

IMPACT OF URBAN COMMUNITY BASED MICROFINANCE: *An Experience of SHG Member Households in Andhra Pradesh*

K. Raja Reddy¹, S. Prahalladaiah², TCS Reddy³, MBS Reddy⁴

ABSTRACT

The Mission for Elimination of Poverty in Municipal Areas (MEPMA) has facilitated about 3 lakh Self Help Groups (SHGs) covering 32 lakh women in 189 municipalities and 19 municipal corporations in the undivided state of Andhra Pradesh. About 80 percent of SHGs availed bank linkage at once, since inception. Further, SHGs disbursed loans to their members from group corpus as well as external credit mobilized from slum level federations (SLFs) and Sthreenidhi. In this context, the present study is aimed to understand the impact of credit on household level with the specific objectives as i) how far the households accessed credit from the SHGs, ii) how do they made use of the loans and iii) what is the impact at household level especially on household income, expenditure on food, asset building, children education, health etc. The study has covered the sample of 4,000 SHG member households in 40 towns in 10 districts of 3 regions namely Coastal, Rayalaseema and Telangana in AP. The study has concluded that as a result of households' access to credit from SHGs, there is an increase in household monthly income, more expenditure on food, improvement in children education, improvement in members' health, decrease of the incidence of migration and reduction of household debt burden

I INTRODUCTION

1 Background of the Study

Both the State and Central governments have implemented many programmes for the benefit of urban poor such as Nehru Rozgar Yojana (NRY), Urban Basic Services for the Poor (UBSP), Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), Urban Self Employment Programme (USEP) to provide employment to the urban unemployed poor and to achieve social sector goals. Besides, the Govt. of Andhra Pradesh (AP) has implemented many urban poverty reduction programmes such as Abhayahatham, Janasri Bhima Yojana, Urban Women Empowerment Programme, Urban Women Self Help Programme, Urban Street Vendors Programme, AASARA Programme, Urban Health Programme, Integrated Low Cost Sanitation Scheme, Sustainable Training and Employment Programme, Rajeev Yuva Kiranalalu etc.

Andhra Pradesh Urban Services for the Poor (APUSP) is implemented by the Govt. of AP in 31 Class-I towns to improve the urban poor's accessibility to sustainable services with the financial support of Department for International Development (DFID). During the past decade, the SHG movement gained an impetus not only in the rural areas but also in urban India. As the Govt. of AP realized that the SHGs and its federations are the best tools for poverty reduction and empowerment of rural women-folk, it has started similar kind of programme in the urban areas known as Mission for Elimination of

¹ Director, Research & Advocacy Team, APMAS, Hyderabad, krajareddy@apmas.org

² Manager, Research & Advocacy Team, APMAS, Hyderabad prahallada2009@gmail.com

³ CEO & MD of APMAS; President of Sadhikaratha Foundation, Hyderabad, creddy@apmas.org

⁴ Director of Urban Team, APMAS, Hyderabad, mbsreddy@apmas.org

Poverty in Municipal Areas⁵ (MEPMA). There are 189 municipalities, 19 municipal corporations and 10,491 slums in Andhra Pradesh. The project has facilitated about 3 lakh SHGs covering about 32 lakh women, which were organized into 9,104 Slum Level Federations⁶ (SLFs) and 189 Town Level Federations⁷ (TLFs). About 80% of SHGs availed bank linkage at least once, and 21% of SHGs availed Vaddileni Runalu⁸ (VLR) with an amount of Rs. 99.74 crores (www.mepma.org).

There are few studies on access to credit, utilization of SHG bank linkage loans and its impact at community, group, household and individual levels in general (APMAS, 2005, 2007, 2010; NCEAR, 2007, ENABLE Network 2013, Raja Reddy & TCS Reddy, 2010, Sthreenidhi, 2011-12). But there are no scientific studies on urban community based microfinance and its impact. Hence, the present study is proposed with a broad objective 'to understand the impact of urban community based microfinance on the SHG member households'.

2 Objectives & Methodology of the Study

The specific objectives of the present study are: i) how far the households accessed credit from SHGs, ii) how do they made use of the SHG loans and iii) what is the impact at household level, particularly on household income, expenditure on food, asset building, children education, health etc.

