

# WHO IS BENEFITTING WITH SHG-BANK LINKAGE AND PAVALA VADDI - A REALITY

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## **1 Introduction**

**1.1 Context of the study:** The Government of Andhra Pradesh introduced Pavalavaddi (PV)<sup>4</sup> Scheme during the year 2004-05 with an objective to provide interest subsidy on the bank loans taken by the Self Help Groups (SHGs) in Andhra Pradesh to reduce the financial burden on them. The Scheme is applicable to all loans extended by banks on or after 01.07.2004, under SHG Bank Linkage (SHG-BL) Programme. The Govt. of Andhra Pradesh both in 2009-10 and 2010-11 has budgeted Rs. 200 crores each to give interest subsidy under PV scheme to SHGs. The Govt. of Andhra Pradesh has released an amount of Rs. 564.25 crore up to March 2010. Of the total amount released, Rs. 548.02 crore were disbursed covering 25.8 lakh SHGs. Where as in Chittoor District, of the total amount of Rs. 45.13 crore, Rs. 38.54 crore has been disbursed to 1.33 lakh SHGs (DRDA. 2009).

Prior to the introduction of 'Pavalavaddi Scheme', majority SHGs, especially SHGs formed with STs and SCs, have received Rs. 10,000 to Rs. 25,000 as revolving fund (RF) or matching grant from the Government. Many SHGs after receiving revolving fund became defunct. Instead of providing revolving fund, the Govt. of Andhra Pradesh has decided to give interest subsidy on SHG bank loans to improve repayment rate and to sustain the groups. The amount of benefit under 'pavalavaddi' scheme depends on the loan size, repayment pattern, mode of loan repayment, periodicity of reimbursement of 'pavalavaddi' to SHGs etc. But the findings of the research studies conducted by APMAS (2004, 2005, 2006, 2007, 2008 and 2009) EDA Rural Systems (2005), and Myrada (2010) reveal that the volume of loan, no. of fresh and repeat linkages and repayment rate are low to SC and ST category groups compared to OC, BC and Minority category. In this context, the present enquiry focuses how far the different SHG social categories have been availed SHG bank linkage and in turn benefited with 'pavalavaddi' scheme. Does this programme beneficial to whom – to poor or non-poor or bankers?

**1.2 Objectives:** with the above background, the present enquiry has initiated with a purpose to understand how far the poor, especially the SC and STs, have been availed and benefited with 'Pavalavaddi' through SHG bank linkage programme. The specific objectives of the present enquiry are:

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<sup>4</sup> The Banks are giving loans under SHG Bank Linkage programme with different rates of interest ranging from 8% to 12%. The groups are facing difficulty in paying such rates of interest. Whatever the interest rates charged more than 3% by the banks will be reimbursed to SHGs by the Dept. of Rural Development, Govt. of Andhra Pradesh. The DRDA will obtain the details of SHG repayment for the purpose of interest subsidy twice a year through the Mandal Samakhya. DRDA will calculate the 'pavalavaddi' to be given to each SHG basing on the bank statement. The DRDA will give the 'pavalavaddi' cheques to the Mandal Samakhya along with the statement of particulars accruing to each SHG. The Mandal Samakhya in turn will distribute the cheques to the SHGs through the village organizations (VO) in the presence of non-officials.

- i) To know the profile of SHGs in the mandal;
- ii) To know the current status of SHG bank linkage program;
- iii) To know how far the 'pavalavaddi' reaching to the poor; and
- iv) To know the issues and challenges in the implementation of PV.

### 1.3 Study design

All the SHGs in Yadamari mandal of Chittoor district in Andhra Pradesh are sampling units for the present study. The fieldwork was carried out for data collection during September - October 2009. The study has covered all the 911 SHGs and 32 village organizations (VOs) in the mandal. Details of SHGs, bank linkages and pavalavaddi were collected through an interview schedule; and information regarding various problems relating to SHGBL and PV were collected through group discussions with SHG members. The collected data was entered into computer, cleaned and edited for further analysis.

