



APMAS

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Paper on

**Indebtedness and Financial Inclusion among the Tribals -
An experience of women self help group member
households in Andhra Pradesh**

Presentation by

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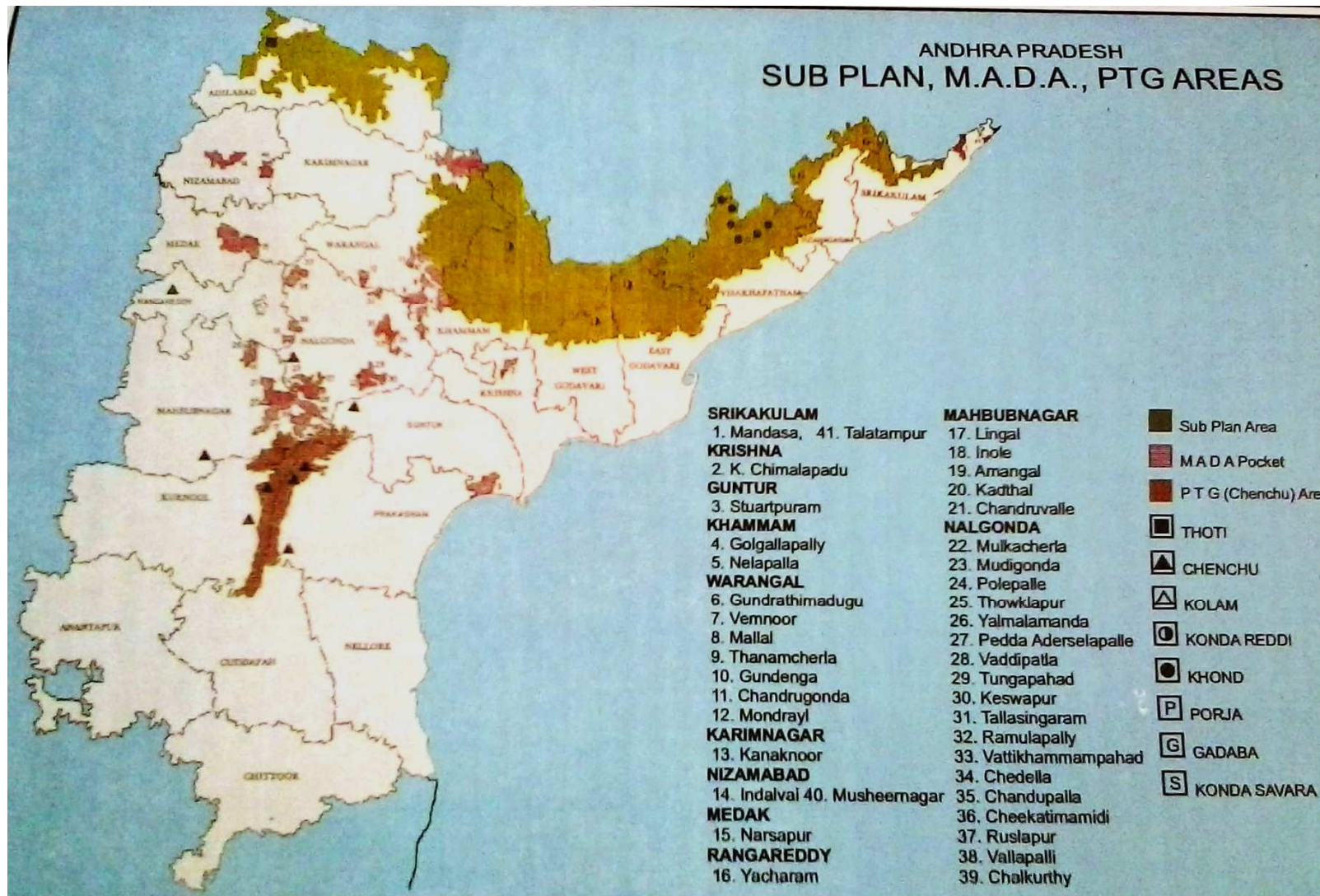
Objectives of the Study

- To know the magnitude of household debt
- To know the contribution of SHGs to household credit
- To know the issues in accessing credit from the formal financial sources
- Sample covered
 - *189 HHs of 126 SHGs in 7 ITDAs of AP*
- Data collection tools
 - *HH Schedule & FGDs*



