

Community Based Organizations in Andhra Pradesh: Some observations with reference to SHGs and SHG Federations

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1. SHG movement in Andhra Pradesh

We all know that Andhra Pradesh is in the forefront of Self Help Group (SHG) movement in India with 1.28 million of SHGs (20.92%) of the total 6.12 million in the country. Even though many NGOs and Government were formed groups during 80s and 90s through State and Central government programmes, the SHG movement has gained momentum in Andhra Pradesh after the intervention 'Velugu'/ 'Indira Kranthi Patham' (IKP) of Society for Elimination Rural Poverty, a non-governmental organization promoted by Government of Andhra Pradesh with the funding support of World Bank. The data also shows that of the total SHGs in AP, 4.62% formed under SGSY programmes, which is very less compared to India (24.60%). Further, of the total SHGs, 99.03% are women groups, which is very high, compared to national scenario (79.46%). As on March 2009, of the total SHG savings of Rs. 554561.82 lakhs in the country, 46.4% (Rs. 1,19,192.63 lakhs) are from the SHGs of Andhra Pradesh (12.81 lakhs). According to Assistant Registrar, Cooperatives of AP, as on 31st December 2009 there are 47113

The evolution of SHG movement in Andhra Pradesh can be divided into six phases based on the landmarks in its growth. They are i) promotion of SHGs by the NGOs in a small scale; ii) Piloting of SHG-Bank Linkage programme by National Bank for Agriculture and Rural Development (NABARD) with Myrada, a non-government organization working in Southern and North Eastern states; iii) proactive role of Andhra Pradesh State Government through promotion of an NGO based on UNDP experience; iv) reaching of SHG-Bank linkages of one million; v) promotion of SHG federations; and vi) recognition to SHGs & SHG federation to act as implementing agencies of various government programmes.

2. Emergence of SHG Federations

Of the SHG promoting NGOs and the State governments across the country, many have promoted nearly 94,000 SHG federations at various levels. The data in table-1 shows that of the total SHG federations in India, 74.6% are promoted in Southern states followed by Eastern region (23.6%). Further, of the total 94,153 SHG federations, 96.32% are primary level federations and the remaining are secondary (3,430) and tertiary (23) federations. Among the SHG federations of Southern States, 80% of the SHG federations are in Andhra Pradesh, of which 80% are primary, and the remaining are secondary and tertiary federations.

Table-1: Region-wise Federations at Various Levels

| Region | Federations | | | |
|----------|-------------|-----------|----------|--------|
| | Primary | Secondary | Tertiary | Total |
| Northern | 121 | 26 | 0 | 147 |
| Eastern | 21,371 | 784 | 0 | 22,155 |
| Central | 506 | 334 | 1 | 841 |
| Western | 713 | 1 | 0 | 714 |
| Southern | 67,655 | 2,285 | 22 | 69,962 |
| Total | 90,366 | 3,430 | 23 | 93,819 |

The NGOs like Society for Elimination of Rural Poverty (SERP) Andhra Pradesh Urban Services for the Poor (APUSP), MARI, GRAM, PEACE, PSS, Navajyothi, Krushi, ASP and others are the major SHG federation promoters in AP. The federations are intending to provide financial, non-financial, social and livelihood services to their member SHGs. However, mostly confined to lending and implementation of

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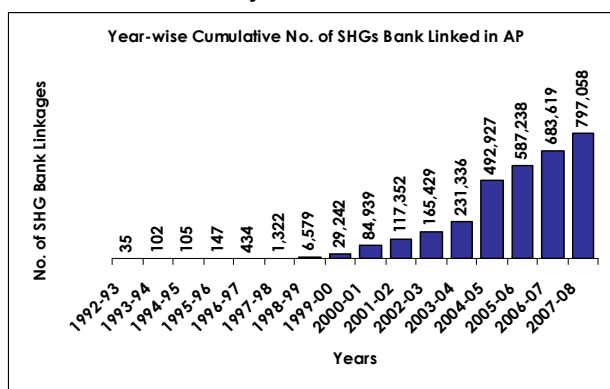
development programmes channeled through federations besides marketing. Most of the federations have registered under MACS Act, 1985.

