

IMPACT OF COMMUNITY BASED MICROFINANCE

An Experience of Self-help Affinity Groups Promoted by Myrada

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ABSTRACT

The present paper has made an attempt to understand the role of Self-help Affinity Groups (SAGs) promoted by Myrada through their microfinance activities in poverty reduction and inclusive growth. The study has covered 844 members of 59 SAGs promoted by Myrada in three districts- Chamarajnagar and Chitradurga districts of Karnataka and Anantapur district of Andhra Pradesh. Both primary and secondary data were collected from SAGs and their members through qualitative and quantitative methods such as focus group discussions, objective wealth ranking, case studies and structured interview schedule. It has mainly analyzed i) the financial status of SAGs, ii) what extent that the SAGs have linked to various formal financial institutions for mobilizing funds, iii) members' access to credit and iv) the impact of credit on SAG members' households in terms of food security, health, education, housing, household assets, productive assets, land and economic mobility.

Key Words: *Community Based Microfinance, SHG-Bank Linkage, Objective Wealth Ranking*

INTRODUCTION

Self Help Groups – Bank Linkage (SHG-BL) is one of the largest programmes of financial inclusion in India. With the small beginning as Pilot Programme launched by NABARD by linking 255 SHGs with banks in 1992, the programme has reached to linking of 69.5 lakh saving-linked SHGs and 48.5 lakh credit-linked SHGs. Thus about 9.7 crore households are covered under the programme, envisaging synthesis of formal financial system and informal sector. As on March 2010, 48.5 lakh SHGs have loans with an outstanding amount of Rs. 28,038.28 crores with an average of Rs. 57,795 to 446 banks consisting of 27 Commercial Banks, 19 Foreign & Private Banks, 81 Regional Rural Banks, 318 Cooperative Banks and 1 Small Industries Development Bank (NABARD 2010). Besides, there are 427 Microfinance Institutions (MFIs) having a loan outstanding of Rs. 18,24,282 lakh (Sa-Dhan 2010). In 1987 NABARD provided one million rupees as grant to MYRADA to lend to its groups. Similar experiments were initiated by other prominent NGOs like PRADAN, CARE, etc, with assistance from national and international donors like Ford Foundation, Tata trusts, etc. According to Myrada, as on March 2009, there are 9,747 SAGs having a total corpus fund of Rs.15,256 lakh with an average of Rs. 1.57 lakh (Myrada 2009). Of the total SAGs, 76.81 percent having a total loan outstanding of Rs. 52.2 lakh to Sanghamithra, a not-for-profit company registered under Section-25 of the Companies Act, promoted by Myrada.

According to the study *An Evaluation of Self Help Groups Promoted by Myrada*, a SAG member, since inception, has borrowed on an average loan of Rs. 1.07 lakh for many purposes (APMAS 2009). According to an article *What are SHG Members Doing with Large Loans*, many SHG members borrowed loans for the purchase of livestock (32%) followed by

petty business (24%) and agriculture inputs (20%). More than 1/10th of the members borrowed for asset creation such as purchase of land, drilling of bore-well and to meet a portion of house construction expenses. Majority (63%) SHG members invested a major portion of their loan on households' present economic activities. Nearly 1/5th of members utilized their loans for unproductive or consumption purposes (Raja Reddy, K. and CS Reddy 2009). According to a study on *SHG-Bank linkage Programme: A Recurrent Study in Andhra Pradesh*, SHGs have reported significant impact on members' habit of savings, their income, access to credit, health, food and educational status in their families. Around a third of the members of SHGs reported increase in employment opportunities (APMAS 2007).

Gadenne and Vasudevan (2007) conducted a study on SHG credit behaviour over time. More specifically, they provide an in-depth understanding of SHG loan utilization concluding that SHG members tend to use their loans for consumption purposes rather than on investment in productive assets. A study conducted by NCAER in 2008, sought to assess the impact of the SHG Bank Linkage Programme (SBLP) on the socio- economic conditions of individual SHG members by comparing their pre and post SHG scenarios across six states in five different regions of India. The study concluded that the SBLP has positive impact on members by increasing their access to financial services (and reducing household poverty) as well as empowered women through an increase in their self confidence.

Objectives & Methodology

Objectives: The broad objective of the present attempt is to understand the contribution of Self Help Affinity Groups (SAGs) promoted by Myrada through their Community Based Microfinance activities to poverty reduction and inclusive growth. The specific objectives of the present investigation is to know i) how far the SAGs have linked to formal financial institutions, ii) members' access to credit and iii) the impact of credit on SAG members' households.

