

A Case Study on Mobilization and Utilization of Savings in Self Help Groups

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I. Introduction

a) Background: There is a saying ‘save a penny for the rainy day’. It means save today while you are working for difficult times in future. The word ‘difficult times’ means unable to work/ earn due to unavailability of work, ill-health and old age. Savings are necessary not only for difficult times, but also for planned events such as marriage, child birth, pilgrimage, children education, and for emergencies like death, disease, accident and such occasions. Further, savings required for acquisition of assets. It also creates self confidence and credit worthiness among the individuals. Savings are mandatory among the SHGs and their federations. The members save in their SHGs, and the SHGs save in Village Organizations (VO).

Self Help Groups – Bank Linkage (SHG-BL) is one of the largest programmes of financial inclusion in India. As on March 2010, there are 69.53 lakh SHGs in the country with Rs.1,25,529 lakh of savings in their SB accounts. About 48.5 lakh SHGs have loans with an outstanding amount of Rs.28,038.28 lakh with an average of Rs.57,795. The women self help movement in Andhra Pradesh which was started in ‘80s has been reached to the greatest heights with the maiden efforts of the Government, NGOs and Banks by promoting 20.83 percent of SHGS and 30.32 percent of SHG bank credit linkages with 41.87 percent of bank loans outstanding against SHGs in the country (Nabard 2010). There are 109.78 crore SHG members in 9.75 lakh SHGs federated as 38,334 Village Organizations (VOs), 1281 Mandal Samakhya (MSs) and 22 Zilla Samakhya (ZSs). According to a study conducted by APMAS (2007), of the total liabilities, 29% of it is members’ savings. To encourage the poor including disadvantaged groups and communities to access the credit facility services seamlessly Community Investment Fund (CIF) from project side, and linkages from bank side are provided to the poor women SHG members to improve their livelihoods. The cumulative CIF expenditure up to December 2010 is Rs.928.24 crores for 25.83 lakh beneficiaries (SERP 2010).

From the recent past, the participants in many review meetings, workshops, seminars have raised their concerns on the status of savings as i) there is no much increase in the monthly savings even in old SHGs, ii) the cumulative savings of members has been decreased, iii) large volume of loans under SHG-BL and the recovery mechanisms followed by the banks discouraging SHG members, iv) Interest rates on savings discouraging savings in SHGs and their federations. In this milieu, to assess the status of SHG savings and utilization patterns of savings.

b) Objectives & Methodology: The broad objective of the study is to understand the status of savings of SHGs and the way they use it. The specific objectives are: i) to know the profile of the SHGs and their members; ii) to know the amount of savings,

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periodicity and changes in it; iii) to know the utilization of members' savings by the SHGs; and iv) to know how far savings contributing for SHG sustainability.

The study was conducted in four mandals in Chittoor district of Andhra Pradesh viz., Gudipala, Peddapanjani, Piler and Tavanampalli where APMAS is working. One village organization (VO) in a mandal was selected based on the highest no. of SHGs in a VO. Totally, the study has covered 128 SHGs of four VOs in four mandals in Chittoor district of Andhra Pradesh. An interview schedule was prepared, piloted and administered to collect the data from SHGs. The data was entered into computer for further analysis. Tables were prepared to draw meaningful inferences. The findings of the study has presented Ai) profile SHG and their members, ii) financial status of SHGs which includes assets and liabilities, and iii) usage of savings of members by the SHGs in the following discussion.

2. Findings of the Study

2.1 Profile of SHGs and SHG Members

a) *SHGs*: The SHG size varies 7 to 16 members with an average of 11 members. However, more number of old SHGs has less than 10 members. It could be because of more no. of drop-outs and rigid membership norms to the new members such as payment of cumulative savings on par with the old members to benefits on par with the other members; and ineligibility to external loans especially from bank. Most of the SHGs are more than one year old. However, significant number of sample SHGs is less than one year. It could be because of sincere efforts of SHPIs with a goal to bring all the poorest and poor into the fold of SHGs. Majority of the SHGs are homogenous by caste. The composition of the group depends on inclusion and exclusion criteria of members at the time of group formation, promoters approach in forming the groups and the nature of programme.

