INDEBTEDNESS AND FINANCIAL INCLUSION AMONG THE TRIBALS

An experience of woman self help group member households in Andhra Pradesh

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ABSTRACT

In the recent years, community based microfinance is renowned as an instrument for financial inclusion and inclusive growth. The Self Help Groups (SHGs) are linked to banks under SHG bank linkage programme to provide financial services to the poor and vulnerable sections for poverty reduction, and to reduce dependence on traditional sources, whose interest rates are over priced. In the tribal areas, majority of the households are away from formal financial institutions for varied reasons and mostly depend on traditional sources for credit. In this context, the present study is to know the indebtedness of tribal households, to assess the SHGs' contribution to household credit, to know the extent of dependence on traditional sources, to know the issues in accessing credit and to evolve strategies to reach the un-reached.

The study covers 189 households whose women members are enrolled with SHGs in the integrated tribal development agency (ITDA) areas of Andhra Pradesh. The study found that majority of the tribal households has accessed financial services from banks through SHGs and their federations. Nevertheless, nearly one half of the households are depending on informal sources that charge high interest rates, for larger loans, mostly for social needs of the households. Further, the formal institutions could not succeed in meeting the credit demand of the SHG member households for a variety of reasons.

Key words: financial inclusion, self help groups, indebtedness, community based microfinance, formal & non-formal sources.

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1 INTRODUCTION

1.1 Context of the study

Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion. This has to become an integral part of our efforts to promote inclusive growth. In fact, providing access to finance is a form of empowerment of the vulnerable groups. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include savings, credit insurance and remittance facilities. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they can come out of poverty.

The poverty ratio in rural areas among the social categories, Scheduled Tribes exhibit the highest level of poverty (47%) followed by Scheduled Castes (SCs) (42%) and Other Backward Classes (OBC) (32%) against 34% for all classes (Planning Commission, Government of India, 2012). According to NSSO survey, 51% of farmer households are financially excluded from both formal /non-formal sources. Of the total farmer households, only 27% access formal sources of credit and one third of this group even borrow from other non-formal sources. About 36% of Scheduled Tribe (ST) farmer households are indebted mostly to non-formal sources (Rangarajan, C. 2008).

According to the Society for Elimination of Rural Poverty[1] (SERP) there are around 1.16 crores SHG[2] members in about 11 lakh SHGs organized into 38,821 Village Organizations[3] (VOs) and 1,099 Mandal Samakhyas[4] (MSs) in Andhra Pradesh. Of the total SHGs, about 5.4 percent of SHGs covering 5.8 percent of members are in Tribal Project Management Unit (TPMU) areas. In addition to the above MSs, there are 262 Mandal Vikalangula Sangams (MVSs), 17 Chenchu Mandal Samakhyas (CMSs), 7 Fishermen Mandal Samakhyas (FMSs) and 20 Yanadi Mandal Samakyas (YMSs) in the AP. The total savings and corpus of SHG members as on March 2012 are around Rs.3,724 crores and Rs. 5,538 crores respectively.

To encourage the poor including disadvantaged groups and communities to access the credit services seamlessly Community Investment Fund (CIF) from project side, and linkages from bank side are provided to the poor women SHG members to improve their livelihoods. CIF supports the poor in prioritizing livelihood needs by investments in sub-projects

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1 *SERP is a non-government organization promoted by Govt. of Andhra Pradesh working with the World Bank funding support for poverty reduction and empowerment.*

2 *SHG is a small group (15 to 20 members), voluntarily formed and related by affinity for specific purpose, it is a group whose members use savings, credit and social involvement as instruments of empowerment.*

3 *Village organization is the primary level federation of SHGs at village level. A federation is an association of primary organizations.*

4 *Mandal Samakhya is the federation at mandal level formed with primary level federations.*

proposed and implemented by the Community Based Organizations[5] (CBOs). The cumulative CIF expenditure up to March, 2012 is Rs.1088 Crores and the total numbers of beneficiaries are 29,94,227. During the financial year 2011-12, SERP has facilitated Rs. 7941.57 crores of bank loans to 3,48,449 SHGs (Annual Report 2011-12, SERP).

To address the issues of inadequate finance and to ensure timely availability of supplementary financial services for meeting emergency and emergent needs of the SHG members, Mandal Samakhyas in the State, in association with Government of AP have promoted "Sthree Nidhi" Credit Cooperative Federation Ltd. Sthree Nidhi is operationalized from October 2011 and Rs. 122 crores was lent to 94,000 SHG members from 30,041 SHGs of 10,116 VOs from more than 800 Mandal Samakhyas as on 5th June 2012 (www.sthreenidhi.org).

According to a study conducted by APMAS in 2011-12, there is a wide disparity between regions, districts and mandals in the coverage of clients and the amount disbursed through Sthree Nidhi. The data on Sthree Nidhi disbursement shows that the TPMUs are also not exceptional to the above observation. The difference between the size of the loan accessed by SHGs with ST/SC members and that accessed by more advantaged groups had widened over the years (APMAS, 2007).

1.2 Objectives and methodology of the study

Objectives of the study: In the above context, the present study was initiated with a broad objective to assess the debt status and credit requirement of the tribal households in Andhra Pradesh. The specific objectives of the present investigation were: i) to know the socio-economic status of tribal households, ii) to assess the magnitude of household debts, iii) to know the SHGs' contribution to household credit, and iv) to know the issues in accessing credit from the formal financial sources including SHGs.

Research methodology: The universe of the present study is the tribal households who enrolled membership with SHGs in all the nine Integrated Tribal Development Agencies (ITDAs). The present study has covered 189 SHG members of 126 SHGs in 21 mandals of 7 ITDAs in Andhra Pradesh (see map below). Of the 9 ITDAs in AP, 7 were selected based on the number of SHGs and SHGs credit linked to banks. Based on the socio-economic diversity and location, three mandals were selected in each ITDA. Based on location, three villages – mandal / block head quarters, roadside and interior, were purposively selected. Within the village, two SHGs were randomly selected, and from each SHG, three members were randomly selected based on the availability of SHG members.

