

Study Report on Rice Credit Line in Guntur District: Andhra Pradesh

In keeping with the development commitment of the state and as envisaged in Swarnandhra Pradesh ' **Vision 2020** ' policy document, Andhra Pradesh Government has initiated the 'Rural Poverty Elimination Program' under the project '**Velugu**' (literally 'light' in Telugu). Velugu is the largest poverty project in the state working in over 860 mandals in 22 districts and aims to reach 29 lakhs of the poorest of rural poor. Velugu envisioned empowering the poor by breaking down social, economic, cultural and psychological barriers. Vision 2020 for Swarna Andhra Pradesh envisages that no family will lack basic needs like food, clothing and shelter and every family is able to live in hygienic surroundings and enjoy the benefits of a better quality of life. The project will strive towards bridging the gap in terms of access to basic services between non-poor and poor in a given habitation through direct interventions or by influencing the delivery mechanism. Effectively reaching out to the poorest of the poor is a critical element in the project. As part of this Velugu help create self-managed grassroots level institutions of the poor, namely Self Help Groups (SHGs), Village Organisations (VOs) and Mandal Samakhyas (MSs).The basic focus is to create social capital for the poor through creation/promotion of strong self-managed institutions, developing activists and paraprofessionals from amongst the poor and enhancing their capacities to manage their resources and also to access public services.

Rice Credit Line program implemented in Velugu, Guntur, is the community managed food security system which got the attention at state level with initial success. The objectives of the RCL program detailed below;

- To assist the poor households in minimizing the *nutrition gap*
- To ensure continuous stream of food availability to the poorest of the poor
- To minimize the fluctuations in food availability to the poor
- To reduce the transfer of income from the poor to middle men
- To ensure good quality, fair quantity and reasonable price.

SERP wanted to make it as flagship program for Velugu in all the district as this program seems to be having huge potential to generate income for the operations of VO, to address the food security needs of the poor, reduce the expenditure, more over, emerge as common interest agenda for all the members in SHG, VO and MS. At the same time many concerns expressed and issues raised during PDs conference in Guntur after exposure to the RCL program. In this context, PD, Guntur requested APMAS to conduct study on RCL program to identify the issues and strengthen the program. The proposed RCL study contributes to the Livelihoods study already initiated by APMAS to look into food security aspects. The RCL study in Guntur district carried out with the following objectives;

- To understand the socio-economic conditions of the RCL beneficiaries
- To assess the household requirement of rice and means of procurement before and after introduction of RCL
- To know the current status and the opinion of people on RCL programme

- To understand the dynamics at household, SHG and Community level
- To delineate the problems and expectations of the beneficiaries in the implementation of RCL programme
- To identify various gaps in the process and capacity building needs of the VOs /MS

The following issues identified for the study;

Coverage of RCL

- Coverage in RCL program – poorest, poor and middle
- Why different categories interested in RCL program
- Drop outs and additions from different categories and what are the reasons
- Why uncovered members are not taking part in RCL

Food Security

- Sources of food grains procurement – PDS, own production, wage in grains, credit and other sources prior to RCL and after RCL intervention in different groups
- Impact on the availability of food grains in the family – quantity of consumption, changes in variety and reasons etc..

Expenditure pattern on food grains

- Major sources for spending on food grains – credit, wage earning etc
- % of income spent on food grains
- changes in patterns of spending on food grains after and prior to the RCL intervention

Benefits of RCL program to the family

RCL Implementation arrangements

- Decision making process – cost, variety and committees
- Participation in planning, negotiations, distribution and recovery
- Management systems – monitoring the recovery, contribution, information to members
- Internal control systems

Capacity Building needs at CBO level and Functionary level

Impact on Institution Building process

- Influence on meetings, attendance
- Recognition of VO and MS
- Capacity building of EC in planning and managing programs

Research Methodology

Study Sample and Duration:

- Three VOs from three mandals representing various parts of the district i.e Palnadu, Narsaraopet Taluk and Guntur division
- Five house holds from three categories (poorest, poor and middle) and Five households of uncovered VO members in RCL (20 households in each VO)

Tools:

- Questionnaire for household survey
- Various PRA tools at VO level-

Study Team and level of effort:

- Six member team spend one day in each VO (3 from APMAS and 3 from Velugu for household survey)
- Three member team from APMAS to apply PRA tools and supervise family survey in each village
- 5 person days for data entry and analysis
- 5 person days for report writing

