

SELF HELP GROUPS-BANK LINKAGE PROGRAMME : A RECURRENT STUDY IN ANDHRA PRADESH

**RESEARCH & ADVOCACY UNIT
APMAS**





BACKGROUND OF THE STUDY

- **In 2003 APMAS conducted a study on SHG Bank Linkage**
- **More no. of SHGs and Bank linkages with large amount of loans in the state**
- **Many interventions**
 - **Formation of SHG Federations**
 - **Community Investment Fund**
 - **VO financing/Bulk lending to VOs**
 - **Pavala Vaddi (3% interest on SHG-BL)**
- **More no. of MFIs and NGO-MFIs**



Objectives of the Study

- **Socio-economic profile of BL SHGs**
- **Quality of Bank linked SHGs**
- **Procedures being followed in SHG-BL**
- **Major issues in the process of SBL**
- **Impact of interventions on loan repayment**
- **Role of credit in promoting livelihoods**
- **Impact of SHG in asset creation at HH level**



SAMPLING DESIGN

- **Universe-BL SHGs in the State**
- **All the 3 regions in the state**
- **8 districts - 3+2+3; 4 are old study districts**
- **24- Bank Branches- CBs-16, RRBs-8**
- **96 Gram Panchayats-BHQ-24, RV-24, IV-48**
- **240 SHGs-BHQ-72, RV-72, IV-96**
- **Purposive, stratified random sampling methods**
- **Schedules, interviews and case studies**
- **Fieldwork was conducted in Dec 06-Jan 07**

STUDY TEAM WITH SHGs





BANK LINKAGE SCENARIO

Particulars	AP	India	% -AP
• No. of SHGs (approx)	600,000	3,500,000	17
• No. of SHGs accessing bank credit	587,238	2,238,565	26
• No. of bank branches providing credit to SHGs	3,751	44,362	8
• Cumulative loans disbursed (Rs) millions	43,455	113,975	38
• Loan disbursed during 2005-06 (Rs) millions	15,994	44,991	36



SHGs' STATUS AT VILLAGE LEVEL

- **45% of Households covered under SHGs**
- **48 avg no. of SHGs in a village**
- **7% are defunct SHGs**

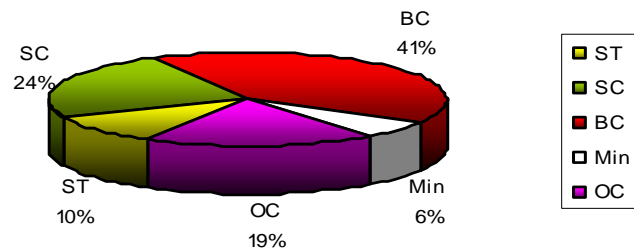
- **81% are bank linked**
- **67% are repeat linkages**
- **4% bank linked SHGs are not functioning**