Table-1: Profile of SHG members

Particulars	Categories	Frequency	Percentage
A. Social category	1. Scheduled Tribe	17	1.3
	2. Scheduled Caste	275	20.4
	3. Backward Classes	506	37.6
	4. Minorities	242	18.0
	5. Open Category	306	22.7
	<i>Total</i>	<i>1346</i>	<i>100.0</i>
B. Primary occupation	1. Agriculture labour	656	48.7
	2. Non-farm labour	115	8.6
	3. Agriculture	396	29.4
	4. Others	179	13.3
	<i>Total</i>	<i>1346</i>	<i>100.0</i>
C. Land holdings	1. Landless	895	66.5
	2. Marginal (< 2.5 acres)	375	27.8
	3. Small (2.6-5 acres)	71	5.3
	4. Medium (5.1 -10 acres)	5	0.4
	<i>Total</i>	<i>1346</i>	<i>100.0</i>

b) *SHG members*: Currently, the sample SHGs comprises of 1346 members. Many SHG members are BCs (38%) followed by OCs (22.73%), SCs (20%) and Minorities (18%) see Table-1. The percentage of STs in SHGs is very less. It might be because of two reasons- i) less percentage of STs in the study villages, or ii) If not the first reason then it would be that the coverage of STs is less. Nearly half the SHG members Households are primarily depend on agriculture labourers followed by agriculture. Majority of the sample SHG members are landless (66%) followed by marginal farmers (28%). Though significant number of OC households is in the sample village, none of them are large farmer category; and even the percentage of medium category households is also very less. It is because most of the respondents under reported landholdings.

2.3 Periodicity of Meetings & Savings

The data in table-2 shows that though majority of the SHGs have weekly meetings, still 42% of SHGs have monthly meetings compared to at the time of formation (89%) of SHG. Regular meetings are found among the SHGs having monthly meetings. The data also shows that almost all the SHGs (98.1%) have been conducted meeting as per the schedule. Nearly 1/4th of SHGs having weekly meetings conducted less than no. of meetings scheduled. Little more than one-third of SHGs having monthly savings (34.5%) were shifted to weekly savings. However, at present, majority SHGs (58%) have been followed weekly meetings. Despite the fact that majority SHGs have weekly meetings (58%), only 40% of SHGs having the practice of weekly savings. In other words, majority SHGs have weekly meeting with monthly savings. Majority SHGs (56%) have increased their monthly/weekly savings over a period of time. It is because of two vested reasons of SHGs and bankers – i) to get large volume of SHG-BL by increasing their group corpus and ii) implementation of total financial inclusion and weekly savings.

Table-2: Periodicity of Meetings and Savings (in %)

Periodicity	Meetings				Savings			
	Earlier		Now		Earlier		Now	
	F	%	F	%	F	%	F	%
1. Monthly	114	89.1	54	42.2	121	94.5	77	60.2
2. Weekly	14	10.9	74	57.8	7	5.5	51	39.8
Total	128	100.0	128	100.0	128	100.0	128	100.0

Majority SHGs have been collecting their savings in the meetings itself. However, 11% of the SHGs have the practice of door-to-door collection and by the leaders. No. of days or the time taken to collect savings also varies and depends on periodicity of savings & meetings and amount of savings per month/week. Majority SHGs have paid savings in group meetings. However, about one-third of SHGs pay savings 1 to 5 days after the group meeting. It is because of irregular meetings, non-observance of norms relating to fines, large amount of savings and loan installment amount etc.

2.4 Assets and liabilities

To understand the financial status of sample SHGs, the study team has collected balance sheets of SHGs. The data in table-3 shows that of the total liabilities of Rs.

2.42 crores, 80.1 percent of liabilities are of loan outstanding from banks, 10.8 percent are members' total savings and the remaining are loan outstanding from VO, revolving funds profit/loss and other grants. It is evident that most of the SHGs depended on banks for their lending activities. Of the total assets, 94 percent are loan outstanding with members and the remaining is in the form of savings and share capital at the village organizations, fixed deposits in the bank, cash in hand, balance in SHG savings bank account etc. It shows that most of the assets are in the form of loan outstanding with members and the liabilities are in the form of external loans from bank and village organizations.

Table-3: Aggregated Balance Sheet of Sample SHGs

Liabilities	Amt. in	Assets	Amt in Rs.
1. Members' total	2,619,060	1. Loan O/S	22,789,947
2. Bank Borrowings	19,416,308	2. RF if distributed	181,800
3. Vo borrowings O/S	471,535	3. Savings in	185,750
4. VO-CIF borrowings	215,500	4. Loan O/S to non-	220
5. Revolving Fund (RF)	287,000	5. Share capital in	16,232
6. Other Grants	54,652	6. Fixed Deposits	194,887
7. Profit or Loss	1,013,254	7. Savings distributed	40,300
8. Others	56,997	8. Cash in hand	10,479
9. Others	--	9. Bank Balance	559,406
10. Suspense Account	114,152	10. Suspense Account	269,437
Total Rs.	24,248,458	Total Rs.	24,248,458

