Study of SERP model in Rangareddy District, Andhra Pradesh

1.0. Preamble

Andhra Pradesh has witnessed a proactive policy to improve social and economic benefits to the poor people. With this in view, the government of Andhra Pradesh provides a variety of services to its people in different departments. Rural Development is one such department which implements a number of programmes for the benefit of the poor. To develop long term sustainability of RD programmes and empowering the people, it implements a strategy of building community based organizations and empowering them with skills and project management capabilities.

The AP government identified service delivery improvement to its citizens as a priority. In the process of achieving effective service delivery to the poor it embarked upon a major service improvement programme that is capable of accentuating the services provided by government. The government is intended to establish the mode and the manner in which the services are delivered to its citizens. The aim is to provide a systematic approach to ensure that adequate level of public services of prescribed quality is provided.

The Vision of the AP Government:

- Each family in the state should be out of poverty and enjoy:
  - Life with dignity, ‘voice’
  - Intra family equity – equal status for women
  - Freedom from hunger
  - Decent Income: > Rs. 5000 per month, 3 - 4 sources
  - Planned household expenditure
  - Risk management - life, health, assets and incomes
  - Education, health and shelter

Core beliefs:

- Poor have a strong desire and innate ability to come out of poverty; a strong sense of self-help and volunteerism
- Social mobilization to unleash their innate energies
- Poor can come out of poverty only through their own institutions
- Sensitive support institutions for poor to induce and nurture social mobilization

2.0.1. About AP Rural Development schemes

Study report on SERP model in Rangareddy District, Andhra Pradesh, dtd-17-18th November2011
Let's have a look into the Rural Development scheme implemented by the rural Development department at the district level through DRDA include:

1. **Indira Kranti Patham (IKP)**
2. Swarnajayanti Gram Swarojgar Yojana (SGSY)
3. Revolving Fund
4. Pavala Vaddi
5. Gruhuni
6. Old Age Pensions (OAP)

**2.0. II. Indira Kranti Patham (IKP)**

Objective:

The objective of Indira Kranthi Pratham is to enable the rural poor, particularly the poorest of the poor in AP to improve their livelihoods and quality of life by facilitating formation of self-sustainable institutions of the poor.

Brief description of the scheme:

IKP builds on more than a decade long, statewide rural women’s self-help movement. The focus is on deepening the process, providing an institutional structure and developing a framework for sustaining it for comprehensive poverty eradication. It is the single largest poverty reduction project in South Asia. The project mandate is to build strong institutions of the poor and enhance their livelihood opportunities so that the vulnerabilities of the poor are reduced. Community Investment Fund (CIF) is the major component of the project, which is provided to the Self-help Groups (SHGs)/Village Organizations (VOs)/Mandal Samakhyas (MSs) to support wide range of activities for socioeconomic empowerment of the Poor.

The project helps to create self-managed grassroots level institutions of the poor, namely Women thrift and credit S.H.Gs, their federations - Village Organizations (VOs) and Mandal Samakhyas (MSs).

- **Support investments in sub-projects proposed by SHGs, VOs, and MSs.**
- **Improve access to education for girls to reduce the incidence of child labor among the poor.**
- **Support to disabled persons through social mobilization and access to livelihoods opportunities.**
• **Build capacities of established local institutions, especially the Gram Sabha/Gram Panchayat and line departments, to operate in a more inclusive manner in addressing the needs of the poor.**

• **Achieve convergence of all anti-poverty programs, policies, projects and initiatives at state, district, mandal and village levels**

### 3.0 III Structure of Community Managed Institution –

- **Zilla Samakhya**
  - Support to Mandal Samakhya
  - Convergence with line depts
  - Preparation of Annual plans
  - Monitoring with functional committees
  - Lobby for pro-poor policies and programmes

- **Mandal Samakhya**
  - Support to VOs
  - Secure linkage with Govt. Depts
  - Auditing of the groups
  - Micro Finance Functions
  - Advocacy for the poor

- **Village Organisation**
  - Support to SHGs
  - Secure linkage with Govt. Depts
  - Auditing of the groups
  - Micro Finance Functions
  - Advocacy for the poor
  - Thrift and credit activities through regular meetings
  - Collective Action
  - Participatory monitoring of the groups
  - Group level poverty reduction plans
  - Household investment plans through Micro Credit Planning

Source: SERP

Under the World Bank assisted Indira Kranthi Patham Project, Government of Andhra Pradesh has been focusing on formation of three-tier SHG federations – Village Organization, Mandal Samakhya and Zilla Samakhya (District Level Meeting) – to empower the people, facilitate participatory approach and enable people to take the responsibility and to ensure sustainability of SHGs.

The resources of SHGs come from the thrift by the members, bank loan, **Community Investment Fund (CIF)**, interest earned on internal lending and revolving fund assistance provided by the State Government. The savings coupled with the bank finance have been used...
for internal lending among the members at an interest rate ranging from 12% to 24% per annum. The interest charged by the banks to SHGs is in the range of 8% to 12% per annum. The interesting point is that the SHGs in Andhra Pradesh State are getting bank loan at an effective rate of interest of 3% per annum as the State Government is re-imbursing to SHGs the interest charged by the banks over and above 3% for prompt repayment (NABARD, 2009b).

4.0. IV-Micro-credit through SHG-Bank Linkage program-

The Banks in Andhra Pradesh have played a proactive role in financing SHGs. According to SERP, 25 commercial banks, 16 regional rural banks, and around 4000 branches have extended loans amounting to Rs.19, 207.54 crores to women SHGs all over the State of Andhra Pradesh which accounts for almost 50% of all bank loans given to SHGs in India (NABARD, 2009c). The phenomenal growth in SHGs movement and bank loan is due to: (i) proactive role played by the State Government, Banks and the policy support given by the NABARD; (ii) “pavala vaddi scheme (interest subsidy scheme)” introduced by the Government of Andhra Pradesh from 1st July 2004; (iii) revolving fund assistance from Government of Andhra Pradesh.

