

A STUDY ON FEASIBLE MICRO ENTERPRISES IN MISSION FOR ELEMINATION OF POVERTY IN MUNICIPAL AREAS OF TELANGANA

**Study Commissioned By
Stree Nidhi Credit Cooperative Federation Ltd.,
Hyderabad**



**Conducted By
Sadhikaratha Foundation
Hyderabad**

SHG SCENARIO IN TELANGANA

Particulars	Telangana State			Stree Nidhi		
	SERP	MEPMA	Total	Rural	Urban	Total
<u>Institution building</u>						
• SHGs in lakhs	4.35	1.46	5.81	4.42	59,291	5.01
• VOs/SLFs	18,397	4,613	23,010	18,731	1,930	20,661
• MSs/TLFs	554	107	661	543	37	580
• ZSs	30	--	30	30	--	30
<u>Credit linkages (Rs. in lakhs)</u>						
• SHGs in lakhs	3.67	1.41	5.07	2.84	0.29	3.13
• Loan disbursed	40,80,272	7,00,601	47,80,873	5,41,546	52,608	5,94,154
• Loan O/s	8,96,571	1,49,250	8,98,005	2,22,844	20,394	2,43,238
• Savings*	90,160	71,766	1,61,926	20,000	291	20,291

Data source: SERP, MEPMA and Stree Nidhi website



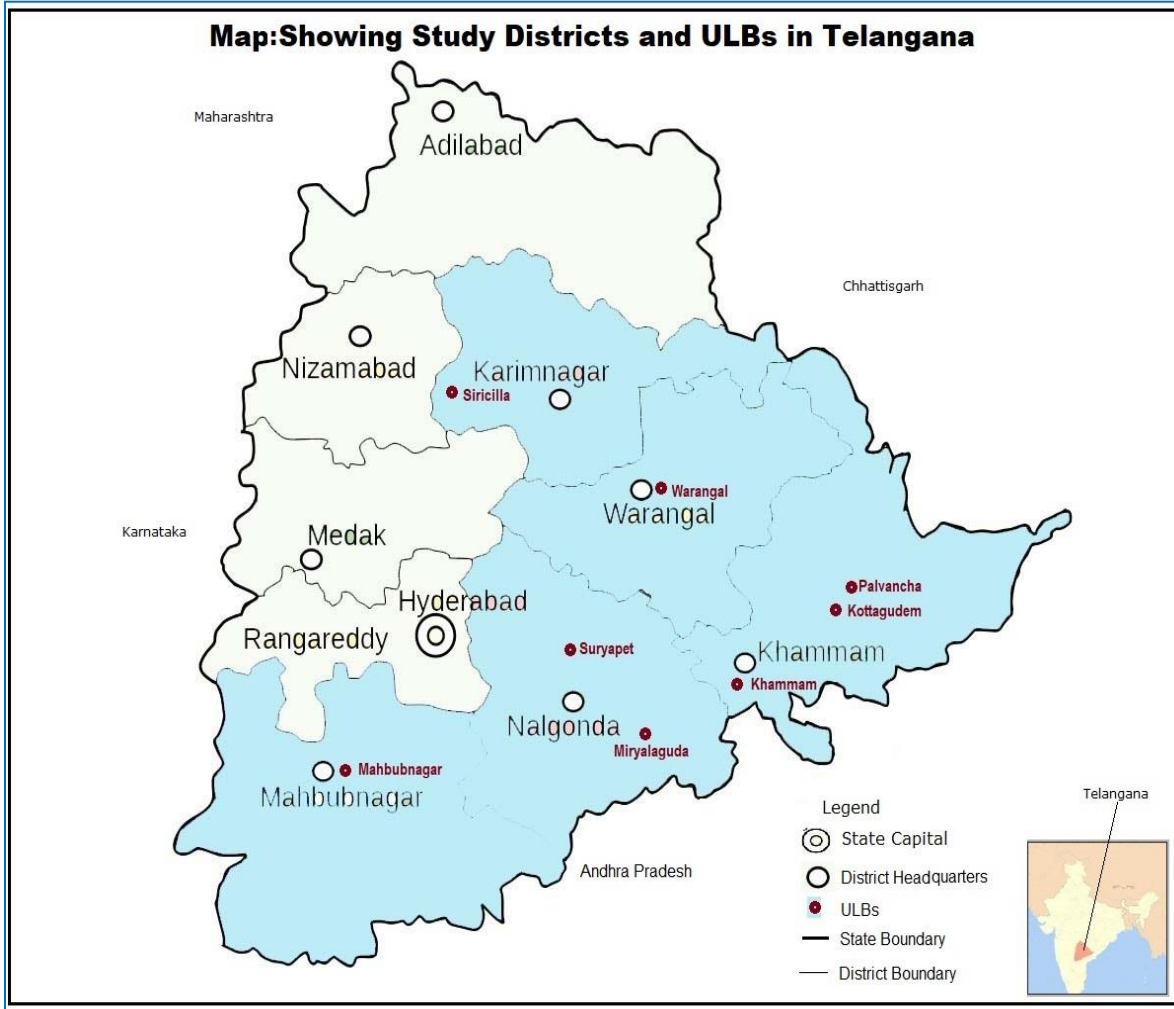
SERP-Society for Elimination of Rural Poverty; MEPMA-Mission for Elimination of Poverty in Municipal Areas; SHG-Self Help Group; VO-Village Organization; SLF-Slum Level Federation; MS-Mandal Samakhya; TLF-Town Level Federation; ZS-Zilla Samakhya; O/s-Outstanding ; * members savings with SHGs and Stree Nidhi

OBJECTIVES OF THE STUDY

- **To map the existing and potential livelihood activities**
- **To understand the problems in mobilizing financial resources for livelihoods / enterprises by the SHGs**
- **To understand the processes followed by the financial institutions in financing SHGs for livelihood activities**
- **To come up with recommendations based on the study findings**

SAMPLING DESIGN

Map: Showing Study Districts and ULBs in Telangana



State : 1
Districts : 5
Municipalities: 8
Slums : 40
SHGs : 200
Members : 600
Purposive sampling
Data collection tools - Interviews & FGDs