Area and Sample: The universe of the present study is the SAG more than eight year promoted by Myrada. Firstly, two states were selected from three states viz. Andhra Pradesh, Karnataka and Tamil Nadu, in which Myrada has been working for over 10 years. The district having maximum number of SAGs with more than eight years old were selected in each state. The villages having maximum number of SAGs were selected from each district. Two SAGs were chosen from each village based on stratified random sampling method. All the members of the SAG were covered. Thus, the study covers 844 members of 59 SAGs promoted by Myrada in Chamarajnagar and Chitradurga districts of Karnataka and Anantapur district in Andhra Pradesh.

Data collection techniques: Data were collected from both primary sources such as SAGs and their members, and secondary sources such as project reports, annual reports and in-house research reports conducted by Myrada. Both qualitative and quantitative techniques such as interview schedule, focus group discussions (FGD), objective wealth ranking¹ (OWR) and case studies were administered in getting information. The collected data were entered into computer for editing and analysis. The units of analysis are SAGs and their members. The data were analyzed by applying simple statistical tools like percentages and averages for preparing tables and to draw meaningful inferences.

Analysis & Presentation of findings: The findings of the study are presented under four sections. Section-1 describes the profiles of sample SAGs and their members which include age and composition of SAGs, and social category, marital status and educational levels of

¹ The authors facilitated PRA exercise (Objective Wealth Ranking) to collect data of SAG members' households both at present and in the past through recall by applying the objective wealth ranking technique.

SAG members. Section-2 mainly discusses mobilization of both internal and external funds by SAGs and members' access to group funds. Section-3 focuses on the impact of credit on SAG members' households in terms of their objective wealth ranking and its indicators such as housing condition, regular sources of household income, productive assets, food security, education, health and vulnerability. The last section of the report highlights the conclusions of the study.

SECTION-1: PROFILE OF SAGs AND THEIR MEMBERS

Self-help Affinity Groups

The data show that the 59 sample SAGs were formed with 844 members. The group size varies from 8 to 20 members with an average of 14. More than two-thirds (67.7%) of SAGs consist of 13 to 18 members, and the remaining 23.8% and 8.5% consist of less than 12 members and 19-20 members respectively. The age of the sample groups varies from 8 to 20 years with an average age of 10 years. About 54.2% are 8 to 10 years old groups; and the remaining 45.8% are 11 to 20 years old. To assess the caste homogeneity of SAGs all the sample SAGs are categorized into six categories namely (i) Scheduled Tribes, (ii) Scheduled Castes, (iii) Backward Classes, (iv) Minorities, (v) Open Category and (vi) Mixed. In a 20-members group, if 14 and above members belong to ST, then the group is classified as 'ST'. If no social category has over two-third of its members or several social categories have small representation, then those groups are categorized as 'mixed'. The data on SAGs' social categories shows that of the 59 sample SAGs, nearly half of the groups (47.5%) belong to OC category followed by BC (22%) and 'Mixed' (13.6%). The remaining groups belong to ST (5.1%), SC (6.8%) and Minorities (5.1%). It reveals that most of the groups are homogenous in terms of their social composition.

SAG Members

Of the 844 SAG members, majority (52.5%) belong to OCs followed by BCs (23.7%), STs (8.4%), SCs (7.9%) and Minorities (7.5%). The literacy levels of SAG members shows that 69.3% are illiterate and the remaining are educated up to class 5th (11.4%), class 6th-10th (16.5%) and college (2.8%). However, among the illiterates (69.3%), neo-literates are very high with 56.6%. Little more than three-fourths are married and the remaining 17.8%, 3.9% and 2.6% are widowed, unmarried and separated/divorced respectively. The percentage of vulnerable women members in SAGs is high compared to the national figures, since the sample groups are 8 to 15 years old. Majority SAG women are middle aged at the time of joining SAGs. Hence, there are a significant percentage of widowed members in the groups at present.

Why did they form/join into groups?

During focus group discussions, the members have revealed several reasons for forming/joining into groups. They are i) to avail credit to take up income generation activities; ii) to promote savings and/ or to minimize household consumption expenditure in order to meet future needs such as children's education, marriages, health, old age security and house construction; iii) to avail credit easily at low interest rates without collateral and with flexible repayment norms, unlike moneylenders; iv) to avail benefits from Government and Non-government agencies in the form of revolving fund, interest free loans, housing support, skill improvement trainings, watershed programs, agricultural support and other pro-poor programmes; and v) to develop awareness about the ongoing development programmes and to help each other for their all round development.

