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South Asia Region

Credit Connections

Sri Padmavathy Mahila Abyudaya Sangam

Tirupati,
Andhra Pradesh

Gujarat Mahila
Housing SEWA Trust



DFID

Department for
International
Development



Tirupati is a fast-growing town located in the remote Chittoor district of Andhra Pradesh. It is famous for Lord Venkateshwara's temple, which attracts 10-15 million pilgrims every year. Tirupati's growth as a pilgrimage, educational and industrial center has led to a substantial increase in commercial activity during the last decade. This has resulted in a rapid proliferation of slums, mainly due to large-scale migration from the neighboring districts in Andhra Pradesh and Tamil Nadu. The majority of these slums lack basic infrastructural facilities, including water, sanitation, drainage and electricity.

Sri Padmavathy Mahila Abyudaya Sangam: the Organization

Development

Sri Padmavathy Mahila Abyudaya Sangam (SPMS) is a legally recognized federation of women's self-help groups, registered in 1992. SPMS has created an easily accessible alternative banking

Tirupati – the People

Fixed Population:	0.5 million
Slum Population:	0.25 million
Slum Population (percent):	50 percent
Annual Floating Population:	10-15 million

“It was a painful process for us women to get credit. Even after good repayment, a second loan was not assured.”

Bhavanamma
Ex-Chair, SPMS

Runs a small shop and home-based soda making unit

The main philosophy guiding the promoters of SPMS is that poor women should be organized and helped in capacity-building, so that they can solve their own economic problems.

system – managed by its community members. The reason SPMS was formed is due to a great demand for access to credit from poor women, which was previously unavailable in Tirupati. This was true despite the presence of 25 commercial bank branches in the town in the early 1990s.

Thus, the promoters of SPMS organized the women, who were in desperate need of credit, into self-managed women’s self-help groups (or Sangams). These self-help groups initially generated financial resources from their own savings and revolved these savings in the form of loans to members to meet their various credit needs. Initially, the organization wanted to generate a steady source of credit to take care of regular, small-scale needs of its members for consumption loans, repayment of old debts, social obligations, health care costs, etc. The savings generated by SPMS members were sufficient to meet their credit needs in the early stages.

The microfinance credit activity of SPMS expanded when demand for fixed and working capital grew among the women. Initially, this occurred in order to procure assets and to initiate or improve small-scale income generation activities and subsequently, to meet their shelter-related needs. The credit fund that had been built up with members’ own savings was

inadequate in volume to service the expanding credit needs of the women. Thus, soft loans were accessed from mainstream financial institutions such as Small Industries Development Bank of India and Housing and Urban Development Corporation, to meet the increasing demand for credit.

Typical Credit Needs of Members of SPMS

The credit needs of poor women are multiple and range from loans for small consumption purposes, social obligations, health, income generation, redeeming of old debts to shelter-related loans. The volume of credit demanded ranges from a very small amount of Rs 100 to a maximum of Rs 40,000 for housing or infrastructure. Normally, the self-help groups promoted by SPMS provide loans through a gradual process. Larger loans are granted only after successful repayment of smaller loans. Members progressively graduate from smaller consumption loans (up to Rs 2,000) to income generation loans (up to Rs 25,000) and then to asset creation or shelter upgradation loans (up to Rs 40,000).

Aims and Objectives of SPMS

The main philosophy guiding the promoters of SPMS is that poor women should be organized and helped in capacity-building, so that they can solve their own economic problems. The objectives of the organization include the creation of a local financial system for the urban poor to address their savings, credit and insurance needs, in order to improve economic status. To achieve this, the basic strategy adopted is to organize women in the informal sector, to mobilize their

At a Glance: Brief Socio-economic Profile of Sangam Members		
Average Household Monthly Income	Typical Occupation of Members	Average No. of Members in Household
Rs 2,000 to Rs 2,500	Over 70 percent are self-employed, of which 30 percent are home-based workers	5-7

Organizational Structure of SPMS

Governance Structure

Board of Directors (30)
(1 Director/Cluster)

Board meeting – once a month to manage the activities of the federation and implement policy decisions

Clusters (30)
(10-15 Groups/Cluster)

Cluster meeting – once a month to review group progress and supervise administrative functions

Groups (450)
(10-15 Members/Group)

Group meetings – twice a month to collect savings and repayments and issue loans through collective decision-making

General Body – SPMS
(comprising 5,700 women members)

AGM – once a year to formulate policy decisions, review activities of the previous year and formulate strategy for the coming year

own resources and manage them for their own benefit through regular savings and credit management. Fundamental to this is skill-building and specialized financial and leadership training facilitated by SPMS to the Sangams, so that the federation as a whole may enhance its access to external bulk credit funds and control and manage the credit activity on its own. Thus the promoters of SPMS only play a facilitating role, leaving all decision-making and policy functions up to the federation members themselves.