- **58/94 Villages graded SHGs of them**
- **Grading-A-66%; B-22%; and C-12%**

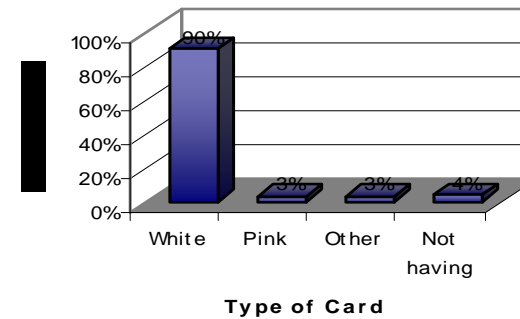


PROFILE OF SHG MEMBERS

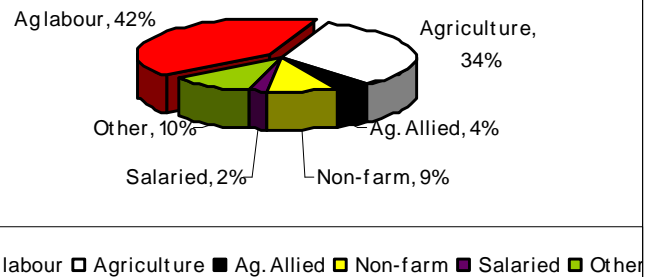
Social Composition of SHG Members



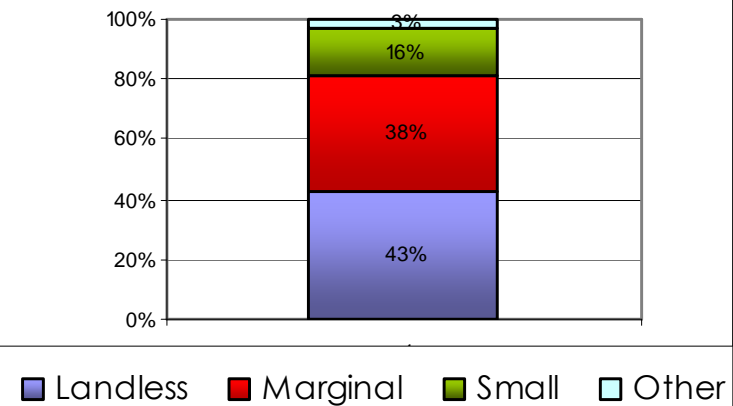
Type PDS Card Possed by SHG Members



Primary Occupation of SHG Members

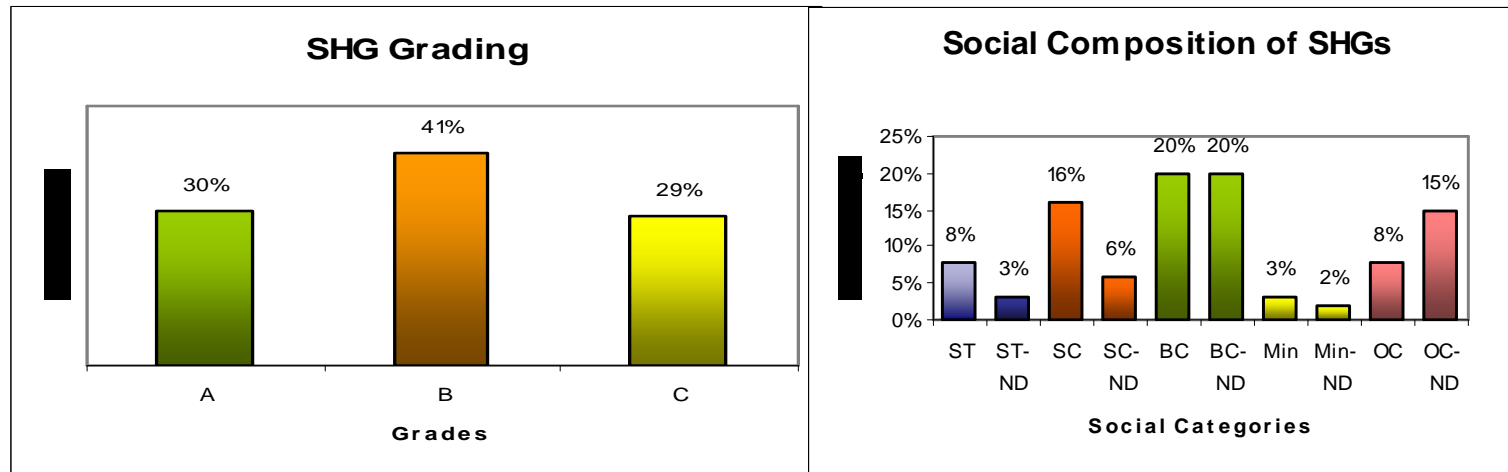


Landholdings of the SHG Members





PROFILE OF SHGs



- **5 Years-** Avg age of the sample SHGs
- **80%** SHGs promoted by IKP
- **Majority (55%)** are Homogenous (in caste)
- **75%** SHGs have repeat linkage
- **5.2 Kms-** Avg distance to bank



MEMBERSHIP

- **12 –Avg. size of the SHG at present**
- **13- Avg size at the time of SHG formation**
- **10% drop-outs from 51% of the SHGs**
- **10% of SHGs- drop-outs replaced with HH members (29)**
- **14% of SHGs replaced drop-outs with new members (81)**
- **5% of SHGs admitted new members (30)**
- **Reasons-Migration, marriage, death, etc.**



SAVINGS

- **Rs. 42- Avg monthly thrift of SHG member**
- **Rs. 24,251 Avg total savings of a group**
- **97% SHGs practicing monthly thrift**

- **48% of the SHGs distributed their savings**
- **Rs. 22,338 – Avg. amt. of savings distributed**
- **Rs. 1,902 – Avg. amt obtained by each mem.**

- **Reasons are multiple- relating to group's fund management, lending norms etc.**



MEETINGS

(In the last six months June-Nov 2006)