Mandal, village organization, SHG and the member are the units of analysis. Simple statistics like percentages and averages were computed; and prepared tables to make comparisons for drawing meaningful inferences. The findings of the study has presented as i) profile of the sample mandal, ii) profile of SHGs, iii) bank linkages, iv) pavalavaddi, and v) learning and the way forward.

## 2 Profile of Yadamari Mandal

**2.1 Location and demography:** Yadamari is one of the Southern most mandal of the Chittoor District sharing its Southern and Eastern borders with Tamil Nadu. The total area of the mandal is 111.42 Sq. K.M. and is divided into 28 Gram Panchayats and 24 revenue villages with 170 hamlets and has the population of 49,437 as per 2001 Census of AP. SCs & STs comprises of 21% in the total population. Sex ratio is 975 females per 1,000 males. Female literacy is 59.87%. Of the total 11,747 households, 74.72% belong to below poverty level (BPL) category.

**2.2 SHG programme:** Of all the households in the mandal, 91.82% are members in SHGs. The data shows that of the total households joined in SHGs, if we assume that all the 74.72% of BPL households joined in SHGs, and then the remaining 17.1% of households could be above poverty line (APL) category. There are 32 village organizations formed in the mandal. Of the total SHGs in the mandal, 721 (79.14%) have been practicing Panchasuthras<sup>5</sup>. There are 785 trained bookkeepers to provide support to SHGs in the mandal.

## 3 Profile of SHGs

**3.1 Group size:** All the 911 SHGs have covered 9,334 women in the Mandal. Of the total SHG members, majority of them are BCs and SCs (70.7%) and the remaining are OCs (28.8%) and STs (0.5%). The group size varies from 7 to 20 members with an average of 10. Of all the SHG categories, the average group size is more among SCs with 10.36 members and low among STs with 9.40 members. Of the total 911 SHGs, 26% of SHGs have 7 to 9 members, 63.8% of SHGs have 10 to 12 members and the remaining SHGs (10.2%) have 13 to 20 members. The data shows that nearly three-fourth of SHGs have more than 10 members and the remaining one-fourth have less

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<sup>5</sup> Panchasuthras are the five principles relating to SHG functioning those includes i) weekly meetings, ii) weekly savings, iii) internal lending, iv) 100 percent repayment of loans and v) up to date maintenance of books within the meeting.

than 10 members. It could be because of membership withdrawal, size of the habitation, and the period of the programme.

**3.2 Age of SHGs:** As on October 31, 2009, the age of SHGs varies from 1 month to 16.08 years with an average of 5.76 years. Of the total 911 SHGs, 44% of SHGs are 1 to 5 year old, 35.3% of SHGs are 6 to 10 year old and the remaining 6.1% and 2.9% are more than 11 years and less than one year old respectively. The data also shows that the percentage of SHGs formed over years has been steadily increasing with a regular increase and decrease. It could be because of Velugu / Indira Kranthi Patham (IKP) persistent efforts in bringing the poor into SHGs. Further, the low percentage of less than one-year-old SHGs could be because most of the poor brought into SHGs in the earlier phases of the programme.

**3.3 Social categories:** Of the total 911 SHGs, 38.7% belong to BC category, 32.2% belong to SC category, 28.5% belong to OC category and the remaining are STs. It reveals that two third of the SHGs belong to BCs and OCs, among whom the percentage of poverty is low compared to SCs and STs among whom the percentage of poverty levels is high. It could be because of formation of SHGs with BC and OC households who belongs to non-poor or APL category.

**3.4 Type of bank:** There are six branches of both commercial and regional rural banks in the mandal. All the SHGs have savings accounts in these bank branches. Of the total 911 SHGs, 68.3% of SHGs have savings account in commercial banks (CBs) and the remaining 31.7% of SHGs have savings accounts in regional rural banks (RRBs). Of the CBs, many SHGs (29.1%) have accounts at Union Bank of India (UBI), Yadamari branch followed by State Bank of India (SBI), Chittoor (16.6%), Indian Bank (IB), Chittoor (12.7%); and Indian Overseas Bank (IOB), Chittoor (9.9%). However, of all the six bank branches, many SHGs (31.7%) have accounts in Saptagiri Grameen Bank (SGB), Kasiralla. It is because both UBI and SGB bank branches located at the head quarters of the mandal and Gram Panchayat respectively. During interactions, some groups have reported that they have shifted their group savings' account from one bank to another because of delay in sanctioning SHGBL.