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Study Area



MADA-Modified Area Development Agency; PTG-Primitive Tribal Group



Overview of Tribal AP

- **6.59% are tribals in AP population**
- **Out of 35 STs, 8 are PTGs/ VTGs**
- **31,485 Sq Km – Tribal sub-plan area**

- **57,868 SHGs in 7 -ITDA Areas (5.38%)**
- **73% - SHGs are credit linked to banks**
- **Rs. 45,993 crores - loan outstanding- Dec '12**



Socio-economic Conditions

Social

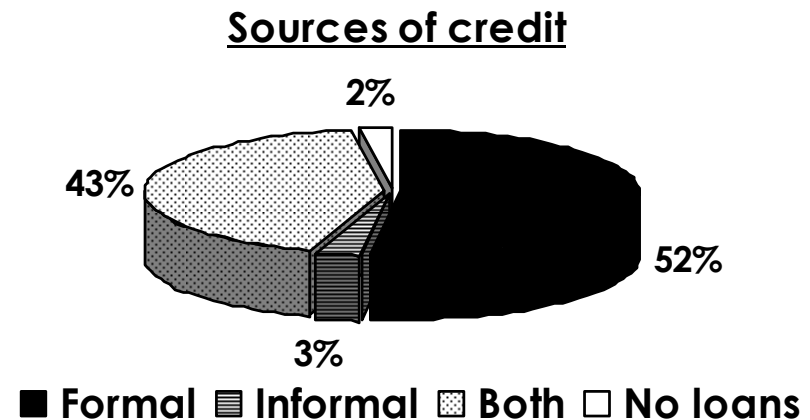
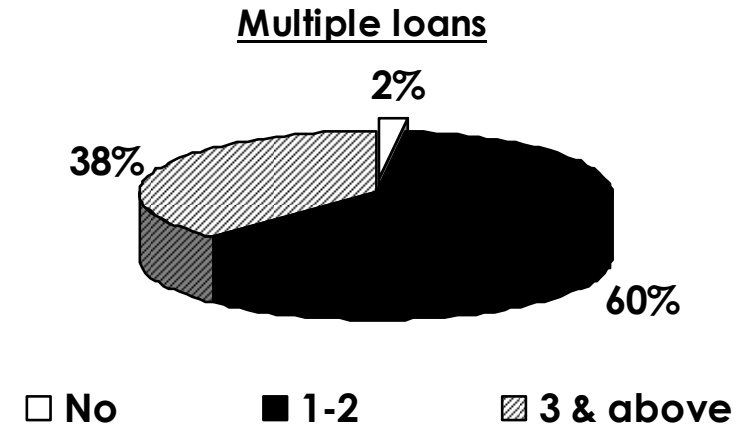
- 20 out of 35 STs in AP were studied
- Female are more than the male, and illiteracy
- Medium & simple families are predominant
- Majority household members are working

Economic

- Majority HHs are marginal and small farmers
- Agriculture & labour - major economic activities
- Engagement in NTFP/MFP has been reduced
- Incidence of migration is minimal