SECTION-2: FUND MOBILIZATION

The SAGs mobilize funds in two ways such as internal and external sources. Internal sources include: i) savings from members, ii) visiting fee, iii) interest from bank and iv) interest on loans to members. External sources include: i) grants and loans from banks, Sanghamithra, Myrada and CBO-MFOs and ii) donations from NGOs and others.

Internal Sources

Savings

There are two types of savings- i) compulsory and ii) voluntary. Few groups have only compulsory savings. In groups which have the practice of compulsory savings, all the members save an equal amount. Whereas in groups that have both voluntary and compulsory savings, members are free to save any amount as voluntary savings after depositing the compulsory savings amount which is equal. Of the 59 sample SAGs, one half of the groups have the practice of both compulsory and voluntary savings and the other half of the groups have the practice of compulsory savings only. The component of voluntary savings is one of the unique features of SAGs because the SHGs promoted by SHPIs other than Myrada have compulsory savings only (APMAS 2005, 2007, 2009, 2010, CmF 2006, and Waheeda 2007).

Periodicity of savings: Of the 59 sample SAGs, 86.4% are saving weekly followed by monthly (11.9%) and fortnightly (1.7%). The amount of savings varies from group to group depending on the savings capacity and decision of the members. The amount of savings varies from Rs. 10 to Rs. 50 per week and members with an average of Rs. 19.58. The data shows that many SAGs (44.1%) save Rs. 10 followed by Rs. 20 (39%), and the remaining (16.9%) save between Rs. 25 and Rs. 50. The amount of savings per member and period also depends on promoters inputs (APMAS 2010).

Cumulative savings: All the 59 SAG members together have a cumulative savings of Rs. 55.88 lakh with an average of Rs. 6,622. Of the total 844 SAG members, one half of the members have a cumulative savings of less than Rs. 5,000. Of the members having total savings more than Rs. 5,000 (50%), 32.2% have a cumulative savings of Rs. 5,000 to 10,000, and the remaining 11.6% and 6.2% have the cumulative savings of Rs. 11,000 to 15,000 and more than Rs. 15,000 respectively. The total amount of savings, since inception, depends on multiple factors - period of association with the SAG, amount, periodicity, regularity, nature, usage of savings and functioning of groups (Waheeda 2007, APMAS 2010).

Assets & Liabilities

The 59 sample SAGs have a total assets of Rs. 187.71 lakh with an average of Rs. 3.18 lakh. Of the total assets, 86.1% is loan outstanding with members, and the remaining is as balance in SB a/c of SAGs, fixed deposits, savings and share capital in federations, insurance, advances, cash on hand, etc. Of the 59 SAGs' total liabilities, major portion belong to loans from external agencies (37.9%) followed by members' savings (27.6%) and common fund (21.5%). About 18.64% of SAGs have distributed Rs. 1 lakh to 5.13 lakh of group funds each to their members. About 27.1% of SAGs have 68.67% of the total common fund. Further, 57.6% of SAGs have distributed its fund of Rs. 34.92 lakh to their members because of various socio-economic reasons. It reveals that a good number of SAGs have their own funds for on lending to their members.

External Sources & Access to Formal Financial Institutions

Sources of funds: Table-1 shows the source-wise amount of grants and loan obtained by the SAGs. The SAGs have mobilized funds in the form of loans and grants from various external

agencies such as Myrada, banks, Sanghamithra³, District Rural Development Agency (DRDA) /Women Development Corporation (WDC), and other sources. As far as grants are concerned, the sample SAGs have received cumulatively a grant of Rs. 12.02 lakh. Of the 59 SAGs, 32% of SAGs have received a cumulative grant of Rs. 2.20 lakh with an average amount of Rs. 11,598 from Myrada. DRDA/WDC has sanctioned a grant as ‘revolving fund’ of Rs. 5.91 lakh with an average amount of Rs. 18,461 to 54.2% of the sample SAGs. During interaction the group members have reported the reasons for less sanction of grants as while sanctioning revolving fund, the DRDA/WDC has been discriminated the groups promoted by Myrada and other NGOs even though they are more qualitative compared to the groups promoted by them under various State and Central government programmes.