Bank linkage details of Manchal Mandal, Ranga Reddy district –

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit Linked Groups</th>
<th>Loan received( Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>77 Groups</td>
<td>44.93</td>
</tr>
<tr>
<td>2004-05</td>
<td>98</td>
<td>53.87</td>
</tr>
<tr>
<td>2005-06</td>
<td>132</td>
<td>134.67</td>
</tr>
<tr>
<td>2006-07</td>
<td>157</td>
<td>232.78</td>
</tr>
<tr>
<td>2007-08</td>
<td>193</td>
<td>484.35</td>
</tr>
<tr>
<td>2008-09</td>
<td>205</td>
<td>339.65</td>
</tr>
<tr>
<td>2009-10</td>
<td>515</td>
<td>758.00</td>
</tr>
<tr>
<td>2010-11</td>
<td>474</td>
<td>1155.45</td>
</tr>
<tr>
<td>2011-12 as of Oct 31st</td>
<td>85</td>
<td>263.70</td>
</tr>
</tbody>
</table>

5.0. Objectives of the study-

Based on the overwhelming success of the SHG based social development paradigm through SERP/IKP and its spiral impacts on the life and livelihoods of the poor through Self Help Groups, Gramin Vikas Trust initiated the captioned study with the following objectives:

a) To study the uniqueness of SHG movement in Andhra Pradesh in terms of Social Mobilization, Institution Building and livelihood enhancement of the poor so that the social engineering process of the system could be replicated through NRLM program in the GVT operational areas in future

b) To understand the financial model of different tiers starting from SHGs to ZS’s

c) To document the best practices for learning of the SHG model of the State
6.0. Study area-

The study area was village Nomula under Manchal Mandal, Ranga Reddy District, which is located 45 km from Hyderabad, State Capital, Andhra Pradesh. The Mandal consists of 18 GPs having the total population of 45177 and 9158 households, out of which 9.53% have been identified as Poorest of the Poor (PoP) Households and 35.07% as Poor Households.

7.0. Methodology-

The study was conducted through participatory Focused group discussion based on semi structured questionnaire, interaction with SERP officials, CRPs, Community Activist, individual SHG members followed by Case studies on VOs, MS, PWDSHG and analysis of the secondary information provided by the local SERP officials.

A two member team of GVT Sr. Officials paid a visit to Rangareddy District of Andhra Pradesh from 17-18th November and had a detailed discussions with the officials of SERP in the Rangareddy district, Manchal Mandal for a sample study (keeping the aforesaid objectives in mind) and information was collected from them which was followed by a detailed focus group discussion with the individual SHGs, Village Organizations, Mandal Samkhya.

8.0. Findings-

A. Case study-1-

The study team first visited village Nomula under Manchal Mandal, Ranga Reddy District. The team had interaction with an individual member Mrs. Dndu Bharatamma of the Saraswati Group. She joined the group 16 years back. Before joining she belonged to a poorest of the poor family. She got married at the age of 17. She initially was a labourer and working in Date Palm Sap collection. Her daily earning was Rs. 20-30 per day. Her husband was also a labourer working in Date Palm Sap collection (incising the trunk and putting the container to collect sap) and earning Rs. 40 per day. She was inspired by a Block Lady Extension Officer Ms Shanti to join the groups, since she was under the trap of high interest rate charged by local money lenders (4 to 5% per month). She first took a loan of Rs. 1000 to be payable at 12% interest per annum for the education purpose of her children. She repaid back the requisite loan installment (Rs.50/month) in stipulated time from her family income of Rs. 60-70 per day. On
successful repayment, she again took a loan of Rs. 2000 from the group and borrowed from her relatives an amount of Rs. 3000 and put the money altogether to procure a Flour Mill. She had given up the labourer job and started doing business with the help of installed Flour Mill and started earning Rs. 80 per day and the family income rose up to Rs. 130 per day. This resulted increase in the repayment potential. With this potential she took third loan of Rs, 15000 fro her in 3rd dose. Her credit worthiness made her eligible for bank loan also. Now with the help of finance from the group and bank, she has purchased another two Mills (Paddy and Mirchi), one Auto rickshaw, and 2 acres of land at Rs. 40000 / per acre which appreciated to Rs. 7, 00,000/ per acre at today's price. In the meanwhile, her husband started working in civil construction initially as a labourer but thereafter gaining skill in construction job, he became a master in masonry job. His daily income now stands at Rs. 300/-. The lady has got her daughter married. She has two sons – one is employed in State Transport Department as Driver and other is operating the Auto Rickshaw she has procured out of the borrowed amount taken from the group. Apart from the salary of the son employed, her family income presently now stands at Rs. 800 per day.

The SHG movement has brought a great change in the life of Dandu Bharatamma. She started her savings along with 10 others with Rs. 10 per month. Later the Group members increased their saving rate to Rs. 30 per month and now their saving rate is Rs. 50 per month.

Reflection-

Study report on SERP model in Rangareddy District, Andhra Pradesh, dtd-17-18th November2011
Why the SHG movement surfaced and progressed in a self-sustainable manner in AP lies in understanding the mass movement by women in self-help management. Society for Elimination of Rural Poverty (SERP) is an autonomous society of the Department of Rural Development, Government of Andhra Pradesh. The SERP is implementing Indira Kranthi Patham (IKP), a statewide community driven rural poverty reduction project to enable the poor to improve their livelihoods and quality of life through their own organizations. It aims to cover all the rural poor households in the state with a special focus on the poorest of the poor households. SERP took it as a mission that the disadvantaged communities should be empowered to overcome all social, economic, cultural and psychological barriers through self-managed organizations. Under this mission, SERP extended its handholding support to self-sustainable women SHGs which aimed to give relief to the poorest of the poor from the interest burden owing to the borrowings from money-lenders. The POPs have been organized and made them members of SHGs with low saving capacity. The Group functions with the contribution of a thrift amount which is pooled and given as loans to members for utilization, production or investment purposes based on the priorities determined by the group. The group members keeping in view the interests and prosperity of the member take a collective decision regarding all matters.