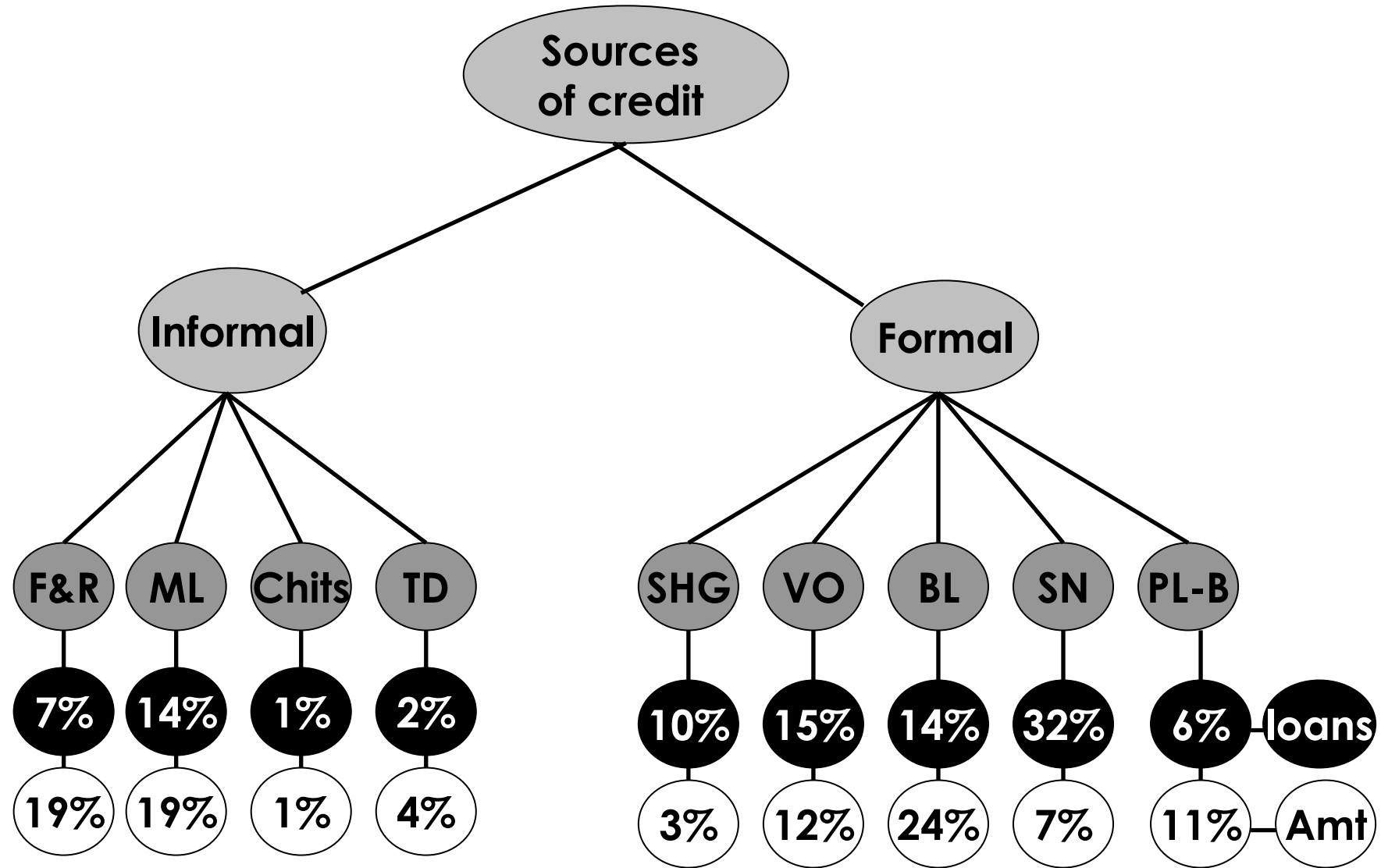
Magnitude of Debt

- 1-5 loans with an average of 2.2 loans per HH
- Rs. 46,443 – Average debt per household
- However, many HHs have Rs. < 25,000 (48%)
- Preponderance of less than 2 year old loans