- **72% - SHGs conducted meetings**
- **3.3 - Avg no. of meetings**
- **83% - Avg SHGs doing monthly thrift**
- **Rs. 493 (Rs. 512) Avg amount of savings**
- **20% SHGs disbursed loan to their members**
- **4.4 Avg loans disbursed to their members**



BOOK KEEPING

Type of records	Maintaining (in %)	Complete information (in %)	Avg period of Pending (in months)
Minutes Book	76	31	3
Receipt Book	4	3	1
Mem. Pass Book	68	38	2
Cash Book	10	5	3
Gen. Ledger	27	13	3
Loan Ledger	55	23	3
Sub-Ledger	10	4	3
All in one	11	3	5
Receipts & Pay	4	2	3
Profit & Loss	5	4	2
Balance Sheet	15	7	3

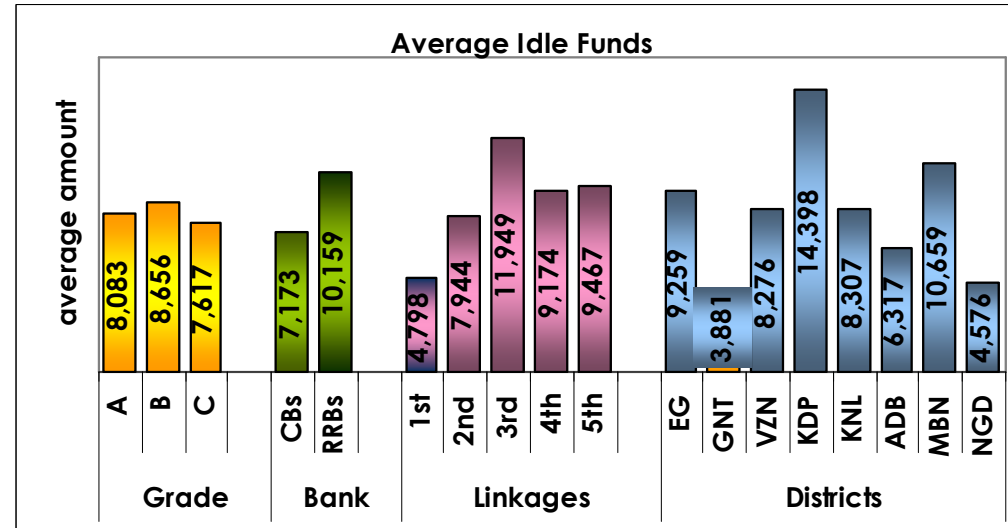


EXT. SOURCES OF FUNDS

External sources of funds	% of SHGs	Avg Cum Amount	Total Amount
Bank Linkage	100	1,07,548	2,58,11,400
CIF - IKP/SHG Feds.	48	37,891	43,95,343
Bank-VO-SHG Link	2	11.940	59,700
Revolving Fund	53	10,234	12,89,500
Pavala Vaddi	38	2,496	2,19,635
Subsidy loans	8	57,069	10,84,305
RCL & other	8	11,668	2,21,683
Total		1,37,840	3,30,81,566



IDLE FUNDS



- **Rs. 6,921 Avg amt of Idle funds**
- **Rs. 2,439 Avg amt of CH with 11% of SHGs**
- **Rs. 6,424 Avg amount of balance in SHG SB A/c**
- **Reasons**
 - To get large volume of loan, no internal lending,
 - To avoid internal default, bankers not allowing SHGs to withdraw ,etc.



GRADING OF SHGs

- **18% SHGs graded before BL and 34% don't know whether graded or not**
- **IKP, DRDA, NGOs, VO/ MS and Bankers graded the SHGs**
- **Graded as: A-11%; B-4%; Don't Know-3%**
- **Major criteria followed by Banks in rating**
 - **SHG savings-49%;**
 - **Previous Loan repayment track record-46%;**
 - **Books of accounts-36%; internal lending-20%**
 - **Purpose of loan-9%; No appraisal-8%**



FIXED DEPOSITS

- **7.5% SHGs have Fixed Deposits**
- **2.5% SHGs made revolving fund as FD with an average of Rs. 7,568**
- **0.8% SHGs made their savings as FD with an average of Rs. 38,000**
- **4.2% SHGs made Bank loan as FD with an avg. of Rs. 18,860**
- **Tenure of FD is equalant to loan repayment period-mostly 3 years**
- **In most cases bankers (6.3%) demanded FDs**



MICRO-CREDIT PLAN (MCP)

