

Dynamics of the Repayment Rate and Savings



**A study at Ramasamudram and
V. Kota in Chittoor District of AP**

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About myself

- Master study Development Economics at the University of Wageningen, the Netherlands
- Football and squash
- Parents live in Boskoop, sister in Leiden
- I live in a student house in Utrecht →







The Indian Self Help Movement

Factor	National	Andhra Pradesh
Number of SHGs	80 lakh	15 lakh
Cumulative savings	6551 cros	1490 cros
Number of loans	11.48 lakh	3.79 lakh
Loan amount	16535 cros	8171 cros
Loan outstanding	36340 cros	15342 cros
NPA	6.1%	3.5%



Recent developments

- More number of SHGs and loans, lower saving and loan amount
- Earlier studies show an upward economic mobility of members of SHGs
- Since 2010, higher NPA and lower Repayment Rate
- Concerns about savings
- Objective of the study: Understand saving and repayment behavior of SHGs



Methodology

Administrative level	Sampling method	In the sample
District	Purposive sampling	Chittoor
Mandal	Purposive sampling	Ramasamudram & V Kota
VO	Random sampling	Six in each Mandal
SHG	Random sampling	Fifteen in each VO

- Website bookkeeping of SERP
- FGD with IKP-staff and SHGs
- Interviews with bankers



Savings and meetings

- Monthly meetings are common
- Mandatory savings
- Monthly savings
- Savings of Rs. 100 a month are common
- ST/SC have lower and Minorities have higher savings



Savings and meetings (2)

- SHGs use their savings for internal lending
- Minorities make more use of internal lending and ST/SC less
- Idle funds are on average Rs. 36,017, 81% is hold at the bank and 19% as cash
- Idle funds are used for emergencies and because of the zero percent interest rate on loans



Credit linkage

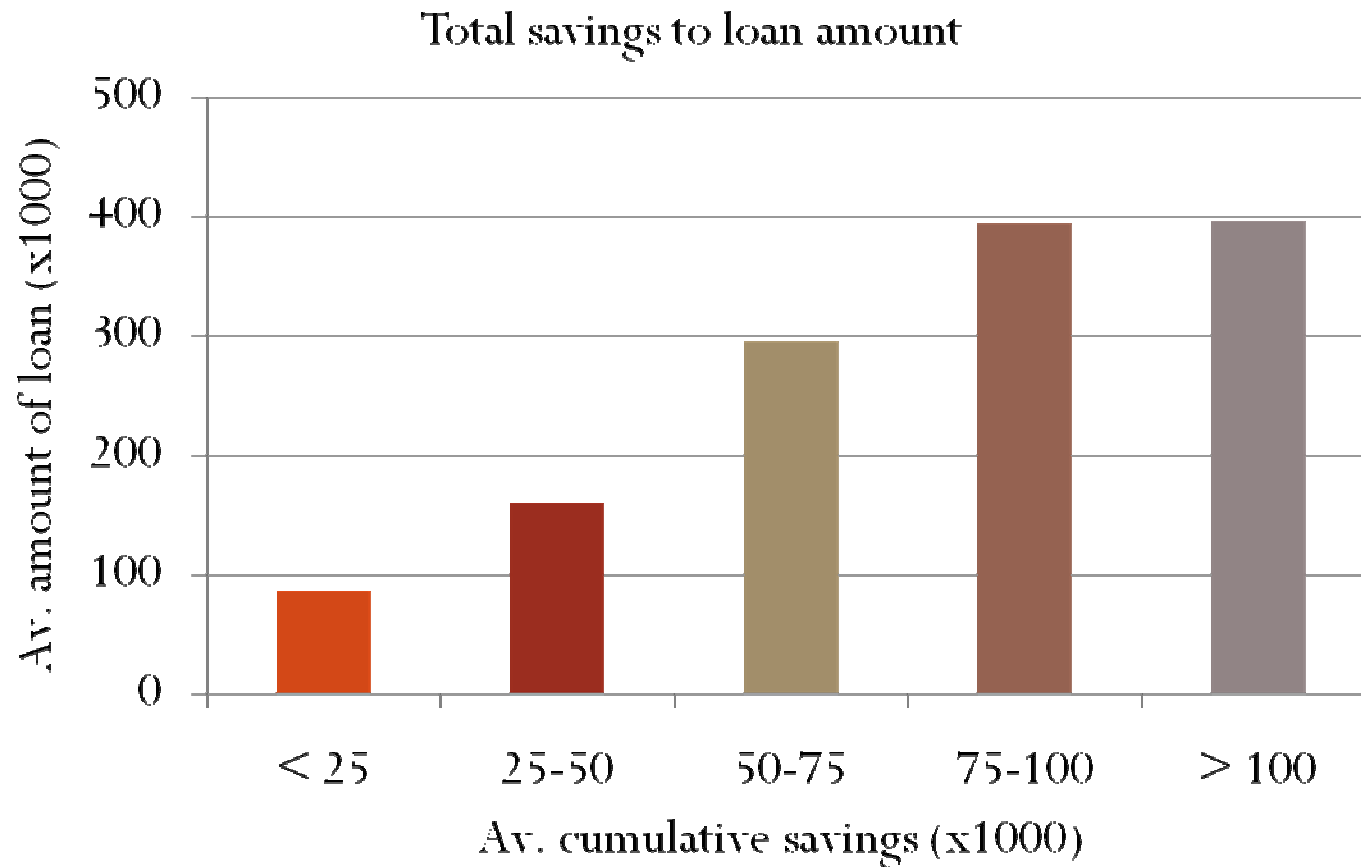
- Out of 180, 158 (88%) of SHGs has one or more loans