Only 3.4% of SAGs have received cumulative grants of Rs. 1.35 lakh with an average of Rs. 67,500 from village organizations/federations. In addition, another 6.8% of SAGs have received cumulative grants of Rs. 2.55 lakh with an average of Rs. 63,975 from some other sources. Among SAGs (66.7%) received grants from various sources, 45% of SAGs have received grant from only one source followed by two (15%) and three (7%). However, one-third of groups have not received grants from any source.

Table-1: Details of Cumulative Grants and Funds to SAGs

Source	Grants			Loans		
	% of SAGs	Total Amt. Rs. in lakh	Average Amount in Rs.	% of SAGs	Total Amt. Rs. in lakh	Average Amount in Rs.
1. Myrada	32.2	2.20	11598	59.3	25.63	73217
2. Bank	--	--	--	96.6	163.59	287002
3. Sanghamithra	--	--	--	33.9	23.81	119050
4. DRDA/WDC	54.2	5.91	18461	13.6	17.20	215000
5. VO/MS	3.4	1.35	67500	32.2	11.47	60368
6. Other	6.8	2.55	63975	8.5	2.35	47050

Volume of external loans: The 59 sample SAGs have borrowed a cumulative loan amount of Rs. 244.05 lakh from Myrada, Sanghamithra², Banks, DRDA, Village Organizations and Watersheds/VSS with an average of Rs. 4.14 lakh. The data reveal that of the 59 sample SAGs, 60% of SAGs have borrowed a cumulative loan of Rs. 25.63 lakh with an average of Rs. 71,470 from Myrada. About 97% of SAGs have borrowed a cumulative loan amount of Rs. 163.59 lakh with an average of Rs. 2.87 lakh from banks. About 34% of SAGs have accessed a cumulative loan of Rs. 23.81 lakh with an average of Rs. 1.19 lakh from Sanghamithra.

About 14% of SAGs have availed a cumulative loan of Rs. 17.2 lakh with an average of Rs. 2.15 lakh from DRDA under Swarnajayanti Gram Swarozgar Yojana (SGSY) programme. About 32.2% of SAGs have borrowed a cumulative loan of Rs. 11.47 lakh with an average of Rs. 60,368 from village organizations. Further, 8.5% of SAGs have mobilized a cumulative loan of Rs. 2.35 lakh with an average of Rs. 47,050 from watershed bodies and vana samrakshana samithi (VSS). It is evident that all the groups have mobilized funds in the form of grants and loans from more than one source. However, majority groups have accessed

² Sanghamithra is a not-for-profit company registered under Section-25 of the Companies Act. It lends only to SHGs. It provides one loan to the group, after assessing its organizational and financial performance; it does not ask for the purpose of the final loan which the SHGs give to the members. Sanghamithra has a total loan outstanding of Rs. 52.2 crores with 7,487 SAGS as on June 2009.

banks for loans (96.67%) followed by Myrada (59.3%), Sanghamithra (33.9%), village organizations (32.2%) and few SAGs from other community based organizations.

Current status of external loans: Of the 59 sample SAGs, 89.8% have loan outstanding from external agencies, and the remaining 10.2% have no loan. The SAGs have a total loan of Rs. 107.03 lakh with an average of Rs. 2.02 lakh. The current loan amount varies from Rs. 6,000 to Rs. 4.95 lakh. Of the 59 sample SAGs, 89.8% have a total loan outstanding of Rs. 68.02 lakh with an average of Rs. 1.28 lakh. The amount of loan outstanding varies from Rs. 6,000 to Rs. 3.1 lakh. The data shows that of the total external current loan amount of Rs. 107.03 lakh, as on May 2009, 82.51% is from banks followed by VO (7.56%), Myrada (6.65%) and Sanghamithra (3.29%). The data shows that the average volume of bank loans is more than double that of Sanghamithra, more than thrice when compared to village organizations and six times when compared to Myrada loans. More over, Myrada does not encourage large multiple loans. Of the total amount of Rs. 68.02 lakh of loan outstanding to external agencies, major portion is to banks (83.4%) followed by village organizations (6.69), Myrada (6.66%) and Sanghamithra (3.25%). It reveals that SAGs mainly depend for external credit on banks.

Members' Access to Credit

Access to loan: The data reveal that of the 844 sample SAG members, majority have one loan (46.4%) followed by two (25.7%), three (24.1%) and four (3.7), and only one member has no loan (s) at present. All the 843 SAG members have 1,559 active loans of Rs. 222.65 lakh with an average loan of Rs. 26,412. It shows that all the SAG members are accessed to group funds.