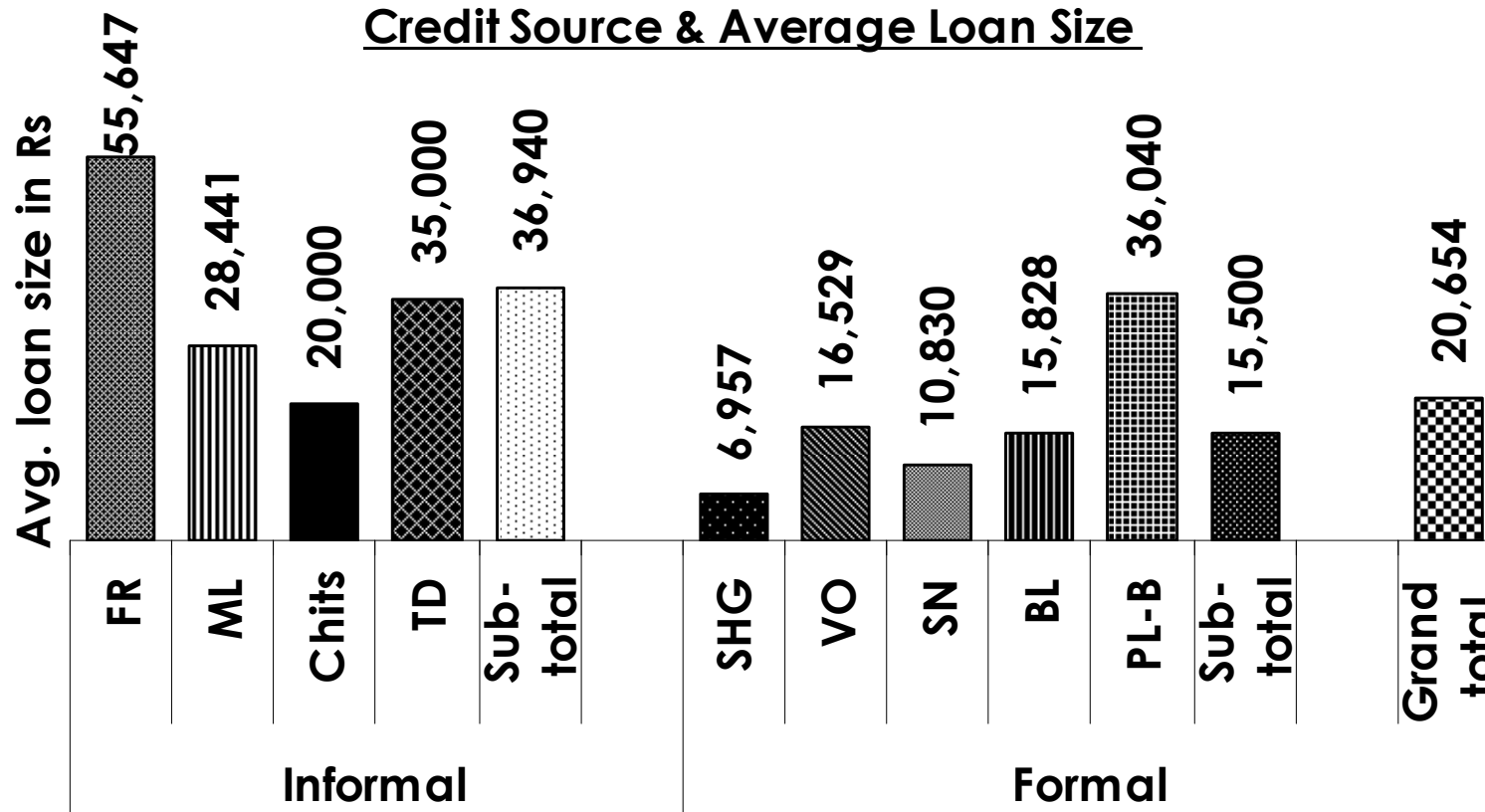


Lion's Share of SHGs to HH Credit



F&R-Friends & relatives; ML-Money lenders; TD-Traders; SHGs-Self help group; VO-Village Organization, BL-Bank linkage; SN-Sthree Nidhi; PLB- Personal Loans-banks

Large Loans from Informal Sources





Loans mostly for Production and Social Needs

- Major loan for production (43%) and social needs (42%)
- Large no. of formal loans and amount for production
- Large no. of informal loans and amount for social needs

| Purpose | Loans (in%) | | Amount (in %) | |
|----------------|-------------|-----------|---------------|-----------|
| | Informal | Formal | Informal | Formal |
| Consumption | 1 | 6 | 0 | 3 |
| Production | 41 | <u>54</u> | 26 | <u>56</u> |
| Social needs | <u>49</u> | 27 | <u>62</u> | 27 |
| Asset creation | 9 | 13 | 12 | 14 |

