

SHG BANK LINKAGE: A Study in Andhra Pradesh



**Presentation by
Dr. K. Raja Reddy, krajareddy@apmas.org**

Vision and Mission

VISION

Emergence of high quality and financially viable member-managed & member-owned savings and credit institutions (SMFI*) for women in Andhra Pradesh (AP)

PURPOSE

To enhance the ability of SMFIs to provide responsive services to its members on a sustainable basis in AP

** SHGs, SHG Federations and other forms of member-owned and member-managed savings and credit associations.*

APMAS: MC and BOARD

Managing Committee

- Dr. P. Kotaiah,
Chairperson
- Mr. Vijay Mahajan,
Vice-Chair
- Mrs. Nandita Ray,
Treasurer
- Spl. Chief Secretary,
PR&RD
- Mr. S.P. Tucker IAS
- Mr. K. Raju IAS
- GM (PS), AB
- CGM, NABARD
- CEO, ASP (MACS)
- Mr. C.S. Reddy, CEO

Board of Directors

- Secretary, WDCW
- Commissioner, WE & SE
- GM(PS), GTB
- CARE-India
- CEO of SHARE Microfin Ltd
- GM of SIDBI
- CEO of Mahila Vikasa
(MACS)
- CEO of Jagruti (MACS)
- INDMACS Federation,
Nizamabad
- Director, CESS

RESEARCH & ADVOCACY,
APMAS



APMAS PRODUCTS & SERVICES

- Quality Enhancement (Capacity Building of NGOs, Government Officials, Bankers, Staff of CBOs and representatives of CBOs)
- Quality Assessment (assessment of SHG Federations, MACS and Federation of MACS)
- Research Studies
- Informed Advocacy
- Business Development Services (BDS)

RESEARCH & ADVOCACY,
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OBJECTIVES OF THE STUDY

The broad objectives of the study are:

- to know the quality (performance) of Bank-linked SHGs;
- to understand the issues related to SHG Bank Linkage; and
- to assess the impact of Bank Linkage on SHGs