Over 60 to 70 percent of the members of SPMS are self-employed and are involved in a variety of activities which contribute to the local economy. Typical occupations include home-based workers, providing goods and services to pilgrims, vendors, domestic workers, ragpickers, soda making, running small shops, garland making and unskilled laborers. The

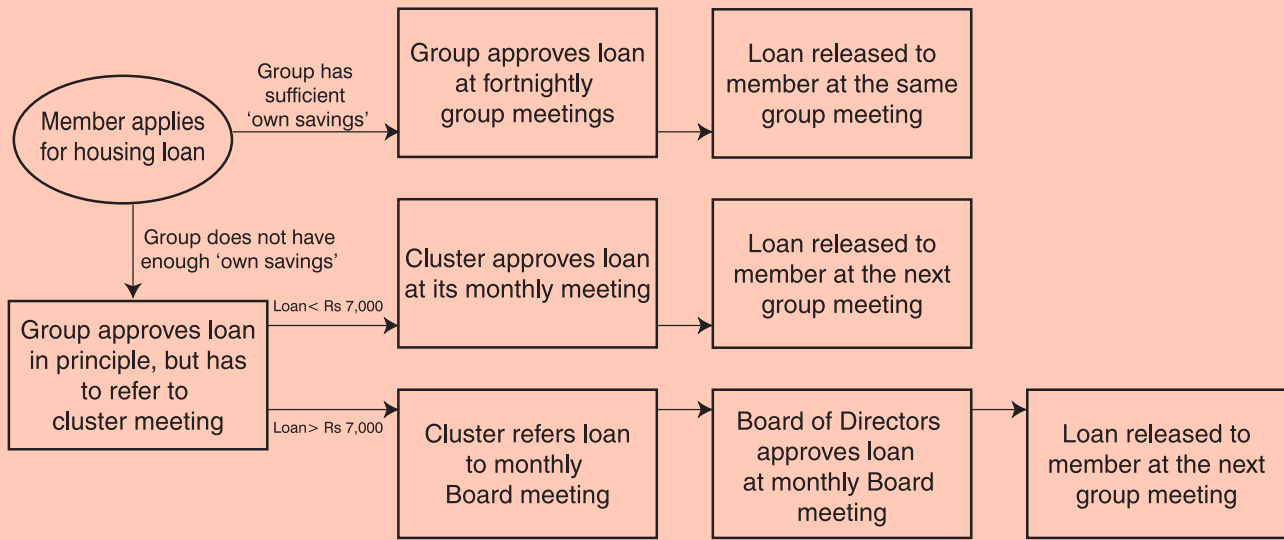
majority of these activities are highly seasonal, resulting in fluctuating income levels of members.

SPMS continues to invest substantial time and effort in building up a stake within the community for the organization. SPMS may be classified as a 'People's Organization' where full ownership rests with its members. This is reflected in its governance structure, where – unlike a traditional delivery system-based non-governmental organization – SPMS leaves full control and access in the hands of its members. This has become successful due to a sustained investment in the development and capacity building of members' leadership skills, through focus group discussions, counseling sessions, exchange/exposure visits between groups of members and other similar organizations throughout the country, regular participation at meetings and workshops, direct interaction with local officials and

“... poor people have immense potential, capacity and wisdom to manage and control their own development process, but they need a facilitating environment and opportunity for self-expression to make choices suitable to their own context.”

Narender
Managing Director
SPMS

SPMS Loan Process Map: from Application to Release of Loan



bankers and regular rotation of elected leaders.

As a result of SPMS' aim to build a people-led organization, the paid personnel (totalling 70, of which 50 percent work part time) of the Sangam simply play a day-to-day maintenance role in line with the policy decisions taken by the community members – that is, maintaining books of accounts, providing administrative support to the loan disbursement and collection process, motivating new groups to form and join the federation and reporting back to the federation leaders. They also develop and conduct training programs for members in order to build up their individual and collective capacities further.



