

In this chapter, an attempt is made to examine the evolution and progress of micro finance through SHGs in Andhra Pradesh with special reference to Guntur district. It is divided into two sections. In Section-I, an attempt is made to trace the evolution of micro finance movement in the state
with a focus on the progress of SBLP. In Section-II, a brief profile of the study area, i.e., Guntur district, is presented and the growth of micro finance through SHGs in Guntur district is examined.

SECTION I: MICRO FINANCE THROUGH SHGS IN ANDHRA PRADESH

Andhra Pradesh has been a leading state in promoting micro finance activities through SHGs for women from poorer sections of the society. In AP, the SHG approach constituted the primary route towards poverty alleviation and development. The process was first initiated under DWCRA programme and later intensified under different programmes such as SAPAP, APDPIP and APRPRP to cover the entire state. The NABARD's SHG-Bank linkage programme gave a fillip to this process. A separate structure was created at different levels – grassroots to state – to strengthen the SHGs and to ensure the sustainability of micro finance activities through SHGs. In this section, an attempt is made to trace the evolution of this process and its progress in the state by focusing on the efforts made under different programmes by different actors such as the state government, NGOs and banks.

Genesis of SHG movement in Andhra Pradesh

The genesis of SHG movement in Andhra Pradesh can be traced to the experiment conducted by MYRADA - a Bangalore based NGOs with self-help affinity groups in Peddannavaripally of Kadiri mandal in Anantapur district during 1983-85. The launching of DWCRA in 1983 also facilitated the formation of groups for women to undertake micro finance activities such as savings, credit and collective economic activities (small business enterprises on a collective basis). The aim of this programme was to provide self-employment,
empower and integrate rural poor women into the development process. Under DWCRA, women living in neighborhoods with similar socio-economic background formed SHGs of 15-25 members each, to choose and collectively undertake one economic activity suited for their skills and resources. The DWCRA groups were named as Podupu Lakshmi groups in Nellore district, and this nomenclature spread to certain other districts as well. The women in DWCRA groups were encouraged to save at least Rs.30 per month (@Rs.1 a day). These groups were provided with a maximum matching grant of Rs.15,000 to be used as a revolving fund to undertake the collective economic activity, which was increased to Rs.25,000 in 1994-95.

The GOAP also implemented the Indira Mahila Yojana (IMY) launched by GOI in 1995 for holistic development and empowerment of women through awareness and low-income generation activities. The IMY had chosen SHG approach as a vehicle to cover women in Anganwadi centres under the aegis of ICDS and imparted certain skills to women to earn additional income and also extended revolving fund up to Rs.10,000 per group. Similarly, the DWCRA programme also encouraged mobilization and formation of SHGs for availing benefits under SGSY programme since 1999. These SHGs were nurtured by adhering to five cardinal principles, viz., regular savings, regular meetings, internal lending, prompt repayment of loans, and bookkeeping.

**NABARD's SHG-Bank Linkage Programme**

During the NABARD's pilot stage of SBLP during early 1990s, the NGOs were encouraged to promote the homogeneous SHGs for adult women from poorer sections, nurture them to maturity and link them with formal financial institutions in different models convenient to NGOs, financial institutions and
the community. The NGOs acted as a link between SHGs and Bank branches for smooth conduct of business and enhancing the branch outreach to deliver the credit flow to the poorer sections. MYRADA and Youth Charitable Organization (YCO) were the first NGOs to undertake the SBLP operations in the state.

After the success of NABARD's pilot project covering 500 SHGs initiated in different parts of the country, the RBI directed all the public sector banks and the private sector financial institutions to undertake financing of SHGs as part of their mainstream banking operations, and treat such lendings under priority sector lending operations from April 02, 1996. The Government of Andhra Pradesh (GOAP) reorganized DWCRA/ Podupu Lakshmi groups as per NABARD's SHG guidelines from Nov 1996, thus giving a boost to the SBLP for enhanced credit flow to the SHGs in the state. Many of the DWCRA groups/ Podupu Lakshmi groups became defunct, mainly on account of inadequate guidance to the groups. Rajakutty (1997)\(^1\) observed that lack of orientation of the project staff, inadequate staffing, poor follow-up, target chasing approach and inefficient linkages limited the functioning of these groups.

NABARD's initiative in Andhra Pradesh and Government's commitment to support women development and empowerment programmes through instituting self-managed and self-reliant institutions with the support of formal financial institutions and NGOs, positive response of the community based organizations (CBOs) for their self-development based on the philosophy of self-help and social capital developed made the programme to grow unchecked widely throughout the state. As a consequence, Andhra Pradesh was acclaimed as a unique state all over the world to implement an undirected,
world's largest democratic programme providing micro finance services at lower rates of interest to the low-income households. The regional office of NABARD, Hyderabad had done its best in orienting the formal financial institutions through encouragement, imparting orientation trainings to a large number of operational and administrative staff, and organising exposure visits within and outside the country, to finance the SHGs on a large scale. The programme has succeeded in depicting the CBOs as a business opportunity to formal financial institutions.

A few RRBs in the state have made good profits during 2002-04 by availing 100% refinance facility from NABARD. NABARD has developed 'critical rating index' (CRI) in consultation with the participating banks and the GOAP for measuring the quality of SHGs through a rating system, and urged the banks to desk-monitor the SHG functioning, through review of the accounts in the books, and highlighted the need for close monitoring system to sustain the quality of portfolio of SHG lending practices in the long run. NABARD, Hyderabad has been maintaining very good rapport with the GOAP, and in collaboration with commercial banks and government machinery developed guidelines for forming the federations of SHGs, i.e., village organizations (VOs) for availing credit facilities from bank branches to meet the needs of successful small SHGs at lower costs. Thus, VOs were encouraged to act as a financial intermediary at village level during 2005, but this policy was not pursued later.

NABARD also conducted a series of need-based and skill-oriented leadership development, entrepreneurial development, and market management programmes to the selected SHG members and exposed to market fairs organized within and outside the state. NABARD recognised the
well-performed branches in SHG lending across the different segments of the banking system region-wise by presenting them with mementos/certificates in order to encourage the bankers to augment lending to SHGs/their federations in the state with competitive spirit.

NABARD took initiative to conduct field studies on the functioning of SHGs both internally and by engaging outsiders, and their observations were circulated among the concerned to take corrective steps to suit the needs of the stakeholders. NABARD extended financial assistance to formal financial institutions to promote SHGs by assuming the role of self-help promoting institution/agency (SHPI/SHPA). It also encouraged the NGOs, Voluntary Vikas Vahini (VVV) clubs/Farm Information Exchange clubs for promotion and nurturing of SHGs to maturity and linkage with the banks. Further, NABARD evolved standard accounting practices for SHGs for their adoption in account keeping and related books. Besides, NABARD coordinated with the lead bank, other formal financial institutions and GOAP in order to closely monitor the SBLP, maintaining good rapport with all the stakeholders and conducting the appropriate orientation programmes.

Launching of SAPAP

The South Asian Poverty Alleviation Programme (SAPAP), initiated by the GOAP with the assistance of UNDP, which adopted the SHG approach, was already under operation in three drought prone districts of the state, viz., Anantapur, Kurnool and Mahaboobnagar. This initiative covering 20 mandals and 695 habitations in these districts gave a big boost to the SHG movement in the state.
Launching of APDPIP

The genesis of APDPIP dates back to 1977-99 when the government undertook social assessment and capacity assessment of districts. The project proposal of APDPIP was submitted to the World Bank in March 2000 and the project was formally launched in June 2000. In APDPIP, due importance was given to community participation and ownership in achieving efficiency and sustainability. The project stipulated the social mobilization of poor, facilitating the poor to build linkages with the credit institutions to explore investment opportunities, and the involvement of NGOs. The project covered 316 mandals in 6 districts with an outlay of Rs.654 crores to improve opportunities to the rural poor, with the following objectives:

a) Help create self-managed grassroots institutions;
b) Build the capacity of the established local institutions like Grama sabha, PRIs and the government line departments to address the needs of the poor;
c) Support investments prepared by grassroots intuitions of the poor and expand their involvement in social and economic activities; and
d) Improve access to children’s education to reduce child labour among poor.

The Key components of APDPIP are: Institutional and human capacity building; Community investment fund; Educational support for girl child labourers and school dropouts; and Management, Monitoring and Evaluation studies.
**Institutional and Human Capacity Building (IHCB)**

The focus was laid on developing self-reliant, and self-manageable community based organizations through use of trainings/ consultations/ workshops/ exposure visits, responding to the needs of the poor. Financial assistance was provided for the following:

a. Formation and development of common interest groups (CIGs), SHGs and their support organizations. This included strengthening of existing groups formed under DWCRA and formation of new groups on the lines of UNDP initiated SAPAP.

b. Information, Education and Communication (IEC) support to the rural poor on awareness of issues affecting socio-economic activities /interests of rural poor, e.g., Children’s education, health, nutrition, natural resources management, etc.

c. Capacity building of Grama sabha to undertake micro planning, financial management, and sensitization of the needs of poor.

d. Skill enhancement/ sensitization of participating line department staff/ NGOs to be responsive to the needs of rural poor.

e. Introduction of pilot programme on institutional and capacity building, need based support programme for CIGs, SHGs and their linkages with banking institutions.