B. Case Study-2

The team met the Saraswati Group at the residence of the President of the Group. President Bharatamma and Secretary Lakshiamma introduced themselves with the help of Community Organizer engaged by SERP. The Group consists of 11 members and all are from Backward Caste (BC). We came to know during interaction that Groups are either caste based or community based. Like BC Groups, Groups are available of other Castes (OCs), SC(Scheduled Caste) and Muslims. In the group, the homogeneity in caste and religion is maintained. Out of 11 members, 9 were present in the Group meeting.
The economic profile of the Group member is given hereunder:

<table>
<thead>
<tr>
<th>Members</th>
<th>Crop Land</th>
<th>Land under fruit plantation</th>
<th>Other Assets</th>
<th>Earning Family members</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>5 acres productive land giving two crops</td>
<td>-</td>
<td>-</td>
<td>One son is Sub Inspector of Police and other is working in Private Sector</td>
</tr>
<tr>
<td>Secretary</td>
<td>-</td>
<td>3 acres under Mango Plantation</td>
<td>Two Auto rickshaws</td>
<td>2 sons are operating the auto rickshaws</td>
</tr>
<tr>
<td>Member</td>
<td>-</td>
<td>3 acres under Mango Plantation</td>
<td>One Auto rickshaw</td>
<td>Three sons -RTC employee - Pvt school teacher - Operating the auto rickshaw</td>
</tr>
<tr>
<td>Member</td>
<td>3 acres productive land giving two crops</td>
<td>-</td>
<td>-</td>
<td>Husband in cloth business Son is operating the auto rickshaw</td>
</tr>
<tr>
<td>Member</td>
<td>-</td>
<td>Auto rickshaw</td>
<td>-</td>
<td>Husband is in hotel business, son is operating auto rickshaw</td>
</tr>
<tr>
<td>Member</td>
<td>-</td>
<td>Auto rickshaw</td>
<td>-</td>
<td>Husband is in hotel business, son is operating auto rickshaw</td>
</tr>
<tr>
<td>Member</td>
<td>3 acres under Mango Plantation</td>
<td>-</td>
<td>-</td>
<td>Husband is in stitching and tailoring business</td>
</tr>
<tr>
<td>Member</td>
<td>2 acres of productive land giving 3 crops</td>
<td>-</td>
<td>-</td>
<td>Husband in vegetable business with own produce and procuring others produce.</td>
</tr>
<tr>
<td>Member</td>
<td>1 acre land under vegetable production</td>
<td>-</td>
<td>-</td>
<td>Son is an electrician</td>
</tr>
</tbody>
</table>

Every group member has got Rs. 45000 for house building from the Government under Indiramma Yojana. Group maintains a Thrift Fund deposit Savings A/c with the contribution of Rs. 50 per month from each member. Cumulative savings of the members in the Group is Rs. 64,680.00. Under the SHG bank linkage, the group has taken a loan of Rs. 2,30,000 which has been distributed equally to all members. Under total Financial Inclusion (TFI) the Group has been awarded a loan of Rs. 5,00,000 from SERP which the Group has distributed equally to all members. Under Community Invest Fund the Group has got Rs. 90,000 and loan out of this amount has been extended to members based on requirement only. Loans under SBLP deserve
interest subsidy if the loan amount is paid back at a regular interval along with interest. When the loan is paid back to the bank, it extends a statement certifying the full repayment of the loan to DRDA. DRDA on the basis of the bank’s detail extends the interest subsidy to the SHG.

The Group maintains Savings Book, Minutes Register, General Ledger, Loan Ledger, Cash Book, Individual pass Book, Bank Book. Loan disbursement priority is decided by the Group based on the need assessment in the following order: Health → Marriage → Education → IGA. The corpus of the Group is Rs. 9, 30,000 (Savings + Interest +Revolving Fund +Membership Fees+ Interest Subsidy + Charges collected from Visitors + fine, if any).

Reflection-

The focus group was asked to rate the impact of micro credit on their working of SHGs and improvement in the living standards of the members families. The ratings on each aspect/statement were classified into 5 groups by providing scores to ratings, namely 1=strongly disagree; 2=slightly disagree; 3=Disagree; 4=Agree; 5=strongly agree. FGD revealed that the impact of micro-credit is positive as the majority of focus group members (11) expressed statements either ‘Agree’ or ‘Strongly agree'. It means almost all members of SHGs are
benefited with the micro-credit scheme. In the discussion, the focus group mentioned that many poor have come out of the clutches of high cost lenders and because of interest subsidy incentive, the members were encouraged to make their repayment of loan installments on time and the repayment of loan varies from 95% to 98%.

C. Case study-3

Next the team has visited Disabled Group along with the members. The name of the Group is Lingampally Vikalangula Samakya. In Nomula village, there are 4 such Groups with 48 persons with disabilities (PWDs) as members. Among the PWDs, 80% are orthopedically handicapped due to Polio attack. Caste wise distribution of PWDs is as follows: 50-52% Backward Caste, 30-32% Scheduled Caste and rest belong to other caste. Members used to take loan on health, study, rearing of milching animals, opening of shop/STD booth etc. Total corpus of each Group on average is Rs. 15 lakhs. Health loan is extended for mainly on assessment and treatment of medical impairment and surgical corrections. Besides, loan is extended for Tricycles, Calipers, Crunchers, Hearing Aids and Blind Sticks.

In the Mandal Manchala, 54 SHGs formed exclusively with PWDs. Total 667 PWDs are members of such 54 SHGs. Exceptional case is that in normal SHGs, females are the only members whereas in SHG of PWDs, male and female both coexists.