Data collection tools & fieldwork: Both qualitative and quantitative data was collected from primary as well as secondary sources through quantitative as well as qualitative data collection methods. Primary data were mainly collected from SHG member households by executing an interview schedule and focus group discussions with SHG members. Fieldwork for data collection was carried out from October 3-20, 2012.

Data analysis and structure of the report: The filled in formats were edited and coded before entering the data into a computer. Simple statistical tools like percentages, ranges and averages were computed by using a statistical package for social sciences (SPSS). To make comparisons and draw meaningful inferences, frequency and comparative tables were

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[5] *Community based organization is a non-profit organization which works to serve the disadvantaged in the community with public and private funds in which it is located.*

prepared. The findings of the study are presented as i) an overview of tribal Andhra Pradesh ii) the socio-economic status of tribals, iii) access to credit, iv) extent of household debt, v) promotion of savings, vi) issues and problems in accessing credit and vii) conclusions and way forward.

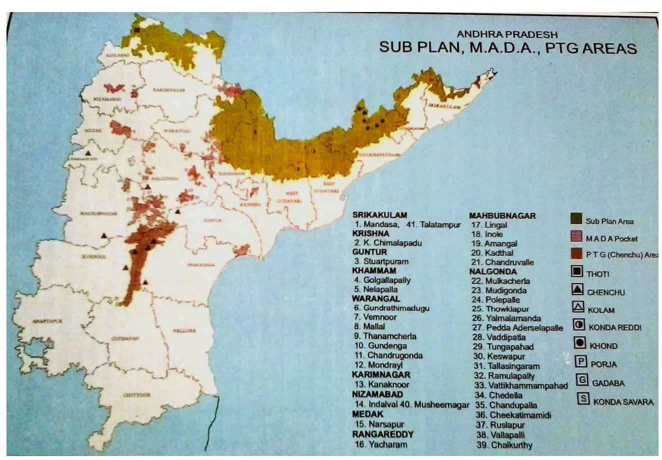
2 AN OVERVIEW OF TRIBAL ANDHRA PRADESH

According to 2001 Census, the total tribal population of AP is 50,24,104. In AP there are 35 communities[6] officially designated as Scheduled Tribes, in which, 8 are recognized as primitive tribal groups[7] (PTGs) are also known as 'Vulnerable Tribal Groups'. The STs of AP constitute 6.75 per cent of India's tribal population. Although the state's STs comprise only 6.59 per cent of the state's population, they account for the largest tribal concentration in southern India.

The scheduled areas of Andhra Pradesh, covered by the Tribal Sub-Plan (TSP) approach, are spread over 31,485 sq km in the districts of Srikakulam, Vizianagaram, Visakhapatnam, East Godavari, West Godavari, Warangal, Khammam, Adilabad and Kurnool. This zone forms the traditional habitat of 32 tribal communities. The other three tribal groups namely Lambada, Yerukala and Yanadi mostly live outside the scheduled areas.

In some districts tribal population is spread thinly and they live along with non-tribal communities. The indigenous tribes are mostly concentrated in contiguous tracts of the above districts that have been designated as scheduled areas administered by the ITDAs.

There are some one million ST households in the state and about half of them live in 5,936 villages in the nine ITDA areas. The scheduled areas are inhabited by an estimated 28 lakh tribals who are entitled to the benefits of TSP projects and protective legislations. In conformity with the national TSP strategy, Andhra Pradesh tribal population is divided into four categories: (i) those living in tribal concentration areas in the scheduled villages and adjoining areas, i.e. the TSP areas administered by ITDAs. Each of the above nine districts has one ITDA named after the tribal concentration block where it is headquartered; (ii) primitive tribal groups, i.e. communities who live in near isolation in inaccessible habitats in and outside the scheduled areas who are at the pre-agricultural stage



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6 *Andh, Bagata, Bhil, Chenchu, Gadaba, Gond, Goudu, Hill Reddis, Jatapus, Mammar, Kattunayakan, Kolam/Kolawar, Konda Doras/Kubi, Konda Kapus, Konda Reddis, Kondh/Kodi/ Kodhu/Desaya Kondh/ Dongria Kondh/ Kuttiya Kondh/ Tikira Kondh/ Yenity Kondh/ Kuvinga, Kotia/Bentho Oriya/ Bartika/ Dulia/ Holva/ Sanrona/ Sidhopaiko, Koya, Kulia, Malis, Manna Dhora, Mukha Dhora, Nooka Dhora, Nakkala/ Kurvikaran, Nayaks, Pardhan, Porja/ parangiporja, Reddi Dhoras, Rona/Rena, Savaras, Thoti, Valmiki, Yanadi, Yerukala and Dhulia/Paiko/Putiya*

7 *Chenchu, Gadaba, Kolam, Konda Reddy, Khond, Porja, Savara and Valmiki- are the most backward tribes in the state of Andhra Pradesh, primarily depend on food gathering economy.*

of the economy; (iii) those living in small pockets outside the scheduled areas, i.e. Modified Area Development Agency (MADA) areas and tribal clusters; and (iv) Dispersed Tribal Groups, i.e. those dispersed throughout the state (see map).