STUDY TEAM & DATA COLLECTION



Study Team



Stree Nidhi DGM in Study Team Orientation



FGD with Kanaka Durga SLF Kothagudem



FGD with Kanaka Durga SLF Kothagudem



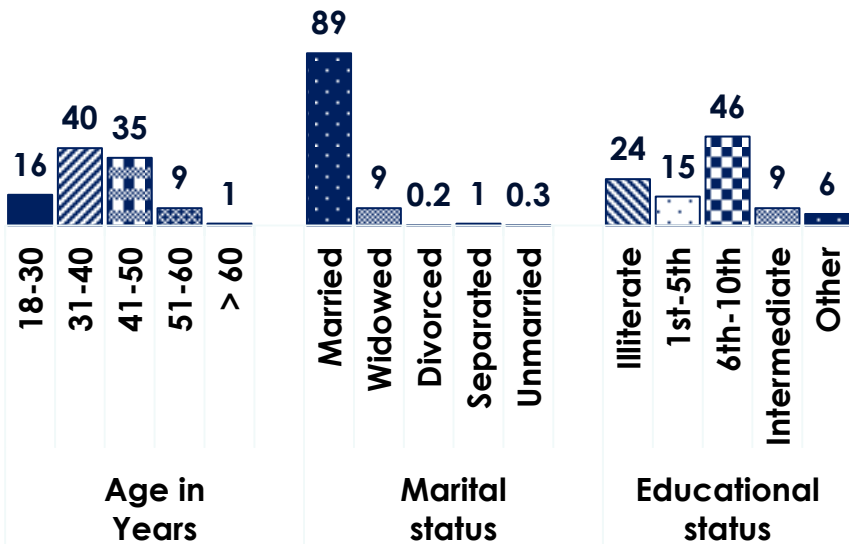
Interaction with Stree Nidhi RP Kanaka Durga SLF, Kothagudem



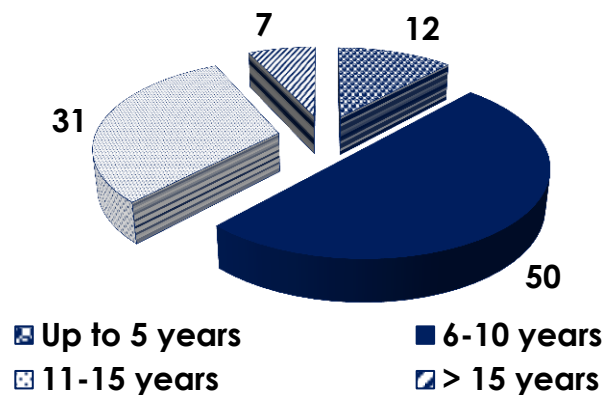
Interaction with MEPMA Officials Suryapet

PROFILE OF SHG MEMBERS & HOUSEHOLDS

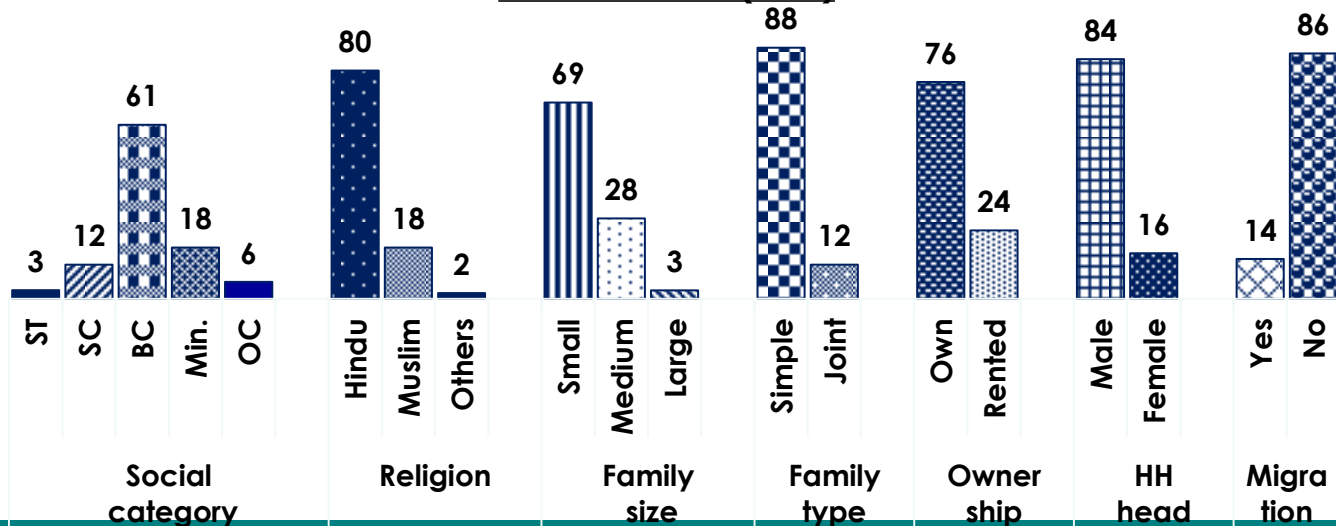
1. Profile of Members (in %)



2. Members Association with SHGs



3. Households (in %)



ST-Scheduled Tribes; SC-Scheduled Caste; BC-Backward Classes; Min-Minorities; OC-Other Categories; HH-Household;



PROFILE OF SELF HELP GROUPS

- **Self help groups**
 - Average age 10.97 years; average size 10.12 members
 - 98% of the SHGs are in A-grade
 - Majority SHGs are BCs (62%) followed by Minorities (18%), SCs (10%), OCs, STs and Mixed categories (2%)
 - About 65% of SHGs reported 1-4 dropouts
- **Slum level federations**
 - On average there are 32 SHGs and 361 members in an SLF
 - About 40% of SHG members accessed Stree Nidhi loans
 - On an average 4.5 members accessed credit in a group
 - Rs. 39.2 lakh – average loan per SLF; Rs. 1.21 lakh per SHG; and Rs. 26,904 per member

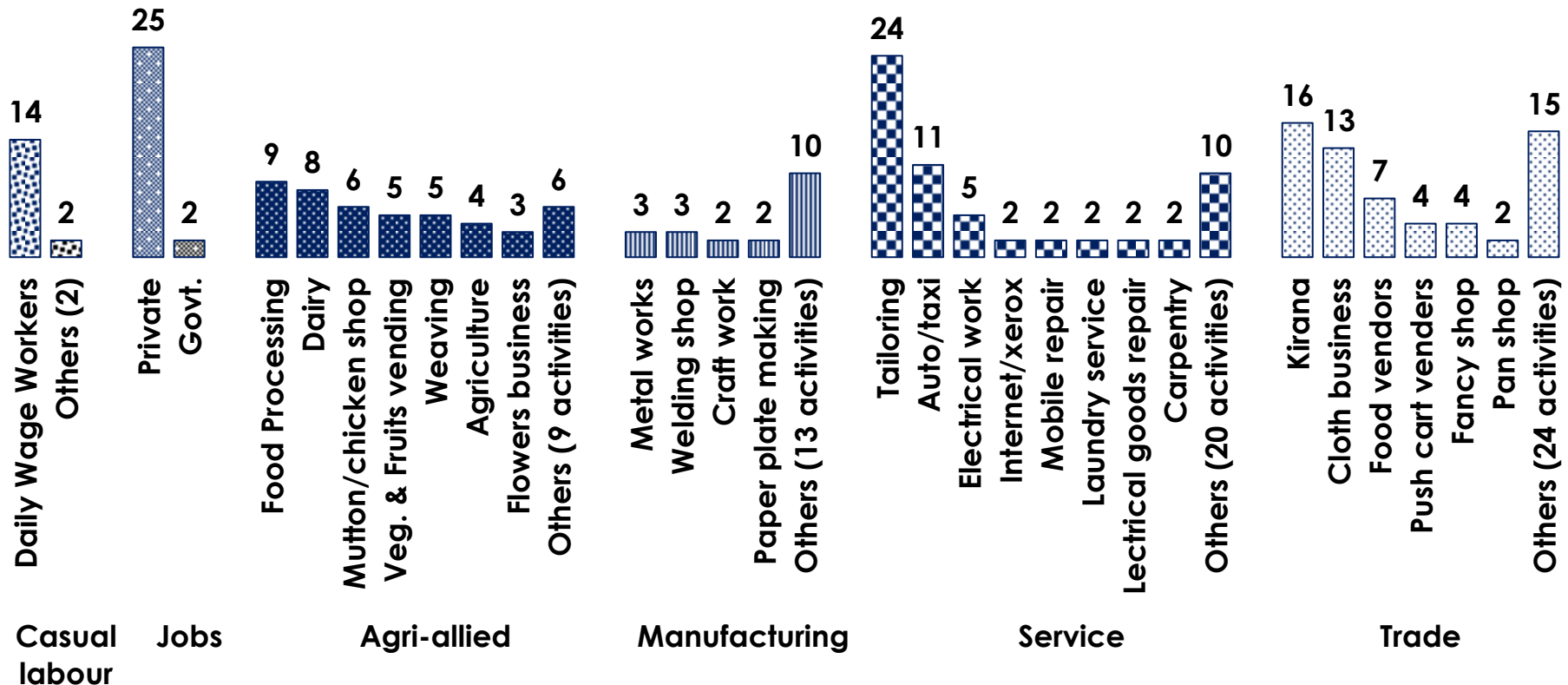
QUALITY OF SHGs CREDIT LINKED TO STREE NIDHI