The universe of the study is all the urban SHG member households in the undivided state of AP. It has covered all the three regions of the state namely i) Coastal Andhra, ii) Rayalaseema and iii) Telangana. Based on the number of districts in a region, four districts from Coastal Andhra, two districts from Rayalaseema and four districts from Telangana were selected by applying Probability Proportionate to Size (PPS) sampling method. It was also applied for the selection of towns within the district, slums within the towns and SHGs within the slums. Within the identified SHGs, two members were identified randomly for the in-depth analysis of members' access to credit and its utilization by the households. The study has covered 4,000 SHG members in 40 towns in 10 districts of 3 regions of the AP state. An interview schedule was administered to get information from the SHG member households. Fieldwork for data collection was carried out from 18th September to 30th Nov. 2013.

Before computerization, all the filled in formats were cross checked whether the data is properly filled in or not. 'Excel Formats' were prepared and the data was entered into it. Prior to analysis, the data was cleaned and edited. All the data in Excel formats were converted into SPSS formats for statistical analysis. Simple statistical tools like percentages and averages were computed. The frequency tables, cross tables and graphs were prepared to make comparisons and draw meaningful inferences. The

⁵ *The Mission for Elimination of Poverty in Municipal Areas (MEPMA) is a Government of AP Society formed as part of Department of Municipal Administration & Urban Development. It was launched on 1st September, 2007 by the then UPA Chairperson.*

⁶ *SLF is the primary level federation of SHGs at slum level. A federation is an association of primary organizations/SHGs.*

⁷ *TLF is the federation at town level formed with primary level federations/SLF.*

⁸ *Government of Andhra Pradesh has introduced 100% subsidy over interest i.e., Vaddi Leni Runalu with effect from 1st January 2012 to all SHGs availed loan from Banks after 01.01.2012. The Interest which was paid by the SHGs to Bank that interest portion will be reimbursed to SHGs through online by the Government. The scheme is applicable to regular loan payment SHGs only.*

findings of the study are presented as i) socio-economic profile of households, ii) access to credit, iii) loan utilization, iv) dynamics at household level and v) conclusions.

II RESULTS AND DISCUSSIONS

1 Socio-economic Profile of SHG Member Households

The social composition of the sample households resembles the general population trends. Of the sample households, majority of the households are of backward classes (54%), between the age group of 21-40 years (67%), married (87%) and literate (67%). Nearly one half of the members have < 5 years of association with SHGs, and the other half has > 5 years. Medium size (3-4 members) households are predominant (56%) followed by five & above (33%). About 30% of the households are living in rented houses. Most of the households have (91%) ration card to avail monthly ration. Small percentage of households is non-local / immigrants; however, most of them are landless. Most of the households have toilet facility (90%); but small percentage of households has water connection (10%).

The sample households primarily engaged in self employment & business (36%) followed by job (25%), labour (22%) and others includes service caste occupations, tailoring, dairy and agriculture. The households primarily depending on labour is high in East Godavari with 32% and low in Vishakapatnam with 16%; the percentage of households depending on job is high in Vishakapatnam with 41% and low in Karimnagar with 18%, when compared to other districts.

2 Access to Credit

The household have borrowed loans from the funds mobilized by the SHGs from various sources – i) SHG internal funds, ii) banks, iii) slum level federations and iv) Sthreenidhi. The study team has collected the number of loans & the amount borrowed by each sample SHG member, since SHG inception, to understand member's access to credit from SHGs. Following are the details of credit sources to SHGs members.

a) *SHG funds*: A little more than one-half of the SHG member households (51%) have borrowed an average of 2.36 loans, and the amount of Rs. 16,105, since inception of the group. It means nearly one-half of the SHG members (49%) have not accessed loans from SHG funds. Access to credit from internal funds by the SHG member households is high in Nizamabad with 84% and low in Karimnagar with 21%, when compared to other districts. It is because of absence of on lending of internal funds to members mainly due to impounding of SHG funds by the banks.