Table-1: ITDA-wise Number of SHGs Credit Linked to Banks as on December 2012

Name of ITDA	Total No. of SHGs	SHGs credit linked to bank	% of SHGs credit linked to bank	Amount of loan outstanding (in lakhs)
1. Badhrachalam	15,109	12,236	80.9	14,968.89
2. Eturnagaram	4,155	3,856	92.8	4,420.15
3. Utnoor	12,674	10,224	80.6	12,304.23
4. Paderu	8,714	3,391	38.9	2,589.41
5. Parvathipuram	6,140	3,905	63.6	3,379.40
6. Rampachodavaram	4,436	3,546	79.9	2,251.66
7. Seethampet	6,640	5,199	78.3	6,079.37
Total	57,868	42,357	73.2	45,993.11
Andhra Pradesh	10,75,605	8,68,082	80.7	11,52,667

The data in table-1 shows that as on December 2012, there are about 10.76 lakh SHGs in Andhra Pradesh. Of these, 57,868 SHGs are in ITDA areas. About 73% of SHGs are credit linked to banks in ITDA areas, is less than the state numbers (90%), and having a loan outstanding of Rs. 45,993 crores as on Dec 2012. The percentage of SHGs credit linked to bank is high in Eturunagaram with 93%, and low in Paderu with 39% when compared to other ITDAs. The percentage of SHGs credit linked to banks is high in Telangana region as compared to Coastal. It shows that there are regional disparities between ITDAs in credit linkage of SHGs to banks because of various regions. The average amount of loan outstanding with banks by the SHG is low with Rs. 1.08 lakh compared to the state average amount of Rs. 1.33 lakh. It shows that the SHGs in the tribal areas marginalized are marginalized in credit linking of SHGs to banks.

3 SOCIO-ECONOMIC STATUS OF TRIBALS

3.1 Social conditions

Ethnic composition: The sample households of the present study were covered about 20 out of 35 Scheduled Tribes (STs) in AP. The ITDA-wise coverage STs is as follows:

Name of the ITDA			*Name of the Tribe*
i)	Paderu	:	Bagata, Kodu, Kotia, Kondadora and Valmiki
ii)	Rampachodavaram	:	Kondareddy, Koya, Savara and Valmiki
iii)	Seetampet	:	Savara, Kotia, Konda Reddy, Koya, Naikpodu, and Valmiki
iv)	Khammam	:	Koya Naik Podu and Gond
v)	Eturunagaram	:	Koya, Lambada Naik Podu and Gond
vi)	Utnoor	:	Gond, Auanth, Kolam, Lambada and Manyawar
vii)	Srisailam	:	Chenchu, Lambada and Yerukala

Medium size households are numerically dominant: The household size varies between one and nine members with an average of four. A majority of the sample households are medium in size (65.1% with 4-5 members) followed by small (20.6% with < 4 members) and large families (14.3% with 6 and above members). Most of households are of simple families consisting of parents and children, and in some cases one or two dependent members.

Female population is more than the male population: Of the total population of the households (1430), the female population is more (52.2%) than the male (47.8%). Further, it is also high when compared to the state (49.79%) and national facts (48.46%). The age of the household members shows that 71% are adults and the remaining (29%) are children. The total number of female children (53.05%) is more as compared to the male (46.95%). It indicates that the female infanticide or discrimination towards girl child is not found among the tribals.

Majority of the household members are working: Of the total household members, 54.6% are working and the remaining (45.4%) are non-working, those include children, aged and chronic diseased. It shows that there are many non-working / dependent members in the family. Of the non working, if we presume that all the children (29%) are non-working, 16.4% of the adults are non-working in the families.

More female illiteracy: Majority of the household members is illiterate, and majority of them are female (59.9%) followed by male (40.25%). Of the literates, there is no difference between male and female among those who studied between 1st and 5th class; however, there is a noticeable difference in the educational levels of male and female among those who studied between 6th and 10th class (110/89) and college (73/53). The present study also confirms that the girl child drop-outs are more as compared to male because of various socio-economic reasons.

Vulnerability-persons with disability (PWDs): Out of 189, 9 families have accounted about 9 PWDs, in which five are male and four are female; and of the 12 families reported about 13 members chronically diseased, five are male and eight are female.

3.2 Economic conditions

Majority of the households are residing in thatched and tiled houses: Of the 189 households, many are living in colony houses (29.1%), thatched houses (28.6%) and tiled houses (28.6%) followed by pucca houses (13.8%). It shows that a majority of the households (57.2%) are residing in thatched and tiled houses. It indicates the poor implementation of housing programme in the tribal areas, even though the Govt. of AP is very keen about it.

The incidence of migration is very minimal: Out of 189 households, 21 have accounted about migration, and many are from Seetampet (7 out of 27 households) and Srisailam (5 out of 27 households) ITDAs. However, except in Badrachalam, in all the ITDAs, one to two households reported about migration. Out of 21, 13 households have said that the male members go for work to nearby towns and the female take care of children and aged in the family. During individual interactions, the respondents have reported the reasons for migration as push factors like less availability of work at the village, and pull factors like more wages and availability of work outside the village.

Majority of the households are marginal and small farmers: Majority of the tribal households (79%) possesses one to five acres of land with an average of 5 acres per household. A majority of the households have dry/ rain-fed lands and a few households possessed wet lands with some irrigation facilities. The data shows that many households possess less than 2.5 acres of land (44.4%) followed by 2.5 to 5 acres (24.9%) and more than

5 acres (9.5%). But more than one-fifth of them are landless. It reveals that majority of the tribal households are marginal and small farmers mostly depend on rain-fed agriculture.

Agriculture, labour and collection of non-timber forest produce (NTFP) are the major household economic activities: In general, the rural households engage in multiple economic activities. The data in table-2 shows that many households' primary economic activity is agriculture (46%) followed by labour (34%); however, a few households' engaged as construction workers, forest labour, petty/seasonal business, jobs both in private and government sectors, traditional service occupations and collection of NTFP. In contrast to primary occupation, many households secondary occupation is labour (48%) followed by agriculture (24%). But, of the tertiary economic activities of the households, some are engaged in the collection of NTFP (12%). It shows that the major economic activities of the households are agriculture and labour.