- **Monthly meetings are common (98%); majority SHGs have regular meetings & good member attendance**
- **Rs.120 is the average savings per month per member; savings with multiple agencies SHGs, SLFs, banks & SN**
- **Majority SHGs have loan outstanding with Stree Nidhi (94%) banks (88%) and SLFs (62%)**
- **Major portion of loan is from bank (65%) followed by Stree Nidhi (20%), own funds (8%) and SLFs (7%)**
- **Repayment is good; defaulting is negligible**
- **Book keeping and leadership rotation is a concern in older groups**

MAPPING OF HOUSEHOLD ECONOMIC ACTIVITIES

Total activities-97*: Casual labour-3; Jobs-2; Agri-allied-16; Manufacturing-16; Service activities-28; Trade activities-32

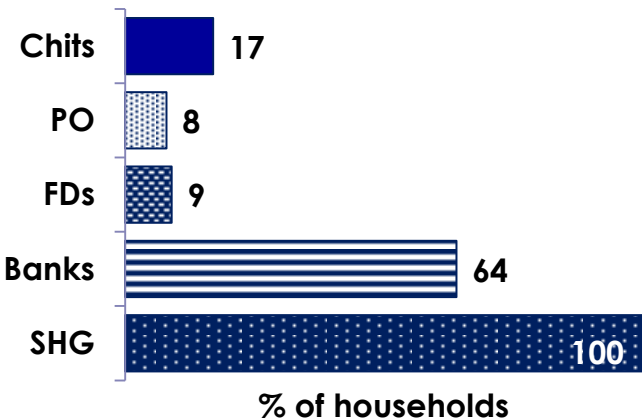
Household Economic Activities (in %)



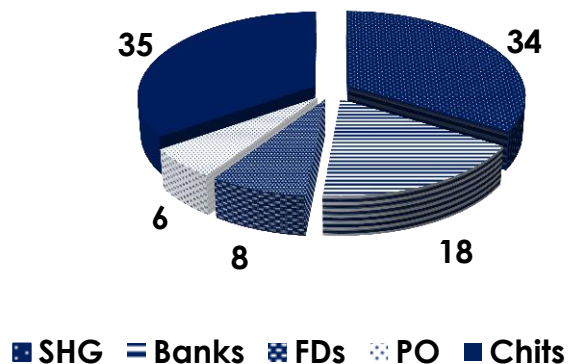
* All the household economic activities classified into 6 categories based on the industrial classification of activities adopted by the Govt. of India.

SAVINGS & DEBTS OF HOUSEHOLDS

1. Savings with the Agencies



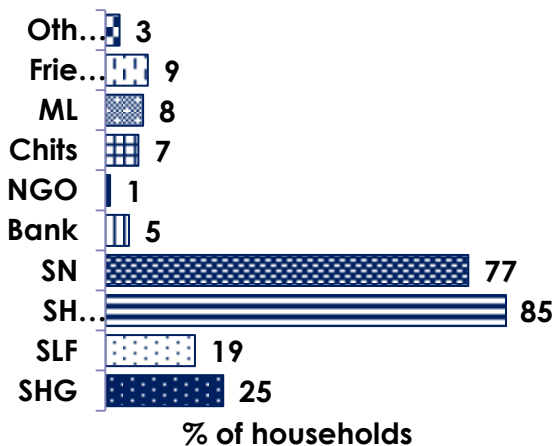
2. Households Savings (Amount in %)