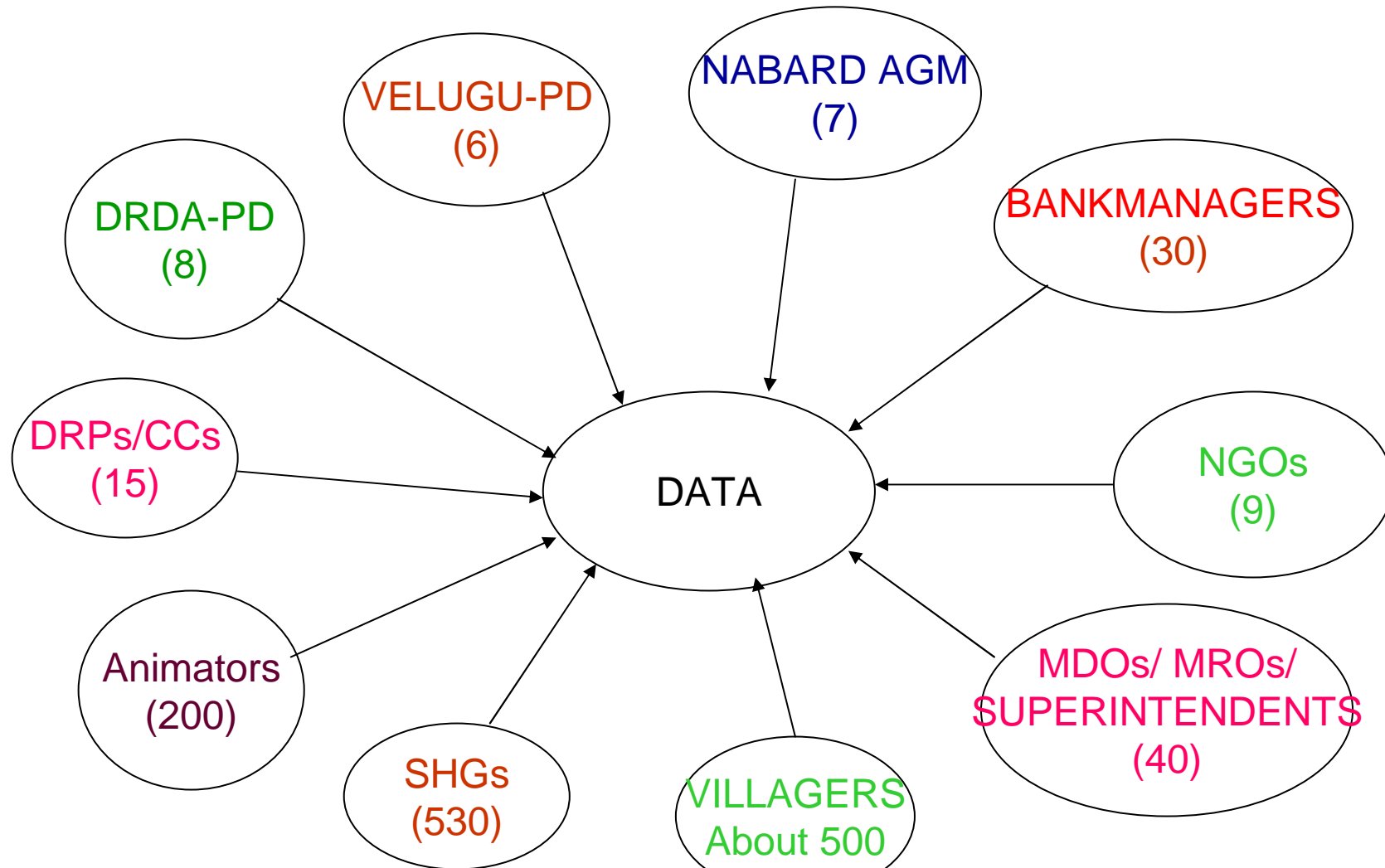


SAMPLING DESIGN

Stages g	Sample Size	Sampling Technique
Universe	Bank-linked SHGs in AP	Majority of the Bank Linkages are in A.P.
Districts	8 (3+2+3) (East Godavari, Prakasam, Vizianagaram, Chittoor, Kurnool, Mahabubnagar, Nizamabad and Warangal)	Multi-stage Stratified Sampling (No. of groups, linkages, amount disbursed, and region)
Mandals	40 (8 x 5) (5 from district)	PPS Sampling
GPs	200 (40 x 5) (5 from Mandal)	Random Sampling
SHGs	400 (200 x 2)(2 from GP)	Random Sampling
FGDs	16 (2 x 8 districts)	

PERSONS INTERVIEWED

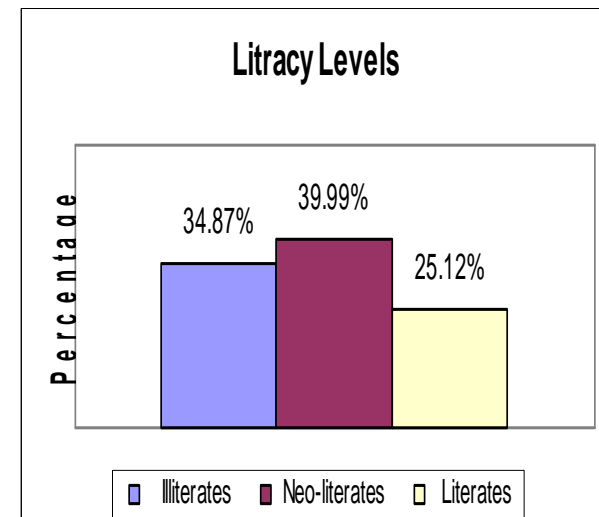
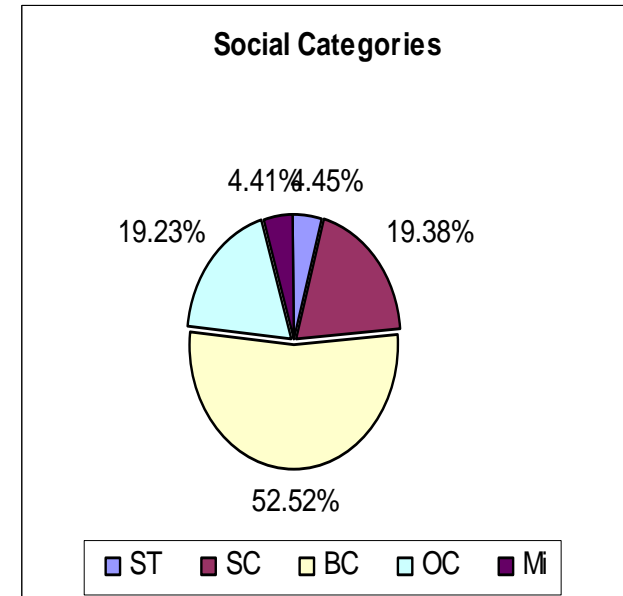
Figures in Parenthesis indicate no. of persons interviewed