**Community Investment Fund (CIF)**

Demand driven schemes proposed by the CIGs/SHGs/CBOs were eligible for financial support, based on the felt-needs, provided they confirm to the agreed criteria, e.g., a) improved access to public social services, b) group
Based income generating investment proposals identified by the CIGs/SHGs, c) small infrastructure projects like community halls, link roads, drainage, etc.

**Educational Support**

This addressed twin proposals for a) Child labour, and b) school dropouts ranging between 7 and 14 years to enter formal education system.

**Project Monitoring and Evaluation Studies**

When APDPIP was in operation for 18 months, the idea of APRPRP was contemplated on the basis of evaluation studies, with an objective of covering the poor and poorest of the poor in the remaining 16 districts of the state, focusing on 548 mandals which were relatively backward.

**Launching of APRPRP**

The design adopted in APRPRP was similar to that of APDPIP in most respects, except in combining the PRI model and the conventional social fund. The model focused on self-managed organizations of the target groups and their organization as key actors in partnership with the existing institutions, civil society, line departments, public sector organizations, etc. It was hoped that the participatory and demand based investment decisions bring about improvement in public sector institutions and PRIs. Establishment of strong linkages with institutions, contribution and transfer of experience, and learning add to the sustainability; such linkages also ensure financial interventions to poverty reduction schemes.

Thus APRPRP differs from APDPIP in the following areas:

1. Geographical cover from six districts to 22 districts.
2. Sharper focus on the poorest of the poor, to target more vulnerable sections of the rural poor.
3. Ensure greater convergence of sectoral interventions mainly at mandal level, i.e., health, education, and anti-poverty programmes.

4. Respond to the needs of the poor, i.e., “bottom-up” approach and recognise the need for different grassroots institutional arrangements.

5. Livelihood issues of the poor, with reference to the non-farm employment opportunities, and making land accessible to landless at the centre stage of the interventions.

6. Inclusion of other significant stakeholders in the local self-government institutions or civil society organizations in implementation arrangements.

7. Social risk management including social protection.

The holistic approach of the programme aimed at facilitating empowerment promotion, creating opportunities, providing mechanism for social security, and working for equity. The key performance indicators are:

1. The poor and poorest of the poor sustain reliant, empowered organizations based on membership of SHGs/VOs/MMSs

2. Enhanced livelihoods

3. Improved education

4. Social risk management

5. Inclusion of the poor in decision-making in PRIs

6. Better service delivery in health, education, and land leasing, etc.

Redefining and restructuring more healthy and sustained interface between grassroots groups and local institutions such as PRIs, private and
public sector banks, other providers of micro finance services, is a central challenge to be met in the project.

**Key issues**

The three key issues for attacking the poverty include enhancing security, facilitating empowerment, and promoting opportunities (financial and human capital, less restrictions, and better opportunities respectively).

**Strategies**

The key issues have been addressed in the following way:

- Strengthening and formation of self-managed grassroots organizations, VOs/ Mandal Samakhyas
- Facilitating creation of non-farm employment opportunities
- Livelihoods development to marginal/ small farmers
- Facilitating the access to financial resources for the poor
- Drawing the girl child from labour and persuading their parents to send them to bridge school between 7-14 years, and then to formal schools
- Treating people with disabilities differently
- Causing convergence of public sector programmes
- Increase the capabilities of PRIs
- Improving of health and nutrition, and delivery mechanism

**Components of the Project**

The project has concentrated on the following components: Institutional and human capital building; community investment fund, support to the pilot programmes, strengthening the role of PRIs, social risk management,
comprehensive basic health package, support for elimination of child labour, support for people with disabilities, and project management.

The component on human and institutional capacity building aimed to facilitate promotion and strengthening of self-managed and sustainable CBOs of poor and development of social capital in securing sustainable livelihoods and better quality of life in collaboration with the line departments, design and offer need based services, and promote CBOs’ linking with financial and non-financial institutions for expeditious bank linkages and enhanced livelihood opportunities. It focused on facilitating access to micro finance products and services to CBO members, promotion of social capital - community facilitators, book keepers, para-professionals, etc., capacity building at all levels, i.e., project staff and other stakeholders, convergence with line departments particularly health and nutrition, working with communication strategies, and building private sector partnerships with NGOs, financial institutions and business houses for advancing the CBOs for their sustainability.

**Expected Benefits**

a) Social empowerment and mobilization through better organization;

b) Improved skills to undertake productive investments and to increase earning capacities,

c) Greater access to productive assets, infrastructure and improved social services,

d) Social protection to vulnerable sections to natural and health related risks and empowering them, including people with disabilities, to live with dignity.
e) increased access to girl education (formal) greatly reduces school dropout rates.

**Multilayered targeting of APRPRP**

Four-fold system of targeting is adopted.

1. Geographical territory through selection of poorest mandal, and covering all the villages within the targeted mandals in a phased manner.

2. Group targeting through formation of group based activities, process drawn on local information, such as the BPL list, information collected by NGOs, and targeting of habitations of the poor families with similar socio-economic and cultural characteristics.

3. Self-targeting, organizing the poor into common interest groups and promoting the labour intensive construction methods.

4. Gender targeting, women and girl children of target group.

**Administrative arrangement for APDPIP and APRPRP**

At the grassroots level, the community-based organizations, viz., Village Organizations (VOs) and Mandal Mahila Samakhysas (MMSs), implement various project components through the project staff. The VO is a federation of all the SHGs in a village, and is a registered body. The MMS is the federation of VOs at mandal level, and is a registered body. The Zilla Samakhya (ZS) is the federation of MMSs at the district level, and is a registered body. All the three types of federations, viz., VO, MMS and ZS are registered under the APMACS Act, 1995. The VOs are supported by community activist / animator and VBK at the village level, and by MBK and Community Coordinators and Assistant Project Managers at the mandal level. For every 5-6 mandals there
is one Area Coordinator. There are also functional specialists designated as
District Project Managers (Dairying, Marketing, Jobs, Land, Institution Building,
Bank Linkage, Insurance, NPM, Gender, and so on) who work under the
control of the PD, DRDA. Many of the PDs, Additional Project Directors, and
ACs are drawn from different government departments, while most of DPMs
are drawn from the NGOs and open market as project staff, besides the DRDA
staff. The ACs focus on institution building, micro finance and livelihood support
in their respective areas. Social mobilization of the poor into SHGs, their
capacity building, process of conducting meetings, book-keeping is built up
through training by CRPs under the aegis of MMS/ ZS. The project staff is
expected only to facilitate the operations, while the CBOs need to initiate
actions for organizing the activities. As the CBOs are yet to attain maturity, the
field staff conduct all the programmes in the name of CBOs as per the
directions of DPMU staff headed by PD, DRDA.

The GOAP established an autonomous society at the state level called
Society for Elimination of Rural Poverty (SERP) in January 2000 to monitor the
implementation of APDPIP and APRPRP. In this way, SERP was made
responsible for coordinating the micro finance programmes through SHGs in
the state. The experience gained by the state in the implementation of SAPAP
in the three drought prone districts during 1995-2000 served as an impetus for
the functioning of SERP. SERP implemented the first project called APDPIP
with the aid of the World Bank in six districts of the state, viz., Anantapur,
Chittoor, Mahaboobnagar, Adilabad, Srikakulam and Vizianagaram. SERP took
up APRPRP with the aid of the World Bank, initially in 548 mandals of 16
districts since June 2002, which has been extended to all the rural mandals in
all the 22 districts of the state since January 2007. Both the APDPIP and APRPRP were implemented under the name of ‘Velugu’, which was renamed as ‘Indira Kranthi Patham’ (IKP) in 2004.

**The Target Community**

The target group includes poorest of the poor and poor largely from the underprivileged sections (SCs, STs, Backward Classes) without access to productive resources (land, assets and credit). They may include casual/daily wage earners, attached labours, unskilled marginal and small farmers, disabled people, socially disadvantaged people like Jogins, widows and female-headed households and involuntary migrants. The development interventions always begin for the poorest of the poor that lie at the bottom of poverty ladder.

While certain other segments of the society were also mobilized into SHGs, some percentage of the target group was left over, and efforts were on to bring them under the fold of SHGs. The grassroots level workers were unable to convince them about the advantages of coverage under SHGs, because of the failure of SHG members to get timely support in the public utility services, delay in delivery of services like linkage loans despite contribution of thrift, and information gap at different levels.

IKP has become another line department and there is no convergence at grassroots and lateral levels. As a result, the SHGs are unable to access public utility services in time. There is a visible need for the IKP to function as a professional NGO working for the welfare and increased incomes for the poor.