Table-2: Economic Activities of the Tribal Households (% of HHs)

S. No.	Economic activity	Primary (N=189)	Secondary (N=189)	Tertiary (N=189)
1	Agriculture	46	24	5
2	Labour	34	48	6
3	NTFP collection	1	6	12
4	Others	19	17	19

The general impression is that most of the tribal households' subsidiary economic activity is collection of minor forest produce (MFP) or NTFP. But at present, a tiny percentage of households are engaged in NTFP collection. During interaction, the respondents have reported i) non-availability of the produce in their vicinity, ii) problems with the forest department and iii) not profitable/ not getting good prices in the market as reasons for less number of households engaged in NTFP collection.

4 ACCESS TO CREDIT

4.1 Sources of Credit

Multiple credit windows: The sources of credit that the sample households have been mobilizing to cater credit needs can be broadly categorized into two - formal[8] and non-formal sources[9]. Of the formal sources, majority of the households have taken loans from SHGs under bank linkage programme (69.3%) followed by VO (32.8%), Sthreenidhi (29.6%), SHG funds (22.2%), and agriculture loans from banks (13.2%). It shows that the sample households have taken at least one loan through SHGs from any one of the formal credit sources such as SHG funds, VO/MMS, Sthreenidhi, SHG-BL, and agriculture loans from banks. Further, a majority households that are away from banking services, have been accessed credit services through SHGs under SHG-BL and housing programmes. Out of 189 households, 30.7% have taken loans from money lenders followed by friends & relatives (15.9%), traders (4.8%) and chits (1.6%). It shows that many SHG member households have been depending on non-formal sources for credit.

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8 *The formal sources include SHG funds, SHG-Bank Linkage, loans from village organization/ Mandal Mahila Samakhya and agriculture loans from banks on individual capacity*

9 *The non-formal sources include money lenders, chits, traders and friends & relatives.*

Multiple loans from formal and non-formal sources: The data shows that of the 189 households, except 4, all the households have taken 1-5 loans with an average of 2.2 from formal and non-formal sources. The households have taken a total of 416 loans of Rs. 85.92 lakhs with an average loan of Rs. 20,457 per household. A majority of the households have taken 1-2 loans (60.3%) followed by three & above loans (37.6%); however, 70% of the households have more than one loan. It reveals that the households accessed credit from multiple sources. Further, of the total 185 households reported debts, 53% of them have taken loans exclusively from formal sources, 3.2% exclusively from non-formal sources, and 42.9% from both formal and non-formal sources. It is evident that most of the households have taken at least one loan from formal sources (96.75%). Nevertheless, nearly half of the households depended on non-formal sources for credit.

4.2 Extent of household credit

Magnitude of household credit: All the households, except four, have taken a total credit of Rs. 85.92 lakh from formal (Rs. 36.94 lakhs) and informal sources (Rs. 48.98 lakhs) with an average of Rs. 46,443. The data in table-3 shows that of the total households, many households (47.6%) have a loan amount of less than Rs. 25,000 followed by Rs.26000-50000 (26.5%) and more than Rs. 50000 (24.9%). Interestingly, 17 (9%) out of 185 households have taken a loan of more than Rs. 1 lakh. There is no much difference between the percentage of households taken a loan of less than Rs. 25, 000 from formal and informal sources. However, the percentage of households borrowed loan of Rs. 26,000 -75,000 from formal sources (31.9%) is high as compared to non-formal sources (22.7%). In contrast, the percentage of households borrowed loan of more than Rs. 75,000 from non-formal sources (13.7%) is high as compared to formal sources (4.4%). The average amount of credit (Rs. 41,977) taken by a household from non formal sources is more than 50 percent when compared to formal sources (Rs. 27,364).

Table-3: Source-wise Extent of Household Credit

S. No.	Loan amount in Rs	Non-formal		Formal		Total	
		F	%	F	%	F	%
1	< 25,000	56	63.6	114	63.7	88	47.6
2	26,000 - 50,000	14	15.9	42	23.5	50	27.0
3	51,000 - 75,000	6	6.8	15	8.4	19	10.3
4	76,000 - 1,00,000	5	5.7	4	2.2	11	5.9
5	> 1,00,000	7	8.0	4	2.2	17	9.2
	Total	88	100.0	179	100	185	100.0

Lion's share of SHGs to household credit: The data in table-4 shows that of the total households' credit of Rs. 85.92 lakhs, 57% of the amount is taken from SHGs and the remaining 43% is from non-formal sources. Of the total credit with SHGs, a major chunk is from banks under SHG-bank linkage programme (24.1%) and personal banking (10.5 %) followed by VO (11.9%) and Sthreenidhi (7.1%), and a petite portion from SHG funds. Of the total households' credit with non-formal sources of Rs. 36.94 lakhs (43%), mostly from friends and relatives (19.4%) and money lenders (19.2%), and a very little portion is with traders (3.7%) and chits (0.7%).

Large volume of loans from non-formal sources: The average loan size varies between formal and non-formal sources. The average loan amount of friends & relatives is high with Rs. 55,647 and low in chits with Rs. 20,000 as compared to other non-formal sources. Of the loans from SHG sources, the average loan amount is high in VO/MMS loans (Rs. 16,529) and low in loans from SHG funds (Rs. 6,957). The average loan amount taken from friends & relatives is more than three times as compared to average loan taken from VO, Sthreenidhi and SHG-bank linkage; similarly, the average loan taken from money lenders is more or less double as compared to loans taken from SHGs. It shows that the loan from formal sources is small in size as compared to non-formal sources.