Volume of current loans: The volume of loan varies from Rs. 900 to Rs. 1.06 lakh with an average of Rs. 26,412 per member. The data (Table-2) reveal that among the social categories, the average amount of current loan borrowed is high among the Minorities (Rs. 28,778) and low among the STs (Rs. 15,781) compared to OCs (Rs. 28,161) BCs (Rs. 26,206) and SCs (Rs. 24,501). The average loan amount of Minorities is almost double compared to STs. Of the 844 SAG members, little more than a half (50.18%) has a loan of Rs. 11,000 to 30,000; 31.91% have a loan of more than Rs. 30,000, and the remaining have loan less than Rs. 10,000. The data also shows that majority of the ST, SC, and BC members

Table-2: Social Categories and Volume of Current Loans

Loan amount Rs. in '000	Social category					Total (N=844)
	ST (N=71)	SC (N=67)	BC (N=200)	Min (N=63)	OC (N=443)	
1. < 10	15.49	16.42	20.60	12.70	18.06	17.91
2. 11- 20	76.06	41.79	28.64	12.70	18.28	27.05
3. 21- 30	4.23	14.93	17.59	30.16	28.89	23.13
4. 31- 40	1.41	11.94	13.57	25.40	15.58	14.35
5. 41- 50	--	5.97	9.05	17.46	9.26	8.78
6. > 50	2.82	8.96	10.55	1.59	9.93	8.78
Total	100.00	100.00	100.00	100.00	100.00	100.00

have a loan of Rs. between Rs. 11,000 to 20,000, where as majority of the Minorities and OCs have a loan of Rs. 20,000 to 30,000. It indicates that there is a positive relationship between volume of loan and social category of SAG members.

SECTION-3: IMPACT

This part of the report discusses the opinion of SAG members to what extent the credit borrowed from SHGs helped in improving their housing conditions, providing food security, coming out of health vulnerability and educating their children. It also deals with the kind of infrastructure developed, type of income generation activities taken up and the economic mobility of the households.

Basic Needs - Food, Shelter, Health and Education

Food security: Food security is one of the indicators of quality of life. About 53.3% of SAG members felt that they have good food security now when compared to before joining SAGs. The earlier studies also show that there is an increase in household expenditure on food items (APMAS 2007, NCAER 2008, Raja Reddy & CS Reddy 2009). During interactions with SAGs, the members have reported that before joining SAGs most of them are poor landless labour struggled for food. But now very few have been moved violently for food. It is because many SAG members have taken small loans out of weekly savings to purchase monthly ration (rice, kerosene and other items) from ration shops. Further, many households have engaged in farm and non-farm income generating activities. It has observed that the number of members borrowed loans for food material have decreased over a period. Some SAG members have borrowed small loans every week for the purchase of food material. As a result, there is no dependency on money lenders but also many poor households availed PDS programme intended for providing food security to the rural poor. *For instance Miss Munemma is a member of Saraswathi SHG in Kalasamudram village of Kadiri mandal in Anantapur district of Andhra Pradesh. She has borrowed 39 loans of Rs. 11,322 between September 2000 and January 2002. The loan volume varies between Rs. 60 to 400. Between May 2001 and January 2002, she has borrowed a loan every week for the purchase of food material from the ration shop.*

Housing: Of the total 844 SAG members, 70% of the members have constructed new houses, 8.9% repaired and expanded their old houses, and the remaining 21.1% are not reported any change in their housing. It indicates that majority of the SAG members, at least once, used a portion or a total loan amount for housing. According to the APMAS study in 2009, of the 120 members' total 2,330 loans, 101 loans of Rs. 9.69 lakhs with an average of Rs. 9,591 have borrowed for housing. Many SAGs have sanctioned large loans to their members for housing (see below).

Name	SHG	Village	District	Amount in Rs.
Sundaramma	Vigneswara	Kannur	Chamarajnagar	65000
Sivamma	Kaveri	Ghajekhanpalli	Anantapur	57900
Sarvamangala	Sri Adishakti	Holalkare	Chitradurga	50000
Lalithamma	Sri Berlingeswar	Andanu	Chitradurga	30000

Further, it has observed that most of the large loans have borrowed from the past two - three years as many SAG members benefitted with housing programme being implemented by A.P, and Karnataka governments to pay beneficiary contribution and or to meet the initial expenditure. Not only SAGs, but also banks and village organizations were sanctioned Rs. 10,000 as housing loans to many SAG members under Indiramma Housing Programme.