- **31% SHGs prepared MCP for BL**
- **Rs. 1,03,135 Avg estimated amount**
- **Prepared in two ways:**
 - **Based on SHG members demand; and**
 - **Supply of Bankers**
- **Activities proposed:**
 - **7% milk animals; 4% livestock;**
 - **6% for business; 3% Ag. inputs; 3 % Housing**
- **25% gap between demand and supply of loan**



STRATEGIES ADOPTED FOR BL

- **47% - Internal lending & loan repayments**
- **37% - Good book-keeping**
- **9% - Less volume of loan proposed**
- **15% - Large amount of funds in SB A/c**
- **2% - Accepted to put Fixed Deposit**
- **13% - Dependency on IKP staff**
- **6% - Repeated visits to bank & IKP office**
- **3% - Recommendation with local leaders**



LENDING NORMS

Particulars	Internal Funds		Bank Linkage	
	Norm	Practice	Norm	Practice
Repayment period-SL- months	6-12	> 12	12-18	10-15
Repayment period-LL- months	6-12	> 12	24-36	15-36
Instalment frequency	M	Q/H/Y	M	M/Q/H/Y
Rate of interest- SHG mem. Rs.	2/1	2/1	1	1
Rate of interest-Non-SHG mem.	2/3	2/3	NR	NR
Mode of repayment	P & I	Mostly-I	P&I	FA – I End
Surety-SHG members	P. Note	P. Note	Minute	Minutes
Surety-Non-SHG members	P. Note	P. Note	NA	NA
Fines/penalties in Rupees	Few	Very few	Few	Very few



AVG LOAN SIZE AND TIME TAKEN

Linkage	2003		2006	
	Avg amt. in Rs.	Time taken*	Avg amt. in Rs.	Time taken**
1 st linkage	23,324	3.2	27,689	3.9
2 nd linkage	52,812	4.6	61,143	4.0
3 rd linkage	84,262	5.0	97,972	4.8
4 th linkage	1,03,464	2.4	1,21,095	1.8
5 th linkage	1,12,625	1.9	1,18,000	2.1

• * Average time taken to sanction the loan in months

• ** Average time taken to sanction the loan in weeks



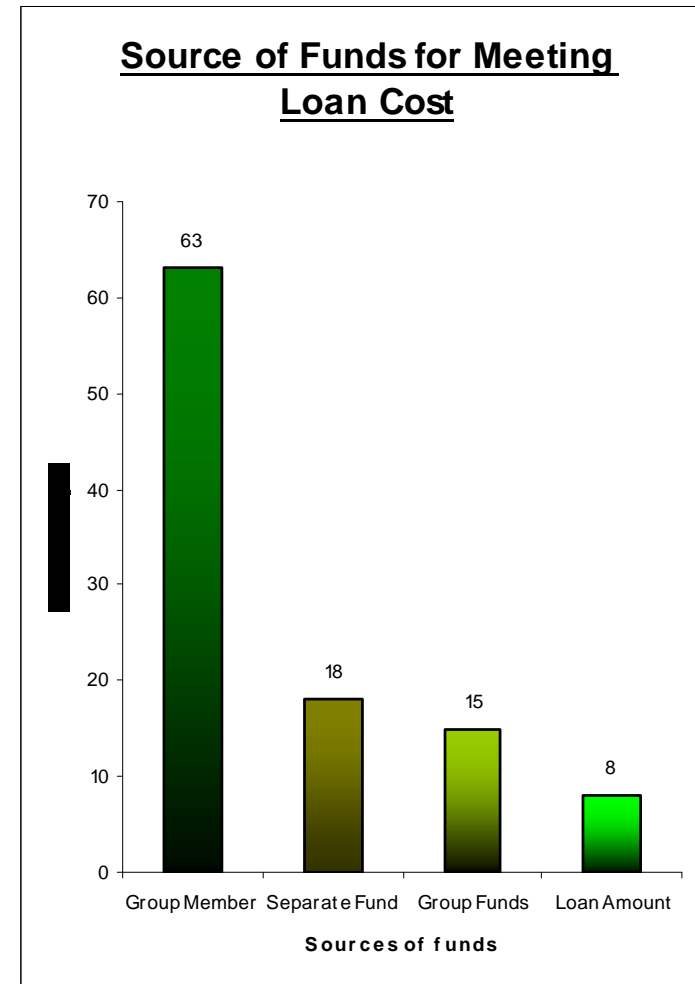
DISBURSEMENT OF LOAN

- 85% SHGs practiced equal distribution
- 15% SHGs practiced need-based lending-
Need-based to few-7% Need Based to all-8%
- Major criteria followed in deciding loan size:
 - Loan absorption capacity-12%; repaying capacity-8%; savings; position and loan from other funds etc
- 3% of total SHG members belong to 10% SHGs rejected to take loan from current BL amount
- Major reasons for rejection
 - No need of credit-6%; Loan is small/ not useful-2%; no repaying capacity-2%; others badly need credit



