

National Workshop on

Rejuvenating SHGs

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Paper on

SHG-Bank Linkage Programme: An enquiry on repayment and default management

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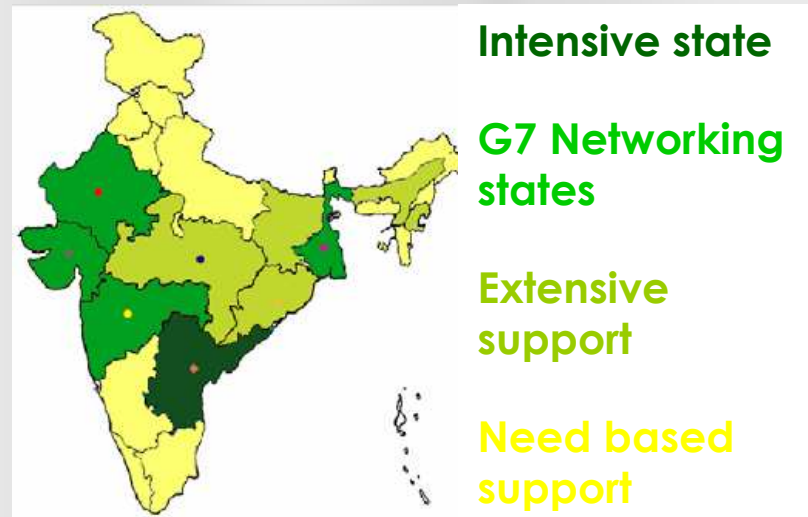


APMAS

About APMAS

- A public society began in July 2001
- A national level Resource Organization for strengthening SHGs & SHG Federations
- Areas of work include capacity building, rating, livelihood promotion and research & advocacy
- Strategic collaborations & alliances with 35 organizations at district, state, national and international levels
- **Vision:**

Sustainable SHG Movement in India



Context

- **Nabard report on Microfinance in India 2007-08 reported more 80% as repayment and 2.9% of bank loan outstanding as NPA**
- **Nabard study on Savings also reported low repayment rate from SHGs to bank**
- **APMAS study on SHG bank linkage reported the RR from SHG to bank as 79 percent**
- **APMAS, IKP, SLBC- Monthly reviews- debated on low repayment rate - approximately between 50 and 60 percent**



Research Questions

- **What is the repayment rate from members to group to external agencies?**
- **Who are the defaulters and their socio-economic conditions?**
- **What are the reasons for defaulting? And default management strategies?**
- **What is the impact of General Elections on SHG-BL repayment rate?**
- **Sample covered-24 default SHGs and 45 default members within SHGs**



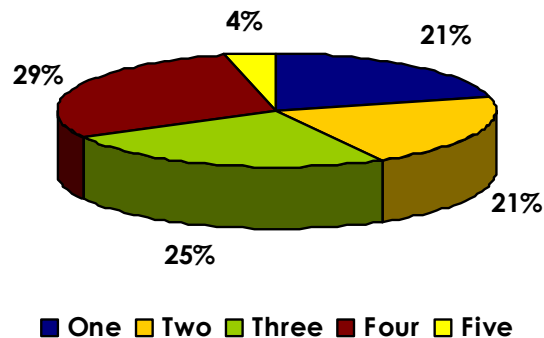
Profile of Default SHGs

- **Group size-** between 8-15 members; an avg. of 11
- **Group age-** between 2 and 14 years; an avg. of 6
- **Social composition-** Majority of the SHG members are SCs-39% and BCs-26%
- **16/24 groups are homogenous in terms of caste**
- **Majority of the SHGs are SC and BC categories**
- **All the SHGs are bank linked**