Women members of SPMS

SPMS' Savings and Credit Activities – Facts and Figures¹

- SPMS has 5,700 women members, organized into 450 self-help groups or Sangams.
- SPMS provides timely credit to the groups (within one month of application) primarily to meet the unmet demand for multiple credit needs of group members, including consumption, housing, business, infrastructure, marriage, debt redemption, etc.
- Maximum loan amount per member is Rs 25,000 for income generation purposes and Rs 40,000 for housing and infrastructure loans.
- Since inception 39,705 loans totalling Rs 42,730,915 have been disbursed by SPMS.
- The average loan repayment rate from the groups to SPMS and the members to the groups is 100 percent.
- The interest rate charged by SPMS to groups for business loans is

¹As on February 28, 1999.

The average loan repayment rate from groups to SPMS and members to groups is 100 percent.



Community leaders outnumber employees at the SPMS office

18 percent, and for housing and infrastructure loans, 15 percent. In turn, the group may charge an interest rate of up to 24 percent to individual members, thereby accumulating up to 9 percent interest spread for capital formation of the group.

- Besides members' own savings, the three main institutional sources of bulk funds accessed by SPMS are: Small Industries Development Bank of India, and Housing and Urban Development Finance Corporation – for income generation loans; Housing and Urban Development Corporation, and Housing and Urban Development Finance Corporation – for housing repair, upgradation, new house and infrastructure upgradation loans.

- Members' own savings constitute the bulk of the loan revolving fund.

- Each loan repayment instalment and period of loan is decided by the member herself. The highly flexible repayment schedule caters to the beneficiary's ability to repay.

- Sangam members have full

autonomy in deciding whether a loan application is to be sanctioned or not. The decision is taken by majority vote at the fortnightly group meeting.

- No collateral is required for a loan. Every member of the self-help group signs a joint liability guarantee form for each loan to members in her group. This makes the entire Sangam jointly responsible for repayment in case of loan default.

SPMS: Loan Eligibility Criteria

SPMS provides bulk loans directly to self-help groups and the groups, in turn, on-lend individual loans to their members. Groups are eligible to obtain loans from SPMS if they meet the following criteria:

- Minimum period of six months of existence; and
- evidence of successful savings and credit operations.

The groups approach SPMS for bulk loans when their own savings funds are insufficient to meet the credit demands of group members. Groups develop their own lending and repayment norms through a collective, participatory process. These decisions may be amended by group members to suit their needs. In turn, SPMS has also evolved clear guidelines *vis-à-vis* lending to member groups.

Financing of Infrastructure through Microfinance: the SPMS Experience

With 100 percent of SPMS members living in the slums of Tirupati, the demand for improved infrastructure, including water supply and sanitation services, is tremendous. While the

“First we used credit to rid ourselves of past debts. Then we used loans to start or expand our own business. Now we want to improve our houses and our access to services such as clean, non-saline drinking water and own toilets.”

B. Lakshamma
Vice-Chair, SPMS
Retired housemaid

Infrastructure loans, both taken as group loans and as individual loans, are a relatively new phenomenon, with demand steadily increasing for them since 1997.

Tirupati Municipal Corporation is primarily responsible for the provision of infrastructure services, a high proportion of slums remain untouched due to lack of land tenure and appropriate legal status. Even in the case of notified slums, service provision is inadequate to meet requirements.

Infrastructure loans, both taken as group loans and as individual loans, are a relatively new phenomenon, with demand steadily increasing for them since 1997.

SPMS itself has not yet designed any loan product for a collective infrastructure program. However, loans to individuals or to the members of a group have been readily available for on-site infrastructure. These loans have been categorized as housing (upgradation) loans, in line with the generally accepted definition that on-site infrastructural services, including water, sanitation, sewage, drainage connections, etc are all integral to the total cost of a house.