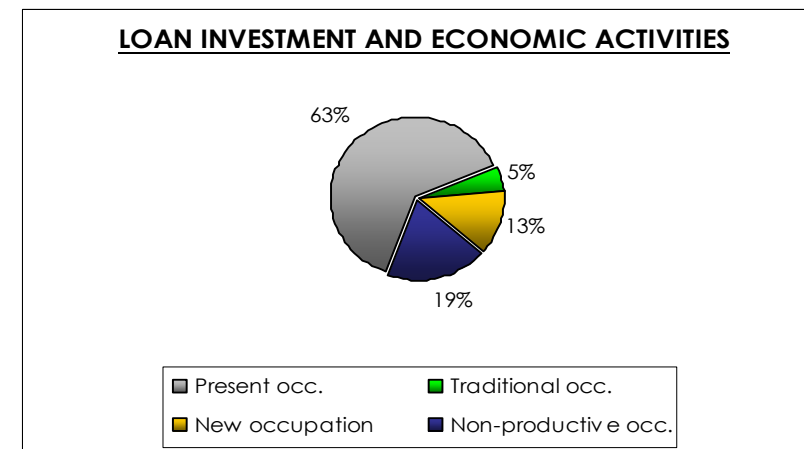
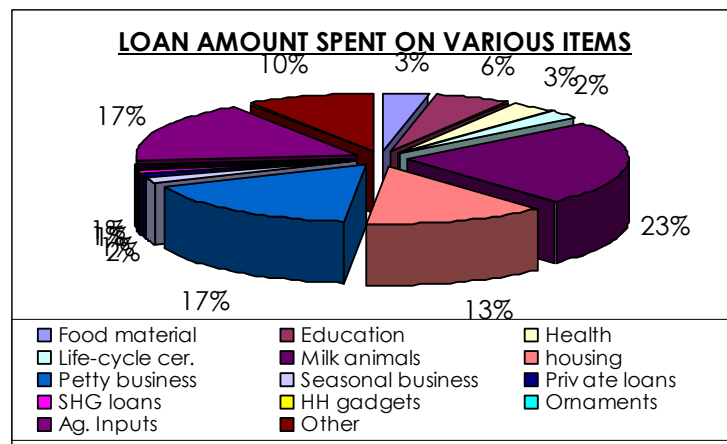
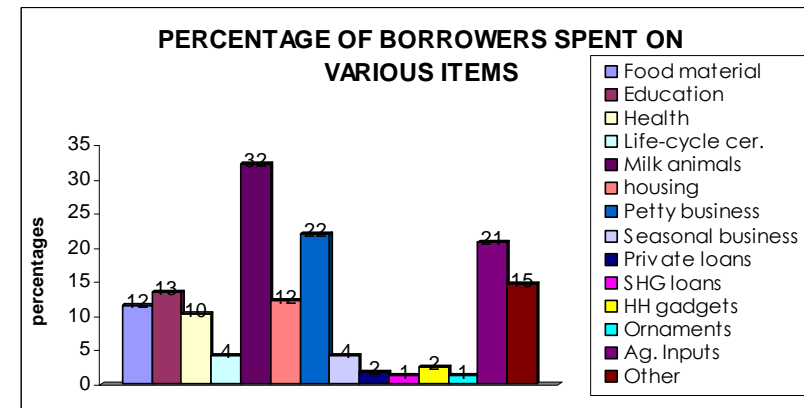
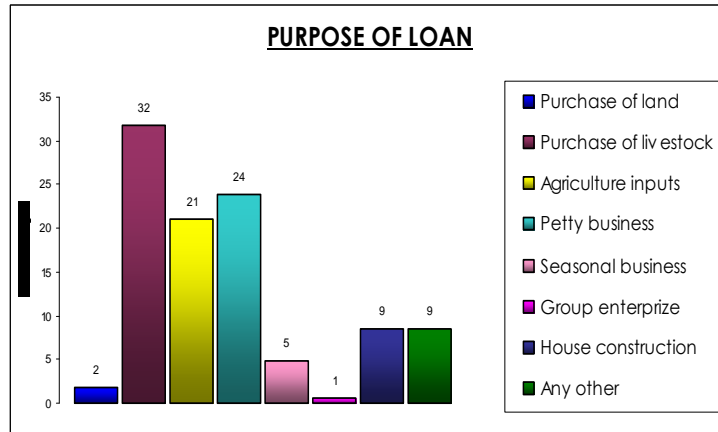
AMOUNT SPENT TO GET BL