3. Savings and Utilization

3.1 Savings

a) *Savings at SHGs*: The amount of savings per member varies from Rs. 30 to 100 with an average of Rs. 52. The total cumulative savings of members in the SHGs is Rs. 26.19 lakh with an average of Rs. 20461; and the average savings per member is Rs. 1,946. The amount of savings depends on members' socio-economic conditions, promoter, age of the group etc. The data on average cumulative savings shows that there is a gap between the actual amount of savings to be saved (Rs. 26.24 lakh) and saved (Rs. 26.19 lakh). If we take the increases in the monthly thrift of SHGs into account, the gap between projections and the cumulative savings of SHGs is very high. It shows that there is an irregularity in paying monthly thrift to SHGs by the members. During group discussion the members have reported the reasons for irregular savings as a) defunct of SHG and b) to repay loan installments regularly, c) to avoid financial burden during slack seasons. Gap between the projections and the real cumulative savings of the SHGs was computed as follows.

Projected cumulative savings = monthly savings x no. of SHG members x age in months. Changes in monthly thrift over a period of time not considered. Monthly thrift at the time of formation of SHG is taken while computing the projected cumulative savings of the SHGs.

b) *SHG Savings in Village Organizations*: Of the total 128 SHGs, 83.6% of the SHGs have membership in the VO and the remaining are not the members in their respective

village organizations, as they are newly formed and less than 6 months old. The sample SHGs has a cumulative savings of Rs. 185,750 in the VOs with an average of Rs. 1,736 per SHGs Besides, 36.7% of SHGs have a total share capital of Rs. 16,232 with an average of Rs. 345. The data on SHG-VO savings and SHGs loans outstanding to VOs ratio is 1:1.54. The preceding discussion reveals that the SHG have mobilized funds from their members in the form of savings, and the SHGs themselves also started savings in their federations.

3.2 Fixed deposits

Of the total 128 SHGs, 10.2% were made fixed deposits (FD) of a sum of Rs. 194,887 with an average of Rs. 14,991. For making FDs, the SHGs have mobilized funds mainly from i) revolving funds, ii) savings from SB A/c and iii) a portion of loan at the time of SHG-BLs. The fixed deposits are of two types- i) voluntary and involuntary/compulsory. Some SHGs have made fixed deposits to get large volume of loan, and on the advice of bankers. The banks have insisted SHGs for FDs with two reasons- i) informal collateral to collect loan in case of SHG default and ii) to reach the targets of deposits mobilization. For instance, many SHGs in Union Bank of India, Yadamari Branch, have a FD of more than Rs. 1 lakh each because of the informal practices of bank branch managers.

3.3 Idle funds

Idle funds includes amount of balance in savings account of SHGs in bank and cash on hand of SHG members. The sample SHGs has a total amount of Rs. 559,406 with an average of Rs. 4,548 in their saving accounts in banks. Only 6 SHGs have reported cash in hand, a sum of Rs.10,479 with an average of Rs. 1,747. It is because of a) weekly meetings and savings, b) weekly repayment of loan installments and c) more expensive to deposit the amount collected in the form of savings and loan installments in bank every week as it is far away to the village. The ratio between idle funds and SHG-BL loan outstanding is high (1: 26) because of more inputs on financial management/ literacy from the promoters.

3.4 Amount of interest earned on savings

About 78 percent of SHGs have reported the amount of interest earned on savings as a sum of Rs. 164,042 with an average of Rs. 1,640 per SHG. About 81 percent of SHGs earned an interest of Rs.15.68 lakh with an average of Rs. 15,220 per SHG on lending groups to their members. This amount includes both the interest amount earned through lending of both internal funds and external funds. About 46 percent of SHGs have received an amount of Rs. 259,381 as subsidy on the amount of interest charged on loans by banks. All the SHGs, except one, have distributed the interest subsidy/pavalavaddi to its members equally, as it is came from government. On an average an SHG member benefitted has benefitted with Rs. 416 under Pavalavaddi programme. The data also shows that about 20% of SHGs not lending to their members from their internal funds. During group discussion, the members have reported the reasons for it as i) less availability of funds due to diversion of SHG savings to make FDs, repay loan installments, distribution to their members, new formed group, etc. and ii) group dynamics and bankers attitude

3.5 Utilization of savings

The sample SHGs have used in multiple ways the savings mobilized from the members (see table-4). Most of the SHGs, except few (9%) have provided loans from the savings mobilized from their members. The loans also disbursed on different circumstance. Of the total 128 SHGs, 59% have provided loans to members to repay SHG bank loan monthly installments. It shows that if members are unable to repay monthly loan installment, approach their own SHGs rather money lenders. About 38% have lent to their members to repay loan installment amount during un-season. About 9% of SHGs diverted their monthly savings to repay SHG-Bank linkage loan installment. Some SHGs (10.2%) have made their savings as fixed deposit in the bank as discussed under fixed deposits. About 8% of SHGs, transferred the amount from saving account to loan account by banks in case of loan defaulting. Few SHGs have distributed a portion of cumulative savings to their members. One SHG distributed its savings of Rs. 20,000 twice and the other SHG distributed savings of Rs. 800 once to its members. Savings were distributed along with the disbursement of revolving fund and SHG-BL loans. During the discussions, the members have reported the reasons for distribution of savings as i) difficulties in managing ii) large cumulative savings of the groups, iii) absence of internal lending and iv) delay in getting bank linkage.