**3.5 Credit linkages:** Of the total 911 SHGs, except 3.7%, all other SHGs have borrowed 2,541 loans from banks, between one and seven loans with an average of 2.8. Of the 877 SHGs credit linked to bank, 26.3% of SHGs borrowed loans twice, 21% of SHGs borrowed loans thrice, 19.4% of SHGs borrowed loans four times, 16.6% of SHGs borrowed loan only once and the remaining 9.9% of SHGs borrowed loans between five and seven times. It shows that majority (80%) of the SHGs have bank linked repeatedly. Of the total 34 SHGs that are not credit linked to bank, 12 are less than one year old that are not eligible for bank linkage, 9 are 1 to 3 year old, 4 are 4 to 7 year old and the rest (9) are more than 9 year old. It also shows that of SHGs not credit linked to bank, 64.7% of SHGs are more than one year old; and the reasons for not credit linked to bank could be immediately after getting revolving fund were became defunct and most of the members joined in other groups or formed as a new SHG.

#### **4 Bank linkage**

**4.1 No. of bank linkages:** Of the total 877 SHGs credit linked to bank, many groups are BC category (39.1%) followed by SC (31.6%), OC (28.9%) and ST (0.6%) categories. Of all the SHG categories, SC and BC categories have bank linked maximum of

seven times, where as OC and ST categories bank linked six and four times respectively. However, the percentage of OC category credit linked to bank is high in 5<sup>th</sup> and 6<sup>th</sup> linkages compared to all other SHG categories. It could be because of earlier formation of groups, time taken to get 1<sup>st</sup> bank linkage, prepayment of loans etc.

No. of linkages	Social category (in %)				Total (N=877)
	ST (N=5)	SC (N=277)	BC (N=343)	OC (N=252)	
1. One	20.0	17.3	17.2	17.1	17.2
2. Two	40.0	28.9	29.2	23.0	27.4
3. Three	--	22.4	19.8	24.2	21.8
4. Four	40.0	21.3	19.8	19.0	20.2
5. Five	--	6.5	11.4	9.9	9.4
6. Six	--	2.9	2.3	6.7	3.8
7. Seven	--	.7	.3	--	0.3
Total	100.0	100.0	100.0	100.0	100.0

**4.2 Loan size:** Of the cumulative loan amount of Rs. 25.99 crores, major portion of loans disbursed to BCs (37.99%) and OCs (32.48%) followed by SCs (29.16%) and a negligible portion of loan to STs (0.37%). The data on average amount of cumulative loan shows that the SHGs belong to OC category have the highest amount (Rs. 3.24 lakhs) followed by BCs (Rs. 2.79 lakhs), SCs (Rs. 2.58 lakhs) and STs (Rs. 1.90 lakhs). It indicates that lower the social category lower the volume of loan and higher the social category higher the amount of loan. In other words, social category increases loan volume also increases. Of all the SHG social categories, SC groups linked thrice, OC groups linked six times where as SC and BC groups linked up to seven times. This could be the reason that the SHGs of lower social categories have low amount of cumulative loan. The other reason could be loan repayment period, repaying capacity and less age of the groups.

S. No.	Linkages	Social category				Total
		ST	SC	BC	OC	
1	First	28,000	34,727	36,040	37,931	36,122
2	Second	62,000	81,263	84,192	85,790	83,606
3	Third	82,000	128,242	122,307	144,446	130,839
4	Fourth	200,000	199,345	197,177	196,428	197,607
5	Fifth	--	248,554	271,938	266,857	264,581
6	Sixth	--	321,300	406,111	366,176	363,694
7	Seventh	--	475,000	400,000	--	450,000
Total average		190,400	258,710	279,765	324,660	285,316
Cumulative loan		952,000	75,802,074	98,757,107	84,411,600	259,922,781

Of the total cumulative loan of Rs. 25.99 crores, 24.46% of the amount to 3<sup>rd</sup> linkage groups, 23.35% to 2<sup>nd</sup> linkage groups, 22.43% to 4<sup>th</sup> linkage groups and the remaining 12.19%, 12.01%, 5.04% and 0.52% are to 1<sup>st</sup>, 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> linkage groups respectively. It shows that most of the groups have borrowed repeat linkages.