Health: Of the sample SAGs members, 82 (10%) out of 844 have reported that one of their household member's health, who are chronically ill, have been improved, and became the main bread winner of the family. As a result, no more expenses on health; 'dependents' become 'earners' in the family, mitigates vulnerability and helps to move further. They also said that good health is a productive asset of the households, those main source of income is

daily wage labour. Thus, many SHG members have redirected a portion or a total loan borrowed for an income generation activity towards health. Some SHGs have sanctioned large amount of loans of Rs. 10,000 to 30,000 for meeting health expenses (see below).

<i>Name</i>	<i>SHG</i>	<i>Village</i>	<i>District</i>	<i>Amount in Rs.</i>
<i>Sivarajamma</i>	<i>Malleswari</i>	<i>Monagalli</i>	<i>Chamarajnagar</i>	<i>30000</i>
<i>Mahadevamma</i>	<i>Shambavi</i>	<i>Bandalli</i>	<i>Chamarajnagar</i>	<i>25000</i>
<i>Rathnamma</i>	<i>Durgadevi</i>	<i>Holalkera</i>	<i>Chitradurga</i>	<i>15000</i>
<i>Leelavathi</i>	<i>Jyothi</i>	<i>Shagya</i>	<i>Chamarajnagar</i>	<i>13500</i>

Some SAG members have borrowed many loans in large amounts to meet health expenses of their household members. *For instance Miss Sivamma is a member of Kaveri SHG in Ghajekhanpalli of Anantapur district in Andhra Pradesh since 1999. She has borrowed 8 out of 26 loans of Rs. 12,293 ranging from Rs. 300 to 7000 for health in three years i.e. between August, 2000 and Nov 2003.*

Education: Of the total 844 SAG members, nearly one half of the members (47.2%) have borrowed loans for their children's education. Owing to various awareness programmes of SHPIs on education, many SAG members have invested a portion or total loan on children's education. During FGDs, most SAG members felt that schooling is must in all walks of life. They also said that education has been paved a way to self employment by tanking up an income generating activity. The data shows that some SHGs sanctioned large amounts of educational loan of Rs. 20,000 to 60,000 to the members (see below).

<i>Name</i>	<i>SHG</i>	<i>Village</i>	<i>District</i>	<i>Amount in Rs.</i>
<i>Ningarajamma</i>	<i>Vishu</i>	<i>Honur</i>	<i>Chamarajnagar</i>	<i>60000</i>
<i>Shylaja</i>	<i>Annapoorneswari</i>	<i>Sularipalyam</i>	<i>Chamarajnagar</i>	<i>35000</i>
<i>Basheer Unnisa</i>	<i>Prakruthi</i>	<i>NH halli</i>	<i>Chitradurga</i>	<i>20000</i>
<i>Ramanamma</i>	<i>Venkateswara</i>	<i>Ubicherla</i>	<i>Anantapur</i>	<i>20000</i>

Some members have borrowed small loans repeatedly to pay school fee, auto charges, purchase uniforms and books. *For instance, Miss Ballamma is a member of Jyothi SHG in Patnam village of Kadiri Mandal in Anantapur district of Andhra Pradesh since 2000. She has borrowed a total of 76 loans of Rs. 80,694 for many purposes. Of the total loans and amount borrowed, 25 (32.9%) loans of Rs. 61,600 (76.3%) for business; 16(21%) loans of Rs. 14,558 (18%) for children's education - to pay fees, purchase uniforms & books, auto charges; 14 (18.4%) loans of Rs. 1,573 (2%) for purchasing food material; 12(15.8%) loans of Rs. 1,879 (2.34%) for health expenses; and 9 (11.8%) loans of Rs. 1,084 (1.34%) for meeting the travel expenses. It reveals that though huge loans and amount borrowed for several purposes, major portion of loan and amount has utilized for income generation activities and children's education.*

Social obligations: About 17.2% of the sample SAG members have reported that they have mobilized large amount of SAG funds as loans for their children's marriages (16.5%) and to meet expenses towards death rituals (0.7%). During FGDs, the members have told that many middle aged parents have used the loan amount towards children's marriages, which is one of the social responsibilities of parents.