Reflection-
The special focus on PWD by the State Government through SERP plays a vital role in boosting up the confidence, courage of the PWD groups. After being a part of the vivacious SHG movement, they have become the family member of extended SHG family and got the platform for sharing their concerns, experiences, plans among others to formulate their Action Plan based on mutual help and co-operation. They seemed very confident now to uphold their Socio- Economic Rights and ready to come out of the vicious cycle of poverty.

C.o. Case study-4

The team, thereafter, visited the Village Organization (VO) of Nomula village. Total Household of Nomula Village is 340 out of which Poorest of the Poor households have been identified as 24. Total 33 SHGs have been formed and they are the member of Nomula VO which is named as Nomula Grama Sneha Sangan. The VO is having 33 SHGs as members comprising 375 group members. When the team met the VO, out of 33 SHGs, 12 Group Presidents were present. The name of the Groups present is the meeting is given hereunder –

1. Mother India
2. Saraswati
3. Chandana
4. Chandiswari
5. Indira
6. Samata
7. Nallapanchamma
8. Adarana
9. Shivalila
There are 6 sub-committees running to look after following different social aspects
1. Bank Linkage & Insurance Committee
2. DWCRA Products, Jobs and Higher Education Committee
3. Gender, Health & Nutrition and Disabled Committee
4. NPM, Marketing, Land Development and Dairy Committee
5. Groups Monitoring committee

Village Organization can be considered as a Federate Body of SHGs. All SHGs become members of the VO with a monthly deposit of Rs. 100. These VOs are registered with District Cooperative Society (DCS) and regular audit of the accounts of the VOs are conducted by DCS. VOs are federated at Mandal Samakhya. Mandal Samakhyas are federated at Zilla Samakhya.

The Mandal Samakhya also runs Nutrition and Day Care Centres (NDCC) to provide three nutritionally balanced meals per day to pregnant and lactating women and children between 6 months and 2 years of age. The team has visited one of such NDCC nearest to Nomula village. The Day care centre is used as a venue for behavior change communication, health education and social interaction among the beneficiaries. Mainly the Community Organizers under the pay roll of SERP are looking after the NDCC. NDCC receives a corpus of Rs. 3, 50,000 from the Mandal Samakhya out of which Rs. 2, 50,000 is used for the purpose of internal lending to SHGs for revenue generation to run NDCC. Rs. 50,000 is used to pay room rent, cook, procure kitchen utensils, develop community kitchen gardens, washing food, provide toy and play equipments to the children. The balance Rs. 50,000 is used to spearhead other health and
nutrition interventions. All members of SHGs contribute Rs. 20 towards this NDCC and the interest amount received from the internal lending is used to keep the NDCC operational.

**Reflection**

The social engineering process through effective combination of local resources, local Organization and local leadership in terms of SHG, VO, MS, ZS ensure the timely transformation of potentiality in to positive action. The informal groups were formalized, capacitated for taking up own action through Convergence /Networking of all existing development Schemes/Safety net Programs through their Organization and finally federated under MACS Act ‘95 is the unique example of Community lead, Community owned sustainable development model to disseminate the concept of “Self Help is the best Help, united We stand Divided we fall”.

**9.0. Community Investment Fund (CIF)**

CIF acts as a catalyst to help poor households to meet their demand for improved access to credit for investment needs. CIF supports those activities that cannot be funded through existing sources in the short run. Each individual has separate needs and distinct capabilities that have to be harnessed in proper manner in order to come out of poverty. CIF is a community-owned and managed loan fund which helps members to mitigate part of their credit needs, gain experience in fund management and demonstrate creditworthiness that help leverage funds from other sources, and develop new financial products that are suited to their unique needs.

CIF is disbursed to the Mandal Samakhyas as a grant for lending to SHGs based on a detailed Micro credit Plan. The Micro Credit Plan (MCP) includes Household Investment Plans prepared by individual households and their consolidation at SHG level. It includes plans for investment on asset creation for income generation and household need investments. The process of MCP preparation is an integral part of the financial management process of the SHG. Since MCP is envisaged as a comprehensive tool to improve the levels of income and quality of life of members of SHGs and overall functioning of Self Help Groups and their federations, the members are sensitized about the process and facilitated properly to prepare the Investment Plan with the initiatives of Community Resource Person Strategy in the Project.

Manchal Mandal Samakhya has received a grant of Rs. 68,37,280 under CIF and the amount has been disbursed to all VOs at 6%. VOs have further disbursed the amount to SHGs at 12%. VOs build a corpus on additional 6% on the CIF after returning the amount at 6% to Mandal Samakhya. The amount of Rs. 68,37,280 has been distributed as loan to 2186 beneficiaries (group members)

**10. O. IKP Pension and Insurance Scheme – Abhaya Hastham**

In order to secure dignified life to women and providing income security in their old age, Government of AP has introduced a co-contributory pension scheme for SHG women to give
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them a monthly pension ranging from Rs. 500 to Rs. 2200. Highest amount of pension will be
given to those who enrolled as a SHG member at the age of 18 and continued to be a SHG
member till the age of 60. Contribution of Abhaya Hastham is Re 1 per day with a matching
contribution of AP Government. The contribution of the member and the co-contribution of the
Government is periodically transferred to Life Insurance Corporation of India, for investing
diligently for securing better returns on the investment. Total number of Abhaya Hastham policy
holders is 1, 37,801 in Ranga Reddy District.