Because of the availability of this relatively new loan type by SPMS, it has not yet been separately categorized as an infrastructure loan but is included within the overall house repair and

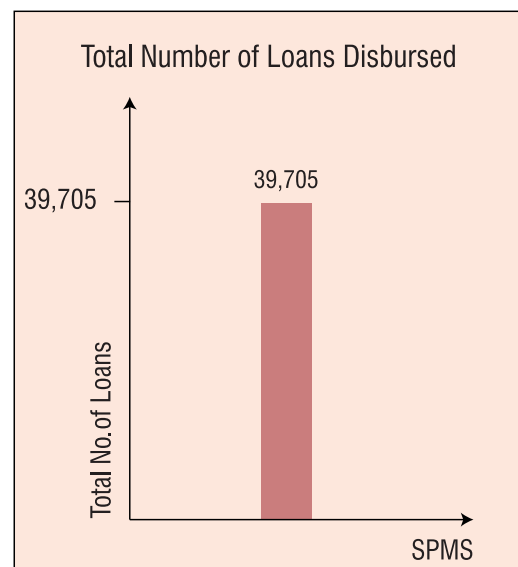
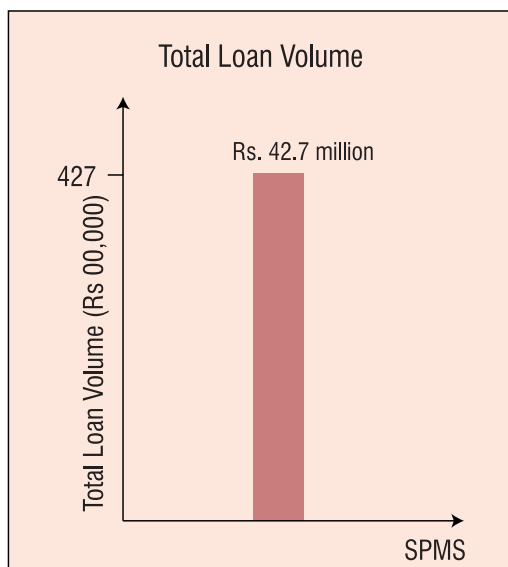
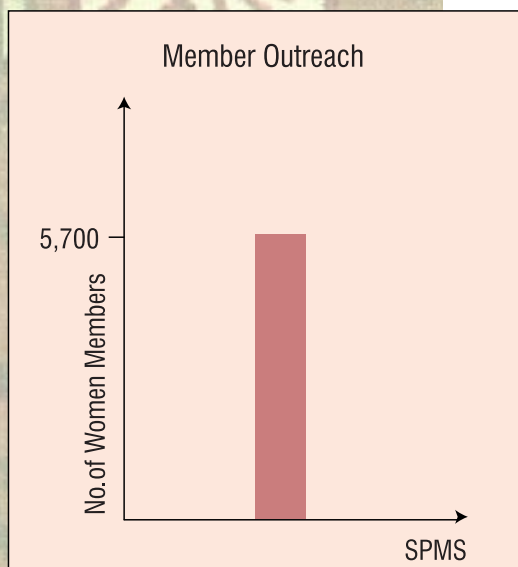
upgradation category.

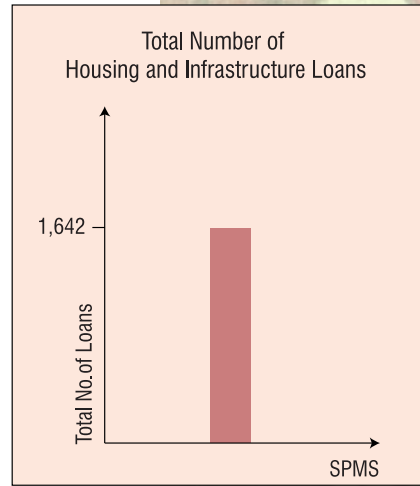
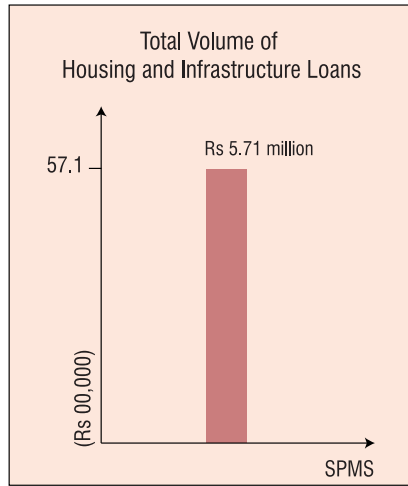
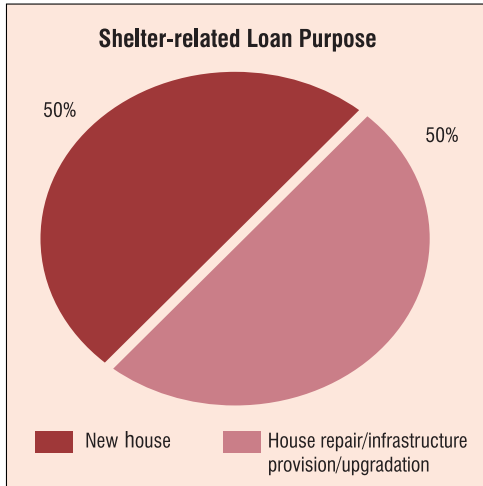
Increasingly, a large number of Sangam members are taking the initiative to make their own provisions in terms of infrastructural facilities such as electricity, water, sewage and individual toilets. They are contributing substantially towards the capital costs of infrastructure and taking over the full responsibility of operation and maintenance. While this recent phenomenon has grown out of increasingly high opportunity costs for time spent in water collection or sickness caused by unhygienic conditions leading to loss of income, it has been aided by three important factors:

1. Supply of credit by the Sangam

Efficient and easy access to credit has made it possible for a large number of SPMS members to contribute towards their own water supply and infrastructure needs. Previously, taking loans from moneylenders, at annual interest rates ranging from 48 to 60 percent, made the cost of credit too high for the majority of these poor women.

Now with the ready availability of





affordable credit within their control, many previously unanswered needs, especially for an improved quality of life, are being met. More importantly, new strategies to meet these needs such as providing cash and in-kind contributions for infrastructural facilities in order to gain quicker access to them, are increasingly being adopted on both a collective and an individual basis, by the members of SPMS.

2. Leadership and negotiation skills training for members

Guided by its overall philosophy of empowering poor women to manage their own affairs and solve their own problems, SPMS regularly provides training to members. This has resulted in greater levels of confidence and exposure required for effective negotiations with officials. While the need for better infrastructure facilities is increasingly being felt by the community, the accessibility to credit has facilitated the translation of this

need into buying power. However, equally crucial for success is the ability to approach and negotiate with Tirupati Municipal Corporation officials regarding the provision of services, in addition to paying for them. The capacity-building training by SPMS is a critical factor in building up the confidence of its members, to approach the municipality and voice their needs.

3. Sympathetic state government: 'Janmabhoomi (Infrastructure) Program'

Since 1996, the Andhra Pradesh state government has launched the 'Janmabhoomi Program' by setting up a specialized fund for the development of infrastructure facilities for the poor. Under this program, 30 percent capital cost contribution for improved infrastructure is borne by the community, while the balance 70 percent is contributed by the state government from its Janmabhoomi Fund. Implementation of the scheme is

Facilities Covered by Andhra Pradesh Government's 'Janmabhoomi Program'

- Internal paved roads
 - Piped water
 - Water storage tank construction
 - Storm water drainage
- Cost Sharing Ratio:**
- 70 percent government contribution
 - 30 percent community contribution

“ Before the availability of credit from our own Sangam, we only considered borrowing money as a last resort, in times of dire emergency. Besides paying the high interest rates to the money lenders, we also had to give our jewelry as collateral... ”

N. Kalavathy
Chairperson, SPMS
Snack stall owner

Residents of Vinayak Nagar found a specific government program that allowed them to improve their living conditions. The need to pay 30 percent of the total cost from their own resources did not deter them.

undertaken by the Tirupati Municipal Corporation. The widespread publicity of this scheme has resulted in a fair degree of success.

Collective Initiative

Vinayak Nagar, Tirupati: Paved Internal Roads and Underground Sewage Pipes – Accessed through Loans from their Sangam

Vinayak Nagar is an urban slum in the heart of Tirupati town. It is home to 800 families, consisting of poor households involved in vending, providing goods and services to pilgrims, home-based work and unskilled labor. A small percentage (15 percent) are formal sector employees, working in lower level government jobs or for local industry. Two hundred and fifty women residing in Vinayak Nagar are members of SPMS.

Vinayak Nagar – Before

- Inter-connecting roads within the slum were unpaved (*kuchcha*), causing serious accessibility problems during the monsoons.
- No drainage or sewerage facilities.
- Water sources: 2 types –
 1. Shared water stand-pipes (one per 10-15 families, water available for four hours per day) yielding saline water which could only be used for non-drinking purposes, and
 2. Municipal Corporation water tanks dispensed six pots of sweet drinking water per family, every three days.
- Ninety percent of slum residents had no access to individual toilets – had to use communal (public) toilet facilities (Re 1 per use) or go to the nearby



The much-awaited water tanker in Vinayak Nagar

(limited) open areas (only accessible at night to women).