**Role of SERP**

Being an autonomous body functioning under the chairmanship of the state Chief Minister, the SERP enjoys government patronage. The micro
finance programmes in the state are government-driven, instead of being driven by the CBOs, in part due to the bureaucratic character of SERP which acts as State Project Management Unit (SPMU) and because the projects are externally aided by World Bank. Similar situation prevails in District Project Management Unit (DPMU) in each district headed by the Project Director, DRDA. Limited knowledge of the CBO leaders in organizational/financial/structural, marketing and managerial skills is another important reason for this situation.

Under the guidance of Principal Secretary, Government of Andhra Pradesh who acts as the Chief Executive Officer (CEO) of SERP, the society has been making efforts to build the capacities of the CBOs at different levels, through Information, Education and Communication (IEC) activities. The IEC activities are aimed at developing social capital by capacity building of the participating community in terms of knowledge on livelihoods, children's education, health, nutrition, food security, risk mitigation, insurance coverage of life, health and assets, collective purchase/selling of commodities, social action, gender, etc. The CEO, SERP also conducts videoconference on fixed days with the DPMU staff and Z.S. EC members to review the functioning of CBOs from time to time.

The SERP networked with Cooperative Market Federations, AP State Civil Supplies Corporation and other commodity boards and encouraged the CBOs to acquire the stocks at minimum procurement price and sell the commodities on commission basis. For instance, milk is collected from the members of SHGs by the Bulk Milk Cooling Units (BMCUs) set up by a few
CBOs for supplying to AP Dairy Development Cooperative Federation (APDDCF) on commission basis, benefiting the member producers and buyers.

The SERP also encouraged the CBOs to participate in trade fairs, and organized melas and a number of events for marketing their products, by arranging buyers and sellers meets at different locations. SERP also networked with the District Administration to allot Fair Price Shops, midday meal schemes to the CBOs, besides arranging for the delivery of a few public utility services through CBOs. In short, SERP's efforts were to make the CBOs to act as participatory catalysts in all the development/welfare programmes of the government at village/mandal/district level by providing space for them in the committees formed at the respective levels.

SERP, as stated in the project design, encouraged the formation of separate SHGs for the disabled/fishermen/primitive tribes and eventually federated them into VOs and MMSs, in order to cater to their specific needs and interests. SERP also took initiative to organize the SHG members to adopt non-pesticide management (NPM) practices by promoting the use of neem products, poly houses, chilli dryers, etc., in order to produce pesticide-free crop produce for export/consumption.

SERP's efforts have to be percolated down to the village level animator/community activist, who is the cutting edge of the programme. Unfortunately, a lot of aberrations are taking place at the grassroots level in respect of implementing the programme components as envisaged. The SERP focuses on Human and Institution building as the backbone for CBOs, thus developing social capital. The SERP efforts were only to make CBOs sustainable by efficiently deploying the funds as per their needs and build resources along with
the thrift, to meet the costs of CBOs on their own rather than making them subsidy or grant-driven. SERP's effort is to build separate organizations formed and managed by the poor on a sustainable basis, so that they can avail the needed services at lower cost.

The project is expected to have convergence with line departments, particularly agriculture, animal husbandry, health, education and nutrition at mandal level to enable the low-income households access the public utilities.

SERP being a government-sponsored NGO, the bureaucratic norms of the government have crept into its functioning, as reflected in the administration and release of funds to the DPMUs and CBOs down below. For instance, the Animators were not paid salary of Rs.250 p.m. for six months in the study area, and budget for the project was released after lapse of several months. The entire work as per the project plan came to a grinding halt due to the paucity of funds in the study area during 2006-07. This type of financial management of the project adversely affects the achievement of the stated objectives and goals.

SERP initiated implementation of several schemes through CBOs with the support of functional specialists and DPMU field force. The important activities promoted by SERP are discussed here under.

**Social Mobilization and Institution Building**

In the initial stages of the Velugu/IKP, the field staff conducted Participatory Identification of Poor (PIP) survey in the project villages to list the BPL households through Grama Sabhas. The existing SHGs promoted under various schemes were brought into the project fold and were given additional inputs to enable them to function on sound lines. The IKP staff mobilized BPL
families into SHGs. Rice credit line and later food security scheme was introduced as an incentive to induce the poor women to join the SHGs. The project staff identified community activists and oriented them on the SHG principles and imparted the needed training to them to facilitate proper functioning of SHGs and linking them to banks and CIF.

During 2006-07 a new CRP strategy was introduced wherein the experienced SHG members act as community resource persons (CRPs) and share their experience with target community in other villages with a view to facilitating them to form into SHGs or strengthen the existing SHGs to adopt the five cardinal principles of effective group functioning. SERP initiated training of CRPs. With the launching of Indiramma Housing Scheme for the BPL households during 2006-07, the process of social mobilization was further intensified.

The federations of SHGs at various levels, viz., VOs, MMSs and ZSs, were also strengthened. The system of Area Coordinators was introduced to lend support to the MMSs to grow into self-manageable institutions. The MMSs were facilitated to prepare Annual Works and Financial Plans (AWFPs) and implement the same to achieve self-sustainability. The Office Bearers of MMSs undertook orientation/training programmes to OB/EC members of VOs in order to impart skills in leadership and bookkeeping besides organizing exposure visits. The MMSs were facilitated to form sub-comities on different functions such as food security, collective marketing, audit, CIF, NPM, bank linkage, community based recovery mechanism (CBRM), gender and so on. The MMSs worked with the support of AC for expanding business deals through ZS by networking with other MMSs either in the district or outside the district. The
MMSs were oriented to review funds/staff position as per SERP guidelines. The ZS was facilitated to deal with the larger problems of the poor at district level, with the support of IKP staff. The sub-committee system was also introduced at the ZS level to oversee the functioning of different programmes/schemes. The ZS was facilitated to review the functioning of IKP staff at the district level. The ZSs were entrusted with the primary responsibility of building institutions, human capital and ensure effective service delivery to the target community.

Multiple activities were carried out among the community groups in different areas of livelihoods, health, education, gender, etc. Efforts were also made to improve the quality of bookkeeping, increase SHG-bank linkage, promote insurance and other trade related activities for benefit of members, thereby building the social capital in the community.

**SHG-Bank linkages**

SERP had put in best possible efforts to build strong relationship with the banking community in the state, to promote bank linkages to CBOs. During 2006-07, SERP successfully marketed the Total Financial Inclusion (TFI) scheme (the banks rescuing the indebted SHGs from high cost debt with soft loans repayable in 60 months.) The loan extended on soft terms was collateral-free and meant for repayment of old debts as well as for production/consumption credit, not exceeding Rs.5 lakhs per group. As a result, the SHGs in AP availed Rs.1.64 lakhs per group as against the national average of Rs.0.48 lakhs as on March 2009.
**Jobs for Rural Youth**

SERP identified certain potential activities for employability of youth in the target community. They are IT enabled services, computer hardware, customer relations, hospitality, automobiles, security guards, home care nursing, etc. SERP roped in certain industries like Apache and Brandex at Nellore and Visakhapatnam respectively, NAC for construction workers, etc. Training was imparted to 45,000 people of which 75% were placed in different agencies for employment.

**Dairy Linkages**

Next to agriculture, animal husbandry/dairying provides good employment opportunities although income levels are low. The ZS has selected a few para-veterinary assistants to assist the activities in selected mandals of Nellore, Visakhapatnam, Nizamabad and Guntur. A few MMSs established bulk milk cooling centers to process the liquid milk collected from more than 25,000 households to supply to AP Cooperative Dairy Development Federation on commission basis.

**Food Security**

Many SHG members being poor and wage earners, SERP felt the need for introducing food security through collective purchase of different food items. As the prices fluctuated, the difference between open market price and the price offered by the MMSs was zero or negative. Therefore the scheme did not pick up well. Similarly, the minor forest produce was collected from primitive tribal groups and marketed to AP State Cooperative Marketing Federation, AP Civil Supplies Corporation and AP Cooperative Tribal Development Corporation on commission basis.
Community Managed Sustainable Agriculture (CMSA)

SERP analyzed the problems of marginal/small/tenant farmers and came out with CMSA to help these groups to carry out agriculture on a sustainable basis. It promoted NPM practices under CMSA, covering 9 districts, 18 mandals, 31 clusters and 157 villages. The scheme aimed at promoting the use of organic/farmyard manure and avoiding the use of expensive and poisonous chemicals in crop cultivation.

Insurance Intermediation

During 2005-06 and 2006-07, SERP institutionalized insurance on subsidized premium covering accidental and natural death of SHG members and their spouses. Under this programme 15.14 lakhs members were covered and the premium collected stood at Rs.9.18 crores. Later, the Abhaya Hastam insurance scheme was introduced covering large number of SHG members.

Gender

SERP had encouraged gender justice as a mainstream activity. The IKP staff sensitized the target community on gender inequalities. A series of programmes were organized in the state to create awareness on HIV/AIDS. A study carried out in 6 districts concluded that family counseling and other support services benefited the under-privileged and backward sections. It was found that the SHGs were quite effective in resolving family disputes and in reducing the incidence of violence against women.