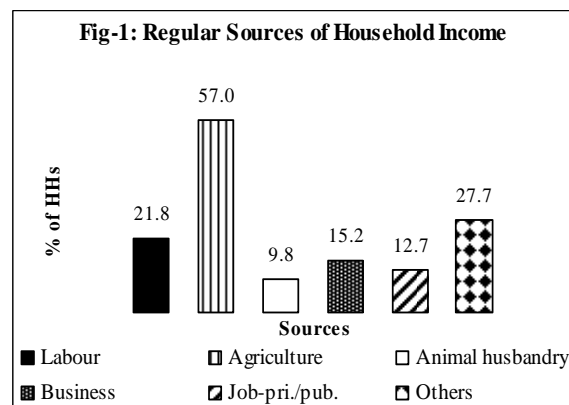
Household assets: The data on household assets reveal that out of the 844 SAG members, 65.3% have procured one to five household assets during their association with SAGs. The household assets include cooking vessels, apparels, furniture, ornaments, and recreational equipment. The percentage of SAG member procured household cooking assets varies from 2.7% to 13.4%. The cooking assets include utensils (2.7%), mixi (3.8%), cooker (4.7%), refrigerator (0.4%) liquid petroleum gas (LPG) connection and stove (13.4%). The

percentage of SAG member's procured household furniture varies from 8 to 17 percent. The household furniture includes cot (8.4%), fan (8.5%), chair and table (7.9%), and almyrah/iron safe (17.3%). Transportation and communication assets include mobile phones (14.9%), motor cycles (7.6%) and bicycles (2.5%).

Of the 844 sample SAG members, nearly half of them (48.6%) have purchased television with credit borrowed from SAGs and or with earnings of the IGA taken up with loans from SAGs. Few members have purchased dish connections (2%), DVD players (1.7%) and radios (0.5%). It shows that of all the recreational assets, television (TV) occupied top priority. Of the permanent assets, 12.1% acquired jewelry and few have house-sites (1.7%). Of all the household assets, many SAG members have bought TVs, almyrahs, mobile phones and LP gas connection & stove.

Economic Activities & Infrastructure

Economic activities: Generally rural households depend on multiple economic activities due to non-availability of continuous work. If the work is available continuously, mostly engage on single activity/source. The data show that of the 844 SAG members, majority of the members have single regular source of income (61.26%) followed by two (30.81%) and three (7.94%) sources. The data on sample households' regular sources of income (Fig-1) show that agriculture is one of the regular sources of income to 56.99% of households, labour to 21.80% of households, business to 15.17% of households, job-public/private to 12.68% of households, animal husbandry to 9.83% of households, and tailoring, petty business, weaving, pensions, auto/tractor, hotel, beedi rolling (country cigar), mechanic shop, service caste occupation, masonry, pensions, bullock-cart, flour mill, handicrafts, printing press, contract works, running chicken centre, fare price shop, studio are some regulars sources of income to one to five percent of households each. The data also shows that majority households' regular source of income is agriculture followed by non-farm activities. Further, lesser percentage of household's regular source of income is labour, it could be because of more engagement in agriculture and non-farm economic activities. During FGDs, many SAG members reported that younger generation are engaged in non-farm activities, unlike their parents in labour and agriculture. It is because of lot of skill development training programmes to the SAGs as well as to their household members (APMAS 2009)



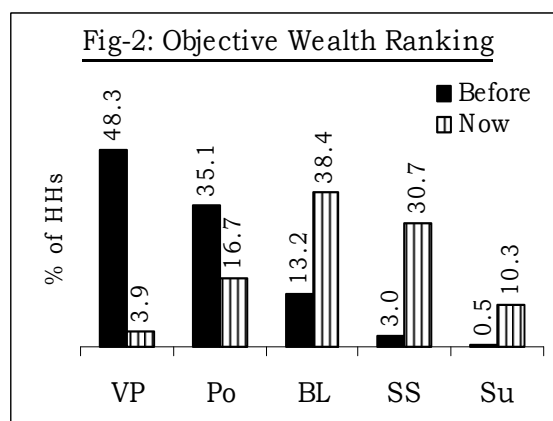
Productive assets / Infrastructure: The SAG members, while taking some income generation activities, have invested a portion or the total loan amount on productive assets to take up an economic activity. Of the 844 SAG members, majority (56.5%) have procured some sort of products assets. Among the SAG members procured productive assets, majority have procured one asset (36%) followed by two (15%) and three (5.5%).