Arogyashree Card

11.0. Aam Admi Bheema Yojana (AABY)

Government of A.P has introduced an insurance scheme AABY to empower the Community to
play an active role in insurance operations, to reduce people’s vulnerabilities through social
security measures and to protect their income and asset base, by creating an enabling
environment. Under AABY, a woman is given Rs. 30000 at the time of death of her husband as
Insurance coverage for her husband. Insurance premium is Rs. 10 per month by the insured
person to the scheme and the scheme receives a similar contribution from Government to make
the endowment healthy. Total number of AABY policy holders is 1, 24,002 in Ranga Reddy
District.
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Eligibility-

a) It is General insurance Scheme for the age group of 18-59 yrs.
b) The members shall be head of the family (breadwinner) or one earning member in the family of rural landless households
c) The members should be the rural landless agl labourers family dependant on agl labour as the primary source of livelihood

12.0. Books of Accounts-

All VOs employ one Village Book Keeper (VBK) to keep the books of account updated and transparent. Mandal Sakhya employs Master Book Keeper (MBK) to maintain the books of accounts at Mandal level.

The Income & Expenditure Account of Manchala Mandal Samakhya is given hereunder to see the yearly transactions and turnover

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traveling Expenses</td>
<td>13664</td>
<td>Interest received on CIF</td>
<td>470402</td>
</tr>
<tr>
<td>Meeting Expenses</td>
<td>57458</td>
<td>Late Fees</td>
<td>1740</td>
</tr>
<tr>
<td>Training Expenses</td>
<td>5573</td>
<td>Interest received on SGSY Fund</td>
<td>16044</td>
</tr>
<tr>
<td>Electricity+Telephone+Water+Stationery Charges</td>
<td>47513</td>
<td>Interest on Bulk Finance (18%)</td>
<td>74250</td>
</tr>
<tr>
<td>Staff Salary</td>
<td>162900</td>
<td>Health &amp; Nutrition Fund Interest</td>
<td>56910</td>
</tr>
<tr>
<td>Bank Servicing charges</td>
<td>14707</td>
<td>Membership Fees</td>
<td>525</td>
</tr>
<tr>
<td>Celebration Expenses</td>
<td>6075</td>
<td>Resource Fees</td>
<td>3020</td>
</tr>
<tr>
<td>Telengana Support Exp</td>
<td>4730</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review meeting of VBK</td>
<td>3000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Bulk Finance (12%)</td>
<td>50000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income over expenditure</td>
<td>257271</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>622891</strong></td>
<td><strong>Total</strong></td>
<td><strong>622891</strong></td>
</tr>
</tbody>
</table>

13.0. I Total Financial Inclusion (TFI)

Andhra Pradesh has played a pioneering role in the formation of SHGs for over a decade. A large number of groups with concentration of the poor (BPL), poorest of the poor (POP) representing the downtrodden have been formed in all villages. As of now, only women are members in all the SHGs in the rural areas. Required capacities have been built-up in SHGs over a period of time and the concept of thrift and savings, around which the Self-Help movement revolves, has stabilized with the intervention of ‘IndiraKranthi Pratham’/IKP. The rotation of savings / thrift among the members themselves

Study report on SERP model in Rangareddy District, Andhra Pradesh, dtd-17-18th November2011
demonstrated a sound financial discipline by way of recycling of funds. As a result, the bankers have come forward in a big way to provide credit-linkage to the SHGs. The SHG Model has proved very successful as the bankers could consistently achieve 95% plus recovery. Through this model, the poor have been able to access the bank finance for taking up economic activities apart from fulfilling their social and health needs.

SHG finance vis-à-vis their financial needs:

Even though the banks have lent Rs. 6,000 crores since 2001-02 and the outstanding loan under this SHG-Bank Linkage stands at Rs. 2,500 crores as of now, it is still not able to fulfill required financial needs of the family of an SHG member. In 2005-06, the average loan extended to a group is Rs.70,000 and the average finance to each member was Rs. 6,500 for the entire year, taking the average size of the group as 11, whereas the average financial requirement per family is around Rs. 30,000 per year. This may include both short-term and long term financial needs for each family. Hence the gap between the actual financial requirement and the access to bank linkage is Rs. 23,500 per family and for the entire group it is Rs.2,58,500 (11 * 23,500/-)

An Effective Model

Because of the success the SHG movement, the ‘Total Financial Inclusion through SHG model’ has been selected by the Deccan Grameen Bank (DGB) to launch total financial inclusion. (TFI) concept.

The model depends on following hypotheses

1. In ‘Financial Inclusion’ it is assumed that the ‘exclusion’ is more widespread and deeper in poor sections and hence at present it is limited to the poor in rural areas.

2. In ‘Financial Inclusion’ the priority is given to the poorest of the poor and the poor in the rural areas to make them 100% bankable for their 100% financial needs.

3. Financial inclusion does mean the banking of rural poor for every financial need on the bank finance only.

4. Enabling the rural poor to access to formal banking credit for both short term and long term credit requirements.

5. Credit access is only one among different products, which supplemented complement to the credit product accessible by the poor. The other products may include- savings product, insurance product covering life, health, asset and loan etc., educational loan product and health loan product.

6. Access to different services which are required by the poor but not been able to meet individually-they may include food security, marketing of the products collected or procured by the poor, procurement of the commodities produced by the poor for collective
marketing. This may be provided through extending cash credit limit to federations of SHGs at village level, i.e., Village Organizations (VOs)

7. Dependence on moneylenders or micro finance institutions should be totally eliminated through this model.

Assessing the Needs of Each Member of the SHG

The credit need of each of the SHG member is identified and a Micro Credit Plan (MCP) for that group prepared. The MCP included the following:

(i) Working capital needs of the existing economic activity,

(ii) Requirement for investment in income-generating asset,

(iii) Swapping of the outstanding debt of the member with the money-lender or MFI borrowed at a very high cost,

(iv) Social needs like health, education, house repairs / construction; marriage purposes, etc

14.0. II Micro Credit Plan –Process- Seven Steps-

The Micro Credit Plan (MCP) is a process by which a poor family can come out of poverty. It is a systematic plan by which SHG members decide how they will increase their sources of income with existing livelihoods. The main objective of the MCP is:
1. To increase income
2. To decrease expenditure
3. To increase employment
4. To decrease future risk

It includes a seven-step, three-day process during which the detailed MCP of a SHG is prepared. Through the MCP, a SHG can access a loan up to Rs 5 lakh for three financial needs:

1. Income generating activities;
2. Social need (includes health, education, house making and marriage); and
3. Debt swapping.