Disability

SERP made special efforts for mobilization of physically challenged persons into SHGs. It facilitated the establishment of separate MMSs for disabled in a few districts and conducted capacity building programmes for
them. It organised multiple health camps for the disabled and arranged for the issue of medical certificates required for extending travel concession etc, and supplied aids/appliances to the eligible ones. Besides linking the disabled persons/SHGs to banks, CIF was provided to these groups. The disabled underwent surgical corrections and subsidized houses provided in Nellore and Ranga Reddy Districts. Special toilets and ramps were provided to disabled persons.

**Health and Nutrition**

SERP appointed health CRPs and advised all CBOs to discuss health issues in their regular meetings. SHG members being mostly wage earners, their illness affects income. Screening camps were conducted once in a quarter. ANM qualified persons trained over 50 health CRPs at Orvakal. Health CRPs were also trained at Jhamked. Over 1220 VOs mobilized Rs.68.15 lakhs as health risk fund in 28 mandals.

Thus, the SERP had intervened in many aspects of human lifecycle of poor households and tried to bring about awareness to fight for their rights and responsibilities in the society.

**Role of the State Government**

In addition to the establishment of SERP to oversee the implementation of different programmes/projects through SHGs, the GOAP took concrete measures that helped to strengthen the SHG movement in the state. For instance, the GOAP waived the stamp duty for availing loans under SBLP to SHGs at different levels up to a limit of Rs.5 lakhs, thus facilitating flow of low-cost credit to the SHGs. The GOAP is also providing financial incentives in the form of interest subsidy (popularly known as ‘Pavala Vaddi’ scheme, in which
the beneficiaries have to pay instalments including interest at applicable rates – about 12% per annum – and the government would reimburse them the interest payment in excess of 3% per annum) to the SHGs which repaid loan instalments/interest as per agreed terms, thus encouraging SHG members to promptly repay the loans along with interest to the banking system, irrespective of the credit use and income generation.

**Role of Formal Financial Institutions**

Large number of bank branches of CBs, RRBs and Cooperatives have been participating in financing SHGs under SBLP in the state as per the RBI guidelines in force. Banks extended their support to the SHGs in high-cost debt scrapping exercise and meet their social needs and income generating activities in the name of TFI.

The participation of banks has been quite encouraging in extending financial assistance to SHGs due to the prompt repayment of loans partly on account of the incentives provided by GOAP, and the pressure from higher authorities of their managements to buttress the government programmes, thus diluting the basic banking role of credit dispensation. In the absence of setting up micro enterprises in three to five years after the formation of a SHG, if the credit is not flowing into investments/ expansion of the existing enterprises, there is an apprehension that credit lent may lead to indebtedness or debt trap in accordance with popular saying: "micro credit leads to macro debt".

**Role of Private Micro Finance Institutions**

The state is the home for many MFIs operated by NGOs in different parts of the country, notably Share microfinance limited, Spandana, Basix, Samhitha, etc., which were registered as Section-25 companies. Some of them
were converted into non-banking finance companies (NBFCs) later. The Grameen model of Bangladesh inspired such NGOs and NFBCs to set-up MFIs. With the spread of micro finance services in the state, the aspirations of the poor increased on one hand and their access to credit from different sources increased on the other. As a result, members of SHGs also became members of MFIs and started borrowing from the multiple institutions (SHGs, MFIs and banks) to keep their commitments and to meet consumption/other needs; there were also multiple loans from the same MFI. It was found in a survey conducted by APMAS (2005)\(^2\) that 67% of SHG members were also members of MFIs, of which 32% were members of more than one MFI in Guntur district. The MFI and NBFC operations were significant in the developed areas in the coastal districts of Andhra Pradesh.

An unhealthy competition arose among the MFIs, which tried poaching into one another’s area of operation as well as clients. This led to complications in recovery of loans, which led to a severe crisis during 2006 in Guntur and Krishna districts and suicide of a few clients. The GOAP constituted a High Level Committee to examine the various issues concerning MFIs and suggest measures to regulate their activities. The Committee felt that the interest charged by the MFIs was very high (ranged between 24% and 38% per annum) and emphasised the need to reduce the same. The mode of collecting the instalments (weekly) involved rude behaviour by the employees of MFIs. SADHAN (an MFI) took initiative to evolve code of conduct for MFIs including a reduction in the rate of interest charged, and negotiated with state government to smoothen the crisis. Accordingly, the Principal Secretary to GOAP, Panchayati Raj and Rural Development, issued guidelines to the district
collectors to review the credit extended by MFIs/NBFCs in their respective districts in the District Consultative Committee meetings once in a quarter. However no such meetings were held in the study area. It is estimated that loan amount outstanding from MFIs in Guntur district was of the order of Rs.170 – Rs.180 crores at the end of March 2007.

The crisis again emerged during Aug-Sep 2010, this time more seriously and throughout the state, leading to the suicide of about 80 clients of various MFIs. This has forced the GOAP to come with an ordinance to regulate the activities of MFIs in the state. The RBI also appointed a committee to look into the whole issue and recommend measures to regulate the operations of the MFIs.

**Micro Finance Models in Andhra Pradesh**

As a result of SHG movement and the launching of private MFIs by certain NGOs, several micro finance models evolved in AP over time, as detailed below:

1. DWCRA – 1982-83 – promoted savings and credit and collective economic activities among women in rural areas.
2. MFI model promoted by Non-Governmental Organizations – leading NGOs of the state like Basix, Share Microfin Ltd, Spandana, Gramasiri, Assist and Asmitha - followed Grameen model
3. Cooperative Development Federation, Warangal covered all adult women in the village irrespective of economic status, by following the principles of cooperation and without depending on external aid.
4. SAPAP model promoted by UNDP, which has been modified under World Bank aided APDPIP and APRPRP, adopting SHG approach
Progress of Micro Finance through SHGs

The IKP project focused on formation of SHGs among women from poorer sections and their nurturing. The SBLP has been a major success in the state. Beginning in 1992-93 when MYRADA bank-linked eight SHGS in Anantapur district and Youth Charitable Organization, Yelamanchili bank-linked 66 SHGs in 1993-94, the growth of SBLP increased by leaps and bounds.

While the growth up to 2000 was slow in the state, it picked up momentum since 2001 to reach 6,91,753 SHGs as on Mar 2007. By Mar 2000, 55,838 groups were bank-linked with an amount of Rs.130.53 crores, which rose to Rs.3063.87 crores cumulatively at the end of Mar 2007. The number of SHGs formed in the state further rose to 8,50,671 as on Mar 2009. The rapid growth between 2007 and 2009 was mainly on account of mobilizing a large number of low-income households into SHGs for covering them under Indiramma Housing scheme and politicization of the programme.

By March 2009, an amount of Rs.20,877.90 crores was provided to 24,29,756 SHGs (on cumulative basis). The status of SHG movement in AP as on March 2009 is presented below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of SHGs in AP</td>
<td>850671</td>
</tr>
<tr>
<td>Members covered</td>
<td>10182181</td>
</tr>
<tr>
<td>Total savings (Rs. crores)</td>
<td>1962.50</td>
</tr>
<tr>
<td>Average No. of members per SHG</td>
<td>12</td>
</tr>
<tr>
<td>No. of SHGs linked to banks (2008-09)</td>
<td>437003</td>
</tr>
</tbody>
</table>

The institution and human capacity building efforts, besides formation and strengthening of self-managed institutions of the poor help in building social and human capital. Actual social mobilization was initiated in 2001 in 70 mandals. Emphasis was on the role of Community Coordinators, who were
sent to SAPAP mandals for the initial trainings for learning through interactions. Over a period of time, the system of Community Resource Persons (CRPs) was introduced that enabled the SHGs to emerge as strong groups. Slowly, but steadily the programme was extended to all the rural mandals of AP. More focus was laid on selected mandals of APRPRP due to high budgetary allocation till Dec 2006 and all mandals became equal only from Jan 2007. A sort of confusion always prevailed among the project staff since in the project mandals the facilitator(s) were called Community Coordinators (CCs), while in the non-project mandals they were called as Mandal Coordinators. In the initial stages in each project mandal 2 or 3 CCs were posted, while in non-project mandals only one Mandal Coordinator was posted. The activities of project mandals and non-project mandals differed from each other. In the project mandals credit plus services were provided from the beginning and more focus was laid on institutional and human capacity building by deploying external CRPs.