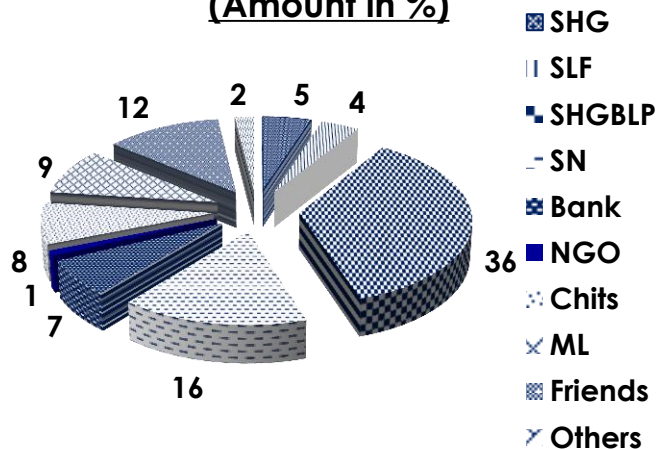
Average Household

- Savings Rs. 35,515
- Debts Rs. 49,395

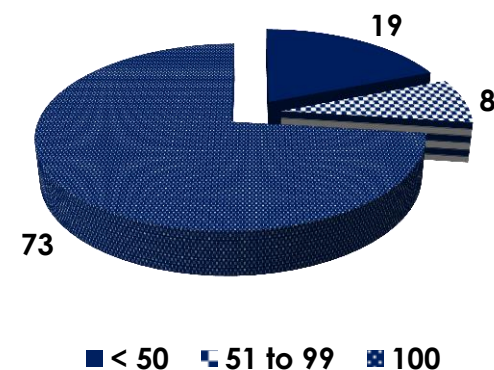
3. Credit Sources of Households



4. Household Debts (Amount in %)

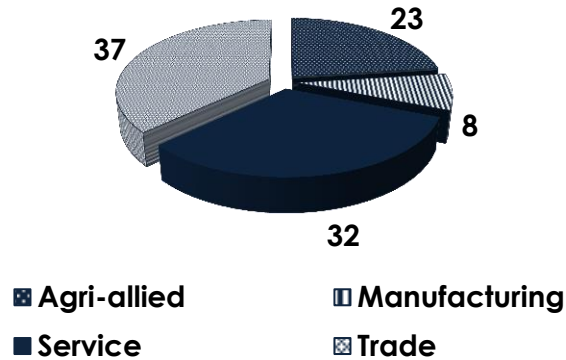


5. SHGs' Share to HH Debt (% of members)

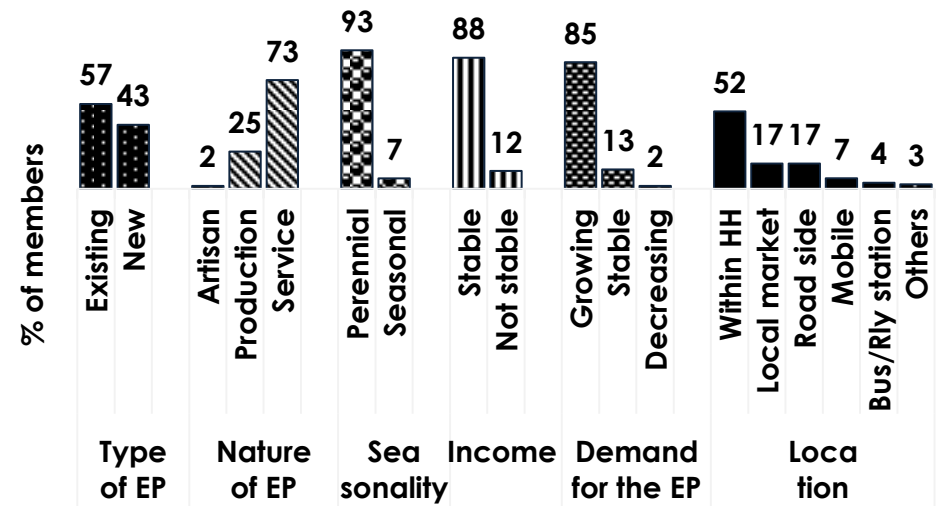


PROFILE OF ENTERPRISES

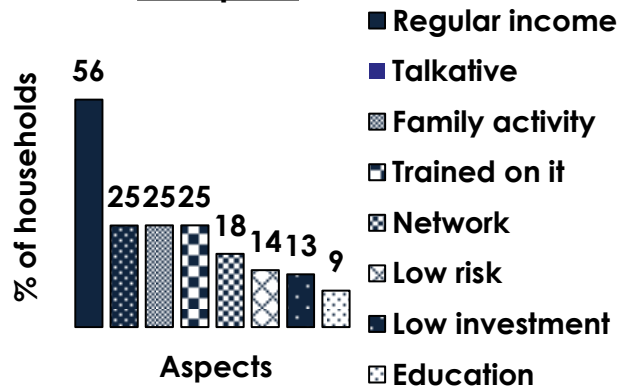
1. Classification of Enterprises (in%)



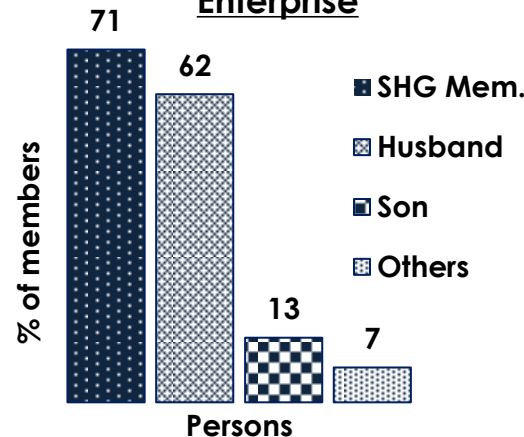
2. Profile of Enterprises



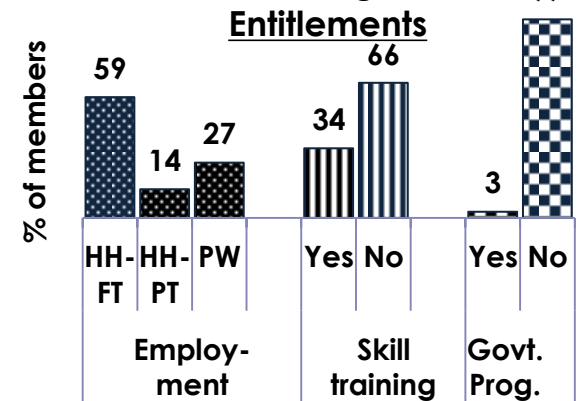
2. Strengths to Take Up Enterprise



3. Control over the Enterprise



5. Employment and Access to Skill Trainings & Govt. 97

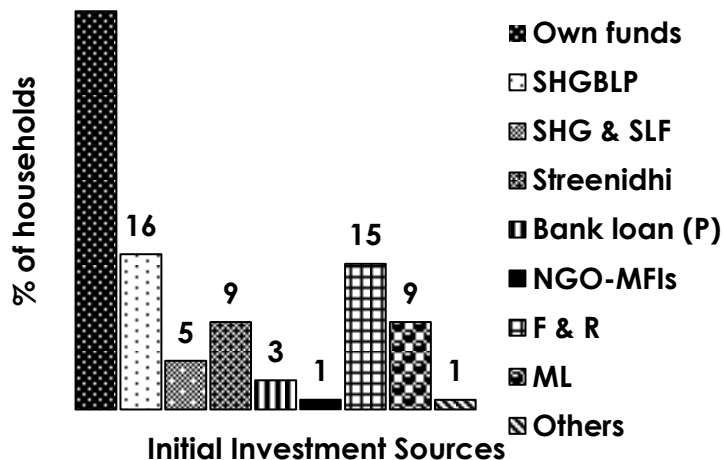


ENTERPRISE ACTIVITIES OF URBAN SHG MEMBERS

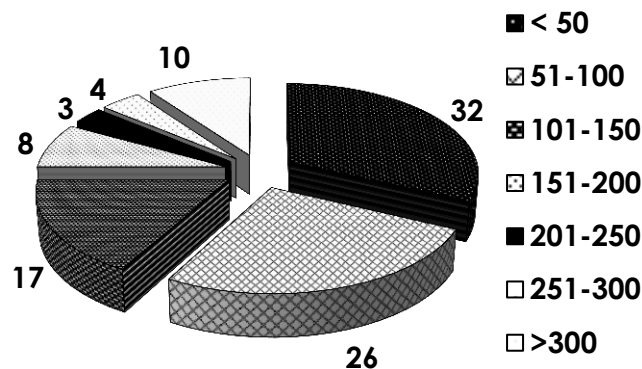


INITIAL INVESTMENT & PHYSICAL INFRASTRUCTURE

1. Sources of Initial Investment



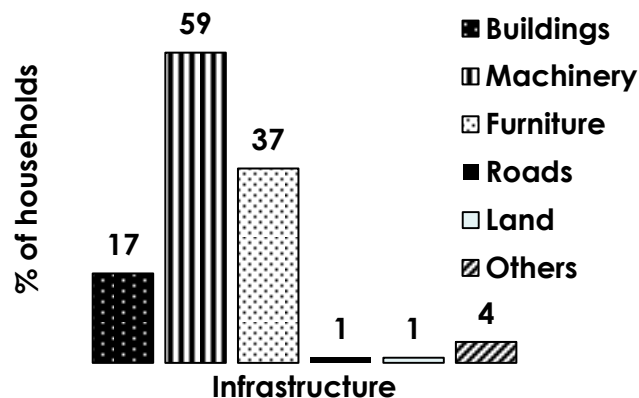
2. Initial Investment Rs. in '000 (% of activities)