However, some groups have received 5 to 7 linkages. The data on linkage-wise average amount of cumulative loan in the above table shows that the average amount of loan has increased from linkage to linkage or in the subsequent linkages. Contrary to it, the percentage of loan size increase to its previous loan size has decreased in all the subsequent linkages. In other words, linkages increases the percentage of loan size to its previous loan has decreased.

**4.3 Time taken for bank linkages:** According to the NABARD guidelines, a SHGs is eligible for bank linkage after 6 months of regular savings & meetings, lending and book keeping. The data shows that an SHG has got first linkage after an average of 19.37 months. But SCs and STs have taken more than average time for getting first linkage; where as OCs and BCs have taken less than average time for getting 1<sup>st</sup> linkage. On an average the time taken for repay the 1<sup>st</sup> loan and to get the 2<sup>nd</sup> loan is 16.97 months. However, it is high among SCs and low among STs. On an average the time taken for repay 2<sup>nd</sup> loan and to get 3<sup>rd</sup> loan is 19.17 months. Contrary to the previous loan it is high among ST and low among OCs. The time taken to repay the loan the present loan and to get the subsequent loan is gradually increased from loan to loan among the OC groups. Where as, except OCs, among all other group categories, after second or third loan there is an increase and decrease in the average time taken for repayment and get the loan. It could be because of large volume of loans under SGSY and TFI programme.

No. of linkages	Social category (in average months)				Total (N=877)
	ST (N=5)	SC (N=277)	BC (N=343)	OC (N=252)	
1. One	22.2	23.88	18.22	15.93	19.37
2. Two	11.25	18.30	15.73	16.67	16.97
3. Three	26.50	19.97	18.86	18.67	19.17
4. Four	21.00	22.40	22.12	21.91	22.13
5. Five	--	21.35	23.12	21.35	22.07
6. Six	--	19.80	19.66	25.64	22.52
7. Seven	--	24.50	20.00	--	23.00

**4.4 Repayment rate:** The data shows that during the last four years the average loan repayment rate between members to SHG and from SHG to Bank and VO-CIF is 100%. However, in the year 2009-10, during April -July 2009 the repayment rate of SHGBL loans has dropped down to more or less 75% due to the promises on waiving of SHG loans by various political parties during last General Election Campaigns (APMAS, 2009).

S. No	Year	Source wise repayment rate (RR) (in %)		
		SHG-BL	CIF	SHGF
1	2006-07	100	100	100
2	2007-08	100	100	100
3	2008-09	100	100	100
4	2009-10	100	100	100

After General Elections, the IKP project and SHG federation staff visited SHGs, which had defaulted because of the influence of promises made by the political

parties during election campaign, and motivated the groups by explaining the implications of irregular repayment of loans such as difficulties in getting reimbursement of PV, further loans from banks, VO and MS. Consequentially, As a result, all the default SHGs have cleared their loan arrears during July-November 2009. Now, no SHG is defaulted to bank.

#### 4.5 Idle funds in SHGs and SHG federations: Informal collateral

According to NABARD (2009) study “Microfinance Status in India 2008-09”, the average amount of savings in SHG savings accounts in AP is Rs. 9,305. Compare to national average the average bank balance of Yadamari SHGs is just Rs.983. The data shows that all the Village Organizations (32) in the mandal have idle funds in their Savings Bank account of Rs. 8,95,128 with an average of Rs. 27,973 per VO as on February 2010. The amount of funds in SB A/c of VOs varies from Rs. 5,000 to Rs. 1,05,000. The data on the amount of idle funds from the past one year in the SB a/c of Yadamari Mandal Samakhya shows that on an average there are Rs. 6,71,194 of funds in MS SB A/c with an average of Rs. 20,974 and Rs. 737 per VO and SHG respectively. The following table shows the amount of idle funds of SHGs, VO and MS.