Table-4: Source-wise Household Credit

S. No.	Credit source	F	%	Sum	%	Mean
A	Non-formal	100	24.1	3,694,000	43.0	36940
1	Friends & Relatives	30	15.9	1,669,400	19.4	55,647
2	Money lenders	58	30.7	1,649,600	19.2	28,441
3	Chits	3	1.6	60,000	0.7	20,000
4	Traders	9	4.8	315,000	3.7	35,000
B	Formal	316	75.9	4,897,946	57.0	15500
1	SHG funds	42	22.2	292,200	3.4	6,957
2	VO/MMS	62	32.8	1,024,780	11.9	16,529
3	Sthreenidhi	56	29.6	606,500	7.1	10,830
4	Bank linkage SHG	131	69.3	2,073,466	24.1	15,828
5	Personal Loans-Bank	25	13.2	901,000	10.5	36,040
	Total	416	100	8,591,946	100.0	20654

Further, of the household loans from non-formal sources, the percentage of small and large size loans are more or less same in numbers. It is because of need-based borrowing, ability to provide collateral and loan repaying capacity. Where as, of the loans taken from SHGs, a majority percentage of loans are small in size i.e. less than Rs. 10,000, and a few percentage are large loans of more than Rs. 20,000. It could be predominantly because of equal distribution of funds borrowed from external agencies to group members and ceiling on loan size to SHGs.

Preponderance of less than 2 year old loans: The data in table-5 shows that of the total 416 loans, majority of the loans are less than one year old (61.3%) followed by two (20.2%) and more than two years (18.5%). The average age of loans from VO is high with 25 months and low in Sthreenidhi with 3 months, when compared to others (friends & relatives-19 months; money lenders-11 months; traders-7 months; chits-6 months; SHG funds-17 months; personal loans from banks-23 months). Of the non-formal sources, majority of the loans are of less than two year old (83%). However, the percentage of loans which are more than two years old is high in friends & relatives (33.4%) as compared to other sources. Of the formal sources, majority of the loans from SHG funds and VO/ MMS are of more than one year old. It could be because of no or less number of loans from internal funds due to paucity of funds and/or poor repayment and defaulting. Further, a majority of the loans of Sthreenidhi, SHG bank linkage and personal loans from banks are of less than one year old. It could be because of two reasons - Sthreenidhi has started its operations in the recent past, since October 2012; and more focus on PoP SHGs credit linked to banks by the SERP/ promoter.

Table-5: Source-wise Age of Loans (In %)						
Credit source	Age of loans (in years)					
	0.1-1	1.1-2	2.1-3	3.1-4	> 4	Total
A. Non-formal (N=100)	64.0	19.0	9.0	4.0	4.0	100
1. Friends & Relatives (N=30)	46.7	20.0	16.7	10.0	6.7	100
2. Money lenders (N=58)	69.0	20.7	5.2	1.7	3.4	100
3. Chits (N=3)	66.7	33.3	0.0	0.0	0.0	100
4. Traders (N=9)	88.9	0.0	11.1	0.0	0.0	100
B. Formal (N=316)	60.4	20.6	4.4	4.1	10.5	100
1. SHG funds (N=42)	47.6	35.7	7.1	2.4	7.1	100
2. VO/MMS (N=62)	37.1	33.9	6.5	3.2	19.4	100
3. Sthreenidhi (N=56)	100.0	0.0	0.0	0.0	0.0	100
4. SHG-BL (N=131)	60.8	20.0	3.1	3.8	12.3	100
5. Bank-personal (N=25)	52.0	12.0	8.0	20.0	8.0	100
Total (N=416)	61.3	20.2	5.5	4.1	8.9	100

4.3 Purpose of loans

Large number of loans for production purposes: The households have borrowed loans for various purposes –consumption, production, social needs and asset creation. The consumption loans include food and clothing; the production loans include agriculture inputs, purchase of milk animals, sheep & goats, business, self employment activities, purchase of an auto and expanding traditional occupational activities; the social needs include to repay old loans, marriage, health and children's education; the asset creation loans include housing and land.

Table-6: Purpose-wise No. of Loans and Amount						
Loan		Loans		Amount in Rs		Mean in Rs.
Category	Purpose	N	%	Total	%	
Consumption	Food & clothing	22	5.3	167,300	1.9	7,605
Production	Ag. Inputs	144	34.6	2,586,433	30.1	17,961
	Milk animals	21	5.0	463,230	5.4	22,059
	Goat/sheep	13	3.1	166,100	1.9	12,777
	Business	24	5.8	294,900	3.4	12,288
	Self employment	3	0.7	23,000	0.3	7,667
	Auto/taxi/tractor	3	0.7	118,000	1.4	39,333
	Traditional occupations	3	0.7	25,000	0.3	8,333
Social needs	To repay old loans	15	3.6	344,000	4.0	22,933
	Marriage	20	4.8	614,967	7.2	30,748
	Health	61	14.7	1,274,100	14.8	20,887
	Education	38	9.1	1,382,500	16.1	36,382
Asset creation	Housing	48	11.5	1,072,416	12.5	22,342
	Land	1	0.2	60,000	0.7	60,000
Total		416	100.0	8,591,946	100.0	20,654

The data in table-6 shows that of the total 416 loans taken by the sample households, majority of the loans are for production (50.7%) followed by social needs (32.2%), asset creation (11.7%) and consumption (5.3%). Of the production loans, majority of the loans (34.6%) and amount (30.1%) is for agriculture inputs. Of the social needs, large number of loans and amount is for health (loans-14.7% and amount- 14.8%) and education (loans-9.1% and amount-16.1%); and most of the asset creation loans (11.5%) and the amount (12.5%) is for housing.

Large volume of loan for social needs: The average loan size varies from Rs. 7,605 to Rs. 60,000 with an average of Rs. 20,654. The average size of the loans taken for purchase of land is high with Rs. 60,000 and it is low with the loans taken for consumption with Rs. 7,605 as compared to other purpose of loans. Interestingly, the average loan taken for social needs is high as compared to production purposes. It shows that the tribal households require large loans to address the social needs of the household members.