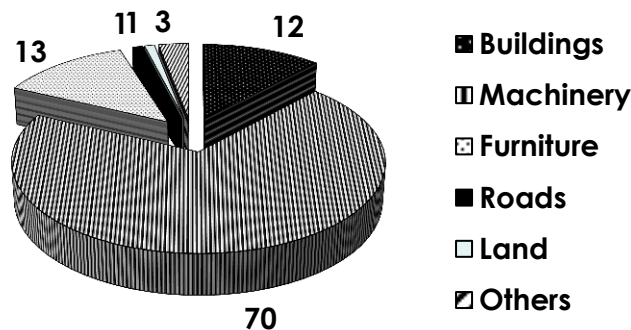
Initial Investment Rs. in lakhs

- Total: Rs. 861.36
- Avg.: Rs. 1.44

3. Physical Infrastructure



4. Investment on Physical Infrastructure (Amount in %)



5. % of Households Mortgaged Assets

- House : 1.5%
- Land : 0.5%
- Gold : 8.0%
- Others : 0.2%

6. Total Amount of Rs. 77.13 lakhs

- House : 39%
- Land : 6%
- Gold : 54%
- Others : 1%

DETAILS OF WORKING CAPITAL PER ANNUM*

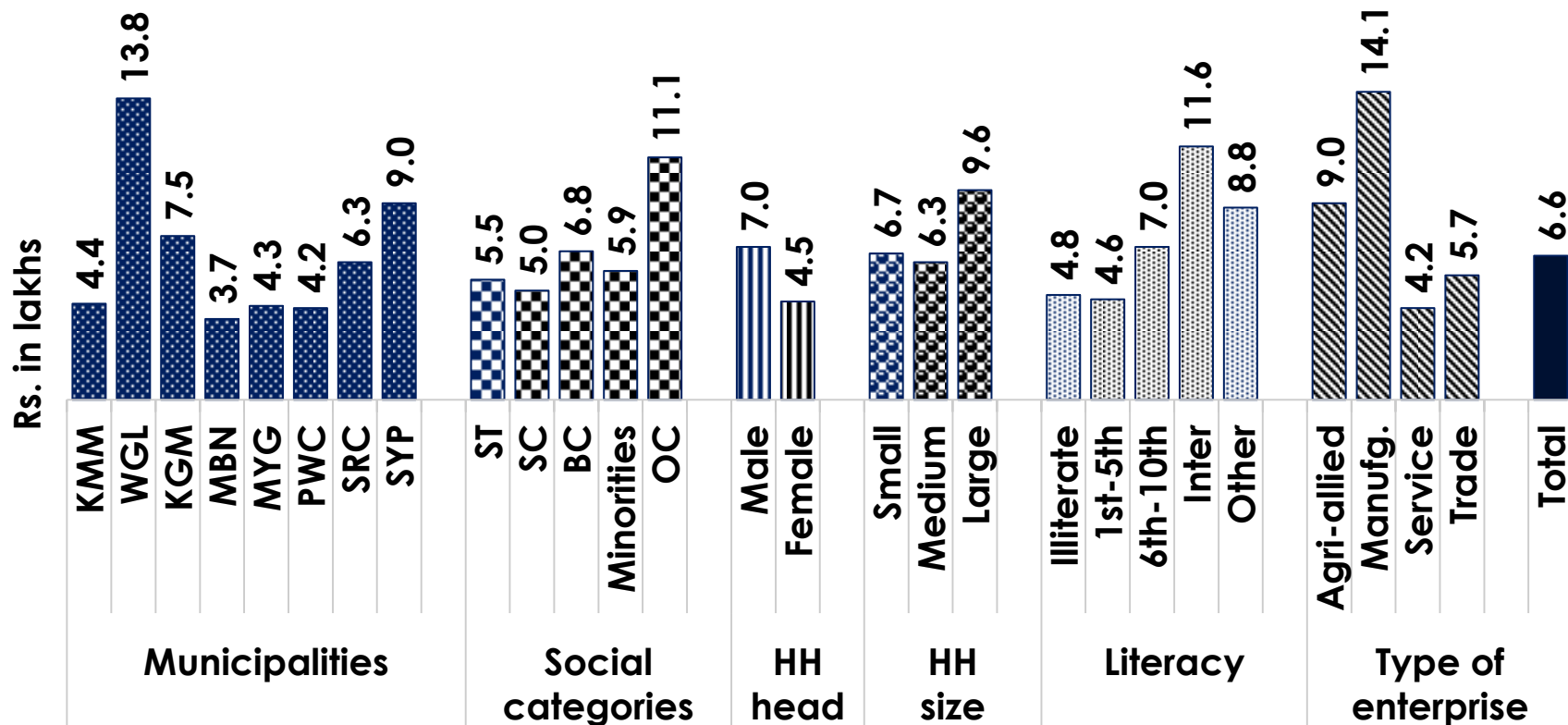
Particulars	households		Amount		
	N	%	Total **	Average	%
• House rent	196	32.7	117.43	59,915	<u>2.84</u>
• Electricity	388	64.7	44.06	11,356	1.07
• Material cost	571	95.2	3,396.14	594,770	<u>82.19</u>
• Labour	185	30.8	293.44	158,618	<u>7.10</u>
• Transportation	496	82.7	129.72	26,154	<u>3.14</u>
• Telephone charges	434	72.3	9.37	2,158	0.23
• Marketing cost	14	2.3	1.97	14,036	0.05
• Maintenance	388	64.7	27.53	7,094	0.67
• Advertisements	136	22.7	2.19	1,612	0.05
• Interest paid on loans	526	87.7	33.60	6,387	0.81
• Depreciation	386	64.3	54.46	14,109	1.32
• Taxes	100	16.7	7.94	7,945	0.19
• Payments	31	5.2	2.44	7,871	0.06
• Insurance	49	8.2	6.83	13,939	0.17
• Others	29	4.8	4.82	16,638	0.12
Total	600	100.0	3,988.44	664,740	100.00