**The seven steps are:**

1. Comprehensive information about the SHG.
2. Comprehensive information about the SHG members
3. Household Income and Expenditure statement of each member.
4. Family Investment Plan
5. Details of the members availing loans in the first priority.
6. Details of the members availing loans in the second priority.

7. Memorandum of Understandings (MoUs)
   a. MoU between the members and the SHG
   b. MoU between the SHG and the Bank
   c. MoU between the SHG and the VO

Features of MCP-

i) Both short term and long term requirements of the members are considered,

ii) Credit limit is sanctioned to the SHG, while the members get multiple small loans (for their different needs),

iii) Amount of debt - swapping (replacement of high-cost loans with the money lender /MFI) is restricted to 50% of the MCP,

iv) MCP itself is restricted to an amount of Rs.5.00 lakh for extending collateral-free loan,

v) Loan carries a repayment of 5 years,

vi) There is a differential repayment periods between the member to the SHG and SHG to the bank,

vii) While the member to SHG repayment is shorter (say 48months) SHG to the financing bank is longer (say 60 months),

viii) Surplus, thus, generated is recycled among the members to meet their contingencies / emergency needs before a fresh loan is sanctioned by the bank after repayment of the loan availed.

Terms of reference:

i. The amount of loan will be 75% of the MCP and limited to Rs. 5 lakh to each SHG

ii. The loan will be term loan to be repaid in 40-60 monthly installments
iii. The SHG will give both short term and long-term loans to its members - by fixing the repayment period between 12 to 24 installments to the members

iv. There will be one big loan and multiple of small loans to the members by the SHG, provided the earlier loan is being repaid properly by the member to the SHG.

v. The multiple numbers of small loans to a member can be given out of the surplus installment amount – the difference between the loan amount paid by members to SHG and the installment amount to be paid by the SHG to the bank for each month.

vi. The loan under SHG-Bank linkage will be given to all eligible SHGs, even though they have active loan.

vii. The loan to the SHG by the bank is cash credit limit. Whenever the need for the loan arises by the SHG, the SHG can approach the bank again and take the loan even though the earlier loan is still being repaid. However, the total loan amount to the SHG at any point time will not exceed the limit sanctioned. It means that it is a cash credit limit to the SHG.

**15.0. III. Financing Model**

[Diagram of Financing Model]

- Terms of partnership VO & MS
- Terms of partnership SHG - VO
- Prioritization of credit
  - Needs of members as reflected in MCP
- Members – SHG SHG SHG
- Repayment Periods
  - 100-120 months
  - 40-60 months
  - 12-24 months

*Study report on SERP model in Rangareddy District, Andhra Pradesh, dtd-17-18th November2011*
Impact of TFI-

TFI model implemented in SERP villages have made tremendous impact on-

- The economic conditions of the beneficiaries who could get rid of the crushing interest burden on account of their earlier loans with the money lenders.
- They are able to live in peaceful atmosphere conducting the income generation activity for which loan was extended by the bank.
- The present initiative will also address the social needs like education, health and other needs for which earlier they used to depend on non-formal lending at higher rate of interest.
- The community itself is to take care the recovery and it will result in healthy atmosphere in recovery environment
- Benefit of Pavalavaddi on the TFI intervention.

16.0. Impact of SHG movement –

Vivid interaction with SHG members, VO, MS leaders followed analysis of secondary reports reveals that SHG based social development paradigm has created immense impact on the SHG members as follows:

1. Improvement in income levels
2. Credit is easily available
3. Access to formal institutions
4. Free from money-lenders
5. Access to Pro-poor prog
6. Employment Generation
7. Independent life
8. Education levels improved
9. Habit of savings
10. Health Status improved
11. More expenditure on food
12. Indebted
13. Self-confidence
14. Decision Making power
15. Representation in other groups
16. Leadership qualities
17. Group solidarity

CHANGES IN SELF HELP GROUPS

PERCENTAGES

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17

Study report on SERP model in Rangareddy District, Andhra Pradesh, dtd-17-18th November2011
17.0. **Impacts on Groups**

- Majority (71%) of the group members reported ‘moderate’ improvement in income levels.
- Credit availability is ‘moderately’ (69%) improved – more among the OCs and less among the STs.
- Access to formal institutions is ‘moderate’ (68%). STs have less access to bank and the new groups are ‘more’ access to formal institutions.
- 70% of the group members reported free from money lenders.
- 23% reported ‘decreased’ change in the case of free from money lenders and this is more or less 30% reported by SCs, OCs and Minorities.
- STs (18%) and OCs (17%) are ‘more’ access to proper programs but it is ‘decreased’ among BCs and SCs and Old groups are ‘more’ accessed.
- The degree of access is increasing from linkage to linkage.
- 80% of the members reported ‘moderate’ change in employment generation.
- 59% of the members reported ‘moderate’ change in independent life and is positively correlated to ethnic categories.
- 80% of the members reported ‘moderate’ improvement in educational levels and this is low among the STs.
- 98% of the members reported that habit of savings increased. STs reported ‘more’ change in it.
- 80% of the members expressed ‘moderate’ improvement in health conditions. Significantly STs reported ‘more’ improvement.
- 62% of the members toward ‘moderate’ Self Confidence followed by ‘more’ (28%).
- 96% of the members reported ‘moderate’ change in decision making ‘more’ change is found among STs (23.33%) and OCs (27.16%).
- Majority of the members in all the social categories reported ‘moderate change’ (43%) in decision making.
- 60% of the members felt that there is a ‘moderate’ change in leadership qualities.
18.0. Possible replication-

The SHG based microfinance movement in Andhra Pradesh has covered a long journey from micro saving to micro credit and then to micro enterprises / social enterprises and now entering into the field of microfinance education. In this framework of research, the study found that (i) operating models of SHGs and their learning should translate to commencement and management of small business activities; (ii) self financing models of SHG based organizations; (iii) microfinance education to members of SHGs and their learning needs to be propagated in the GVT’s operational areas where poverty alleviation programmes are undertaken.