NABARD initially laid down the norm that banks have to lend to the SHGs on the basis of 1:4 ratio of thrift and loan amount. Subsequently, the norm for lending was raised to 1:10 as per the cooperative principle at the description of the banks based on the group dynamics. As a result, the SHGs in AP secured a bank loan of Rs.1.64 lakhs per SHG as of Mar 2009 as against all India average of Rs.0.48 lakhs per SHG. Thus, it may be said that a strong banking support was given to the SBLP, especially under debt swapping scheme called TFI initiated during 2006-07.
Impact at Macro level

The IKP project had a significant impact at macro level in the state as a result of social mobilization. As on Mar 2009, the total number of members enrolled stood at 1,01,82,181 from 8,50,671 SHGs. These SHGs were organized into 35,525 VOs and 1098 Mandal Samakhyas, including 126 Mandal Samakhyas formed separately for physically challenged persons, 17 for primitive tribes (Chenchu mandals) and 15 for fishermen. Zilla Samakhyas also came into existence in all the 22 districts. 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. These SHGs need to be strengthened further in many aspects to achieve the desired outcome for the members. The SHG members were able to express their views in public, move out freely, purchase/ sell commodities, able to participate in household decisions, plan for increased income, able to visit bank branches/ public utility offices, express the opinions confidently, conscious of health, sanitation, able to use IT gadgets, aware of benefits of education, built networks, able to participate in trade fairs, participate in local body elections, able to represent in the government constituted committees meant for delivery of welfare measures, able to innovate and execute the use of local resources for creation of employment and income, and challenged male chauvinism thus neutralizing the gender inequalities.

The SHGs in the state were able to secure bank loans due to the strong support and commitment extended by their federations as well as the government, irrespective of group savings based on the group dynamics, adherence to cardinal principles of SHGs, book keeping and maintenance of
records. During 2006-07, the banks agreed to sanction loans to repay high cost debt to the SHG members and for debt restructuring, in addition to meeting their needs for consumption/income generating activities. Signification amount of money flowed without collateral to the low-income households, which had a cascading effect in the rural areas on supply of private money lending rates in the market. Thus, the poorer households experienced fluidity due to the fungibility of resources.

Visible impact is also observed in schooling of children, particularly the enrolment of girl children in the age group of 6-14 years and later on to formal education due to several incentives given under the Janasree Bhima Yojana that was launched during 2006-07.

SERP had also sanctioned CIF grants to MMSs, which, in turn, lent to the VOs and further to the SHGs to give loans to the deserving people, to be repayable with soft interest rates in a short period, which is highly beneficial to rescue the vulnerable families, and result in savings in the expenditure on food bills. In short, the impact on the vulnerable families has been positive where the credit is productively used. However, it is observed that most of the liquidity has gone for consumption purposes thus increasing the per capita indebtedness in certain families covered under micro finance programmes. It is also observed that the urgent crisis in the family could be solved due to the fluidity of funds in the society hitherto frozen for the low-income households.

On the negative side, it is observed the credit use is not being reflected in the increased production, although credit is being timely repaid whether through incremental income or from other alternative sources. The peer pressure of monitoring the end use of credit is mostly not effective and the
loans are promptly repaid mainly to get higher cycles of credit. It is also observed that even after reaching higher credit limits, loans are repaid with a view to get interest incentives and to maintain the earlier track record, if need be, by borrowing at higher interest rates. It is also observed that the better-off people in the SHGs are re-lending to the needy members at premium rates and external loan received is equally distributed and not on the basis of need (deviating from the norms), and in case of internal lending only interest is repaid to add to the group corpus and principle is either adjusted to the savings or not repaid thus equally sharing the savings as well. Such an action is likely to defeat the basic aim of self-help philosophy.

Although the project authorities give a rosy picture, several constraints need to be tackled internally to match the practice to the project design. Firstly, the target community needs to be socially mobilized into SHGs and flexibility needs to be built in thrift, while the project staff need to be confined to the role of facilitators rather than play an active role in the functioning of SHGs. Secondly, the project should be led by the SHGs at different levels and not by the project staff under the dictates of the bureaucrats. Thirdly, the grassroots level staff should feel that they are the part of community interested in the welfare of the people, not paid staff of the government, as evident from the staff protest(s) made during 2008-09. In certain parts of the state, the SHG members approached the judiciary for settling their disputes, as the SHGs were unable to solve their problems. The community/project staff resorted to large-scale embezzlement of funds in certain places and the DPMU and SPMU were yet to resolve the issues in the absence of laid down norms to firmly deal with the culprits. The HR issues of the project staff need to be resolved to suit the
community needs. In spite of these shortcomings, it may be said that the APRPRP made strong inroads into the lives of SHG members. It is high time that the SERP made efforts to have deeper insights into the needs and problems of the poorer sections of society and take appropriate measures to ensure that they live with dignity and self-worth rather than depend on the project staff to fulfil their needs.

SECTION II: MICRO FINANCE THROUGH SHGS IN GUNTUR DISTRICT

In this section, an attempt is made to examine the growth of micro finance in the study area comprising Guntur district. Before examining the growth of micro finance in Guntur district, it may of some use to present a brief profile of the district because it would provide an understanding of the prevailing socio-economic situation and thereby the context in which the growth has taken place.

Profile of the District

Guntur district was formed for the first time in 1859. Upon bifurcating from Krishna and Nellore districts, Guntur district was reconstituted in 1904 with its headquarters at Guntur. The district is bounded on the North by Krishna river, on the South by Prakasam district, on the West by Mahaboobnagar and Kurnool districts and on the East by Krishna and Bay of Bengal. The district has a Coastline of about 43 km comprising Nizampatnam and three other mandals. The river Krishna traverses over 250 km from North to Southwest in an umbrella shape forming the Northern boundary of the district.
The total geographical area of the district is 11,328.23 sq km, accounting for about 4.12% of the state’s total, comprising three revenue divisions, 57 mandals and 729 revenue villages of which 706 are inhabited.

Population

As per 2001 census the population of the district stood at 44,65,144, comprising 50.4% males and 49.6% females. Urban population comprises 28.8% and the rural 71.2% of the total. The density of population is 394 per sq km. The literacy rate is 55% as against the state’s average of 61.55% and the country’s average of 65.38%. The SCs constituted 17% of the total population and the STs 6%. The population falling below the poverty line accounted for 22,10,600, forming 49.5% of the total.

Rainfall

The district gets the benefit of both South-west and North-east monsoons contributing 62% and 27% of the total rainfall respectively. The normal rainfall in the district is 851 mm.

Land use and Landholdings

The geographical area of the district comprises 11,32,000 hectares, of which 1,62,000 hectares is covered by forests and net sown area is 6,17,000 hectares (54.5% of the total). As per the landholdings survey 2005-06, there were 7,01,470 land holdings with an operational area of 6,81,262 hectares in the district. There were 6,22,410 (89%) marginal and small farmers possessing 61% extent of operational land area.
Soils

The soils of the district could be broadly categorized into Black cotton, Red sandy and loamy, Alluvial and Coastal sandy constituting 60%, 20%, 15% and 5% of the total, respectively.

Water Resources

In addition to river Krishna (Krishna Western Delta irrigates 4,79,400 hectares) the rivulets called Naguleru, Chandravanka and Gundlakamma flow in the western part of the district. Tulluru mandal is declared as grey mandal. The district is hydro-geologically categorized into a) Archaeon crystallines in the central part, b) Kadapa Kurnool in Western part, c) Gondwana groups of rocks occupying small portions around Tenali area, d) Recent Alluvium formed by river Krishna in parts of the mandals from Amaravati to Kolluru in the district. The ground water potential of the district is estimated as 3634 MCM of which 302 MCM is utilized.

Cropping Pattern

Paddy, cotton, chilly, black gram, maize and other fruit and vegetable crops are the important crops grown in the district.

Livestock

Livestock contributes to the employment generation and enhanced household income and also supplements the nutritional status of children. There are over 1000 milk collection centres along 62 milk routes and supplying milk in the district's urban areas as well as outside the district, both in cooperative and private sector. It is important to note that one BMC is functioning in the district under the aegis of Mandal Mahila Samakhya, Krosur with an installed capacity of 3000 litres.
The coastline of the district covers 25 villages with a full-fledged harbour at Nizampatnam where 274 mechanized and 890 non-mechanized boats operate. Brackish water prawn cultivation is taken up in 6292 hectares.

Minerals and Industries

The district is rich in mineral resources such as limestone, clay, quartz, copper and lead. Limestone is used in cement industry and 1.5 million square metres of Napa slabs is available in the district. There are 43 large/medium-scale industries with a capital investment of Rs.730.04 crores and 4585 small-scale industries with an outlay of Rs.680.74 crores. The district also had the distinction of having 35 spinning mills with a capacity of 20 lakh spindles employing over 70000 people and 450 ginning mills employing at the rate of 40 persons per mill. The district had world-class cold storage facilities for storing chilly and turmeric.

Chemical and Chemical products, non-metallic and mineral products, food processing, tobacco products, cotton textiles, and cement factories are the important industries in the district. There are 58 weavers' cooperative societies with 6837 members.

Power

All the revenue villages and towns are connected with electricity. The thermal power supply is drawn from Kothagudem and NTPC Vijayawada, while the hydroelectric power is drawn from Matchkund and Nagarjunasagar. The total length of the electrical lines is 18,807.82 Km.