Source of funds	Amount in Rs.	Average Amount in Rs.
1. SHG -SB A/c	8,476,855	9,305
2. SHG -FDs	16,331,512	17,927
3. VO SB A/c	895,128	983
4. MS SB A/c	671,194	737
Total	26,374,689	28,951

**4.6 Fixed deposits (FDs):** Though it is not formal, many banks insist SHGs for a portion of loan as FD at the time of SHGBL sanctioning as a future strategy to ensure repayment or manage default and to mobilize deposits from the public or SHGs. Besides, the amount of revolving funds sanctioned to some of the SHGs made it as FD for three years. In addition to the above, whatever the amount of subsidy component in SGSY loan, as back-end policy, made it as FD for three years to ensure repayment. The data shows that of the total 877 SHGs credit linked to bank,

S. No.	Name of the bank	No. of SHG-BL	No. of SHGs have FD	% of SHGs have FDs	Total FD Amt. in Rs.	Avg. FD Amt. in Rs.
1	IB	112	108	96.4	43,29,823	40,091
2	IOB	89	12	13.5	6,30,000	52,500
3	SBI	142	16	11.3	3,32,654	20,791
4	SGB	255	94	36.9	12,98,800	13,817
5	UBI	279	236	84.6	97,40,235	41,272
	Total	877	466	53.1	1,63,31,512	35,046

53.1% of SHGs have FD on their names in bank. SHGs voluntarily or involuntarily taken FDs. The source funds include group funds, a portion of loan, revolving fund or matching grant and subsidy portion of SGSY loans. Some SHGs, those have large

amount of own funds & internal problems in repayment have made their savings as FDs voluntarily as a strategy to avoid problems within the group.

Of all the five bank branches, Indian Bank (IB) has the highest percentage of FDs of SHGs' accounts (96.4%) followed by Union Bank of India (UBI) (84.6%), Saptagiri Grameen Bank (SGB) (36.9%), Indian Overseas Bank (IOB) (13.5%), and State Bank of India (SBI)(11.3%). All the SHGs together have FD of Rs. 1.63 crores with an average of Rs. 35,046. Of all the five bank branches, UBI has the highest amount of FD of Rs. 97,40,235 followed by IB (Rs. 43,29,823), SGB (Rs. 12,98,800), IOB (Rs. 6,30,000) and SBI (Rs. 3,32,654). However, the average amount of FD per SHG is highest in IOB (Rs. 52,500) followed by UBI (Rs. 41,272), IB (Rs. 40,091), SBI (20,791) and SGB (Rs. 13,817). It shows that of all the five bank branches UBI and IB have large amount of FDs from most of the SHGs credit linked to bank. Though IOB has only 12 FDs out of 89 SHG accounts, but the average amount of FD is high (Rs. 52,500) compared to all other banks.

**4.7 Implications of FDs:** During discussions with SHGs, the members have reported the implication of FDs as: i) banks charging 12 to 15 percent on loans given to SHGs, where as paying 7 to 8 percent on SHG FDs, a portion of loan made it as FD. As a result, SHGs paying 5 to 7 percent of additional interest on the amount of loan which made it as FD, or the portion of loan amount not used by them. ii) Some SHGs are unwilling to borrow loans from banks by keeping their savings or a portion of loans as FD. iii) There is no internal lending in some SHGs as the group corpus made it as FD. iv) owing to no internal lending from group funds, many SHGs members depending on traditional credit sources to meet their emergency credit needs of the household. v) Further, some SHGs become defunct. vi) About seven SHGs have withdrawn their FDs, even though the bankers rejected credit linkage to SHGs without FD. The following are the details of three SHGs that have withdrawn their FDs from the Union Bank of India, Yadamari branch because of mean attitude of bankers.