The concept of self sustaining or Community Owned MFI (COMFI) is the most suitable model for the marginalized community of our targeted community, who are deprived of receiving the benefit of development schemes, financial support from Govt, FI and other extension agencies...

Total Financial Inclusion (TFI) based on MCP is the unique tool for reducing the poverty gaps as reflected in AP case. This initiative may be tried to the GVT’s operational areas by bringing the Banks and other Financial Institution under confidence.

Systematic Social Engineering process based on periodic nurturing, Capacity Building by the Community Resource Persons and SERP, DRDA and other Govt. line department has established an exemplary model for the State of AP which needs to be developed in other states too. Huge cohesive actions of the Govt followed by, strong co-ordination, and networking/convergence play miracle in establishing a strong Financial, Social capital in states as well as in the study district.

Proper and systematic delegation of responsibilities among the community leaders engaged in the system for addressing the issues like food in-security, gender discrimination, health and nutrition, employment creation and other location specific poverty related issues is the best example for the State which had been suffering from multi hazards related to poverty issues before commissioning of IKP related to socio-economic development. This example needs to be carried forward for other Sates too to develop suitable multi-pronged poverty alleviation strategy based on SHG based inclusive social development paradigm.

Identification of the Poor Households based on participatory communication tools and active involvement of the targeted community is the need of the hour to restrict the self exclusion of the hard core poor in the development process. The entire process of identification of the poorest households needs scientific documentation followed by a good study for proper propagation in other Sates for fullest coverage of the ultra/hard core poor.
**GRAMIN VIKAS TRUST**

**CRPs**- Community Resource Persons seems highly trained and professional, thus their facilitation became effective for ensuring high growth of SHG based MC activities. In other States too, though CRP concepts has been introduced for erstwhile SGSY program, they are not at all well equipped to transform the SHG members in to a vibrant critical mass. This system needs to be redesigned in the States like West Bengal, Orissa, Jharkhand, MP, Chhattisgarh for strengthening the required skill of the CRP for rapid growth of the SHG based program.

The model of **Community managed Health and Nutrition interventions** need to be carried out in other States as malnutrition based health hazards has become the most possible reasons for community indebtedness.

Convergence with Micro Health Insurance scheme (GoI) converted in to Arogyasree yojana at AP level has created tremendous impact on the targeted community.

19.0. **Reflective Analysis**-

The study reveals that the SHG movement in the State as well as the study of Manchal Mandal under Rangareddy District has reached to its *take off stage* as all the households are covered through the innovative Social Development Paradigm and the spiral impact of the SHG movement has created tremendous trigger off effect on the life and livelihood issues of the targeted community. Despite this tremendous growth on the SHG movement, following points were observed by the study team need to be addressed before its replication:

a. Equal distribution of SHG corpus-

The given record as well as FGD reveals that the group corpuses are equally distributed among the SHG members. Our repeated query on this issue hardly gets any suitable answers on to it. Past experience shows though this practices are visible in other States too, it hardly evolve any peer pressure among the Group members, thus cause a serious hazard in smooth sailing of the Group. The felt need can not be equal for all the members, which therefore might cause the incidence of under and over financing and finally lead to exodus of the Group members.

b. Homogeneity-which is more appropriate- Cast based or like mindedness-

The Group under study apparently looks homogeneous, as all the members belong to Backward Community, but the members found uneven in age, even a very young hardly 18 years was present along with above 50 women. This combination restrict to fulfill the condition or the principle of SHG movement i.e., like mindedness/Affinity, though homogeneity from social class perspective are met.
c. Rentire Dole syndrome-

Though the SHG movement reflect as a unique vivacious social development model, overdependence of external aids and subsidy dose started dependency syndrome (on the SERP staff), which needs to be minimized by formulating Group specific withdrawal strategy from the concerned SHGs/VO/MS as per their maturity. Moreover continuous heavy doses might create the possibility of *tokenism* instead of spontaneous participation.

d. Possibility of Multiple Membership/borrowing-

SHG movement ensures 100% inclusion of all the households in a particular community and that too by ensuring the inclusion of POP household, which is highly commendable. Simultaneously, it was also observed that the number of SHG members outnumbered the household numbers in the particular Mandal under study. This is a possible indication of multiple membership/borrowing, though the members told that inclusion of both mother in laws and daughter in laws in different Groups might be the possible reason. Any way vivid study is needed to identify the root cause, if it is double/multiple borrowing, the magnitude of MB needs to be estimated in order to restrict the cross financing and double dipping. If it continues, the individual member would be in debt trap in future.

e. Need for Group Activity-

The study team tried to locate some visible Group activity, instead agile initiative on Asset Generation was observed in many cases. It is good, but Group approach through MEDP needs to be developed to upscale the existing Micro Enterprises through cost minimization. The Group concept was installed for initiating collective action based on available resources within the Groups, capacity and strength. As the Federations are in existence at Village, Mandal, Zilla level with adequate financial capital, appropriate time has now come for the State to evolve some viable Group based IGAs to address the issues of poverty alleviation and sustainable resource generation by applying cost minimization and maintaining group level CD ratio.