Livelihoods

The people of the district have diversified livelihood opportunities. The percentage of irrigated area to net sown area is about 56% and a variety of
crops are grown in the district. Over 10.72% net sown area is covered under
plantation and horticultural crops. Besides sheep and goats, the highest
number of buffaloes in the state exists in the district. Dairying is the second
most important economic activity in the district, next only to agriculture, with a
large presence of dairies both in cooperative and private sector.

Over 15000 traditional artisans work on leather, bamboo and palm
leaves, etc., thus providing a basket of livelihood opportunities in the district.
The presence of educational institutions like medical, engineering,
pharmaceutical and nursing colleges, besides general education and technical
training institutions, has been contributing to human resources development in
the district, yielding long-term returns.

**Banking Network**

The average population per bank branch is 11812. Yet the spread is
uneven particularly under the Narsaraopet revenue division due to scattered
population. Although each mandal is covered with banking network, a few
mandals such as Vinukonda, Macherla, Durgi, Gurujala and Phirangipuram
have branches at headquarters only, forcing all the habitants who needed
banking services to drive to the centre, on account of shifting of few rural bank
branches to mandal headquarters due to security reasons during 2003.

The existing bank network is unable to provide the needed banking
services due to the non-resident bank staff at the rural centres and reportedly
non-positioning of staff in the branches. It is observed that the presence of
middlemen is very common in the district while undertaking bank transactions
with the clients. Thus, the customers in many rural areas did not have direct
access to branch staff and operate through middlemen in arranging and
repaying the loans at some centres in the district. The following are the major constraints in availing the linkage credit:

1. The SHGs need to wait for the convenience of the branch manager to avail the loans. Loans are not distributed in the pretext of not giving the loans on Mondays and Saturdays of the week, quarter/ half-year ends, inspection of the branches, availing of leave by manager, etc.

2. Loans were also not arranged to SHGs in general during crop lending season due to pre-occupation with arranging crop loans.

3. A few branches arrange loans to SHGs by imposing certain financial restrictions/obligations like keeping part of the loan proceeds as fixed deposit, insisting for the insurance policies of high premium, insisting for recurring deposits, etc., thus forcing the members to make a number of trips for availing loans, which may work out un-remunerative to avail the bank loans.

4. Insisting on SHGs to repay the instalments in most cases within a short period, say less than 12 months, although the repayment period is fixed at 36 months.

The time lag between submission of loan application and sanction of the loan also contributes for diversification of the loan for other purposes. As part of social banking it is desirable to dedicate one bank branch in a mandal exclusively to extend loans to SHGs under SBLP based on the bank’s viability for smooth credit flow to those groups which adhere to best practices, for the sustenance of micro finance through the formal banking system.
Promotion of Micro Finance through SHGs in Guntur District

The District Rural Development Agency (DRDA) is the promoting agency for formation of SHGs in the district.

The social composition of the groups indicates that the Scheduled Castes accounted for 32.48%, Scheduled Tribes 6.68%, Backward Classes 24.88%, Minorities 6.03% and others 29.94% spread over all 57 rural mandals in the district. A few NGOs operating in the district run the MFIs, i.e., Assist, Chikaluripeta; Gramasiri, Bapatla; Spandana, Guntur; Share Microfin Ltd., Hyderabad; CARDS, Guntur have implemented Grameen model micro finance system in the district in urban and rural areas.

It is observed that multiple membership and borrowings from different agencies is a common feature in the district due to absence of timely availability of credit, restrictions imposed by the lenders, financial needs of the SHG members due to a rise in their aspiration levels.

The micro finance programmes in the district are mainly through SHGs under IKP. The IKP project staff promoted the formation of SHGs through the animators/ community activists at the village level, one for every 10-15 adult women from the poorer sections of the society with the basic aim of availing savings and credit facilities from the formal financial institutions. The project staff mobilized women into the SHGs, often citing the incentives available from the government in the form of revolving fund, interest subsidy and higher cycles of credit upon repayment of the earlier ones, and other benefits like gas connection, ration card, insurance, scholarship to children, bridge loan for Indiramma houses, etc.,
Animators / community activists are the driving force in the village motivating the people to form SHGs and their moulding / maturation at the grassroots level. They get the needed inputs from the project staff in group orientation, collection of thrift, conducting group meetings, electing the group leaders, writing the minutes books, opening the bank accounts, taking decisions, starting internal lending of thrift among themselves, recovering the dues in time and adhering to cohesiveness and other best practices. The SHG is the building block of edifice of community-based organizations that run on the basis of self-help philosophy.

SHGs promoted under DWCRA and IMY were functioning in Guntur district in all the 57 mandals prior to the launching of APRPRP. There were 21,258 SHGs with a membership of 2,49,444 with an average of 12 members per group under DWCRA. A few groups were also promoted as part of IMY launched in 1995 through Anganwadi teachers under aegis of ICDS. It may be recalled that in 1999 the ICDS urged the Anganwadi teachers to promote women groups under the name of Swayamsiddha wherein an amount of Rs.10,000 was sanctioned to each group as revolving fund. Thus, SHGs functioned under the aegis of DRDA and ICDS. All these schemes were aimed at the welfare of women from low-income households falling under BPL category.

DWCRA organized poor women of neighbourhood from BPL category with a focus to assist them through thrift and credit schemes with an intention to promoting income-generating activities for women. Similar approach was adopted under IMY by the ICDS staff.
The APRPRP, under the name of Velugu (presently known as IKP), was launched during June 2002 in 22 backward mandals of the district selected on the basis of nine parameters, viz., the number of agricultural labourers, number of marginal and small farmers, number of children in the age group of 6-14 years outside the school, availability of number of allopathy doctors, length of BT roads, power consumption (LT and HT), power consumption services, habitations with safe drinking water, and irrigated area as percentage of cultivated area. The PD, DRDA was designated as PD, Velugu.

The DRDA initially carried out all the functions of the Velugu with the DRDA staff. The DRDA conducted awareness camps to the Bankers, staff of Line Departments, MDOs, Panchayati Raj Institutions (PRIs) and Press and elected representatives, to explain the objectives, strategies, components and demand-driven approach of Velugu programme for the wellbeing of the identified low-income households. The District Project Management Unit (DPMU) was setup with the support of DRDA staff using APOs to supervise the working of CCs in the project. The CCs (numbering 77) were selected in three batches from Nov 2002 to Jul 2003. They were oriented to the functioning of the programme by sending them for fieldwork to Adilabad, Chittoor and Srikakulam districts, where DPIP was implemented.

After completing field training, they were sent to SMELC, Orvakal for learning through interaction in the field. The CCs were instructed to participate in the Janmabhoomi programme to develop contact with villagers for social mobilization. The CCs were given multiple and diverse responsibilities. The CCs were posted to each sub-cluster along with Master Book Keepers (MBKs) and Mandal resource persons (MRPs) and tasks of social mobilization and
institution building were entrusted to them. The CCs were advised to work in close coordination with MDOs, and interface meetings were conducted with MDOs and line departments on weekly basis. With the support of Revenue Department staff, Participatory Identification of Poor (PIP) was conducted in all 22 mandals during Sep 2003 and different strategies were followed in conducting the survey. The CCs experienced several problems in performing this task, but the data was put to use for welfare programmes, largely for issue of ration cards. The MDOs were also advised to conduct BPL survey independently and PIP survey of Velugu did not coincide with the data of PRIs, thus creating certain problems in using the data.

Livelihood Associates (LAs) were also recruited, but used along with the CCs for PIP and social mobilization tasks, rather than for surveying the livelihood potential in their area. Multiple strategies were used to strengthen the pre-project SHGs and several steps were initiated to revive the defunct and defaulting SHGs to adhere to sound micro finance norms. The Activist is a vital link selected by the community in social mobilization, institution building of community based organizations (CBOs) and sanction of CIF schemes. Activist is a link between CC and SHGs. The SHG members trained in Kurnool district were made to function as Activists. The CCs trained the SHG members.

The concept of ‘third leader’ was introduced in a few SHGs, i.e., Peddakka, Chinnakka and Bujjakka (which stood for first, second and third leaders respectively), for the convenience of bank account operations. Ultimately, the concept was given up because the names resembled the extremist parlance. Animators were replaced with Activists in some villages.
The project staff driven VOs comprised a few leaders/members. Some of the leaders were community activists representing the members in SHG and functioned as office bearers in VOs and influenced the decisions. The VOs were formed undemocratically and members lacked interest in them. The situation calls for intensive nurturing of VOs by the project staff. The CCs spent considerable time on PIP survey and conducting Gramasabha meetings.

No group is under credit plus services, except some information and training inputs. The groups did not receive community based structural inputs needed to run the SHGs as people's owned, operated institutions on sustainable basis. The principles of affinity, kinship and location proximity were used in forming the groups combining the POP and poor together. There were 7000 SHGs before launching APRPRP, of which some were defunct.