According to Assistant Registrar Cooperatives of AP, as on 31st December 2009, there are 47,113 Cooperative Societies were registered under MACS Act. Of all the Cooperative Societies registered, 36,113 (76.65%) are thrift Cooperatives and the remaining are the Cooperatives of Dairy (3,456), Housing (2,254), Labour (1,342), Weavers (730), Consumer (259), Lift Irrigation (291), Marketing (247), Employees (105), Water Users (105), Farming Societies (89), Tree Growers (59), Oil Seeds (40), Agro Processing (29), Fisheries (20), Sheep Breeding (19), Urban Banks (8), PACS (6) and others (1940).

3. Factors contributed for SHG movement in AP

The SHG movement to reach its present status in the state, all the self help promoting agencies and technical institutions have contributed significantly through many interventions such as capacity building to both CBOs and their promoters, SHG bank linkage programme, subsidies on interest rates, implementation of various welfare & development programmes through federations, infrastructure development for organizing training programmes, changes in the policies, etc. The following discussion gives the details of some of the interventions.

3.1. SHG-Bank Linkage programme: As on 31 March 2009, the banks have disbursed a cumulative loan of Rs. 39,143.52 crores under SHG Bank Linkage programme in India (NABARD, 2009). During the year 2008-09 itself the banks have disbursed a loan of Rs. 12,253.51 crores (31.3%) to 1.61 crore SHGs in the country. Of the cumulative loan disbursed to SHGs in the country, Rs. 16,509.33 crores (42.18%) has disbursed to the SHGs in Andhra Pradesh. Of the total 12.19 lakh SHGs (95.19%) having loan outstanding in AP, Rs. 5,508.6 crores of loan has disbursed to 6.37 lakh SHGs (52.23%) with an average loan of Rs. 86,502 per SHG during the year 2008-09 (NABARD, 2009). Besides SHG-BL programme, banks also started bulk lending to federations (village organizations) as a pilot in some of the districts in Andhra Pradesh. The data in the graph clearly reveals that the SHG-Bank Linkage programme started with 85 SHGs in the year 1992-93 has reached to 7,97,058 SHGs by 2007-08 in a rapid way especially during the last half a decade.



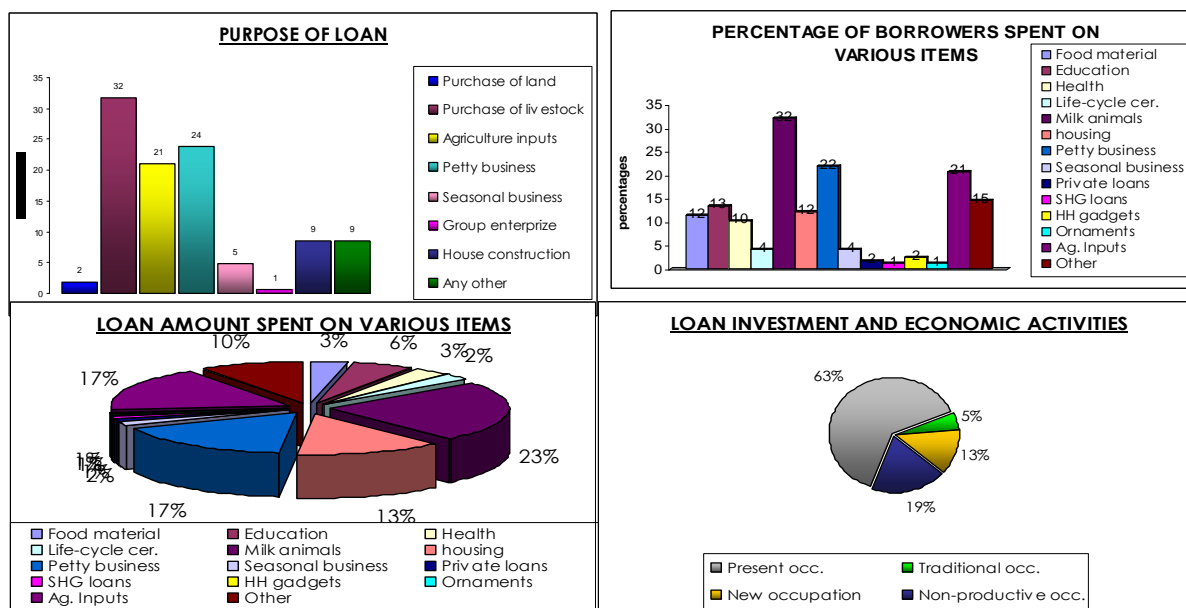
3.2 Role of Government: The Govt. of AP has adopted various measures for promoting and strengthening SHG movement in the state. Those measures includes i) proactive role in promoting SHGs; ii) focus on bringing the poor and the poorest into SHGs; iii) targets to bankers at all levels in the implementation of SHG-Bank Linkage programme; iv) linkage of sanctioning of revolving fund, subsidy on interest rates, eligibility for loans under SGSY programme and Total Financial Inclusion (TFI) to repayment of loan; v) multi-pronged approach in SHG-Bank Linkage loan recovery; channeling of various welfare and development programmes / pro-poor programmes through SHGs and their federations (food security, insurance, pension schemers); vi) infrastructure creation such as construction training halls.