The productive assets acquired by SAG members have been broadly categorized into four categories – i) agriculture, ii) livestock, iii) transportation, and iv) non-farm. The agriculture assets include land (18.84%), bore-well (1.42%), bullock cart (1.42%) and gardens (1.54%). The livestock includes milch animals like cows (24.29%) and buffaloes (8.65%); meat and milch animals like sheep (9.6%) and goat (1.66%); and plough bullocks (5.69%). The transport assets include auto/car (1.78%) and tractor (0.95%). The non-farm productive assets include sewing machines (2.49%), petty shops (1.42%) house sites (0.71%), and coin box

telephone, paddy harvesting machine and flour mill. It reveals that many SAG members have procured some sort of productive assets.

Wealth Ranking and Economic Mobility

Objective wealth ranking: Based on the indicators derived from PRA exercise such as i) housing, ii) regularity of income, iii) productive assets, iv) household assets, v) food security, vii) education, viii) health and viii) others, all the sample households are wealth ranked into five categories namely i) very poor (VP), ii) poor (Po), iii) borderline (BL), iv) self sufficient (SS) and v) surplus (Su). Fig-2 on objective wealth ranking of SAG members at the time of formation of groups shows that of the 844 sample SAG members, majority members belonged to very poor (48.3%) and poor (35.1%) categories; another 13.2% belonged to borderline category; and a very small percentage of members belonged to self sufficient and surplus categories. Where as now, majority members belong to borderline (38.4%) and self-sufficient (30.7%) followed by poor 16.7%), surplus (10.3%) and very poor categories (3.9%).



Economic mobility: Among the 844 SAG members, 89.9% moved to higher categories, 8.6% remained in the same category, and 1.3% and 0.2% moved down to poor and very poor categories respectively. Table-3 shows that of the total 408 very poor SAG members, at the time of group formation, except 7.11%, many moved to borderline (34.8%) followed by poor (29.9%), self-sufficient (20.83%) and surplus (7.35%) categories. Of the total 296 poor SAG members, majority SAG members moved to borderline category (55.41%) followed by self-sufficient (31.42%), surplus (7.09%) and very poor (1.01%), and only 5.07% members remained as poor; however, 1.01% of poor members moved down to very poor category. Of

Table-3: Mobility in Wealth Ranking

Wealth Ranking Categories	Before Joining SHG					Total (N=844)	
	VP (N=408)	Poor (N=296)	BL (N=111)	SS (N=25)	Surplus (N=4)		
Now	Very poor	7.11	1.01	.90	--	--	3.91
	Poor	29.90	5.07	3.60	--	--	16.71
	Borderline	34.80	55.41	11.71	16.00	25.00	38.39
	Self-sufficient	20.83	31.42	61.26	52.00	--	30.69
	Surplus	7.35	7.09	22.52	32.00	75.00	10.31
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note: VP- Very Poor; BL – Borderline; SS-Self Sufficient

the total 111 borderline category, except 11.71%, 83.78% of the members moved up to self-sufficient (61.26%) and surplus (22.52%) categories, and the remaining moved down to poor (3.6%) and very poor (0.9%) categories. Of the total 25 self sufficient SAG members, there is no change in majority members wealth ranking (52%); however, 32% of SAG members moved up to surplus category and 16% moved down to borderline category. Of the 4 surplus category members, at the time of group formation, three are in the same category and the

other one moved down to borderline category. It reveals that most of the SAG members moved up in their economic status over a period.

CONCLUSION

The poor illiterate women belong to various social categories, primarily depend on farm and non-farm activities were formed into groups to avail credit on flexible lending norms for various purposes- consumption, production and asset creation, and to access and avail various welfare and development programmes channeled through SAGs to the poor. The members have promoted large amount of savings mostly for on lending to their members, and large amount of group corpus fund. Besides loans from internal funds, all members accessed to the large amount of funds mobilized from many formal financial institutions particularly banks.

There is an immense impact of microfinance activities on members' households in various forms. It helped in addressing the basic needs of the poor such as food security, health, education and housing. Many SAG members acquired household assets for comfortable living. The poor, especially landless have invested loans on skill development, and children's education. Most of the households procured lot of productive assets while taking up income generation activities relating to farm and non-farm sectors. Majority SAG members' households moved up from very poor, poor and borderline economic categories to borderline, self sufficient and surplus categories. It is a clear evidence to say that community based microfinance can help the poor to come out of poverty and in turn can become the part of national development process

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