* Working capital is the money that allows an enterprise to functioning by providing cash to keep its day to day operations running; ** Rs. in lakhs 14

WORKING CAPITAL PER ANNUM

Rs. 39.88 crores is the total annual working capital of 600 enterprises with an average of Rs. 6.66 lakh per enterprise

Average Annual Working Capital Per Enterprise

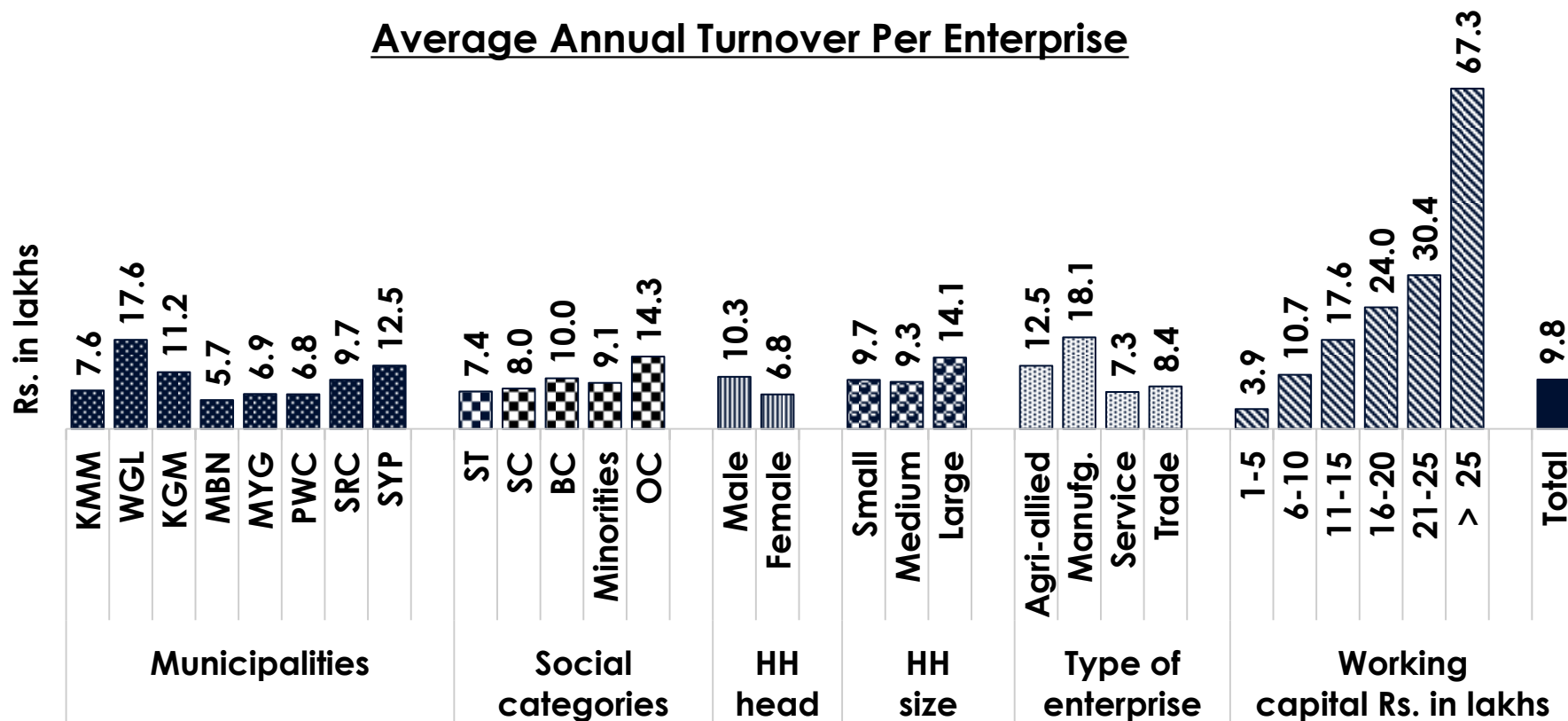


KMM-Khammam; WGL-Warangal; KGM-Kothagudem; MBN-Mahabubnagar; PWC-Palwancha; SRC-Siricilla; SYP-Suryapet; ST-Scheduled Tribe; SC-Scheduled Caste; BC-Backward Classes; OC-other categories

TURNOVER PER ANNUM*

- Rs. 58.58 crores is the annual turnover of 600 enterprises
- Nearly 50% of enterprises have < Rs. 5 lakhs of TO pa