Sampling Design

- No. of Revenue Divisions : 3
- No. of Mandals : 3 (1 Mandal from 1 Division)
- No. of Village Organizations : 12 (4 VOs from each Mandal)
- No. of FGDs
 - Village Organization Members : 12
 - Beneficiaries :
- No. of Household Interviews : 144 (12 from each VO)
 - Poorest of the poor : 36 (3 from each VO)
 - Poor : 36 (3 from each VO)
 - Middle : 36 (3 from each VO)
 - Non-members : 36 (3 from each VO)

B. Criteria for the selection of Mandals

- Revenue Divisions
- Location –interior/fringe
- Major Crops
- Irrigation facilities

C. Criteria for the selection of Village Organizations

- Age of the VO
- Size of the VO
- Location –interior/fringe
- Major Crops
- Irrigation facilities
- Livelihood activities
- Promoting agency

- Presence of MFIs
- More no. of SHG Bank Linkages
- Tribal Population

D. Criteria for the selection Households

- Social categories
- Economic categories –BPL/APL
- No. of habitations
- Drop-outs
- Newly joined
- Members not joined in the RCL
- Members from SHGs not joined in VO
- Tribal households

E. Data Collection Techniques

- **Secondary source of data**
 - *Velugu Guidelines on RCL- Regional Office, Vijayawada*
 - *Statistical data on RCL at District, Mandal, and VO level- Compilation of data-Regional Office-Vijayawada*
- **Primary source of data**
- *Household Interviews*
- *FGDs with Beneficiaries- Other than the household sample VO members*
- *Interviews with Key informants in the village*
 - Velugu CCs
 - Village Secretary-1
 - PDS Dealers- 1
 - Money Lenders/Rich Farmers
 - Rice Traders/shop-keepers in the village-2
 - Millers-1
 - Members of various Committees- Purchasing, Distribution, Recovery

Rice Credit Line Implementation Arrangements

Initially RCL program was grounded by Mandal Samakhya with the preparation of initial demand projection. But there was three four months delay in grounding due to the preparation of projections at three different tiers. In the mean time requirements changed hence, revisions made from the member level. Initial projections of program were detailed below;

- Rs 10/- per kg of rice
- Re 1/- ‘beneficiary’ contribution
- Rs 9/- project contribution

With the delay in the grounding of the project prices increased due to which beneficiary contribution changed as mentioned hereunder;

- Rs 100/-, if requirement is \leq 25 kgs
- Rs 150/-, if requirement is $>$ 25 kgs

With the experience of the first two rounds, Village Organization took over as implementation agency. Rice sold in 50 kg gunny bags to SHGs. Members purchase 50 kg or partner with other(s) and purchase 50 kg. Loan term is 1 month (may extend to 45 days based on dates of RCL distribution and VO meeting). Loan is to be paid in 1-3 installments at VO level and in 2-4 installments at SHG level. Three committees 3 committees formed at VO level such as Purchase Committee, Distribution Committee, Recovery Committee Each committee consisting of two to three members. Initially 3 RCL Coordinators per mandal employed by MS for 2-3 months supported/coordinated the VOs in the implementation of the program. MBK writes VO books of accounts; so, payment will be made on the VO meeting date.

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| Purchase rice from Miller (Or Purchase & Mill paddy (| Sale to SHG (Monitor distribution to member (| Collection of loans from member/VO |
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| Purchase Committee | Distribution Committee | Collection Committee |
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VO Representative General Body decides the margin and no interest charged on the credit taken by member in the form of rice. Rate/margin varies for each VO eg:

- when cost was Rs 10/- per kg, price to member was Rs 11/-
- when cost was Rs 12/- per kg, price to member was Rs 12.50/-

The following Books and Records are maintained at VO level;

- Voucher
- Receipt
- Stock Register
- Distribution & Collection Book (DCB)
- Member level Pass book (not maintained)
- RCL details are entered in VO books of accounts
- RCL details are not entered in SHG books of accounts; no mention even in minutes book

Recovery Practices

- Fresh procurement of rice postponed until total recovery
- Visits to defaulting SHGs
- No (new) rice allocation to defaulting members
- Exclusion of members with no repaying capacity
- Adjustment (short-term) of amount by the VO