Name of the VO	Name of the SHG	FD in Rs.	Date of Withdrawal	FD with drawn in Rs.
Chinnampalli	Balaji DWCRA	85,000	Feb 2010	1,10,567
Chinnampalli	Sairam DWCRA	60,000	Feb 2010	1,10,000
Chinnampalli	Ganga SHG	75,000	Feb 2010	1,02,000

## 5 Pavalavaddi

**5.1 No. of times:** Of the total 877 SHGs borrowed loans from banks at least once, two-third of SHGs (66.8%) were availed 'pavalavaddi' scheme and the remaining one-third have not benefited. Of the SHGs benefited with 'pavalavaddi', 29.4% of groups have received twice, 16.1% of groups have received thrice; 14.4% of groups have received once and the remaining 7% of groups have received four times. As per the 'pavalavaddi guide lines, some SHGs are entitled to receive 'pavalavaddi' ten times. But the data says that the groups have received only four times. Up to March 2008, the amount of pavalavaddi was reimbursed to groups four times once in a year. Since April 2008 there is no reimbursement of pavalavaddi to SHGs from the government. As a result, many SHGs have doubts about the reimbursement of PV that does the government reimburse it or not.

**5.2 Amount of 'pavalavaddi:** All the 586 (66.8%) SHGs together have received a cumulative amount of 'pavalavaddi' of Rs. 36.93 lakhs with an average of Rs. 6,303.

Of all the SHG categories, ST groups have received less average of 'pavalavaddi' and OC groups have received more average amount of 'pavalavaddi' followed by BCs (Rs. 6,121) and SCs (Rs. 5,906). Of the total amount of Rs. 36.93 lakhs of 'pavalavaddi', major portion of the amount was disbursed to BCs (40.10%) and OCs (33.03%) followed by SCs (26.7%) and STs (0.17%). If we compare the percentage of cumulative amount of 'pavalavaddi' by SHG social categories, except OCs (33.03%/29.86%), all categories of SHGs have received less percentage of amount of 'pavalavaddi' against the percentage of SHGs received 'pavalavaddi'. It is because of less volume of loan to low SHG social categories compared to higher order of SHG social categories.

Social Category	% of SHGs	% of Amt	Total	Average
1. Scheduled Tribe	0.34	0.17	6,200	3,100
2. Scheduled Caste	28.50	26.70	986,241	5,906
3. Backward Classes	41.30	40.10	1,481,258	6,121
4. Open Category	29.86	33.03	1,220,133	6,972
Total	100.00	100.00	3,693,832	6,303

### 5.3 PV arrears/ dues to SHGs

As per the estimations of IKP, Chittoor district, 52,762 SHGs have to get pavalavaddi of Rs. 40.15 crore. for the year 2008-09. Of the total dues of Rs. 40.15 crore, Rs.75.89 lakhs is due to SHGs in Yadamari mandal. If we assume that the amount will be the same for the year 2009-10 then the amount of dues will be double i.e. Rs1.5 crore as on March 2010. The above discussion clearly reveals irregular payment and large amount of dues to be disbursed to SHGs under PV scheme. This may de-motivate and discourage repayment rate in future.

**5.4 Issues and challenges in the implementation of PV:** During informal discussions, the SHGs, members and field staff have reported various problems; those are listed under the following headings:

**Problems in listing eligible SHGs:** (i) No periodical information collection, (ii) no information on the entitlements of 'pavalavaddi', (iii) long waiting period, iv) reimbursement of PV in installments. During the interactions with SHGs, some groups have reported that due to long delay in reimbursement of interest subsidy, repayment rate will decrease due to increase of defaults. They also said that as there is not much benefit, some sections of SHGs slowly shifting to NBFCs which ultimately influences SHG-BL repayment rate.