Details	% of SHGs	Avg. Amt
• Bus fare	67	166
• Food	20	96
• Daily wage	8	126
• Book Keeper	28	235
• Animator	9	161
• Payments	5	210
• Stationary	52	124
• Service Fee	5	118
• Doc. fee	13	82
• Others	17	150
• Tot. amount	85	355





LOAN DISBURSEMENT



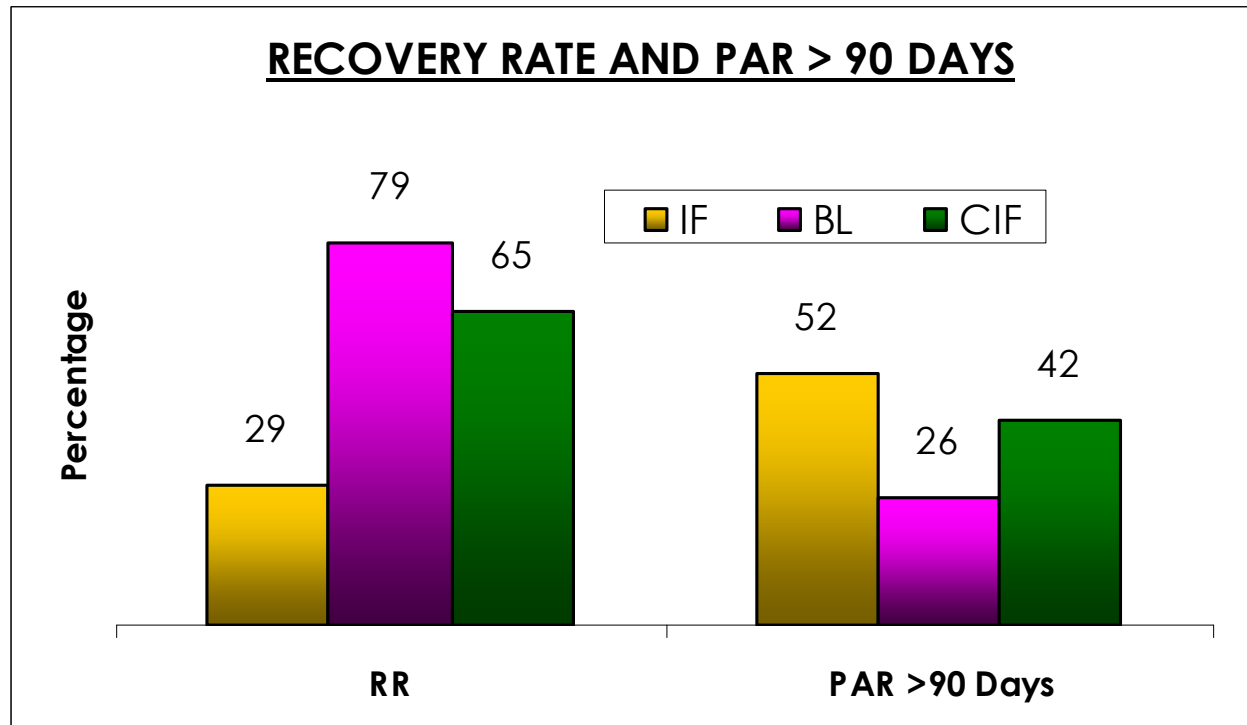


OPINION ON CURRENT LOAN

- **70% SHGs felt that loan is inadequate**
- **89% SHGs expressed that loan is timely**
- **85% SHGs repayment period is reasonable**
- **Rs. 98,000 reported as ideal loan size**
- **4- Avg no. of visits made to get the loan**
- **Loan proposed by: SHGs-70%; IKP-53%; Banks-11%; VO & NGOs and others- < 5%**