Average Annual Turnover Per Enterprise

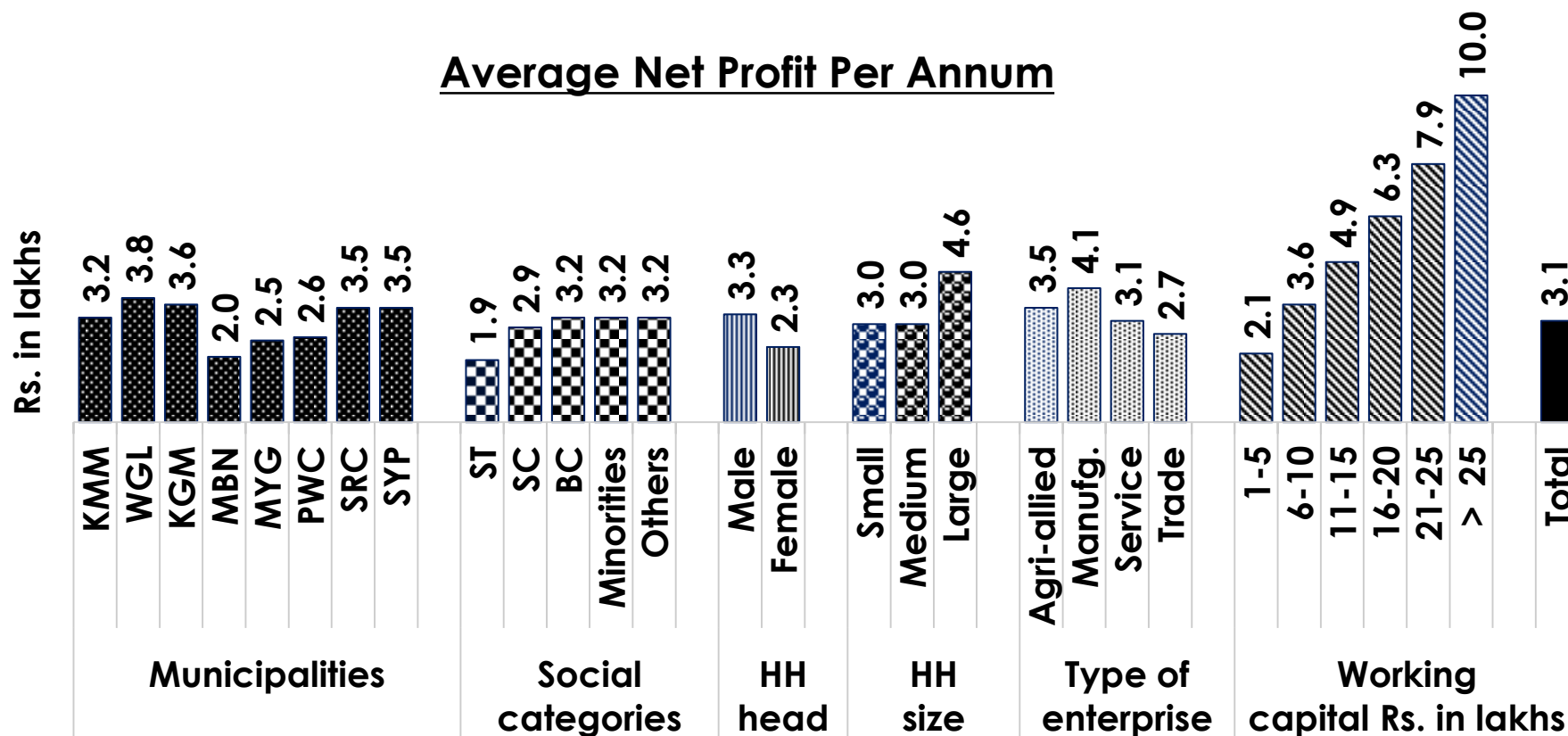


* Turnover is the value of goods and services sold in an enterprise over a period of time
TO pa- Turnover per annum

NET PROFIT PER ANNUM*

- Rs. 18.69 crores is the annual turnover of 600 enterprises
- Nearly 50% of enterprises have < Rs. 2 lakhs of NP pa

Average Net Profit Per Annum



* The profit made by enterprise after all the operating expenses are deducted from the total turnover in a year; N-Number of cases; WC-Working Capital; TO-Turnover; NP-Net profit; HH-Household

NET PROFIT PER ANNUM

Popular Enterprises vs. Net Profit Per Annum

Name of enterprise	Enterprises		Avg. Amount Rs. in lakhs		
	N	%	WC	TO	NP
• Tailoring	51	8.5	<u>0.92</u>	<u>2.51</u>	<u>1.60</u>
• Cloth business	48	8.0	4.25	6.54	2.29
• Kirana shop	41	6.8	3.67	5.68	2.00
• Auto/taxi	35	5.8	2.00	4.19	2.19
• Food processing	29	4.8	<u>9.96</u>	<u>14.25</u>	<u>4.29</u>
• Dairy	24	4.0	4.26	6.00	1.74
• Veg. & fruit vending	21	3.5	9.59	12.93	3.34
• Mutton/chicken shop	20	3.3	14.94	18.99	4.05
• Food vending	19	3.2	4.17	6.86	2.69
• Fancy shop	18	3.0	2.36	3.90	1.54
• Hotel	16	2.7	<u>9.68</u>	<u>13.87</u>	<u>4.19</u>
• Welding shop	13	2.2	<u>7.90</u>	<u>10.67</u>	<u>2.76</u>
• Push cart vender	11	1.8	3.38	5.06	1.68

N- Number of cases; WC-Working Capital; TO-Turnover; NP-Net Profit

GOODS & SERVICES HAVING DEMAND*

- **Goods**

- Vegetable & fruit shop; kirana shop; mutton/chicken shop; bakery; milk & milk products; rice business; ladies corner; RO water plant; cloth business; juice center; electrical shop; stationary shop; sweets shop; tailoring material; welding shop current point; cement/sanitary ware

- **Services**

- Internet/xerox center; medical shop; e-seva / meeseva; hotel / tea stall; mobile repair shops; fast food center; hair cutting saloon; tutorial center; laundry services; flour mill; auto mobile repair; leather works; beauty parlour; tent house; plumber; business correspondent; gas repair center; printing press; computer training center

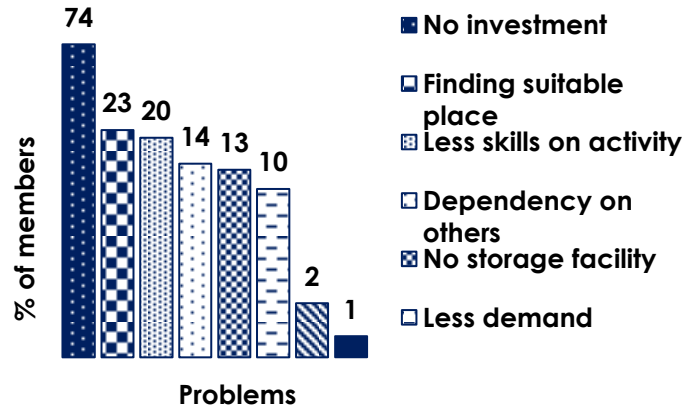
* Goods and Services have between 50% and 100% success rate; RO-Reverse Osmosis

CHANGES EXPERIENCED IN THE ACTIVITY

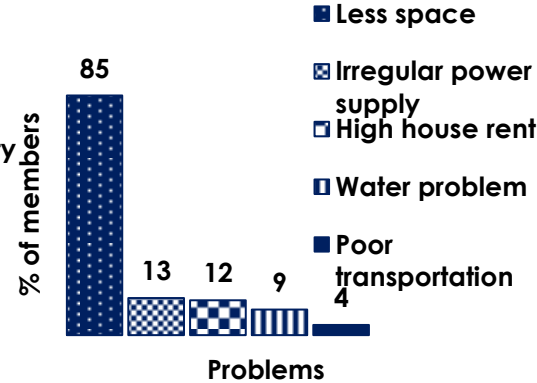
- Demand - Demand has increased; more sale/turnover and stable income; another unit started
- Capital - Working capital has increased ; stock increased
- Skill up-gradation- Gained experience in managing the activity; acquainted with new technologies & designs; reduced dependency on others
- Marketing - Increased linkages with stakeholders; more no. of products; competition between shop keepers; customers habituated; knowledge on material sources; gained publicity
- Infrastructure - New machinery purchased; more mechanization; set up own shop
- Employment - Employment to the household members
- Other - debt burden decreased