3.3 Subsidy on interest rates for SHG lending: in the year 2005, the Govt. of Andhra Pradesh has introduced a program called 'Pavalavaddi' to strengthen the SHG-bank linkage programme by ensuring 100% loan repayment to bank and to reduce dependency on the commercial microfinance institutions (NBFC-MFIs) and traditional informal credit sources

whose interest rates are comparatively highly (24 to 36 percent) than banks (8 to 14 percent). Under this program, whatever the interest rate charged more than 3% by banks on SHG loans will be reimbursed to SHGs by the Govt. As on December 2009, the Govt. of AP has disbursed a cumulative amount of Rs.54801.93 crores to 2579638 SHGs.

3.4. Technical Institutions & NGOs: The technical institutions and NGOs like APMAS, Myrada etc. have prepared vast training material on various SHG and federation concepts (formation of SHGs and federation, leadership, vision building, bookkeeping & Accountancy, default management, financial literacy, legal compliance, MACS Act 1995, self regulation etc.). In addition, they also built huge amount of social capital/ human resources through training of trainers (ToT) which is lacking/weak in other states

3.5. Utilization of Bank loan: According a study conducted by APMAS in 2007-08, majority of the members have borrowed loans for the purpose of purchase of livestock, petty business and agriculture inputs followed by housing, seasonal business, group enterprise and purchase of land. The data shows that many SHG members spent the loan amount for more than one purpose. Of the total loan amount of all the sample SHG members, major portion was spent on purchase of milk animals (23%), agriculture inputs (17%), petty business (17%), housing (13%) and the remaining spent on food material, education, health, life-cycle ceremonies, to repay private loans and SHG loans, and to purchase household gadgets and ornaments. Of the total loan amount, 63% of loan amount was invested on present occupation followed by non-productive activities (19%), new occupations (13%) and traditional occupations (5%). Further, the study also mentioned that majority of the members repaying their loans from household income sources rather than mobilizing funds from traditional credit sources.



4. Impact of SHG movement:

4.1 Groups: Groups have perceived the benefits of SHGs as it provides large volume of credit on low interest rate without collateral for taking up income generation activity and/ or invest on the existing economy activities of the household. In addition to financial benefits the members have reported many changes at individual levels such as i) learnt their signature, ii) improvement in communication skills, iii) confidence to attend banks and government offices outside the village, iv) inculcated the habit of savings, iv) improvement in health and education of household members, vi) accessed to various pro-poor programmes, vii) respect in the household, community, bank, govt. offices, etc. In addition to individual benefits, few SHGs have addressed the social and community issues like prohibition of liquor, drinking

water, supply of electricity, cleaning of roads & drainage canals, construction of community buildings, temples, and amenities in the school etc. (APMAS, 2003; 2005; 2007 and 2009). The following table shows the impact of SHGs perceived by the members.