Distributer of Loan	Percentage of SHGs
Bank Linkage	81
VO (CIF-loan)	30

- Minorities are more linked (94%) than ST/SC (67%)
- SHGs with CIF-loan are also linked to bank
- Loan amount of CIF-loan is low



Higher savings are related to higher loan amount



Repayment rate (to bank)

- High repayment to bank (87.6%)
- RR Minorities (80.1%) & RR OC (99.4%)
- Repayment rate increases with number of loans
- Repayment rate increases with loan amount



Repayment rate (to VO)

- Repayment rate to VOs is 65.4%
- Again, Minorities show lower repayment (58.4%) and OC groups higher (80.3%)
- Mixed relation found between number of loans as well as loan amount and repayment



Repayment rate (3)

Repayment to bank is higher than to VO:

- higher pressure of bankers to repay the loan
- proper regulations towards repayment hold by the bank
- lack of documentation at the VO-level
- monitoring agents of the CIF-loan are defaulters themselves



Relation repayment rate, savings, and loans

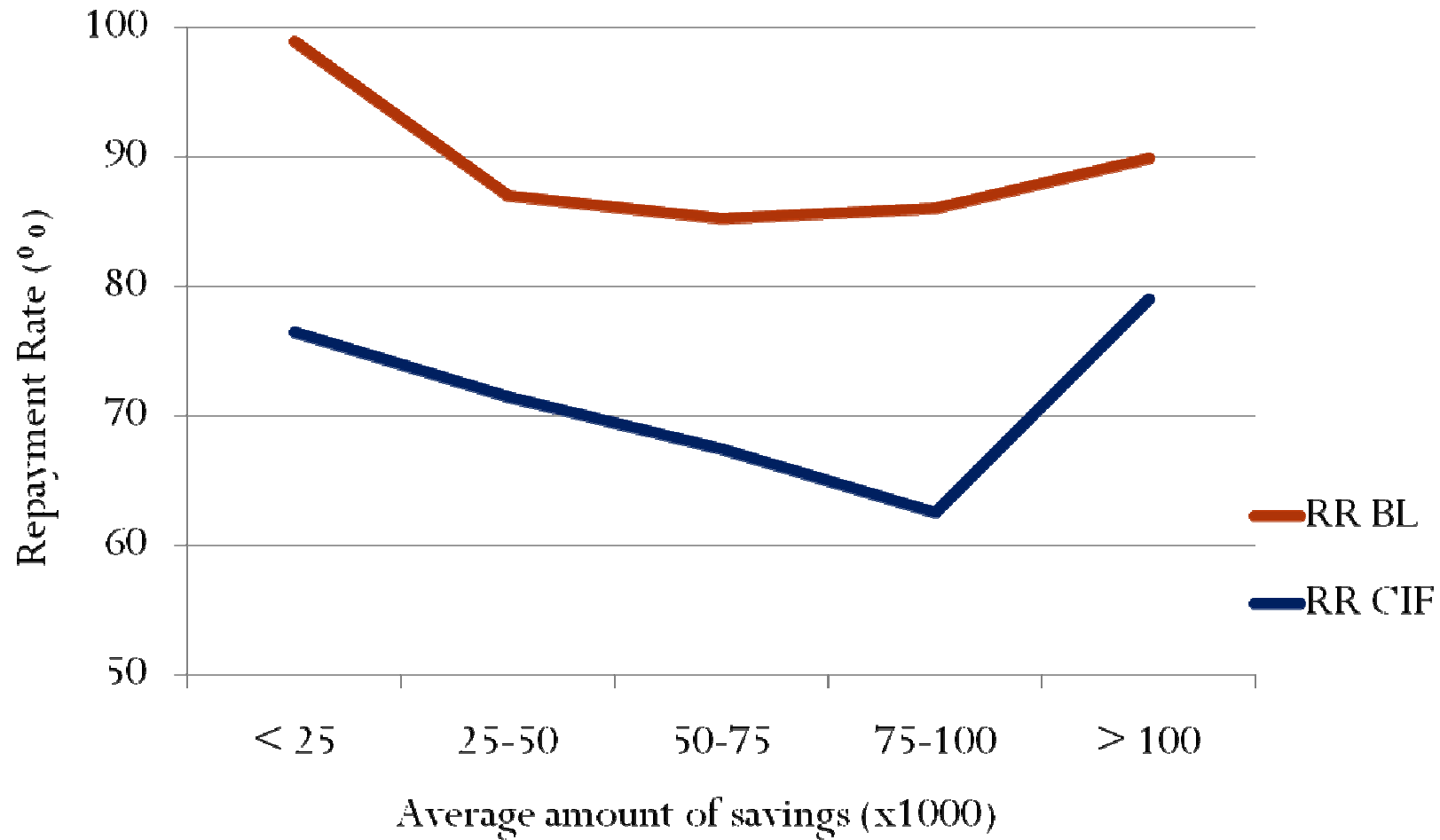
Mixed relationship

In the study is found that these factors influence the Repayment Rate:

- usage of the loan for income generating activities
- performance of the group
- regular employment in the household
- good communication



SHGs with low or high savings show a high Repayment Rate



Cash Credit Limit System

- Withdraw and repay up to five times savings
- Little awareness of bankers and SHGs
- IKP staff sees opportunities
- More administrative costs banks



Conclusions

- Savings used for internal lending
- Strong positive relationship between amount of savings and the loan amount
- Higher repayment to bank than to VO
- Mixed relation number of loans & loan amount with the repayment rate
- Three important factors that influencing the RR
- SHGs with low or high savings show a high RR



Recommendations

- Banks should focus more on the social aspects of microfinance
- Stricter and clearer guidelines for repayment on VO level
- Objective and realistic project investigation to prevent overlending



Personal learning outcomes at APMAS

- Involved in different activities at APMAS
- Work in a cultural and social-economic different country
- Work on an academic level
- Improve knowledge about community based microfinance



Thank you