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PROFILE OF SHGs / MEMBERS

- Size of the group is between 9 and 20, average is 13.27
- Age of the groups is 1 to 14 years (average 4.17 years).
- Primary occupation- More than half (53%) of the members are Ag. Labour followed by Agriculture (24%).
- Landholdings -Landless (45%) and marginal farmers are equally represented and 1/10th constituted with small to large farmers.
- PDS- 73% of the members possessing white card.
- Housing -16% are living in huts and 12% are residing in colony houses



SAVING

Savings

- Rs.35 is the average monthly individual thrift between Rs.20 and Rs. 50
- Monthly thrift and social categories are positively correlated. Among STs it is less and OCs it is more
- Rarely bullet savings & loan borrowings to get the additional benefits.

Cumulative savings

- Rs.23,656 are the average savings of the SHG
- Rs.2,000 and Rs.1,71,049 are the min. and max
- 1/3rd is more among OCs compared to SCs and STs
- More in Prakasam(Rs.33,783) less in Vizianagaram (Rs.19,060)
- More among the groups, having banking services at less distance

FUNDS

Cash on Hand

- 10% of the SHGs possessed cash on hand with Rs.133 as mean
- Cash on hand is 3 times in Vizianagaram and 10 times in East Godavari is more when compared to Kurnool district

Bank Balance

- An avg. amount is Rs. 3,784
- 3/4th of the groups have less than Rs. 5,000
- 1/4th of the groups have more than Rs. 5,000

Fixed Deposits (FD)

- 17% of SHGs have FDs, average Rs. 8,488
- FDs are 6 times more among RF Received groups than RF non-received groups
- 25% of the Deposits are more among RRBs than CBs

Idle Fund (IF)

- Rs. 5,307 are the average IF of SHG
- Less among BCs followed by OCs
- More among STs followed by Minorities

REVOLVING FUND

Size

- 69% of the Bank-linked groups have received RF/MF
- Rs.10,755 is the average amount of RF of the SHG
- RF is almost Double among the OCs compared to STs
- Rs. 8,000 to 10,000 in majority of the groups in all districts
- More no. of groups (40%) aged 3-6 years received RF
- Older groups received higher amount of RF
- More % of RF received groups are Old Groups
- Less % of RF non-received are Young Groups

- Highest no. of Groups received RF in Prakasam (88%) district
- Highest no. of groups RF non-received is in East Godavari (68%) district

Sources

- DRDA
- ST, SC, BC Corporations
- Non-Govt. Organizations
- Minority Institutions
- RF from multiple sources

Lending

- Majority of the groups distributed RF/MF equally
- Reason- it is from Govt. no need to repay it

EXTRAPOLATIONS ON SHGs IN A.P.

