

NEW DYNAMICS OF SHG BANKING: A CASE STUDY OF TOTAL FINANCIAL INCLUSION (TFI)

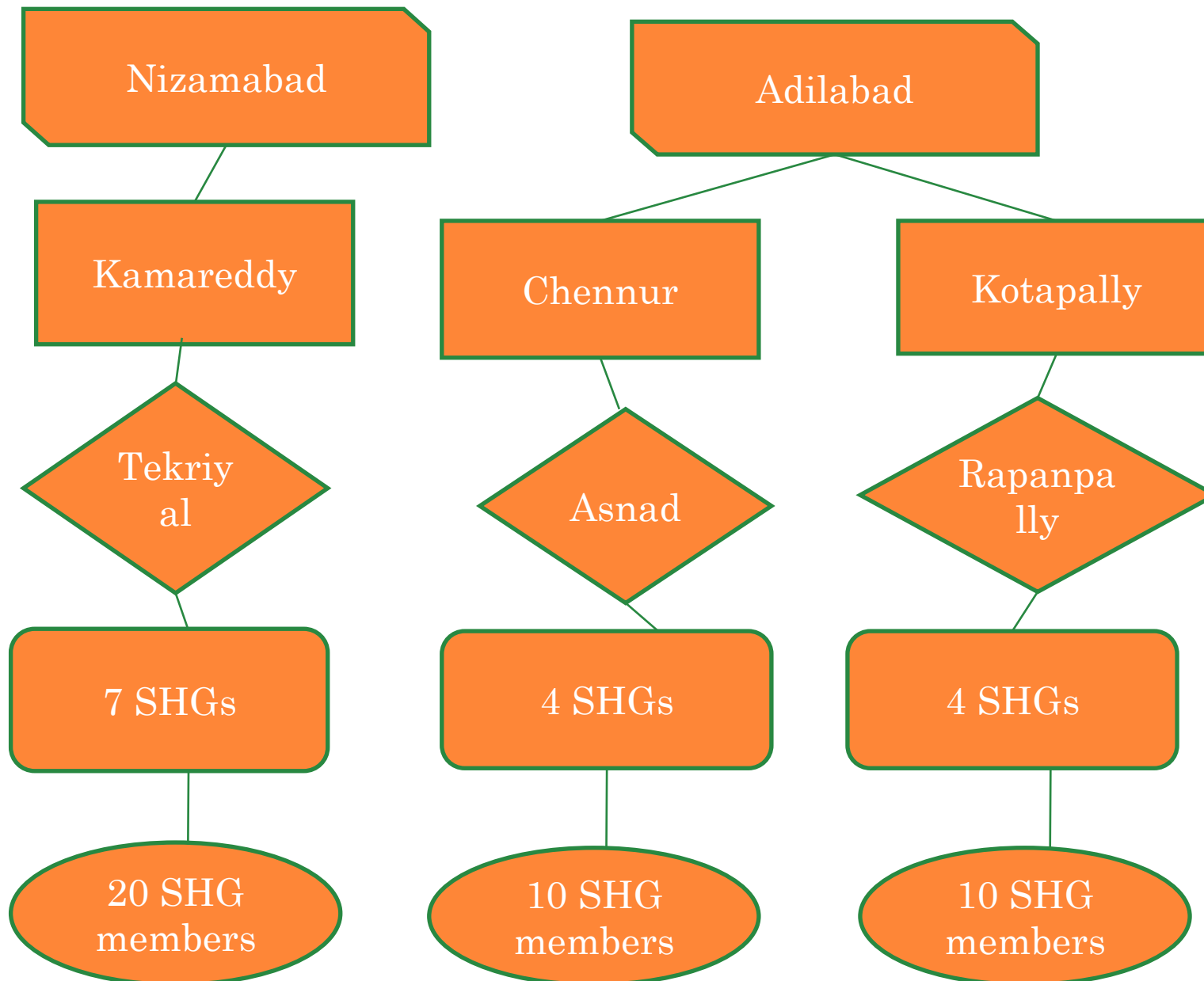


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OBJECTIVE OF STUDY

- To study the process of preparation of (MCP)
- To find out if the prepared MCPs are realistic in terms of facts and feasibility
- To find out about the bottlenecks and constraints at bank, federation and SHG level in loan disbursement.
- To find out extent of equity in MCPs and loan disbursement
- To find out the actual utilization of loan amounts vis-à-vis MCPs
- To find out the repayment pattern of TFI loans and measure adopted by members to repay TFI loans and their implications
- To find out impact of TFI on member/family economic condition

SAMPLE DESIGN



DATA COLLECTION TOOLS

- Primary sources
 - SHG members
 - SHGs
 - VOs
 - Banks
 - MS office
- Secondary sources
 - Vos
 - MS office
 - APMAS
 - Internet
- Techniques: structured and unstructured interviews, group discussion, unobstrusive observation

ACCESS TO CREDIT

- Three formal sources of credit through SHG
- VO
 - Provides loan to SHG through CIF & also general VO loans
 - Maximum loan of Rs. 60000, interest -12%
 - Almost every body utilized the VO loans
 - Presently only 7 members having o/s
- SHG
 - Cumulative internal loan: Rs. 68150
 - Average amount of loan per member: Rs. 1703
 - Absence of internal lending in Asnad & Rapanpally
 - Only 20 members having internal loan presently
 - Loan due : Rs. 74470