Table-7: Source and purpose-wise Number of Loans and Amount (in %)

S. No.	Purpose	Loans		Amount	
		Non-formal	Formal	Non-formal	Formal
1	Consumption	1.0	6.6	0.1	3.3
2	Production	41.0	53.8	25.6	55.8
3	Social needs	49.0	26.9	62.2	26.9
4	Asset creation	9.0	12.7	12.1	14.0
	Total	100.0	100.0	100.0	100.0
	Amount in Rs.	100	316	36,94,000	48,97,946

Large number of loans & amount for social needs from non-formal sources: Of the total household loans from non-formal sources, large number of loans is for social needs (49%) followed by production purposes (41%). In contrast to it, a majority of the loans from formal sources are for production purposes (53.8%) followed by social needs (26.9%), and the loans taken for production is double when compared to loans for social needs (see table-7). The data shows that of the total loan of Rs. 36.94 lakhs from non-formal sources, a major chunk of loan is for social needs (62.2%) followed by production purposes (25.6%). Where as, of the total loan of Rs. 48.98 lakhs from formal sources, a major portion of loan is for production purpose (55.8%) followed by social needs (26.9%) and asset creation (14%). The average loan size of non-formal sources is more than double (Rs. 36,940) as compared to formal sources (Rs. 15,500). The average loan size of non-formal sources for social needs is more or less three times (Rs. 46,865) when compared to formal sources (Rs. 15,520). It is because many tribal children have been staying in towns/district headquarters for their professional and college education. Many tribal households have taken large volume of loans for their children’s education, especially to pay college fee, meeting food and other expenses.

4.4 Household Debt/loan outstanding

Large loan outstanding for a longer period: The sample households have a total loan outstanding of Rs. 67.64 (78.72%) lakhs against the loan of Rs. 85.92 lakhs with formal and non-formal sources. Of the total loan outstanding, a major portion is with formal sources (57.23%). However, the average amount of loan outstanding to the non-formal sources is more than double (Rs. 28,934) when compared to the formal sources (Rs. 12,248) as it is because of large volume of loans from non-formal credit sources.

The data in table-8 shows that of the 100 household loans from informal sources, about three-fourths of loans are 100 percent of loan outstanding against the total loan; and a small portion of loans are less than 50% of loan outstanding against the total loan. Further, a majority of the loans more than one year old from informal sources are also 100 percent of loan outstanding against the total loan. It is because of flexible loan repayment conditions of non-formal credit sources – repayment of both principle and loan installment at the end of the year, payment of interest every year, partial repayment of loan amount after selling the harvest. It shows that the tribal households would bear the burden of large interest on the loans taken from non-formal credit sources. However, out of 64 one year old loans from non-formal sources, 23.4% of loans are less than 75% of loan outstanding.

Table-8: Age of loans and the Percentage of Loan Outstanding

S. No.	Loan O/S in %	< 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
A	Non-formal (N=)	64	19	9	4	4	100
1	< 50	15.6	21.1	--	50.0	25.0	17.0
2	51-75	7.8	--	22.2	--	--	7.0
3	76-99	1.6	--	--	--	25.0	2.0
4	100	75.0	78.9	77.8	50.0	50.0	74.0
B	Formal (N=)	191	65	14	13	33	316
1	< 50	8.9	33.8	30.8	46.2	39.4	19.7
2	51-75	16.2	24.6	23.1	23.1	18.2	18.7
3	76-99	41.9	18.5	--	7.7	9.1	30.5
4	100	33.0	23.1	46.2	23.1	33.3	31.1

It could be because, some of the households might have borrowed large loans from SHGs on low interest rate and repaid the large loans taken from non-formal sources to reduce the interest burden. Another possibility is that in order to mobilize funds to meet the household needs, first they have taken loans from non-formal sources due to various reasons –paucity of funds at SHGs, delay in getting funds from external credit agencies to SHGs, exhausting of credit windows through SHGs and emergency. Later, repaid the loan amount fully or a portion after getting loans from formal sources/SHGs. It is also evident that of the 316 loans from formal sources, 15 (3.6%) were taken to repay old loans.

Of the total 316 loans from formal sources, many loans have 100 percent of loans outstanding (31.1%) followed by 76-99 percent (30.5%). However, about one fifth of loans are outstanding of less than 50% followed by 51 -75 percent (18.7%). It is because of lending norms of SHGs and the agencies, which provided credit to SHGs – monthly repayment of both principle and interest of loan installment. But, of the 125 loans that are more than one year old, 28 percent of loans are 100 percent outstanding against the total loan. It means that there is no repayment, even after one year, even though they are supposed to pay both principle and interest every month; another 13 percent of loans have more than 75% of loan outstanding. It confirms the poor repayment and defaulting of loans taken from formal sources.

Grave interest burden on households: The data in table-9 shows that the total amount of interest per month[10] on household debt or loan outstanding (Rs. 67.64 lakhs) is of Rs. 1.14 lakhs with an average of Rs. 618 and Rs. 275 per household and loan respectively. Though the major portion of loan outstanding is with formal sources (57.2%), a major part of the interest amount is paid to non-formal sources (66.1%); the average amount of interest paid on loans by the households to non-formal sources is far high (Rs. 756) when compared to formal institutions (Rs. 122). The average amount of interest amount paid by a household to informal sources is almost four times (Rs. 859) when compared to the amount paid to formal sources (Rs. 216). It is because of lending norms of non-formal sources such as large size loans (Rs. 20,000 to Rs. 60,000), high interest rates (Rs. 24 to 36 percent per annum) and flexible mode of loan repayment (both principle and interest at the end or after crop harvesting).