Population

Total
2,98,57,500

Households

TOTAL : 59,71,500

- STs : 2,65,500
- SCs : 11,57,625
- BCs : 31,36,500
- OCs : 11,48,625
- Min : 2,63,250

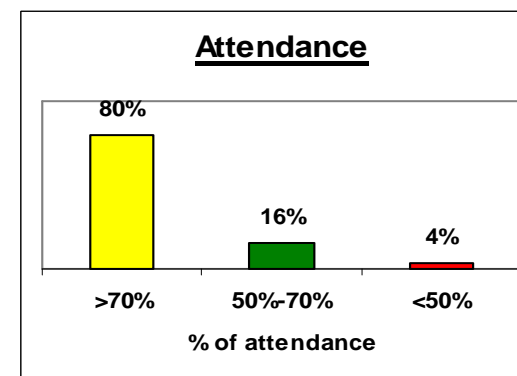
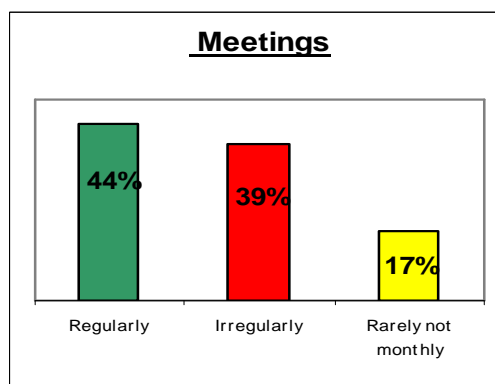
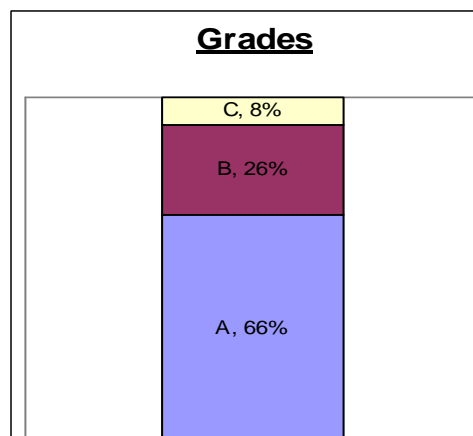
Savings

- Cumulative Savings-
Rs.1,109.41 Crores
- Cash on Hand Rs.10.71
Crores in 1,04,625 groups
- Cash in Bank Rs.186.20
Crores

Funds

- Revolving Fund Rs.391.52
Crores in 3,09,375 groups
- Fixed Deposits Rs.74.44
Crores in 76,500 groups
- Idle Fund Rs.271.36 Crores

GROUPS: GRADES AND QUALITY



- **Homogeneity**- 50% of the groups having very strong feeling of homogeneity
- **Awareness**- < 50% of the groups having awareness on SHG concept
- **Financial transactions** –fund collection, decisions and disbursement of loans
 - 56% of the groups within the groups' meetings
 - 6% of the groups outside the groups' meetings
 - 38% of the groups, **either outside or inside the groups' meetings**
 - Only 30% of groups' all the members are aware of the financial transactions
- **Internal Lending** (only savings)
 - 2/3rd of the groups practised need based and 1/3rd of the groups followed equal distribution
 - About 50% of the groups velocity of lending is < 1 time
- **Mode of repayment**- 3/4th of the groups repaying loans monthly both P & I
- **Up dating of books** is above average (between 50% to 70%)
- **Note: Study Investigators were liberal while using CRI**

CONDITIONS FOR BANK LINKAGE

Conditions for Bank Linkage

Formal

- 6 months- Active Existence
- Good Books of Accounts
- Need based internal lending
- Photocopy of Loan Resolution
- Account in the concerned bank
- No Dues/ NOC from SA Bank
- Appraisal of group by using CRI

Informal

- Clearing of arrears of individual loans
- Promoters' surety in some cases
- Min savings of Rs.5,000 is Compulsory
- Collateral surety in some linkages
- No Dues Certificate from other banks

Impact

- Books of accounts up dated
- Group's pressure on defaulters
- 80% of the defaulters cleared the loan
- Defaulters excluded from the group
- Defaulters made ineligible for loan
- Dependency on Money Lenders (ML)