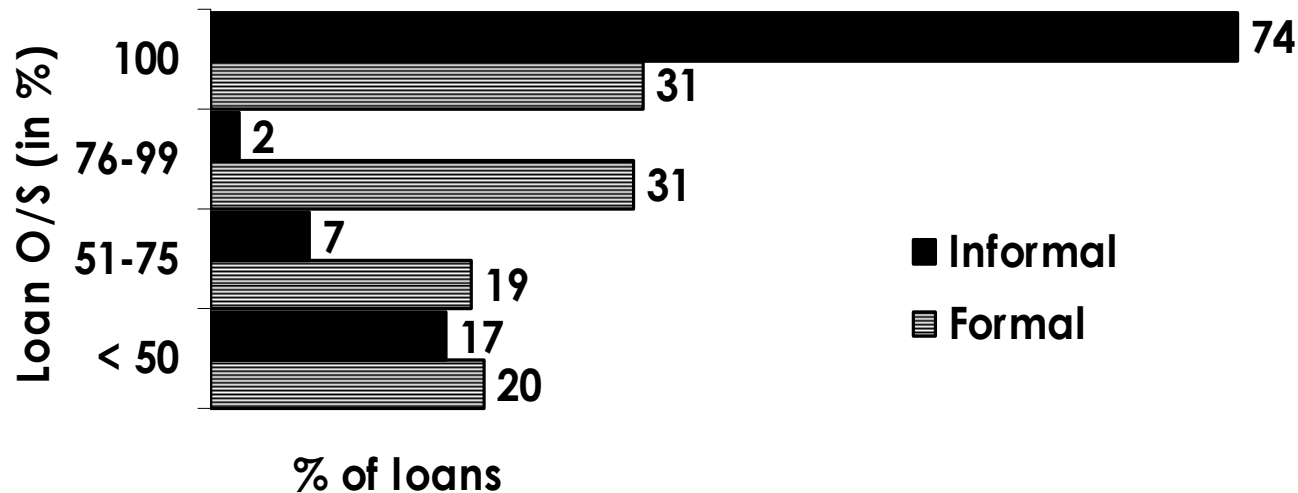
*Consumption- Food & clothing; Production-Ag. Inputs, milk animals, goat/sheep, business, self employment, Auto/taxi/tractor, traditional caste occupations; Social needs- To repay old loans, marriage, health, education
Asset creation- Housing and land*



Large Loan O/S to Informal Sources for a Longer Period

- Rs. 67.64 lakhs loan outstanding (79%)
- Major portion is with formal sources (57%)
- Avg loan O/s- formal Rs.12,248; informal Rs. 28,934

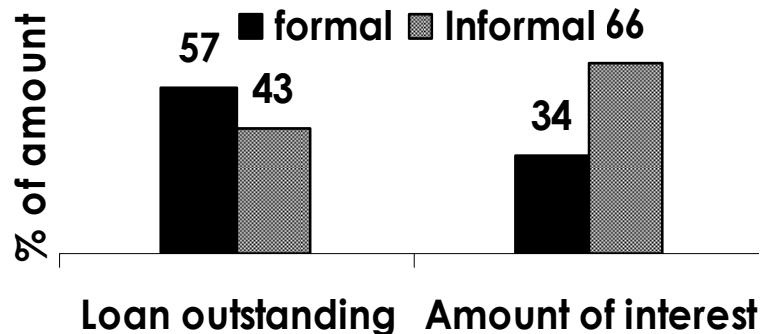
Amount of Loan Outstanding (in %)



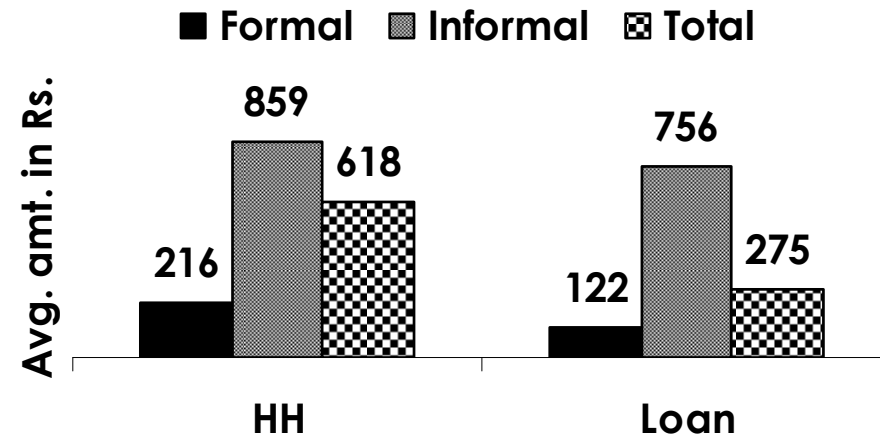
Grave Interest Burden on HHs

- 185 household have taken 416 loans
- Rs. 67.64 lakhs – total loan outstanding
- Rs. 24-48 percent per annum
- Rs. 1.14 lakhs paying as interest on loans

Percentage of loan outstanding and amount of interest



Average Amount of Interest



HH- Household; Avg. – Average; Amt. –Amount;