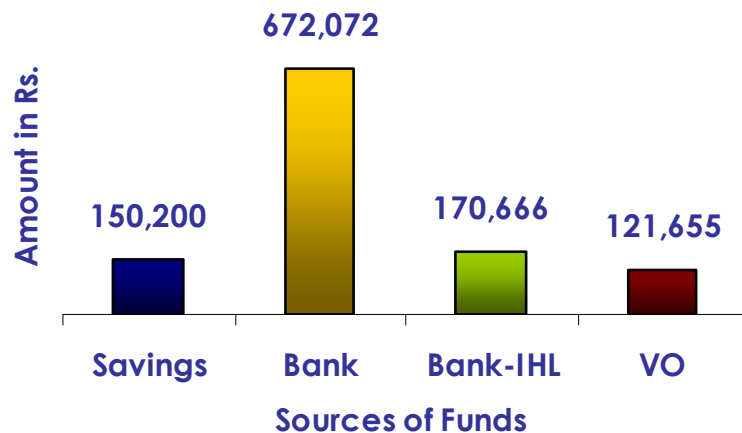


SHGs- Access to External Credit

No. of Times SHGs Bank Linked



Source-wise Disbursement of Total Loan Amount



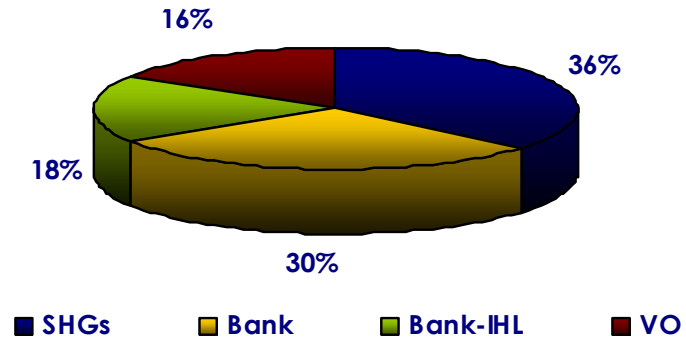
- 80% of the SHGs have repeat linkage
- Average 3 bank linkages
- Rs. 59,11,500 cum. amount with an average of Rs. 2,46,312
- Multiple external credit sources- SHG-BL, SHG-BL-IHL, and VO
- Bank is the major external credit source with 87% of funds



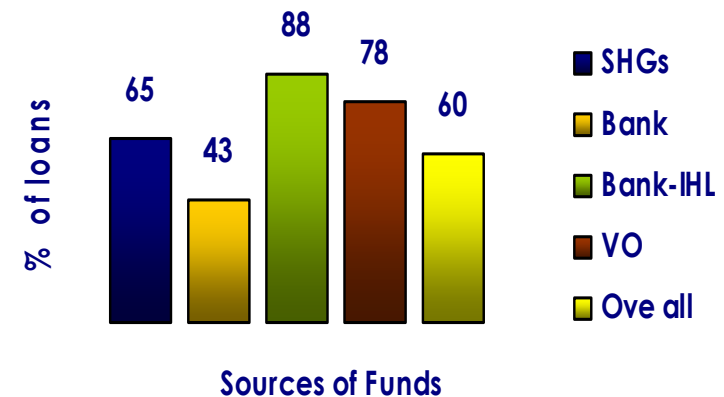
Magnitude of Default

- **Majority loans disbursed from bank funds-64% followed by SHGs-34% and VO-12%**
- **315/524 (60%) of loan borrowers are defaulters**
- **14 out of 22 loans defaulted on an average in a SHG**
- **Period of default- 3 to 18 months; varying on loan fund source**

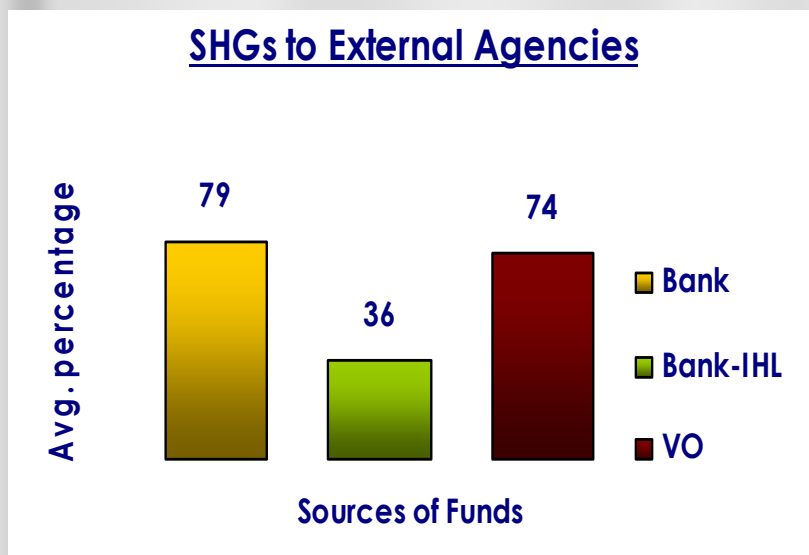
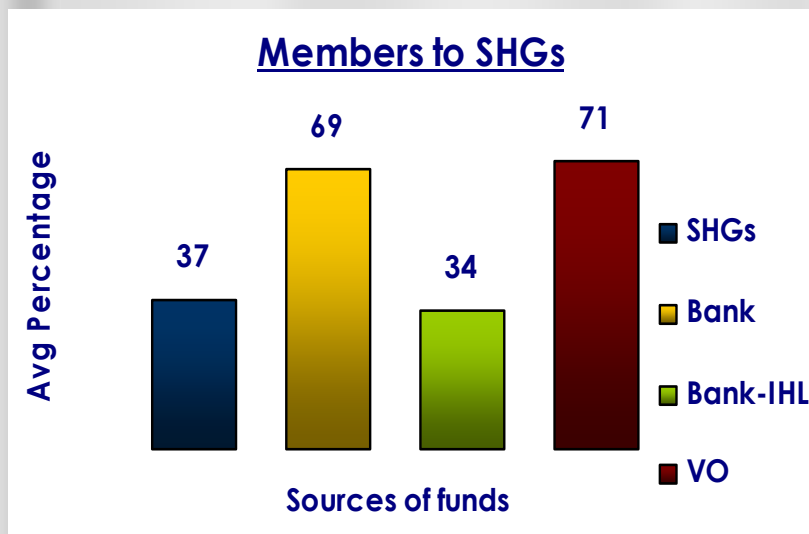
Source-Wise Percentage of Loans Defaulted