ASSESSMENT METHODS-BANKERS

Savings (85%)

- Verification of savings

Internal Lending (57%)

- Equal distribution
- Need-based lending

Purpose of Loan (69%)

- Individual/group activity
- Consumption/production

Book-Keeping (76%)

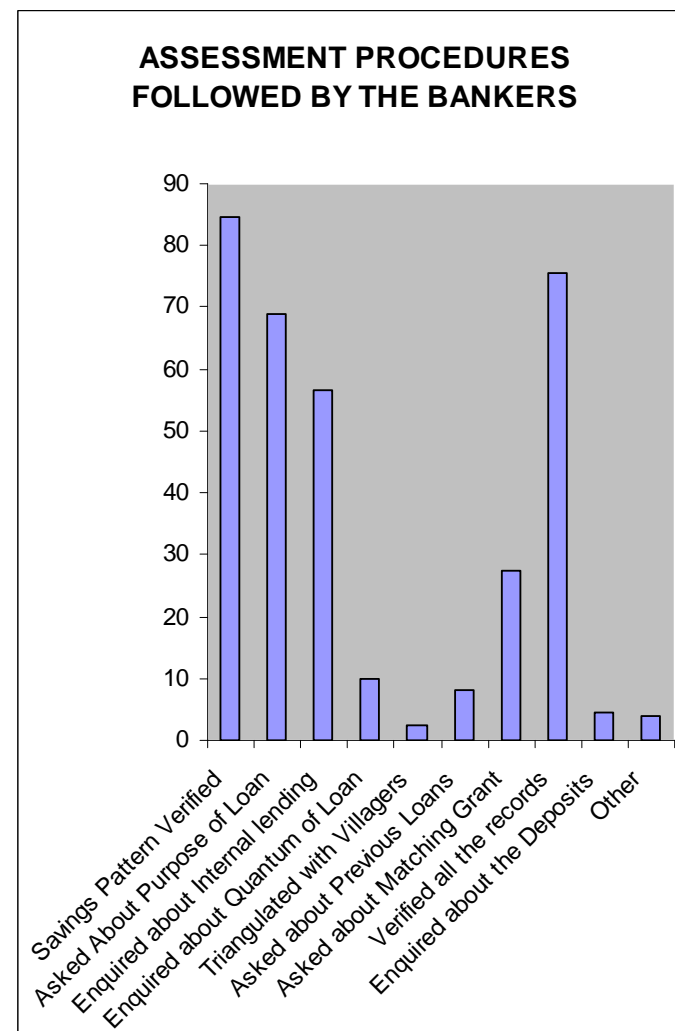
- Records verification

External Evaluation(3%)

- Opinion of Villagers on groups

Financial Discipline (8%)

- Enquired about past individual loans
- Regularity in the repayment of earlier bank linkage



LOAN STRATEGIES- GROUPS

INTERNAL

Quality Maintenance

- 35% of the groups linked by their quality
- 20% of the groups by their good books of accounts
- 45% of the OC groups depended on quality
- Majority of the groups in Nizamabad (46%) and Prakasam (44%) depended on quality

Quality Improvement

- Up dated till bank-linkage
- Voluntary savings increased
- Loans borrowed from ML deposited in Savings A/c

EXTERNAL

External Assistance

- 1/10th of groups used political pressure
- More percentage of STs (17.6%) and OCs (17.3%) were used political pressure
- More percentage (20%) in Mahaboobnagar depended on local leaders
- 1/4th bank linkages animators played a critical role

Services/Favors and payments

- Animator – Rs.200 to 500 per group per linkage
- EO(DWCRA) Rs.400 to 500
- Local leaders- Rs. 1,000 to 2,000