PROBLEMS IN MANAGING ENTERPRISES

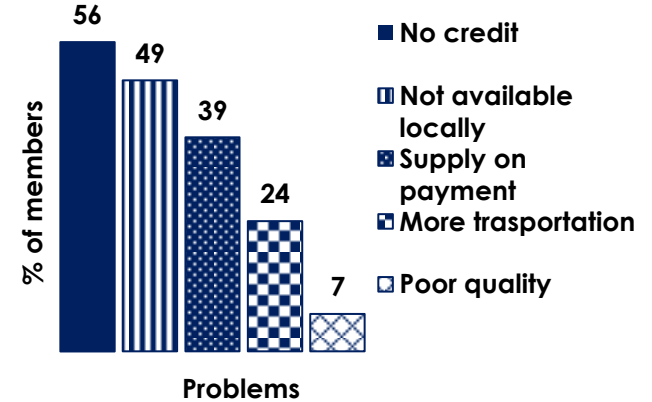
1. Starting Enterprise



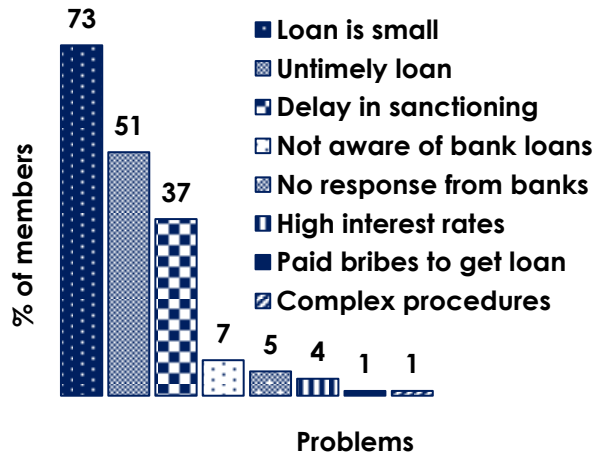
2. Infrastructure



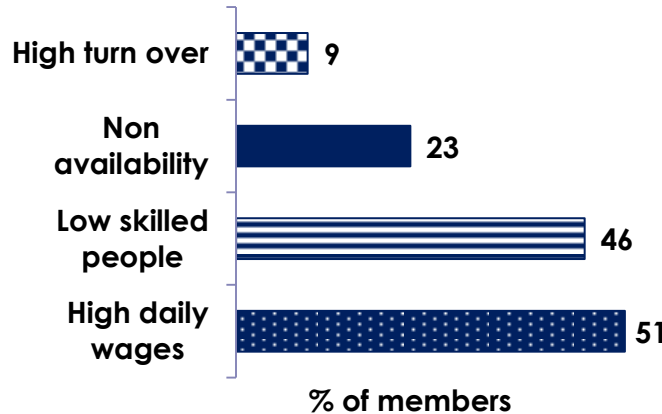
3. Raw Material



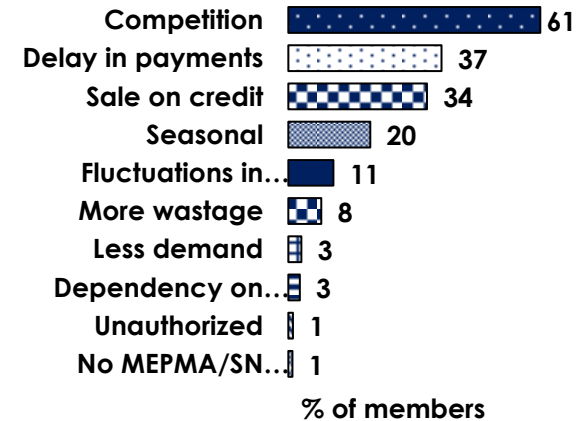
4. Accessing Credit



5. Hiring Labour



6. Marketing



LENDING NORMS OF FINANCIAL INSTITUTIONS

Norms	SHGs to members	External agencies to SHGs		
		SLF	Bank	Stree Nidhi
• Loan term	6 to 36 months	6 to 12 months	12-36 months	12-24 months
• Loan volume	Rs. 500 to Rs. 1 lakh	Rs. 20,000 to Rs. 2 lakh	Rs. 50,000 to Rs. 5 lakh	Rs. 50,000 to Rs. 2.5 lakh
• Purposes	C/SN/IGA	IGA/SN	IGA	IGA
• Type of lending	NB 1-5 members	NB 2-5 members	Equal distribution	NB 4-6 members
• Inst. freq.	1-12 months	Monthly	Monthly	Monthly
• RI pm	Re.1 to Rs. 2	Re. 1 to Rs. 2	Re. 1 to Rs. 1.20	Rs. 1.05
• Mode of repayment	Both P & I I compulsory	Both P & I	Both P & I	Both P & I
• Collateral	promissory note	Savings & share capital	Inter-say agreement	Inter-say-agreement

SLF-Slum Level Federation; C-Consumption; SN-Social Needs; IGA-Income Generation Activities; NB-Need based; Inst. Freq.-Installment frequency; RI-Rate of Interest; pm- Per month; P-Principle; I-Interest

PROBLEMS IN LIVELIHOOD FINANCING

- **Self help groups**
 - No internal lending with own funds (53% of SHGs)
 - Defaulting – multiple reasons; burden on regular members
- **Slum level federations**
 - Loans are mostly to leaders
 - Dominance of RPs and Staff at SLF & TLF levels
 - Irregular meetings and poor member attendance
- **Banks**
 - Delay in credit linkage with banks – multiple reasons
 - Small volume of loan; loan volume is not based on MCP
 - Insisting for fixed and / recurrent deposits
 - Delay in getting reimbursement of interest on loans
 - Delay in transferring amount from loan a/c to savings a/c
- **Stree Nidhi**
 - Delay in transferring the loan to member at SHG level
 - Unavailability of office bearers and project staff



CONCLUSIONS...

- **The urban SHG households engaged in a wide range of multiple activities; the households have savings & debts with multiple agencies; mostly indebted to SHGs**
- **Trade and service based activities are predominant. The SHG entrepreneurs considered many aspects while starting the activities**
- **Both existing and new activities were taken up equally, and are mostly perennial. Employment mostly to the self & household members; for other to a little extent**
- **Own fund is the major initial investment, and it has been depended on nature of enterprise and socio-economic conditions of the entrepreneurs**

CONCLUSIONS

- **Material cost is the major of all working costs, and the working cost depends on the nature of activity**
- **Most activities are micro enterprises in terms of their annual turnover, and it is varying among the activities**
- **Earned significant amount of profit per annum. But there is a wide range in it across types of enterprises**
- **The entrepreneurs have been facing multiple problems at all stages in managing enterprises**
- **The quality of SHG credit linked to Stree Nidhi is good**
- **There are multiple issues in financing SHGs for livelihoods at SHG, SLF, bank and Stree Nidhi levels**

RECOMMENDATIONS...

- **Provide loan to those activities identified as feasible and viable enterprises**
- **Loan size should be increased up to Rs.5 lakh per SHG and loan from 5 to 8 members in a group**
- **Organize skill up-gradation trainings & exposure visits to the SHG entrepreneurs**
- **Expand Stree Nidhi operations to GHMC area where the enterprise promotion opportunities are more**
- **Preference to SHG entrepreneurs in allotting space on nominal rent in govt. commercial complexes**

RECOMMENDATIONS

- **Market linkages & linkage with govt. initiatives**
- **Provide identity cards to street vendors**
- **Link life & asset insurance with loan sanctioning**
- **Capacity building to SHGs, SLFs and TLFs**
- **Encourage internal lending with SHG own funds**
- **SLFs and TLFs should focus more on livelihood / enterprise promotional activities**
- **Trainings and exposure visits to SHG entrepreneurs, SLF & TLF office bearers and bankers on SHGBLP**

Open for Discussion

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Thank You