RR AND PAR > 90 DAYS





ISSUES/PROBLEMS

- **Insurance and SHG-Bank Linkage**
- **Fixed Deposits & loan size**
- **Large amount in SB accounts/ absence of internal lending**
- **Delay in repeat linkages; Loan Melas**
- **Multiple sources of loans, large amount of loan out standings, fund blocking**
- **No Internal lending- savings along with Bank loan; Men involvement**



LOAN REPAYMENT PRACTICES

- 13% SHGs savings withdrawn & paid
- 8% SHGs- Fund transfer- SB to loan A/c
- 7% SHGs made private loans
- 3% SHGs paying thrift to loan instalment
- 3% SHGs other means
- Loan recovery strategies
 - Discussions in MLBCs and information to SHPIs
 - BL Recovery Committees at VO, MS & ZS levels



DELAY IN LOAN REPAYMENT

- **Reasons for delayed repayment**
 - 23% - Less availability of work & drought
 - 9% - Ill-health of Household members
 - 8% - Migration
 - 6% - Willful defaulting
 - 5% - Quarrels
- **Action against delayed payers**
 - 17% - No action against defaulters
 - 10% - Repeated visits by the groups
 - 3% - Information to IKP staff



PAVALA VADDI

- **Majority SHGs are aware of it**
- **38% SHGs got Pavalavaddi (3% or 25 paisa)**
- **Rs. 2,500 Avg amount of interest as subsidy**
- **1.5 Avg no. of times (131 times/88 SHGs)**
- **Utilization**
 - **Deposited in SHG SB A/c-31%; Equally distributed-5%; Lent to one of the SHG member-2%; adjusted to loan instalments-2%;**
- **Disbursement through VOs in many districts**
- **Increasing RR; and reviving the defunct groups**



LIABILITIES

Particulars	% of SHGs	Avg amount	Total amount
Bank borrowings O/S	85	51,082	10,471,754
Oth. ext borrowings O/S	45	23,665	2,579,534
Members savings	100	24,251	5,820,121
Revolving funds	53	10,231	1,309,520
Other grants	1	46,667	140,000
Profit or loss	100	6,270	1,498,455
Suspense Account	28	1,958	133,140
other	34	6,042	490,967
Total	100	93,515	22,443,491