| Table-2: Impact of SHGs Perceived by the Members | | | | | | |
|--|----|------|----|----|----|-------|
| Indicators | SI | NI | II | NC | CW | Total |
| 1. Income levels | 17 | 55.0 | 17 | 11 | -- | 100.0 |
| 2. Availability of credit | 19 | 52.0 | 23 | 7 | -- | 100.0 |
| 3. Access to formal institutions | 16 | 53.0 | 28 | 4 | -- | 100.0 |
| 4. Access to pro-poor programme | 9 | 33.0 | 45 | 13 | -- | 100.0 |
| 5. Free from money lenders | 13 | 32.0 | 26 | 29 | -- | 100.0 |
| 6. Employment generation | 7 | 28.0 | 35 | 30 | -- | 100.0 |
| 7. Habit of savings | 55 | 30.0 | 10 | 5 | -- | 100.0 |
| 8. Indebtedness | 7 | 38.0 | 39 | 16 | -- | 100.0 |
| 9. Health status | 10 | 38.0 | 32 | 20 | -- | 100.0 |
| 10. Expenditure on food | 10 | 40.0 | 28 | 22 | -- | 100.0 |
| 11. Educational levels | 17 | 38.0 | 30 | 15 | -- | 100.0 |
| 12. Leadership qualities | 7 | 38.0 | 32 | 23 | -- | 100.0 |

SI-Significant Improvement(> 60% of change); Noticeable Improvement (change between 31% and 60%); II-Insignificant Improvement (< 30% of change); NC-No change; CW-Change for Worse

4.2 Government: The Govt. of AP has succeeded in mobilizing and organizing the poor into groups. Further, it also succeeded in forming the higher order of peoples' institutions such as village organizations, Mandal Samakhya and Zilla Samakhya to address diversified needs of their members. All the governments, irrespective of political parties, have realized that the SHGs are vote banks and means for their political campaign. It was observed that because of the implications of rift between govt. officials and NBFC-MFIs on credit delivery and recovery models (MFIs crisis in AP, 2005), many MFIs have intensified and expanded their activities to other states.

4.3 Banks: Banks have realized that SHG-Bank linkage programme is the most profitable one, of the entire priority sector lending, especially to regional rural banks. Further, few banks using SHGs as a source for mobilizing funds by insisting fixed deposits, recurrent deposits, large idle funds due to informal practices, and selling of their as well as the products of others.

4.4 NGOs: Though NGOs have contributed significantly during the initial phases of SHG movement in the state, because of proactive role of government in SHG promotion and ownership, and attitudinal issues between NGOs and the government officials, many NGOs moved from SHG activities to lending activities (NGO-MFIs) for their survival.

5. Issues and Challenges

5.1. SHGs: Though AP is in the forefront of SHG movement in the country, many issues and challenges were mentioned in the research studies conducted by APMAS and others, and workshop/seminars and review meetings organized at nation and state level conducted by many organizations.

The issues include: i) quality of SHGs has been decreasing instead of increase over years. ii) There is no significant increase in the cumulative savings of SHGs due to observance of the practices like distribution of cumulative savings, transfer of funds from savings account to loan account, diversion of monthly savings to pay large loan installment, no/ or insignificant

increase of monthly thrift even among old SHGs. iii) Irregular meetings with poor attendance and the agenda limited to savings and credit activities. iv) Poor book keeping due to illiteracy. vi) Rotation of leadership is another big issue.

v) Due to decrease of SHG cumulative savings over years and low rate of interest on SHG loans, there is no increase of group corpus/funds and lending from group funds. vi) It also observed that the promises of the political parties during general elections on waiving of SHG loans and subsidies on interest rates has direct impact on the repayment of bank loan and performance of SHGs (APMAS, 2009). vii) Corruption, misuse and misappropriation of funds could be noticed in some parts of the State.

5.2 Federations: The issues and challenges identified in functioning of SHG federations are i) majority of the federations are still, even after formation of 7/8 years, mostly depending on staff in decision making. ii) Majority federations functioning as community owned and promoter managed institutions. Iii) Though federations formed to intend to provide financial, non-financial, social and livelihood services, confined mostly to financial services, in other words became credit centered. iv) Inadequate capacity building inputs and promotional funds for federations is another issue. v) The SHPIs has been following target approach rather than process approach for CBOs sustainability. vi) Federations failed in mobilizing external funds for on lending to their member SHGs/VOs. vii) Governance, systems and portfolio quality of federations is still a question.

6. Conclusion & way forward

The Government and NGOs succeed in mobilizing people and organizing them into SHGs and their federations. The CBOs also doing well in providing financial services and accessing various government programmes to their members. Majority of the SHG members disbursed on income generation activities. Many invested the loan amount on multiple activities to mitigate the risk. However, there are many quality and sustainability issues at SHG and federations at all levels. There is a high need of capacity building of these institutions by allocating large amount of funds, instead of paying grants and subsidies, to make them as member owned, managed and controlled institutions.

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