Table-1: SHG Member Households' Access to Credit				
Particulars	SHG funds	SHG BL	SHG Fed	Sthree Nidhi
1. % of households	50.60	98.48	12.90	3.95
2. Avg. number of loans	2.36	2.53	1.35	1.00
3. Avg. loan in Rs.	16,105	37,307	11,978	16,271

b) *Banks*: The data in table-1 shows that most of the SHG member households (98%) accessed on an average of 2.53 loans and an amount of Rs. 37,307 under SHG-BL programme, since inception. It means that majority of the SHGs were credit linked to banks two to three times. However, there is a significant difference in the average amount of loan accessed by the SHG member households across the districts.

c) *SLFs*: Since inception, there are 13% of sample SHG member households have accessed an average of 1.35 loans, and the amount of Rs. 11,978. The number of SHG member households' accessed loan from SLFs is high in Anantapur with 21% and low in Vishakapatnam with 3%, when compared to other districts. It is because the SLFs and/or TLFs are still in formation phase, and yet to initiate credit services to their members in Vishakapatnam. Further, as most of the SHGs are leader centric, SLF credit services were availed mostly by the leaders. There is a low credit access with SLFs as the SLFs are not fully engaged in credit services in some of the towns.

d) *Sthree Nidhi*⁹: About 4% of the sample SHG member households accessed Sthreenidhi loans through SHGs. The percentage of SHG member households' accessed Sthreenidhi loans is high in Prakasam with 15% and low in Anantapur with 0.4%, when compared to other districts. Further, Sthreenidhi lending to SHGs has not yet started in 3 out of 10 sample districts as it is in expansion stage.

3 Loan Utilization

To understand how the households make use of SHG loans, the study team has collected the details of the latest loan amount and how it was spent for various purposes. If a member has no loan at present, then the details of the last loan repaid were collected.

a) *Loan size*: The average loan size of the latest loans is of Rs. 24,564. It is high in Anantapur with Rs. 31,700 and low in GHMC with Rs. 15,605 when compared to other districts (EG-Rs.20,936; NZB-Rs. 23,127; VSP-Rs. 24,141; KNL-Rs. 24,748; PKM-Rs. 25,058; KRN-Rs. 25,202; KHM-Rs. 25,792; KHN-Rs. 28,804). The data in table-2 shows that majority of the SHG members borrowed a loan of Rs. 11,000-30,000 (54%) followed by less than Rs. 10,000 (22%), Rs. 31,000-50,000 (21%) and more than Rs. 50,000 (3%). Further, nearly one-half of the loans in GHMC is less than Rs. 10, 000; where as, only 18% of loans are less than Rs. 10,000 in Anantapur.

Table-2: Volume of Loan (% of members)											
Amt. '000	EG	KHN	PKM	VSP	ATP	KNL	GHMC	KHM	KRN	NZB	Total
1. < 10	24	13	13	19	19	15	47	21	23	17	22
2. 11-20	35	19	32	31	19	30	29	36	26	40	29
3. 21-30	28	35	33	31	20	31	16	15	20	28	25
4. 31-40	6	17	12	12	21	17	4	9	15	10	12
5. 41-50	6	15	7	4	15	7	3	16	8	2	9
6. > 50	1	1	3	3	6	0	1	3	8	3	3
Total	100	100	100	100	100	100	100	100	100	100	100

EG-East Godavari, KHN-Krishna, PKM-Prakasam, VSP-Vishakapatnam, ATP-Anantapur, KNL-Kurnool, GHMC-Greater Hyderabad Municipal Corporation, KHM-Khammam, KRN-Karimnagar, NZB-Nizamabad

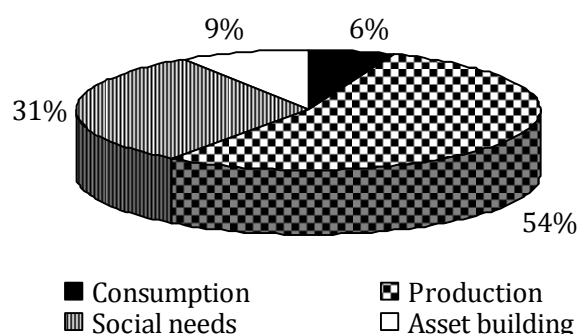
b) *Loan utilization –number of purposes*: The households used the loan for one to six purposes with an average of 1.38. However, majority of the households used for single purpose (73%) followed by two (19%). The percentage of households loan used for

⁹ *Sthreenidhi Credit Cooperative Federation Ltd. is promoted by the Government and the Mandal Samkhyas to supplement credit flow from banking sector and is a flagship programme of the Government. Sthreenidhi provides timely and affordable credit to the poor SHG members as a part of the overall strategy of SERP and MEPMA for poverty alleviation.*

more than one purpose is high in Anantapur with 41% and low in Khammam with 16% when compared to other districts. During interactions, the respondents have mentioned the reasons for usage of loan for other than the intended purpose or diversification as i) other pressing needs, ii) to repay high cost old loans, iii) the loan is large, iv) used for consumption as the loan is small and v) delay in grounding the loan .