Issues in Accessing Credit

Formal sources

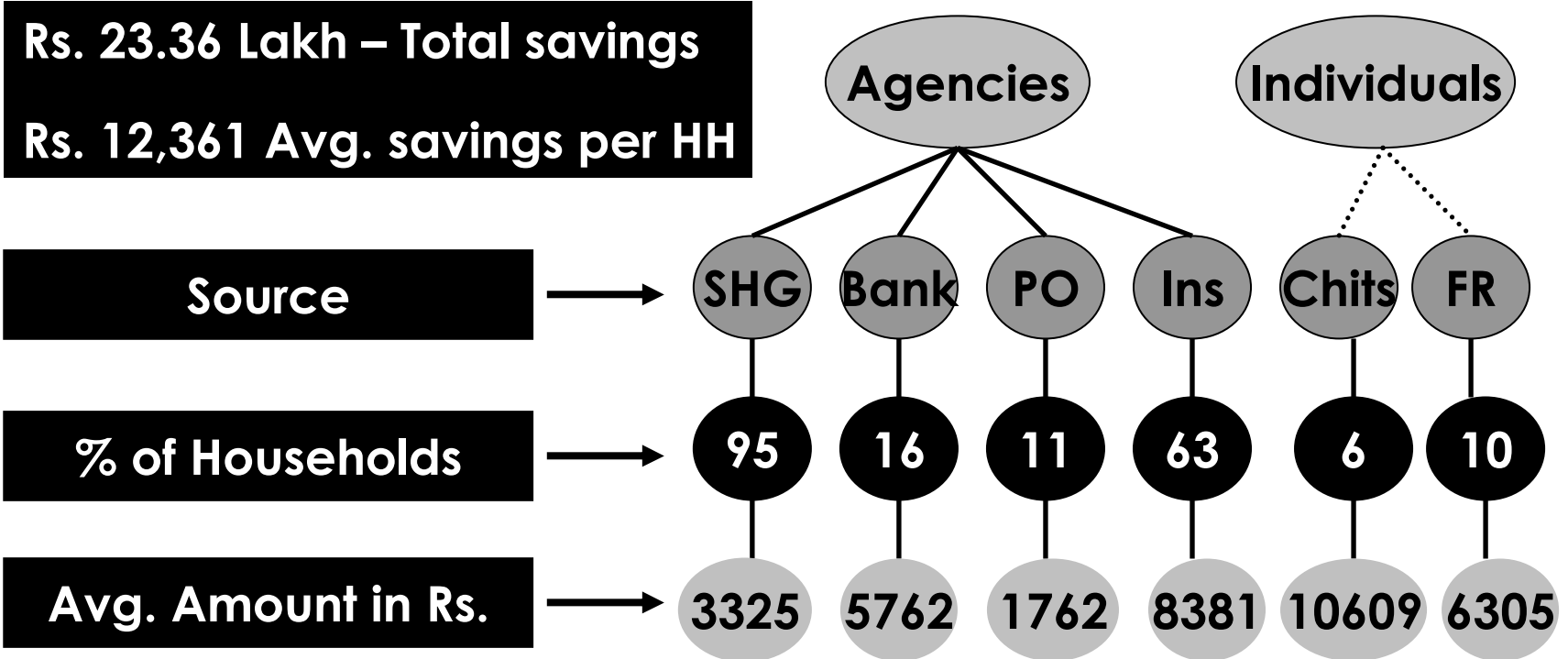
- Absence of title deeds and problem of collateral
- Loan for limited purposes
- Banking services are not in vicinity
- Paucity of funds for lending at SHGs
- Marginalization of quality SHGs - remote villages
- Poor quality of SHGs, VOs and MSs

Non-formal sources

- Exorbitant rate of interest
- Loss of assets mortgaged
- Low prices to the agriculture produce and MFP



Promotion of Savings & Insurance Coverage



SHG-Self Help Group; PO-Post Office; Ins-Insurance Company; FR-Friends & relatives



Conclusion & Way Forward

- **Majority of the tribal households have accessed financial services from banks through SHGs**
- **Nevertheless, nearly one half of the households depending on informal sources**
- **Further, the formal institutions could not succeed in meeting the credit demand of the SHG member households because of diverse reasons**
- **Adoption of BC model - where there is no tech. issues**
- **Engagement of VOs as BCs- in the absence of technology with adequate CB inputs on 'strengthening CBOs' and 'Financial Literacy'**

Thank You