Rice Credit Line was used as an entry point activity for food security to promote VOs. The CCs facilitated the channelling of funds to VOs for bringing the consensus and cohesiveness in the groups to form VOs. In an anxiety to streamline the RCL, the PD released funds to CCs/ group leaders to undertake RCL activities.

The DPMU fixed leadership rotation for two years in the VO. Two members from each SHG represent VO-EC, and the OB comprises five members. The CCs/ MBKs/ Activists – facilitate VO meetings. The support of functional specialists is also taken to conduct VO meetings based on the agenda.

The DPMU directed the CCs to organize VOs and stipulated certain qualities for selection of leaders of VO. Of five positions in the EC, three must
be from the SCs/STs, one from the BCs and one from other sections of the society.

The VOs of each mandal federated to form Mandal Mahila Samakhyas at ground level, which undertakes the works of all the VOs and the member SHGs. In the project mandals, DPM/ CC/ other staff put up special efforts for revival of the pre-project groups and also project groups, to curb misuse of funds and improper accounting by the stakeholders, and to subject the accounts to audit.

The MVTCs were used as a platform to provide training to SHGs/ VOs/ MMSs. Those who helped in conducting PIP survey were made MRPs. The components of training include micro finance strategy for bank linkage, lending policy of the groups, awareness on financial transactions, borrowing limits, reasons for borrowing credit limit per member etc., It appears the strength of the project is its CCs. The functions of CCs are largely determined as per the directions and guidance of the PD.

It is observed that the project at every stage experienced either shortage of designated staff, or had human problems between CCs and MBKs, MVTC (Mandal Velugu Training Coordinator) and CCs and CCs and APMs/DPMs, MSM (Mandal Samakhya Manager) and CCs, etc. These issues arose on account of the lack of role clarity of each functionary, euphemism in their working, lack of planning due to PD's impulsive decisions in implementing the project. MSMs with commerce education background were appointed to many MMSs at a remuneration of Rs.2500/-. APMAS trained these MSMs on their functions: a) upkeep of MMS office, b) maintenance of MS accounts, c)
conducting of MS meeting, d) Consolidation of CCs/ MBKs/ VOs reports, and e) Transmission of information from CCs to DPMU and vice versa.

MSMs also present the progress report of the MMS, i.e., Income and Expenditure statements, Assets and Liabilities, Receipts and Payment accounts in the monthly review and compare with the budget allocation. The budget for subsequent month is submitted to PD for approval.

It is often argued that the micro finance programmes are aimed at eradication of poverty from rural areas. The micro credit hype is drawing poor into the world of illusory freedom/growth and development. In reality, micro credit is making the poor perpetually dependent on the forces over which they have little control. The first priority of the SHG loans is understandably for domestic expenditure. SHGs have never acted as safety-nets under drought conditions.

There appear to be two reasons for promoting micro finance programme, despite certain negative aspects. Firstly, the micro finance programme is promoted as it helps the banking system to escape its primary responsibility of extending credit to rural poor from real life problems. Secondly, it also helps political parties to get captive audience (SHG members) for the political meetings.

As per the guidelines, different heads of the budget shall not be interchangeable, i.e., staff salaries, TA bills, boarding and training expenses and TA for regular meetings, administrative expenditure covering rent, telephone plus cable TV, sweater charges, cleaning material, news papers, national festival celebrations, maintenance of books of account,
institutionalization of MMSs. The MSMs were appointed to manage the MMSs' activities including maintenance of books.

Committee system was created to discharge various activities, 1) to share the responsibility, and 2) to develop leadership, i.e., Office bearers (OB), Executive Committee, and other functional committees for carrying out different functions at the MMS level and the ZS level. It was observed that, initially SHGs, VOs, MMSs were not even conducting the meetings. Even during early 2007 in a few villages SHG meetings were not conducted. The meetings were scheduled for 8 p.m. Many a times in the study area, the scheduled VOs meetings were skipped due to one reason or other and the attendance during Executive committee meetings of MMS was less. There was no uniformity in the composition of committee meetings of MMS in the district.

All the MMSs in the district federated into ZS. But, the ZS was functioning loosely, not registered till Mar 2007 and its accounts were not audited till Mar 07.

The defects pointed out in earlier audit reports were not rectified for some VOs, e.g., in the case of Pallepoddu VO audit report for 2004-05 and 2005-06. There appears to be no follow-up action either at MMS or DPMU level. Concurrent audit was taken up in a few mandals and audit was carried out with the aid of cheque issue register without account books, and the audit reports did not have any observations / directions for guidance.

The 22 RPRP, 35 non-RPRP mandals and 3 chenchu mandals paid the share capital of Rs.1000 each to ZS. Inter-institutional savings were not introduced. The role of ZS is limited to release the budget. The ZS has constituted sub-committees to review and oversee institution building, bank
linkage, food security, non-pesticide management, marketing, etc. These committees visit the MMSs 5 days in a month to oversee the role of VOs and MMSs in implementing the NREGP and other rural development programmes.

**Growth of Micro Finance and Functioning of the DPMU**

For managing the IKP, the district project management unit has been created at the district level. The district collector is the executive chairman of DPMU. The PD, DRDA along with his staff act as the facilitators for the DPMU to help the ZS to function and evolve into an autonomous institution. The DPMU builds rapport with various government and non-government agencies and corporate companies to pursue its objectives. The structure of DPMU, Guntur as on March 2010 is furnished in Fig 2.1.

**Social Mobilization**

By Mar 2010, there were over 55,862 SHGs in 1779 VOs spread over 57 revenue mandals in the district. During 2006-07 and 2007-08 the project staff along with OBs/EC members of VOs mobilized eligible women into SHGs by offering certain incentives under campaign mode. The new CRP strategy also helped to mobilize over 93% of STs, 97% of SCs, 96% of PoP, leaving only a few migrants in rural areas of the district.

The DPMU reports revealed that only 32% of SHGs were adhering to five cardinal principles of group functioning by practicing 'panchasuthras'. Although about 78% of VOs and 93% of MMS were registered under APMACS Act 1995, the OBs/ECs of the VOs/MMSs/ZS were yet to be exposed to gamut of human/business management principles appropriately designed for SHGs at different levels to run on healthy lines. It appears that the edifice of microfinance has been built on weak foundation, and close monitoring is needed to

98
make them strong under DPMU. The SHGs also need to adhere to the basic minimum democratic transparency and accountability norms.

Fig. 2.1: Organogram of DPMU, Guntur
Executive Chairman
PD

APD (IKP)
1.DPM – 13
2.APM – 16

1.DPM – 13
1. Abhayahastham
2. Pension
3. Administration
4. Animal Husbandry
5. Horticulture
6. Women Welfare
7. Industries
8. Jobs
9. Marketing
10. Desibility
11. Health & Nutrition
12. Bank Linkage
13. Dairy

2.APM – 13
1. Construction
2. Disability
3. Banking
4. Health & Nutrition
5. Jobs – 3
6. NPM
7. Abhayahastham
8. Nonform Activities
9. Human Resources
10. Finance
11. Monitoring & Learning
12. JB
13. EGA

Area Coordinator
APM
MBK
CDW
Computer Operator

APD (Land)
DPM – 2
APM

1. Accounts
2. Institutional Building
3. Gender
4. Finance
5. Monitoring and Learning
6. NPM
7. Trainy

APD (DRDA)
DRDA – 7
The community activist and other facilitators play an important role in maintaining the health of SHGs. The MMSs/ZS were expected to undertake preparation of AWFP, conduct of meetings, constitution of sub-committees, identification of community problems and solving them. Thus, SHGs at higher levels were made to work as nodal agencies for their respective area of operation. The CCs/ APMs/ ACs/ PD need to impart necessary training to the OBs/ECs of SHGs at different levels to manage on their own so as to attain sustainability. A few regulatory norms were yet to be in place to help the SHGs to attain maturity.