c) *Purpose of loan (used for)*: The data in fig-1 shows that of the total loan of Rs. 983 lakh, major portion was used for production (54%) followed by social needs (31%), asset building (9%) and consumption (6%). Similar trend is found across the districts except in GHMC and Khammam. In these districts, the loan portion used for consumption is more than the share for asset creation. Of the loan used for consumption (6%), major part is for food and clothing followed by household gadgets. Of the loan used for production (54%), major part is to petty & seasonal business (28%), followed by working capital (10%), procure livestock (6%), purchase of machinery (6%), purchase of vehicles for transporting (4%) and agriculture equipment. Of the loan used for social needs (31%), large part is on children's education (12%) followed by to repay old debts (7%), health (6%) and life-cycle ceremonies including marriage (5%). Of the loan used for asset creation (9%), largely for housing followed by to procure gold/silver ornaments and to pay 'life insurance' premium. The above discussion demonstrates that the major chunk of loan was used for production and social needs, particularly on business, education, repay old loans and housing.

Fig-1: Purpose-wise Loan Utilization



4 Dynamics at Household Level

a) *Increase in household income*: The data in table-3 shows that many households have reported 'increase' in their monthly household income (58%). However, majority households reported 'no change' in East Godavari (50%), Vishakapatnam (51%), GHMC (50%), Khammam (55%) and Nizamabad (56%). The percentage of households reported 'increase' is high in Anantapur with 66% and low in Nizamabad with 44% when compared to other districts. It is because the households in Anantapur were accessed large volume of loans from SHGs. The amount of increase varies from Rs. 50 to Rs. 8,000 with an average of Rs. 1,913. The average amount of increase is high in Khammam with Rs. 2,426 and low in East Godavari with Rs. 978 when compared to other districts (KHN-Rs. 1,458; KRN-Rs. 1,797; NZB-Rs. 1,827; GHMC-Rs. 1,978; ATP-Rs. 2,051; PKM-Rs. 2,056; VSP-Rs. 2,090; KNL-2,187; KHM-Rs. 2,426).

Table-3: Change in Monthly Household Income (% of households)

Amount in Rs.	EG	KHN	PKM	VSP	ATP	KNL	GHMC	KHM	KRN	NZB	Total
1. No increase	50	33	35	51	34	42	50	55	25	56	42
2. < 1,000	37	39	24	13	19	16	20	23	24	20	24
3. 1000-2000	9	17	20	19	28	22	17	12	20	16	18
4. > 2000	4	12	22	17	19	20	13	10	32	9	16
Total	100	100	100	100	100	100	100	100	100	100	100

The average amount of increase of monthly household income and the volume of loan are positively correlated i.e. loan volume increases there is an increase in monthly household income (Loan size Rs < 10,000 – Average monthly household income Rs. 1,425; Rs. 11,000-20,000 – Rs. 1,513; Rs. 21,000-30,000 – Rs. 1,975; Rs. 31,000-40,000 – Rs. 2,334; Rs. 41,000-50,000 – Rs. 2,464; Rs. > 50,000 – Rs. 3,190). It shows that the loan volume influences the household monthly income.

b) Expenditure on food: The data in table-4 shows that majority of the households have reported that there is 'no increase' in expenditure on food due to loans from SHGs and the income earned on it. Nevertheless, about 46% of households have reported 'increase' in household expenditure on food. The households reported 'no increase' is high in East Godavari and Kurnool with 72% and low in Anantapur with 9% when compared to other districts. The households who have reported 'increase' is high in Anantapur with 89% and low in Khammam with 26% when compared to other districts. A few households have reported 'decrease' in household expenditure on food due to repayment of loans. During discussion, the members have revealed that the increase in food expenditure varies between Rs. 100 to Rs. 1,000. The above discussion shows that there is no much increase in household food expenditure because of SHG loans.