Table-9: Loan Outstanding and the Amount of Interest Paying by the Households

Credit source	Number		Loan outstanding		Interest per month		Avg. Amount	
	HHs	Loans	Amount	%	Amount	%	HH	loan
1. Non-formal	88	100	2,893,400	42.8	75,623	66.1	859	756
2. Formal	179	316	3,870,518	57.2	38,705	33.9	216	122
Total	185	416	6,763,918	100.0	114,328	100.0	618	275

In response to a question 'what are the advantages of loans borrowed from the non-formal credit sources?,' the household members have said that large volume of loan can be obtained at any time for any purpose with easy access, minimum procedures, flexible repayment norms and without making any payments / bribes, even though the rate of interest is exorbitant.

There is no much difference in the means of fund sources to repay loan of formal and non-formal sources: During interactions, the household members have said that they mobilize funds from multiple sources such as household income (99%), loans from other credit sources (13.1%), sale of assets (9.4%), mortgage of crops (5.3%) and assets (3.1%) to repay loans taken from both institutional and non-institutional sources. It shows that about 10 to 15 percent of the households borrow loans to repay at least a portion of loan that leads to chronic debts. Second, some households lost their assets and as they failed to release the assets mortgaged due to failure of crops and other pressing household credit needs. Third, the households who mortgaged the crops lost the best price for their crop. Fourth, in case of crop failure, many households were indebted to the money lenders.

The prevailing notion is that the traditional money lenders are merciless towards borrowers while collecting loan as per the terms & conditions. But the data in table-10 shows that there is no much difference between the means followed by the borrowers to repay loan installments to non-formal sources and the loans from SHG credit sources. It could be because of the peer pressure on borrowers by the SHGs. Another reason is that the non-formal sources might have changed harsh to courteous loan collection methods as a survival strategy in the changing rural credit systems.

[10] *The amount of interest paid by households on loan outstanding was computed based on the rate of interest paid by majority of the households on each source of loans - SHGs @ of 12% per annum, friends & relatives and traders @ of 24 per annum and money lenders @ 36% per annum.*

Table-10: Sources of Funds to Repay the Loan Installments				
S. No.	Fund source	Informal	Formal	Total
1	Household income	98.0	98.7	98.6
2	Other credit sources	13.0	13.2	13.1
3	Sale of assets	10.0	9.2	9.4
4	Mortgage of assets	5.0	2.5	3.1
5	Mortgage of crop	7.0	4.7	5.3

5 PROMOTION OF SAVINGS

The sample households have promoted different types of saving products to gratify their future needs. As savings are mandatory to the SHG members, all the households have a total savings of Rs. 5.98 lakhs with an average of Rs. 3,325 per member with SHGs (see table-11). According to a study "Self Help Groups in India: A study on quality and sustainability", the average total savings of an SHG member is Rs. 2,786 (K. Raja Reddy and CS Reddy, 2012). It seems that the average total savings of SHG members in the TPMU areas is more as compared to the national average of Rs. 2,786. About 16% of the households have a total savings of Rs. 1.73 lakhs with an average of Rs. 5,762 with banks. About 11% of households have a savings of Rs. 3.31 lakhs with an average of Rs. 15,762 per household at post office. Nearly two-thirds of households have paid insurance of Rs. 9.97 lakhs with an average of Rs. 8,381 per household. A few households have been saving in the form of chits a total of Rs. 1.17 lakhs with an average of Rs. 10,609. About 10% of households have a total savings of Rs. 1.20 lakhs with an average of Rs. 6,305 with friends and relatives.

Table-11: Source-wise Promotion of Savings by the Households						
S. No.	Source	Households		Savings (in Rs.)		
		Number	%	Amount	%	Mean
1	SHG	180	95.2	598,496	25.6	3,325
2	Banks	30	15.9	172,850	7.4	5,762
3	Post office	21	11.1	331,000	14.2	15,762
4	Insurance	119	63.0	997,335	42.7	8,381
5	Chits	11	5.8	116,700	5.0	10,609
6	Friends & relatives	19	10.1	119,800	5.1	6,305
	Total			2,336,181	100.0	

It reveals two things. First, the tribal households being the members of SHGs have promoted large amount of savings and linked to banks; and more over nearly two-thirds of households availed insurance services. Second, a small number of households are promoted savings with the agencies other than SHGs. It also illustrates that the SHGs are the chief media to the banks and Sthree Nidhi for providing financial services to the under served and un-reached sections of the society.

6 ISSUES AND PROBLEMS IN ACCESSING CREDIT

The problems and the issues in accessing credit as reported by the households are broadly categorized into two – problems with formal and non-formal sources. They are as follows:

6.1 Formal sources

i) *Absence of title deeds and the problem of collateral:* Most of the tribal households don't have title deeds though the households have traditional rights on land from the past few generations. In some cases the title deeds are on other household member's name. Hence, many households are unable to access credit from banks by producing collateral, which is mandatory.

ii) *Loans for limited purposes:* The households need credit for various purposes- consumption, social needs, asset creation and input cost for the household economic activities. But, for the tribals, the utility of loan products of banks is limited in the form of crop/gold loans and a few loans for income generation activities for unemployed youth.

iii) *Banking services are not in vicinity:* In the tribal areas, the banking facilities are too far, about 20 to 30 km from the habitations. A majority of the households in interior villages are not aware of banking services. The data also shows that only 25 out of 189 households have availed bank loans for agriculture and other income generation activities. It shows the poor access of banking services by the tribal households.

iv) *Paucity of funds for lending at SHGs:* The SHGs don't have enough funds to meet the credit demand of their members. The data shows that of the 1430 members of 126 SHGs, there are 372 loan applications pending for a total credit of Rs. 60 lakhs with an average of Rs. 16,304 per member due to paucity of funds (APMAS, 2012).

v) *Marginalization of quality SHGs in remote villages:* Irrespective of its quality, majority of the SHGs at mandal headquarters and road side villages, were credit linked to banks because of multiple reasons. As a result, large number of SHGs in remote villages is not credit linked, despite the fact that all the SHGs are savings linked to banks. According to a study conducted by APMAS in 2012, many SHGs credit linked to banks are C graded (41%) followed by A (33%) and B (26%). Further, low percentage of SHGs in remote villages (59%) were credit linked to banks when compared to the percentage of SHGs credit linked to banks at mandal headquarters (77%) and road side (74%).

vi) *Poor quality of SHGs, VOs and MSs:* According to a study done by APMAS, of the 126 SHGs, majority of the SHGs are C (40%) and B (29%) graded; and most of the VOs and MSs are D, E and F graded. As the credit linkage and amount are linked to quality of the CBOs, many SHGs/VOs/MSs are eligible to low volume of loan. Consequentially, many SHG members are unable to access credit from the formal financial institutions.