Table-4: Utility of savings

S.No.	Utility	Frequency	Percentage
1	Loans to members	116	90.6
2	Loans to repay SHG-BL loan installments	76	59.4
3	Paid SHG-BL loan installment from savings	48	37.5
4	Made as fixed deposit in the bank	13	10.2
5	Savings to repay BL regularly	12	9.4
6	Transferred from savings to loan a/c	10	7.8
7	Savings distributed to members	3	2.3

Though the data reveal that there are very few SHGs have distributed their savings, in fact, many SHGs have paid loan installments from savings. But most of the SHGs saying that those savings amounts paid for loan installment are lent to members, not distributed. Even if it is correct, it is not reflected no where in the books of accounts; and not repaying either the principle nor the interest or both. The groups have reported the reasons for it as a) difficulty in paying the large amount of loan installment due to less earning and cash flow of the household; b) bank pay low interest rate on savings; c) to avoid dependency on money lenders by withdrawing group savings and paying loan installment; and d) to avail Pavalavaddi, subsidy on interest, which is mainly paid on the basis of regularity of loan repayment. No SHGs has been directly paying any interest on members' savings. However, many SHG members are benefitted indirectly.

4. Voices of the SHG Members

During focus group discussions the SHG members have reported various benefits of savings as i) getting loans from SHGs, ii) educating children, iii) loans from banks, iv) improvement in household members' health, v) taken up some income generation

activity, vi) procuring different kinds of assets, vii) less dependency on money lenders, viii) promoting savings, ix) old age security and x) dividend/income on savings from SHG. The SHG members pay savings from multiple sources such as i) daily wage, ii) household income, iii) hand loans, iv) income from IGA taken up from loan and v) at time/ bullet payment. Further many SHGs are willing to increase their monthly savings in future. The SHGs those want to increase savings an amount of between Rs. 10 to Rs. 50 with an average of Rs. 31 per week & member. Majority SHG members have said that they don't have any understanding on the other products of savings and their utility.

The SHG members have reported variety of problems relating to interest rates & procedures, regularity of payment of savings and the factors influence it, lending practices and the attitude of banks etc. The problems and the issues reported are: i) savings is a burden, ii) no regular savings in the VO, iii) collection of savings outside the group meeting, iv) bullet savings, v) not paying any interest on member savings, vi) more interest on lending from group funds, vii) diversion of savings to loan installments, viii) perseverance of banks and promoters for FDs, ix) low repayment of loans from group funds, x) no lending from group funds, xi) lending to members outside SHG, xii) low awareness levels on savings among members, xiii) poor book keeping, xiv) leaders' dominance and xv) large amount of idle funds.

4 Conclusions

Majority SHGs are homogenous by caste, with an average size of 10.52 members whose membership is an average of 45 months. Majority SHG members are landless primarily depended on farm & non-farm labour. Many are BCs followed by OCs and SCs. Majority SHGs have weekly meetings with monthly savings. There is no significant difference among the social categories in the means of average monthly savings of SHGs. Many SHGs have enhances their monthly thrift at the time of repeat bank linkage and or at the time of implementation of TFI.

The current cumulative savings of SHGs are less compared to the estimation/projections. It is because of irregular savings, defunct of groups besides repayment of bank loan installments. Major chunk of cumulative savings is as loan outstanding with the members. A portion of savings, loan and revolving funds have been lying in banks as idle funds due to the vested interests of both the banks and the SHG members. Nevertheless, the ratio between cumulative savings and the SHG members' loan outstanding to bank is very high due to large volume of loans under TFI even average age of the SHGs is less. The sample SHGs have used in multiple ways the savings mobilized from the members.

Most SHG members have realized the benefits of savings as it's a prerequisite for getting large credit from SHGs and external agencies such as banks and VOs. Nevertheless, the members have reported many problems related to the amount, regularity, type, mode of payment, interest rate, diversion of savings, pressure from banks & promoters and utilization of members' savings at group level. In conclusion, on one hand some factors encouraging savings among the SHG members in achieving the goals of savings like mobilization of credit, self reliance and saving promotion;

and on the other, discouraging/decreasing savings of SHG members and their SHGs in addressing the goal like old age security.

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