Community Initiative for Infrastructure Upgradation: Vinayak Nagar

Due to the unhygienic living conditions faced by the residents, a collective initiative has been launched by the community to upgrade their infrastructure facilities.

The initiative was triggered by the widespread publicity given by the government to the Janmabhoomi Program. Residents found a specific program that allowed them to improve their living conditions. On a street-by-street basis, informal groups of residents met to discuss the scheme. There was full consensus among all 800 households to approach the Tirupati Municipal Corporation for the upgradation of Vinayak Nagar. The community contribution component (30 percent of total cost) did not deter the residents. The members of SPMS resident in Vinayak Nagar were confident they could meet their individual contribution by accessing loans from their Sangam. They played a very important role in motivating non-member, unwilling residents to agree to the cash contribution component by even offering them

interest-free loans from their own resources, to be repaid at a later date.

Resident representatives from each street (mostly Sangam members) approached the Corporation and negotiated internal paved roads, underground sewerage lines and open side drains throughout the entire slum. Officials evaluated the area on a street-by-street basis, informed residents of the cost involved and thus what their cash contribution would be. This was divided by the number of houses per street to calculate the individual contribution per household.

Street 2 of Vinayak Nagar houses the poorest residents of the slum, who live in relatively cramped conditions and have an average monthly income of Rs 1,000-1,500. They convinced the Tirupati Municipal Corporation of their inability to pay more than Rs 600 per family. The negotiations were successfully undertaken, resulting in the Corporation making an exception and reducing their community contribution to 20 percent of the total cost of upgradation of the street.

All 250 members of SPMS living in Vinayak Nagar have taken individual loans from their self-help groups in order to meet their cash contribution. The non-members have paid from either their own savings or accessed loans from alternative credit sources

such as nationalized banks, relatives and friends or from moneylenders.

The Upgradation Process of Street Number 1, Vinayak Nagar

- June 1998: The community approached Tirupati Municipal Corporation to upgrade the street under the Janmabhoomi Program.
- July 1998: Corporation officials surveyed the area and gave a full cost estimate of Rs 100,000. Residents began collection of their individual cash contributions of Rs 1,200 each.
- August 1998: Upgradation work began on Street Number 1. Residents were the materials suppliers in the upgradation process and used their total contribution of Rs 30,000 to buy raw materials (bricks, cement and gravel) and hand this over to the Corporation.
- November 1998: Physical work completed; newly paved road with underground sewerage line and open-air side drains installed.

Vinayak Nagar - After

- Paved inter-connecting roads within slum.
- Underground sewerage line running under every street. As soon as this was laid, most residents built their own toilet and connected it up to the sewer line.

Results of Field-level Interviews with Three Street Leaders

Street Number	No. of Households	Total Cost of Upgradation	Total Community Contribution	Individual Contribution	Status
1	25	Rs 100,000	Rs 30,000	Rs 1,200	Upgradation completed
2	42	Over Rs 100,000	Rs 25,200	Rs 600	Work in progress
3	35	Rs 94,000	Rs 28,000	Rs 800	Work in progress





Collecting water for household use



The 'new look' streets of Vinayak Nagar

“Until the field work for this particular research was under way, even I had no idea that our members were taking so many initiatives for improving their supply of water and sanitation. Once we focused on the topic, I was very surprised and happy to learn of the number of women who are independently organizing themselves to get increased access to improved infrastructure.”

D.U.S.N. Moorthy
Program Officer
SPMS

The main connection with the rest of the city’s sewer system is yet to be completed – it is expected in the next six to eight months. Thus, the toilets are currently inoperable.

- Open-air side drains on both sides of inter-connecting roads for waste water, which empty into a nearby canal.
- Drinking water is still a problem due to salinity in stand-pipe water provided by the Corporation. However, this upgradation initiative has triggered many new initiatives by informal residents’ groups for the provision of drinking water facilities.

Collective Initiative

Following the upgradation of Vinayak Nagar, many residents have begun to demand a better source of water (albeit saline) for household (kitchen and bathroom) use. Several groups of eight to 10 women (mostly members of SPMS) have organized themselves into informal groups and applied to the Tirupati Municipal Corporation for a stand-alone collective water point near their houses. They are willing to contribute towards the capital cost of providing the tap and agree to be fully responsible for its maintenance.