6.2 Non-formal sources

vii) *Exorbitant rate of interest:* The rate of interest charged by non-formal sources ranges between 24 to 48 percent per annum. But in case of loans on emergency purposes, mostly it is more than 60 percent per annum.

viii) *Loss of assets mortgaged:* If the borrower fails in repaying the loan as per the loan terms and conditions, they will lose high valued asset for a small amount of loan and interest.

ix) *Low prices to the agriculture produce and minor forest produce (MFP):* Many households take loans/advances from the traders and money lenders to meet the cost of agriculture inputs and other needs on a condition that the agriculture produce/MFP would be sold to them only. The traders taking it as advantage and have been exploiting the tribals with wrong weights and measures and by paying comparatively low prices than the market prices besides exorbitant interest rate on the advances/loans.

7 CONCLUSIONS AND WAY FORWARD

There are 32 Scheduled Tribes inhabiting over 31,485 sq km in the districts of Srikakulam, Vizianagaram, Visakhapatnam, East Godavari, West Godavari, Warangal, Khammam, Adilabad and Kurnool. The other three tribal groups namely the Lambada, Yerukala and Yanadi mostly live outside the Scheduled Areas. There are one million ST households in the State and about a half of them live in 5,936 villages in the nine ITDA areas. The Scheduled areas are inhabited by an estimated 2.8 million tribals who are entitled to the benefits of tribal sub-plan (TSP) projects and protective legislations. A good number of households formed into SHGs and credit linked to banks.

The tribals are socially and economically vulnerable. A majority of the households are simple families, with more illiterates and many non-working members. A few households have accounted seasonal migration due to economic factors. Mostly, they are small and marginal farmers primarily depending on rain-fed agriculture; labour and MFP/NTFP collection are the household subsidiary economic activities. At present, the households' engagement in MFP collection is minimal, though it is most of the households' subsidiary activity in the past.

The tribal households accessed credit from multiple formal and informal sources. Of the formal sources, banks have provided a lion's share to household credit under SHG bank linkage programme; where as, of the non-formal sources, money lenders and friends & relatives have contributed much to the household credit. The household credit varies from less than one thousand to more than a lakh. The size of the loans taken from non-formal sources is high, when compared to the size of loans from formal sources. Irrespective of credit sources, a majority loans are less than one year old. However, many loans from VO and friends & relatives are more than two years old.

The tribal households borrowed majority of the loans & amount for production - especially for meeting the costs of agriculture inputs, followed by social needs -mainly for health and education. Of the loans and amount from formal sources, a major chunk is for production followed by social needs. In contrast, majority of the loans and amount from non-formal sources is to social needs followed by production. It shows that the tribal households largely depend on formal sources for production purposes, and on non-formal sources for social needs.

The households have large loans outstanding with formal and non-formal sources. A majority of loans from non-formal sources have 100 percent of loan outstanding against the total loan. Further, majority of the loans that are more than one year old also have 100 percent of loan outstanding because of flexible loan repayment norms of non-formal sources. However, in case of formal sources, the percentage of loans having 100 percent of loan outstanding against total loan is low because of monthly repayment norm; further, many loans which are more than one year old have 75-100 percent of loan outstanding, which indicates low repayment rate from members to SHGs or defaulting to formal sources. Tribals are not able to take advantage of the “pavala vaddi” and the more recently introduced “interest-free” loans available from the banking sector with interest subsidy paid by the Government of Andhra Pradesh. There is a substantial interest burden on many tribal households because of exorbitant rate of interest on loans charged by the non-formal sources; even then, many households prefer loans because of large volume of loan at door steps, at any time and for any purpose with flexible repayment norms and without any bribe/ payments.

The tribal households have been encountering some core issues in accessing credit from formal and non-formal sources. Exorbitant rate of interest, loss of assets mortgaged and low prices to their agriculture produce are the important issues while accessing credit from non-formal sources. The major problems that have been faced by the households in accessing credit from banks are absence of title deeds and the problems of collateral security, loans for limited purposes and credit services are not in vicinity, that are contradictory to the advantages of non-formal sources. The problems in accessing credit from SHGs are paucity of funds at SHGs for on lending to members, marginalization of quality SHGs in remote villages and poor quality of SHGs, VOs and MSs, that are distinct in accessing credit from banks and traditional sources.

In conclusion, majority of the tribal households have accessed financial services from banks through SHGs. Nevertheless, nearly one half of the households depending on non-formal sources, whose interest rates are high, for large credit, mostly to cater the social needs of the household members. Further, the formal institutions could not succeed in meeting the credit demand of the SHG member households because of diverse reasons.

In the above context, to reduce the dependence of tribal households on money lenders and to extend and provide quality financial services to the underserved to enable them to take advantage of the interest-free loans, banks and Sthree Nidhi should adopt a two pronged approach: i) adoption of business correspondents model by using modern technologies where there is no problem of connectivity; and ii) In the absence of technology, engagement of village organizations as ‘business correspondents’ with adequate capacity building inputs on ‘strengthening CBOs’ and ‘financial literacy’.

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