**Bank Linkage**

There has been an impressive progress made under the SBLP in the district. Both the number of SHGs bank-linked and the amount of bank loan advanced to them increased by several times as shown in table 2.1. It may be seen that the number of SHGs bank-linked increased from 960 in 1999-2000 to 26798 in 2008-09, but declined to 21163 in 2009-10. Similarly, the amount of bank loan advanced to these SHGs increased from Rs.1.92 crores in 1999-2000 to Rs.410.32 crores in 2008-09, but declined to Rs.348.77 crores in 2009-10. The DPMU's efforts to enlarge the bank credit to SHGs during 2009-10 suffered due to certain operational problems. There was decline in the number of SHGs bank-linked and the amount advanced to these groups during 2009-10 by 22% and 15% respectively compared to the previous year.
Table 2.1: Progress of SBLP in Guntur District from 1999-2000 to 2009-10

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs bank-linked</th>
<th>Amount of bank loan (Rs. crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2000</td>
<td>960</td>
<td>1.92</td>
</tr>
<tr>
<td>2000-2001</td>
<td>4000</td>
<td>10.26</td>
</tr>
<tr>
<td>2001-2002</td>
<td>5072</td>
<td>11.33</td>
</tr>
<tr>
<td>2002-2003</td>
<td>6286</td>
<td>23.25</td>
</tr>
<tr>
<td>2003-2004</td>
<td>9463</td>
<td>42.64</td>
</tr>
<tr>
<td>2004-2005</td>
<td>12245</td>
<td>83.61</td>
</tr>
<tr>
<td>2005-2006</td>
<td>13682</td>
<td>85.47</td>
</tr>
<tr>
<td>2006-2007</td>
<td>16654</td>
<td>133.61</td>
</tr>
<tr>
<td>2007-2008</td>
<td>25226</td>
<td>286.57</td>
</tr>
<tr>
<td>2008-2009</td>
<td>26798</td>
<td>410.32</td>
</tr>
<tr>
<td>2009-2010</td>
<td>21163</td>
<td>348.77</td>
</tr>
</tbody>
</table>

The progress made under Indiramma housing programme is shown in table 2.2. It may be noted that while there was an increase in the amount of bridge loans provided to the SHG members under Indiramma housing programme from 2007-08 to 2008-09, the number of SHG members assisted under this programme declined during the same period. This may be due to an increase in the amount of bridge loan per member from Rs.10,000 to a maximum of Rs.1 lakh per group. But, the progress in respect of both these indicators was negative during 2009-10.

Table 2.2: Progress made under Indiramma Housing Programme in Guntur district

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHG Members assisted</th>
<th>Amount of Bridge loan (Rs. lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>30,139</td>
<td>3,085</td>
</tr>
<tr>
<td>2008-2009</td>
<td>26,289</td>
<td>4,508</td>
</tr>
<tr>
<td>2009-2010</td>
<td>8,777</td>
<td>1,665</td>
</tr>
</tbody>
</table>
**Jobs to Rural Youth**

The DPMU had put in the needed efforts to provide employment/employability skills to the selected educated children of SHG members. In consultation with SERP, the DPMU had tied up with some agencies to impart training to the selected candidates. The courses offered include computer operators, hospitality, gems and jewelry, construction, textiles, and security guards. About 4695 persons were trained, of whom 75% got placements and enabled to improve their household income.

**Education**

The DPMU facilitated the ZS to encourage the children of SHG members to obtain quality education at Intermediate stage. The ZS had selected some corporate colleges and paid them the expenditure on education imparted to the selected candidates since 2008. About 280 students per year got benefited under the scheme so far.

**Collective Marketing**

The DPMU had facilitated the ZS to procure farm produce of selected crops to be sold to government agencies at the minimum support price. The produce was supplied to AP Civil Supplies Corporation and AP Cooperative Marketing Federation on commission basis as per the predetermined terms. The selected VOs earned over Rs.10 lakhs and the MMS earned over Rs.8 lakhs during 2009-10.

**CMSA**

The DPMU facilitated the community managed sustainable agriculture through promotion of NPM practices in selected villages for certain crops. The crops covered are Chili, Paddy, Maize, Red gram, Black gram, Jowar and
vegetables. Each member paid a membership fee of Rs.100 under the programme. This programme was being implemented in 18 Mandals covering 157 Villages.

Insurance

Indira Bima Yojana was initiated in 2006 to cover the lives of SHG members with an option to cover the lives of their spouse, encompassing both the life and accidental insurance. Over 2.78 lakh members were covered under the scheme. Significant delays were observed in settling the claims.

Under Abhayahastham pension scheme 43,538 SHGs were covered. The ZS earned a commission of Rs.3895 lakhs. Over 17,207 members were obtaining pension under this scheme.

Food Security

The scheme was in operation in some selected villages. The scheme was virtually withdrawn due to absence of significant variation in the prices of different commodities under the scheme when compared to open market prices. The procurement and distribution of commodities, and repayment of loans became a problem. As a result, there was no much demand for continuation of the scheme.

Gender

The DPMU facilitated training of 160 women under the gender CRP strategy at Anantapur and Chittoor Districts for improving their knowledge. The gender issues were discussed at the MMS meetings and an amount of Rs.12 each is collected to constitute gender fund. Social action comities were formed in 1,300 VOs and MMSs. Family counseling centres were established at
mandal level. They function for fixed hours on Thursday. Over 86% of cases taken up were resolved.

**Health and Nutrition**

The DPMU facilitated the implementation of H&N in two mandals to improve nutritional value of POP and poor women - both pregnant and lactating - to reduce maternal and child deaths, and also to create awareness on government health programmes. A few problems crept into the implementation of the programme, which need to be corrected to achieve the objective.

**Dairying**

The DPMU felicitated selection of a few mandals for dairy development, which is picking up under the aegis of ZS. One bulk milk cooling unit with a capacity of 3000 liters was established in a mandal during 2008, which became defunct due to some reasons. Efforts were on to conduct fertility camps to improve the calving rate and also the growth of fodder through the village dairy development committees and MMS.

**Land**

Land is an important asset to the PoP/Poor. Many SHG members were landless and aspired to own some land for improving their livelihoods. The DPMU felicitated the ZS to acquire irrigated land. By Mar 2010, 204 acres was acquired and distributed to 235 members belonging to SC and ST communities. Special land inventory is being done to confirm their lands.

**Disability**

The ZS identified five mandals to extend the project benefits to the disabled. Separate MMSs were formed to enable them to solve the problems.
The ZS conducted medical check-up camps, arranged travel concessions and bank linkages besides providing aids/appliances.

**POP Strategy**

The DPMU initiated an action plan to cover identified POP families. It identified 49,101 POP families spread over 153 villages covering 18 Mandals. The services of one community activist are provided for every 100 families to assist the POP families with the support of community coordinators at Mandal level.

**Functioning of the Field Personnel**

As stated above, APRPRP was launched in the district in selected mandals in Jun 2002, subsequently extended to all the mandals from 01.01.2007. The project was provisionally extended up to 30.09.2009. It is also observed that there is not much difference between RPRP mandals and non-RPRP mandals in the district since inception of the project except that in RPRP mandals the community coordinators have been posted to intensively cover the areas and also imparted quite a few training programmes to SHG members thus building more human resources in these mandals. The allocation of funds for the programmes like food security and trainings was better in the RPRP mandals. Similarly, the external CRPs were also deployed in the RPRP mandals. Five cardinal principles of SHGs were relatively better practiced in the RPRP mandals than in the non-RPRP mandals.

Proactive members of SHGs and leaders of VOs and MMSs were selected and trained in certain subjects to enable them to gain expertise in those subjects. The trained CRPs were deployed to share their experience in empowerment with the members from similar background, which proved to be...
effective. This became a successful method of achieving the project objectives.

The Activist selected by community is the cutting edge of programme at grassroots level. She/ he acts as a link between the community and project staff at the VO level. The Community coordinator (CC) is the kingpin of the programme. The CC keeps contact with the SHG members and acts as a link with the PD, DRDA. The CCs are supervised by Area Coordinators with the support of APMs, and are supported by MBK and MSM in coordinating the activities of VOs / SHGs. Ultimately the CC is responsible for the progress and dynamic developments in the community under SHGs or their federations. The CC had multiple tasks of building proper linkages with banks for smooth credit flow to all the eligible groups, inculcating the repayment discipline among the groups, and facilitating the human resource development of SHG members in the mandal.

It is observed that CCs are burdened with works other than micro finance such as housing, ration cards, and other government programmes for the weaker sections. Thus, the CCs are brought under the orbit of district administration for carrying out various works rather than focus on the institution/capacity building of the poor. The DRDA is functioning like any other line department in the district thus losing its cherished objective of supporting the micro finance plus services in the district.

SUMMING UP

To sum up, it may be said that micro finance through SHGs has made significant strides in Andhra Pradesh as well as in Guntur district. One of the major contributing factors for the emergence of a strong SHG movement in the
state has been the wide coverage of the NABARD's SBLP in terms of the number of groups and the flow of credit to them. But it is important that NABARD undertakes post linkage monitoring effectively in order to ensure the quality functioning of SHGs and setting up of micro enterprises to translate the money released through SGHs/ federations into visible/ quantifiable/ measurable outputs. But, the government's ambitious target oriented programmes to cover the SHG members under housing, health, insurance and other programmes led to the dilution of NABARD's post linkage monitoring of the functioning of SHGs to some extent.

The IKP project 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 has been missing partly due to different roles played and efforts to achieve the project objectives have suffered under the leadership of Project Directors (PDs)/ Area Coordinators (ACs), mostly drawn from the 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.

In the wake of stiff competition from the private MFIs, the SHGs at different levels need to be strengthened in terms of institutional and human capacity building so that they can undertake the micro finance activities on a
sustainable basis. Care must be taken at all levels to ensure that the SHG members do not fall into debt trap. It is important that the SHGs cater to the diversified and genuine needs of their members so that the latter do not turn towards private MFIs for help in times of crisis situations. It is also important that adequate finances are channelled through SHGs so that they can undertake different activities for the benefit of target community.

References