One such group leader is

Kupamma, a member of SPMS. Ten members of her Sangam live on the same street of Vinayak Nagar. They applied four months ago to the Tirupati Municipal Corporation for a collective water connection. It will cost them Rs 6,000 of which they have already paid Rs 3,000 in the form of a deposit to the Corporation (Rs 300 each). They hope to get the connection within another month, at which time they will have to pay the balance remaining (Rs 3,000). Two women of the group have taken loans of Rs 600 each from the Sangam to meet their contribution.

Once the tap is installed, they plan to form a sub-committee of three women. These women will maintain the water tap by collecting Rs 10 per owner whenever there is a breakdown, to pay for repairs. They know a local mechanic who does such repairs, but they wish they had the training to do it themselves.

Such initiatives are becoming increasingly widespread in Tirupati. The access to a source of ready credit, coupled with the confidence-building required to negotiate with Corporation officials, has been a significant stimulus in encouraging these initiatives.

The most interesting feature is that the paid personnel of SPMS have not had to motivate their members to help themselves in terms of improved

infrastructure. In fact, the ideas and the implementation have come from poor communities themselves and even the staff of SPMS are largely unaware of the number and details of such initiatives. They only get involved at a later stage if at all, when members approach them to request Corporation officials to deliver on their end of the agreement.

Individual Initiatives

SPMS also disburses many loans to individual women for infrastructure upgradation of their houses. Typical utilization includes getting an individual piped water connection, building an individual toilet or bathroom, getting an individual electricity connection and, recently, even sinking a borewell in order to access water for own use.

The professional staff of SPMS reported a recent increase in the number of loans demanded for infrastructure upgradation purposes.

Revathi's Story

Revathi is a member of SPMS' 'Parameshwari Sangam' since 1995. She lives in Sanjay Gandhi Colony slum within Tirupati town. Revathi and her husband run a small shop from their two-roomed home within the slum. Their average income from the shop is Rs 1,500 per month. They also earn Rs 200 per month in rent, for another room that they own in the slum.

Revathi's Problem

Like many other women living in the slums of Tirupati, Revathi's main problem was access to adequate water for household use. She had to collect water from a common stand-pipe, shared by 60 families. In addition to the four to five hours a day spent in water queues, another problem was that often the stand-pipe would break down due to lack of maintenance and no water would be available for

“Our older members are increasingly taking more and more loans for infrastructure and housing. A better quality of life is now being demanded, as the basic needs for survival are somewhat in place. Also, the availability of recent government schemes to provide services, upon a proportional cash contribution by the customer, is opening up new possibilities for our members.”

Narayana
Program Engineer –
Housing and
Infrastructure, SPMS



Building toilets with a loan from SPMS



A new toilet funded by a loan from her Sangam

Access to a loan of Rs 20,000 from her Sangam has enabled Revathi to sink her own borewell. Access to a steady source of clean drinking water provides Revathi with two extra hours for income generation per day. Result – increased daily earnings of Rs 30 to 50, or approximately an extra Rs 1,000 earned per month.



Revathi supervises the sinking of her borewell

10 to 15 days. Then she would have to walk for 1 km to another stand-pipe and have to queue much longer for water (eight to 10 hours per day).

Revathi's Solution

As a member of SPMS, Revathi was exposed to initiatives being taken by women living in similar conditions throughout Tirupati. She decided that since water was her priority, she would apply for a loan of Rs 20,000 to sink a borewell.

Since Revathi had a good loan repayment track record and no current outstanding loan, the members of her Sangam sanctioned and released a

loan of Rs 20,000 to her in April 1999.

Revathi used the loan money as follows:

- Cost of digging borewell (through private contractor): Rs 10,000.
- Cost of pipes, taps, etc: Rs 15,000.

The balance Rs 5,000 was paid by Revathi using the savings she had accumulated with her Sangam.

Revathi's Loan History with her Savings Group

1st loan: Rs 2,000 to increase the stock in her small shop.

2nd loan: Rs 5,000 to expand her shop inventory further.

3rd loan: Rs 5,000 to buy doors for her house.

4th loan: Rs 20,000 to sink her own borewell.

Effect of Loan

Now Revathi has a constant source of water in her house. She also has more free time which she utilizes by keeping her shop open for an extra two hours per day. This translates into increased earnings of Rs 30-50 per day, which means increased earnings of approximately Rs 1,000 more per month.



For more information, please contact:

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