Source-wise Percentage of Loans Defaulted Against Loans Disbursed



Repayment Rate (RR)*



Reasons for low RR

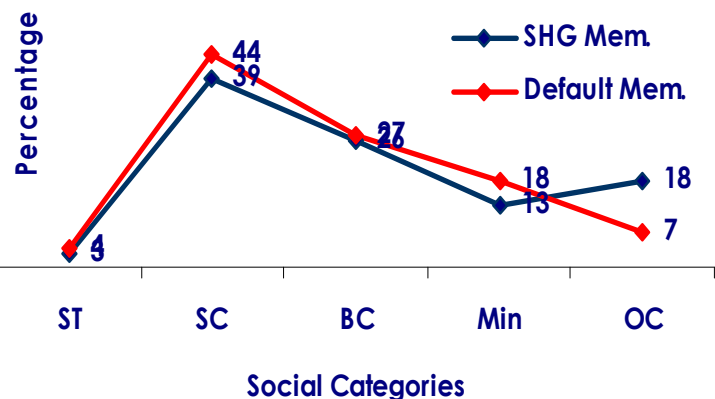
- Promises of political parties on waiving of SHG loans
- Groups decided not to repay bank loans temporarily
- Ambiguity in the repayment guidelines of SHG-BL-IHL loans
- No action on groups defaulted even before them
- No regular follow up of staff



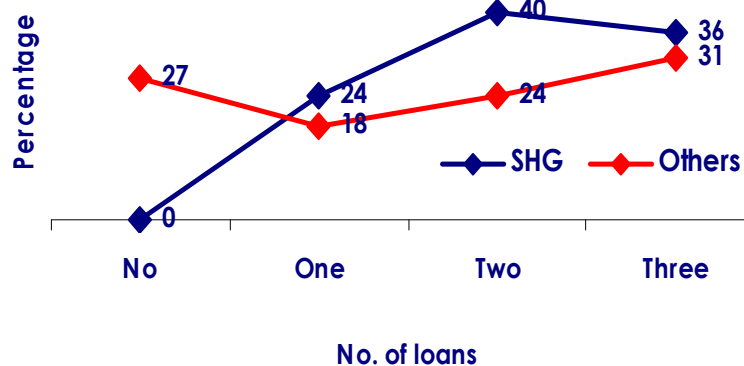
* Repayment defined as the amount received (current and past due) minus prepayments, divided by expected to amount received or demand into hundred

Who are these Defaulters?

Social Composition of SHG & Default Members



No. of Loans Within & Outside SHGs



- Primarily depended on agriculture & labour
- Secondarily on dairying
- Majority of the defaulters are marginal farmers
- Rs. 48764 - avg. HH income
- Majority of the defaulters are BPL category
- Rs. 51,813 - avg. HH debt
- Rs. 27,242 (53%)- Share of SHGs to avg. HH debt



Reasons for Default

Reasons	% of mem.
Economic	
• Less availability of work	46.7
• Slack season/less income	24.4
• Loss of assets (HH/IGA)	26.2
• Drought	20.0
• Migration	08.9
Social	
• Ill-health	26.7
• Children - education	11.1
• Children - marriages	15.6
• Repaid loans outside SHG	24.4
Political	
• Political promises loan waiving	44.4
Group	
• Quarrels within the SHG	37.7

Two types of default- i. Genuine and ii. Willful



Default Management -Groups

Before Loaning

- Repaying capacity of members
- Loan for IGA; Current loan outstanding
- Loan repayment track record
- Loans based on cum. savings

After Loaning

- Monthly principle & interest
- Fines with penal interest
- Small loans to repay large loan
- Adjustment of cum. savings to loan
- Dividend/PV adjusted to loan installments
- Sharing of defaulters list with SHPI
- Review in federation meeting
- Police complaint against defaulters
- Assets taken into possession
- Reschedule as new loan/go for large loan



Default Management- Banks

Before Loaning

- Rating of groups
- Large funds in SAG-SB a/c
- A portion of loan as FD
- Small loans/ to achieve targets
- Less repayment period with large EMI
- Repayment track record

After Loaning

- Fund transfer from SB to loan A/c
- Sharing of info with IKP
- Formal letters to groups
- Personal visits to groups
- FD adjustment to loan
- Ceiling on the withdrawal of savings
- Loan to regular SHGs linked to loan recovery of default SHGs in the village



Conclusions

- **Majority of the default SHGs are SC and BC category irrespective of age**
- **RR rate is low from members to SHGs compared to SHGs to external agencies depends on source of funds**
- **Majority of the defaulters are SCs and BCs; marginal farmers; BPL category with multiple loans within and outside SHG**
- **Both genuine and willful default due to socio-economic conditions of the defaulters and group functioning**
- **Political parties and their promises on waiving of SHG loans in the last general elections made them defaulted**
- **The default management strategies are simple to rigid before & after loaning at group and bank level**



**Expecting Your Critical Feedback
for Value Addition**

Thank You