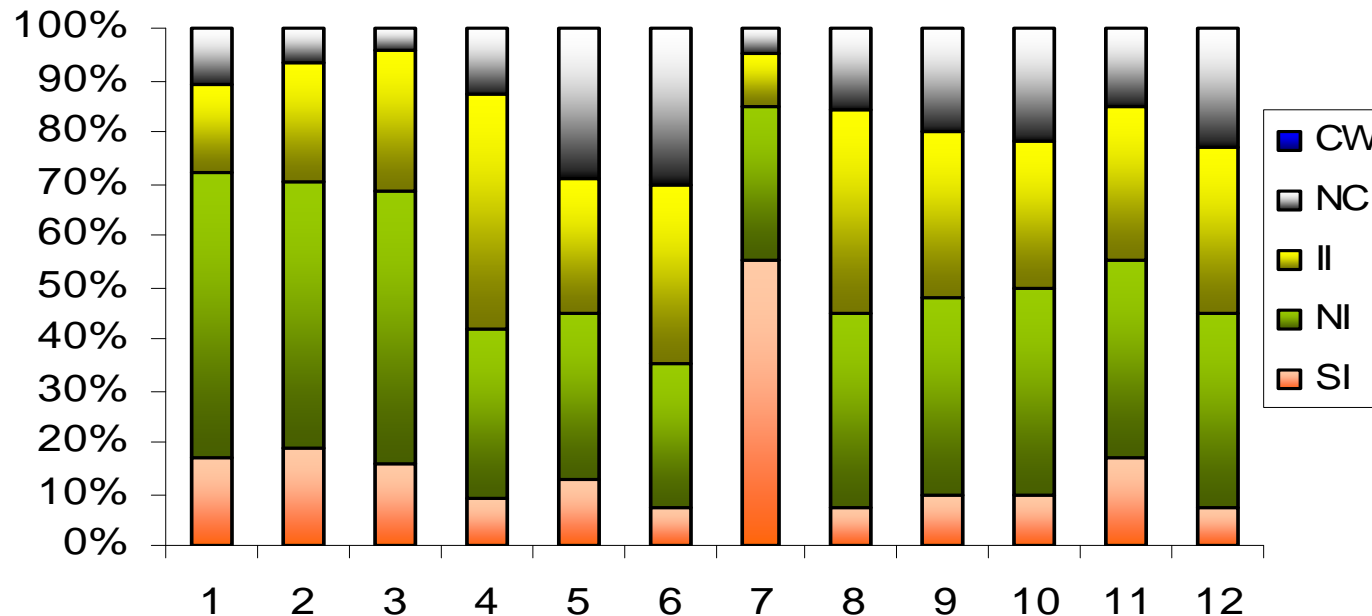
ASSETS

Particulars	% of SHGs	Avg amount	Total amount
Loan O/S with members	98	70,493	16,636,389
Savings in Federations	34	1,826	147,894
Share capital in fed.	28	1,248	83,589
RF if distributed	40	10,274	996,620
Fixed Deposits	9	13,139	302,200
Loan O/S - non-members	8	6,212	130,450
Savings distributed	48	20,425	2,348,832
Cash in hand	20	2,439	119,487
Bank balance	100	6,424	1,541,751
Suspense Account	8	7,173	136,279
Total	100	93,515	22,443,491



IMPACT ON SHG MEMBERS

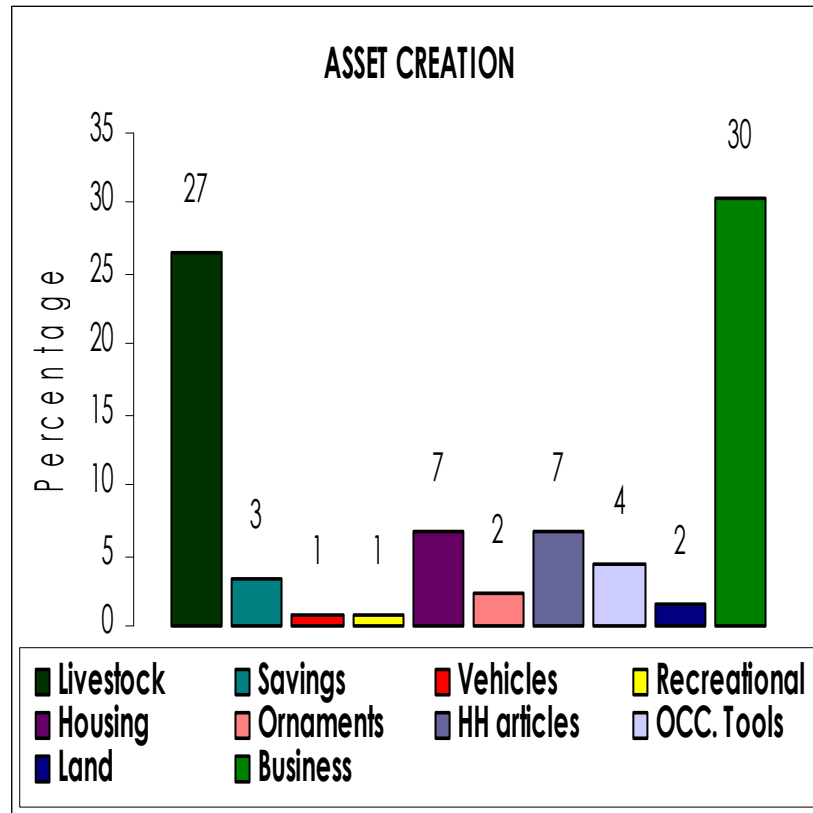
IMPACT OF SHGS PERCEIVED BY THE MEMBERS



1. Income levels 2. Availability of credit 3. Access to formal institutions 4. Access to pro-poor Programmes 5. Free from money lenders 6. Employment generation 7. Habit of savings 8. Indebtedness 9. Health status 10. Expenditure on food 11. Educational levels 12. Leadership Qualities



ASSET CREATION



- Many purchased milk animals
- Improvement in their traditional occupation than taking up new occupations
- Less asset creation because of usage of loan for consumption and repayment of private loans



CHANGES OBSERVED IN SHG-BL

Details	2003	2006
• Avg. no. SHG A/c in a branch	170	352
• Coverage- of ST & SC	24	34
• Repeat linkages in %	46	75
• Loan size in Rs.	30,500	68,000
• Time taken in months	6	< 1
• No. of visits	9	4
• Loan cost – Avg. in Rs.	300	355
• MCP -% of SHGs	No	31
• Loan RR & PAR	--	79/26
• Asset creation in %	13	30



**Open for discussion &
Critical Feedback
for
Value Addition**