Table-4: Opinion of Households on Monthly Expenditure on Food (% of HHs)											
Opinion	EG	KHN	PKM	VSP	ATP	KNL	GHMC	KHM	KRN	NZB	Total
1. No	72	63	62	24	9	72	62	72	42	32	52
2. Increase	28	38	38	75	89	28	32	26	56	63	46
3. Decrease	0	0	0	1	1	0	6	2	2	5	2
Total	100	100	100	100	100	100	100	100	100	100	100

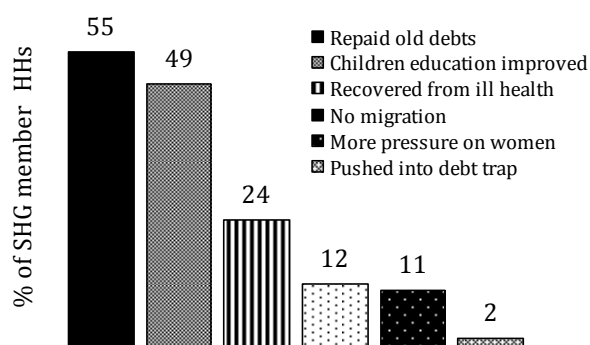
c) Asset building: The data in table-5 shows that a small percentage of households have purchased different kinds of assets which include purchase of land and/or improvement, livestock, gold and silver ornaments, household articles, housing, vehicles etc. It could be because as major portion of the loan was used for consumption, social needs and as working capital. Hence, the possibility for procuring assets is low.

Table-5: Types of Assets Purchased by SHG Member Households (Rs. In lakh)			
Type of asset	% of HHs	Total Value	Avg. Amt.
1. Land purchase	0.5	36.86	1.94
2. Land improvement	0.4	5.12	0.30
3. Cattle / goat / pigs	3.0	45.51	0.39
4. Gold / silver ornaments	6.0	55.51	0.23
5. Household articles	19.3	8.05	0.11
6. housing	7.5	312.40	1.04
7. Vehicles	2.5	53.12	0.53
8. Others	11.0	28.84	0.07

d) Other important changes at household level: The data in fig-2 shows that many households (55%) accounted that they have benefited with SHG loans by repaying old debts and educating their children (49%). The percentage of households reported 'repaid old debts' is high in Krishna with 76% and low in GHMC with 28% when compared to other districts. It could be because of presence of more microfinance

institutions (MFIs) in Krishna and Anantapur. Some households reported that one of the household members recovered from ill-health (24%) and stopped migration (12%). A small number of households reported about the negative implications of SHG loans as i) more pressure on women at the time of repayment of loan instalment (11%) and ii) pushed into debt trap (2%). The SHG member households benefited in multiple ways– repaid high cost loans, improvement in children’s education and improvement in household members’ health.

Fig-2: Dynamics at Household Level



5 Conclusions

Numerically, the SHG members are of backward category, middle aged, married, literate, staying in own house with toilet and water facilities, local and poor who have white ration card. However, there are disparities between districts in the percentage of households having own house, water connection, household size, coverage of SC and minority categories, landholdings etc. Large number of SHG member households accessed credit from SHGs’ internal funds, banks under SHG bank linkage programme; and small percentage of members from SLFs and Sthree Nidhi. The loan size varies from small to large; and mostly made use of one or two purposes. Credit is mainly used for employment generation and in building social & human capital namely on business, education, repay old loans and housing. As a result, majority households reported socio-economic improvement - increase in household monthly income, more expenditure on food, improvement in children’s education, increase in health status, no migration and decrease of debt burden.

References

1. APMAS (2005) *A Study on SHG Bank Linkage in Andhra Pradesh*, Communication Division, APMAS, Hyderabad
2. _____ (2007) *SHG-Bank Linkage Programme: A Recurrent Study in Andhra Pradesh*, Communication Division, APMAS, Hyderabad
3. MEPMA (2013) *Annual Report*
4. Myrada (2010) *An Evaluation of Self Help Affinity Groups Promoted by Myrada*, Bangalore, Myrada Publication.
5. NCEAR (2008) *Impact and Sustainability of SHG Bank Linkage Program*, study conducted by National Council for Applied and Economic Research, New Delhi.
6. Raja Reddy, K and CS Reddy (2010) ‘What are SHG Members Doing with Large Loans?’ *The Indian Journal of Social Work*, Volume 71: Issue-1, January 2010.
7. Raja Reddy, K and CS Reddy (2013) *Self Help Groups in India – A Study on Quality and Sustainability*, ENABLE Publication, APMAS, Hyderabad.
8. Sthreenidhi (2011-12) *A Study on Utilization of Sthree Nidhi Loans by the Self Help Group Members in Andhra Pradesh*, study conducted by APMAS to Sthree Nidhi Cooperative Federation Private Ltd., Hyderabad
9. www.mepma.org