Year	Allotted	Released	Spent (in %)
1. 2004-06	52.67	52.67	100.0
2. 2006-07	50.02	50.02	100.0
3. 2007-08	112.00	112.00	100.0
4. 2008-09	250.00	195.00	78.0
5. 2009-10	200.00	137.00	68.5
6. 2010-11	200.00	--	--

**Problems in sanctioning & releasing PV:** (i) too much delay, (ii) inadequate allocation and release of funds, (iii) no or less awareness on PV guidelines to

authorities, (iv) less amount of PV payment, (v) mobilization of SHGs for public meetings in the name of disbursement of PV. The data in table-7 also shows that over years the budget allocation and releases for PV has been decreased over years compared to during the initial years of the programme. As per the SHG-BL targets, an amount of Rs. 1500 crores is needed to pay PV for the year 2010-11; but the Govt. of AP has budgeted only Rs. 200 crores.

**Problems from the bankers:** (i) No information to SHGs from banks on deposition of PV, (ii) delay or no loans to the SHGs that are unwilling to take up insurance and fixed deposits, (iii) small volume of loans, (iv) adjustment of PV for loan installments, and v) delays due to transfer of staff.

**Issues relating to bank linkage:** (i) irregular repayment of loan installment, (ii) information collection about PV from banks rather than at SHG level, (iii) bankers charging 12% interest rate instead of 3% on SHG loans, (iv) no periodical information collection and on the entitlements of PV.

**Issues at SHG level:** i) Those SHG members who borrowed loans from SHG-BL funds are not willing to share the pavalavaddi to other members in the group who did not borrowed loan from SHG-BL funds. ii) Quarrels between members in some SHGs at the time of disbursement of PV, iii) guidelines on PV distribution to individual members causing disharmony within the group. iv) some members have reported that to avail pavalavaddi and to ensure regular repayment, mobilizing funds from money lenders on high interest rates to repay their loan installments regularly. After completion of repayment of present loan and in the subsequent loan from bank, a portion of it would be used for repaying the loan borrowed from the money lenders. Thus, there is a continuous dependency on the traditional credit sources who normally charges high interest rate.

## **6 Learning & the way forward**

All the BPL households and most of the APL households formed as SHGs; and all the eligible SHGs obtained membership in their village organization and Mandal Samakhya. The average group size is 10 members; and the age is 5.76 years. The SHGs' age shows that after Velugu/ IKP came in 2002, most households were brought into the fold of SHG movement. Because of the practice of 'panchasutras', the quality of groups has improved.

Both commercial and regional rural banks have their branches in the mandal. Some SHGs have closed their savings account in one branch and opened their SB a/c in other banks as they are more flexible and favourable to them. All the eligible SHGs credit linked to bank and most of them got repeat linkages. However, the percentage of OC groups credit linked to bank is high in 5<sup>th</sup> and 6<sup>th</sup> linkages compared to all other SHG categories. Major portion of loan disbursed to BC and OC category groups followed by SCs & STs. The repayment rate of SHGBL is hundred percent though it is little lower before and after 2 to 3 months of General Elections because of promises on waiving of SHG loans by the political parties during their election campaign.

There are small amount of idle funds in SB a/c of SHGs. VOs and Mandal Samakhya. But majority SHGs have large amount of FDs in banks because of informal practices of bankers, back end subsidy policies or guidelines related to revolving fund and SGSY loan and dynamics at group level. Consequentially, groups

have less funds for internal lending which may influence group income in the form of interest on loans, interest burden on members etc.

Two-third of bank linked SHGs availed 'pavalavaddi' one to four times. However, some SHGs did not receive interest subsidy due to delays in disbursement of 'pavalavaddi' by the Government since April 2008, even though groups repaid their loan installments regularly. Of all the SHG categories, OC groups have got large amount of interest subsidy due to large volume of loan and more repeat linkages, compared to all other SHG categories. The SHGs have reported variety of problems relating to SHG bank linkages, guidelines and procedures relating to disbursement of 'pavalavaddi' besides issues within groups.

In conclusion, to reach the benefits of pavalavaddi, there is a need of more focus on large volume of loans with a special drive for SC & ST groups; capacity building on optimum utilization of groups funds and minimizing idle funds in SB a/c of SHGs, VO's and MS; reimbursement of pavalavaddi in a regular intervals by addressing the issues and challenges to achieve the desired goals of the programme.

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