○ TFI

- Effective utilization of the S.H.G network
- Facilitate each SHG to identify all the financial needs of each member's family
- Development of 'Micro-Credit Plan' by the group itself
- Participation of Bank
- CRP strategy
- *Panchsutra*
- Continuous monitoring of recoveries
- Max loan of Rs. 5 lakhs, interest – 12%
- Loan amount sanctioned: Rs.1332500 against request of Rs.1560500

○ MCP

- Three components; debt swapping, IGA, social needs
- MCP preparation: an integral part of TFI guidelines
- Debt swapping
 - Average amount of loan on debt swapping: Rs.4778 which is 14.5% of the average TFI loan
 - No amount for debt swapping in Asnad
 - This component not being utilized fully
- IGA
 - Constitute 75% of the total TFI loan
 - 57% of the amount to be invested on IGA has been under agriculture equipments
 - Next to it comes shop at 21%

- Social needs
 - Only 9.5% of the total TFI loan
 - Great relief to members as no other service provides loan for social needs
 - 50% of amount mentioned under housing heads.

○ Loan utilization

Plan against utilization of TFI loans				
Purpose of credit	MCP		Utilization	
	% of total amount	Average amount	% of total amount	Average amount
Debt swapping	14.5	4778.5	20.2	6775
IGA	75	24734	57.7	19360
Social needs	9.5	3150	20.5	6900
Bank o/s	3.4	2265	1.5	1054
Total	100	33012	100	33562

REPAYMENT

- TFI loan repayment
 - Already repayment of 14 installments in Tekriyal and Asnad, while only 2 installments in Rapanpally
 - Repayment period varies from 24-36 months
 - Repayment amount per installment varies from Rs.250-Rs.4000
 - Same repayment period irrespective of loan size
 - To avoid confusion in bookkeeping & accounting
 - Repayment at the same time will make another loan sanctioning easier
 - Whatever the amount the members' paying to SHG is paying to the bank. As a result
 - There is a prepayment of loan from SHG to bank
 - There is no funds to SHGs to provide interim loans to their members
 - Many groups expressed that if group repays the loan early, those groups will get large amount of loan like SHG BL

Repayment	Number of cases
Repayment as per MCP	12
Repayment more than MCP	16
Repayment lesser than MCP	14

○ SHG loan repayment

- Only interest is paid on the internal loan
- No repayment of principle amount
- Possible reasons
 - Dependence on agriculture with biannual or annual return
 - Too much of loan to be repaid
- Total SHG internal loan o/s: Rs. 59650
- Repayment due: Rs. 74470

- Repayment strategies of members

- Amount of loan repaid by household income per month: Rs.25000
- Amount of loan repaid by income generation activity taken up per month: Rs. 15000

Repayment source	Number of cases
Household income only	18
Income from IGA taken up with TFI loan	3
Both of the sources	19

- Repayment of irregular installment amount in 2 cases
- Bullet payments in 2 cases
- No stopping of repayment or money being adjusted to the TFI loan installment

○ Recovery strategies of bank

- Better recovery and prevention of NPA
- Encouragement for fixed deposit
- Savings of a SHG of Asnad in recurring deposit
- Discourage to withdraw money from SHG saving bank account for internal lending

ISSUES

○ MCP

- There was repeated preparation and correction of MCP to meet the supply of credit
- This raises doubts on credibility of the MCP prepared

○ TFI loan

- 50% of the members felt that the loan amount is not adequate
- About one fourth felt that the repayment period is low; reason may be large amount of loan
- All the members barring one feel that TFI linkage is better than normal bank linkage.
 - Reasons; large amount of loans & lower interest rate

○ Procedure

- In 10% of the cases loan disbursed was significantly different from that stated in MCP
 - possible reason: delay in disbursement of loan
- Weekly meetings and savings in 80% of the cases as per TFI guidelines
- Still in 20% of the cases meetings and savings occur monthly or bimonthly.
- Monitoring committee's role in validating utilization and loan amount from private sources seems to be nominal

	income level		access to formal credit		dependenc y on ML		habit of saving		health status		educationa l status	
Significa nt improve ment	16	40.0	19	47.5	19	47.5	15	37.5	3	7.5	8	20.0
Noticeabl e improve ment	14	35.0	14	35.0	3	7.5	22	55.0	6	15.0	9	22.5
Insignific ant improve ment	5	12.5	4	10.0	8	20.0	0	0.0	6	15.0	5	12.5
No change	5	12.5	3	7.5	8	20.0	3	7.5	25	62.5	18	45.0
Change for worse	0	0.0	0	0.0	2	5.0	0	0.0	0	0.0	0	0.0

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	availability of credit		respect to women in HH		repayment burden on women		indebttness		expenditur e on food		leadership	
Significant improvement	23	57.5	22	55.0	22	55.0	10	25.0	1	2.5	8	20.0
Noticeable improvement	11	27.5	9	22.5	8	20.0	12	30.0	9	22.5	0	0.0
Insignificant improvement	3	7.5	1	2.5	1	2.5	9	22.5	8	20.0	0	0
No change	3	7.5	8	20.0	9	22.5	9	22.5	21	52.5	32	80.0
Change for worse	0	0.0	0	0.0	0	0.0	0	0.0	1	2.5	0	0.0

SUGGESTIONS

- Preparation of MCP with the set guidelines
- Continuing internal lending
- Proper repayment of internal loans.
- Change of strategy from target based to qualitative approach.
- Grading of SHGs.
- Proper bookkeeping.
- Livelihood promotion for proper utilisation of TFI loan

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Thank you

VO MEETING IN PROGRESS