The discussion relating to microfinance education and the members awareness about concepts of microfinance, the members of focus group revealed that the SHG members normally avail loan for the purposes of: (i) debt swapping – retiring high cost informal loans; (ii) income generating activities/small business activities – such as: flour mill, poultry, rice mill, provision shop, buying of sheep, bullocks, etc; (iii) working capital requirements of trading activities; (iv) long term investment on land; (v) short term needs for agricultural investments, (vi) social needs – such as: health, children’s education marriage purpose, house repairs / construction, etc. Thus the micro credit through SHGs
has increased small business/working opportunities, employment opportunities but they lack skills pertaining to concept of different kinds of small and micro-business activities and hence they need education to run variety of small and micro business activities.

f. Financial vis a vis Non Financial Federation-

The SHGs, VO, MS under study are mainly engaged with Micro Credit to some extent MF activities only. Though some sporadic incidence of viable business venture were initiated, in most cases the members seemed actively engaged in savings, credit activities only. The member needs to train up with IGA activities through location specific cost effective technology for judicious transformation of huge fallow lands in to productive livelihood assets.

g. Group leadership-

The interaction with the Groups, VOs, MSs reflects that the leadership of the respective Groups, Mandal, and VOs still remains on the SERP officials, as except few members, others hardly show the confidence to facilitate the discussion /interface sessions. Our observation also confirms that adult illiteracy among the SHGs members are there to a significant extent. The leadership development should be ensured through bottom up natural evolution process ensuring various Groups dynamics methodology. Ardent desire was felt among the COs to facilitate leadership development, however, that needs to be internalized by the targeted beneficiaries in order to ensure sustainability of the program.

h. The prime concern-Subsidized Credit or timely credit or both-

The study team tried to have a brainstorming on this issue to understand the real felt need of the targeted community. Every one appreciated the contribution of Pavala Vaddi (Interest Subsidy) scheme towards their Economic Empowerment but seemed. little shaky on the choice between the two. The Groups needs to be nurtured on this critical issue, as fund is not the main issue for Andhra SHGs, huge financial Capital is available to the Groups, better and judicious utilization of those funds through a viable project now should be the target of the groups. If the felt need is subsidized through credit only then emphasis should be on availability of timely credit. It is to understood on the backdrop of as to why the village families used to approach the traditional money lenders and MFI’s? The simple reason is that, their close proximity/accessibility to have timely credit. And it is also the fact and ground reality that subsidy is needed for initial period for providing some space to the poor for revamping their livelihood strategy, simultaneously they should be educated regarding their survival strategy during the post withdrawal phases of such schemes. Long term subsidized support would increase dependency on these inputs heavily. Though it’s debatable, this issue would come out in future when the subsidy scheme would be withdrawn. As the benefit is highly available for all bank loans (to the SHGs), the Group...
members now need to be educated for optimum utilization of their surplus money (through interest subsidy and other benefits) through Financial literacy.

20.0. Lessons Learned

The primary lesson learned from the Andhra experience is that there is value in using SHGs as a conduit for poverty alleviation initiatives. However one has to understand the limitations of this use and gauge the ways in which these can be surpassed to get more out of such an approach. The need for small homogenous groups to be formed simultaneously reflects the strength and the weakness of SHGs. It is critical to choose wisely the common denominator that brings people together in a group. When this common feature is poverty, the identification of the poor as well as also the understanding of poverty is the most important exercise. Andhra Pradesh’s foray into PIP methods has to be further studied to ascertain their success in such understanding and identification.

Second, when micro credit is the pivot around which organization takes place, its ability to alleviate poverty/empower is limited. In Andhra Pradesh however, these limitations have been overcome by integrating micro credit with a powerful plus component of social and economic infrastructure. However, desired bottom up approach is apparently seen replaced by top down approach. During implementation of the concept in other areas through building community institutions like SHGs, either such mechanism may not be found suitable or an apex body (like SERP) equipped to take on such complex tasks need to be in place.

Third, SHGs should not be seen only in their capacity to route micro credit. Their political potential is powerful. SHGs and federations form the training ground to make leaders and potential political aspirants. This critical mass has tremendous potential to work for the betterment of the regions they represent. Andhra Pradesh has unleashed an extensive wave of mobilization and sharp attention has to be paid to the danger of other vested interests co-opting such a critical mass.

Fourth, the potential of women-only SHGs for women’s empowerment depends upon several other supportive measures like education, health, housing and infrastructure. While all five spaces may expand positively, there is a limit to the capacity for credit based SHGs to empower women. Further since gender related discrimination requires interventions without alienation of men, forming only women groups may well do with obvious dose of persistent training and education

Fifth, partnerships are fundamental for development. This kind of inclusiveness where institutions and actors both public and private, work in synergy, has considerable potential for poverty alleviation. It can bear positive results if care is taken to protect the interests of all the participants.
Sixth, the Andhra experience has shown how the linkage between the national, regional and local environment can be made with political will. The political economy within which the up scaling has taken place is a democracy. In any democracy there is a trade-off between the state acting in the interest of the people so as to maintain their own position and protecting their vested interest at the cost of the people. It cannot be taken amiss that the state is seeing SHGs as a method of gaining popularity, if the outcomes reflect the alleviation of poverty that is intended. In the pursuit of numbers, care has to be taken that the subtleties involved in empowerment processes are not lost. Monitoring and evaluation should be conducted with indicators that are able to capture the complex matrix of socio-cultural, economic and political variables that influence empowerment.

Seventh, the Andhra experience has brought to the fore the close nexus between accountability and people’s participation. Unless a sense of ownership is infused into any program, participants will not demand accountability or feel accountable. Involving people at every level of decision making within the program transforms beneficiaries into participants and ultimately everyone benefits. Such channels of communication can be opened by the political state as has been done in Andhra Pradesh.

Finally, Andhra Pradesh has shown that, to approach a complicated problem such as poverty, a complex mix of methods is required. At one level, existing structures has to be gainfully used and at the same time new edifices have to be created. What is important however is that these two should somewhere be able to synchronize? Again, economic and social issues are equally important if poverty has to be understood. Discriminations at diverse levels criss-cross and often annihilate the positive results of a strategy. The attempt to understand the problem often half wins the battle.

Key Words- Community Participation, Institution Building, Convergence and Sustainable development