QUANTUM OF LOAN

Loan Size

- Rs. 34,037 is the average loan size
- Varies from Rs.5,500 to Rs.200,000
- 30% of loan Size to the OCs is more compare to SCs and STS
- Loan size is more (50%) among the RF received Groups
- More in Prakasam (Rs.43,000) and less in Warangal (Rs.21,000)
- Age of the group increases, Loan size and % of groups are increased
- 1st loan is small (Rs.10,000) and Repeat loan is double to previous loan

Appraisal Methodology

1st Linkage

- Per member ratio method (1,000 per member); and
- 1st dose 1:1 ratio (savings include FD and RF deposited in Bank)

Repeat Linkage

- Double the amount to 1st linkage
- Mode of repayment
- Purpose of loan

Proposed Loan size

(On the basis of FGDs and Interviews)

- Groups- Rs. 40,000 to 50,000
- Banks- Rs. 20,000 to 25,000 in 1st linkage

OPINION ON BANK LOAN

Loan adequacy

- Adequate - 53%; Inadequate - 47%
- Adequacy is more in Vizianagaram (64%) and less in Nizambad (46%)

Timeliness

- Timely- 83%; Untimely- 15%
- Majority of OCs felt that the loans is timely where as for STs untimely
- Majority (94%) of the groups in Vizianagaram felt that loan is timely where as in Nizambad (46%) untimely

Nature of linkage

- Request-90%; Forced-10%

No. of visits

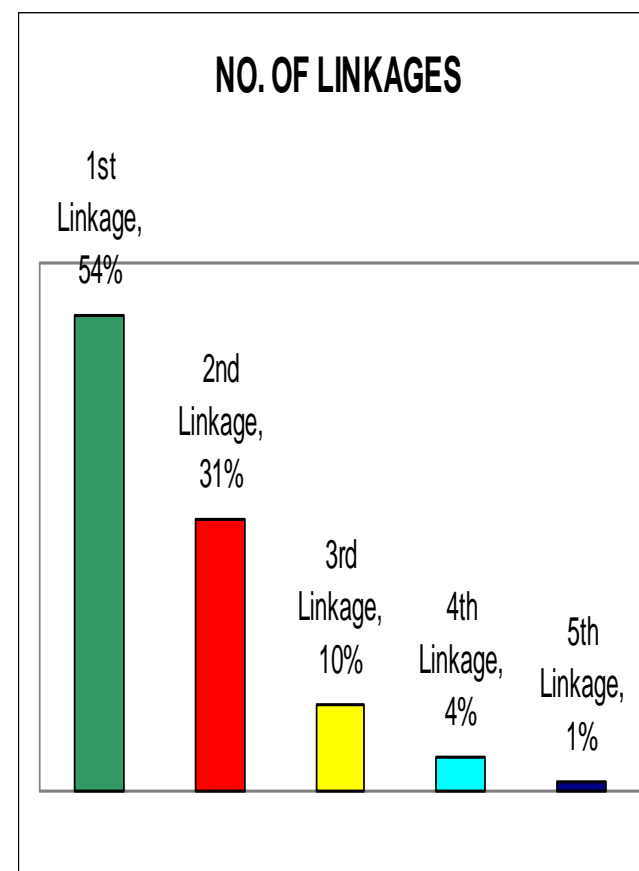
- Average visits 4.06
- Increased from OCs to STs
- Decreased in repeat loans
- More in Nizamabad compared to Kurnool-least
- Less to RRBs compared to CBs

Time taken

- 2.78 months to sanction the loan
- 1.35 months to release the loan amount
- Less time to OCs and more to BCs
- Double the time to RF received groups

NO. OF LINKAGES

- 54% of the groups are freshly linked
- 46% of the groups linked by repeat loans (2nd, 3rd, 4th and 5th linkages respectively)
- Repeat loans are more in Chittoor and E. Godavari (62%) and less in Prakasam (36%)
- Percentage of loans to OCs are increased in repeat linkages
- Percentage of loans to SCs & STs decreased in repeat linkages
- Higher the no. of linkage higher the loan amount
- No. of linkages and age of the groups are positively correlated
- Distance and repeat loans are negatively correlated



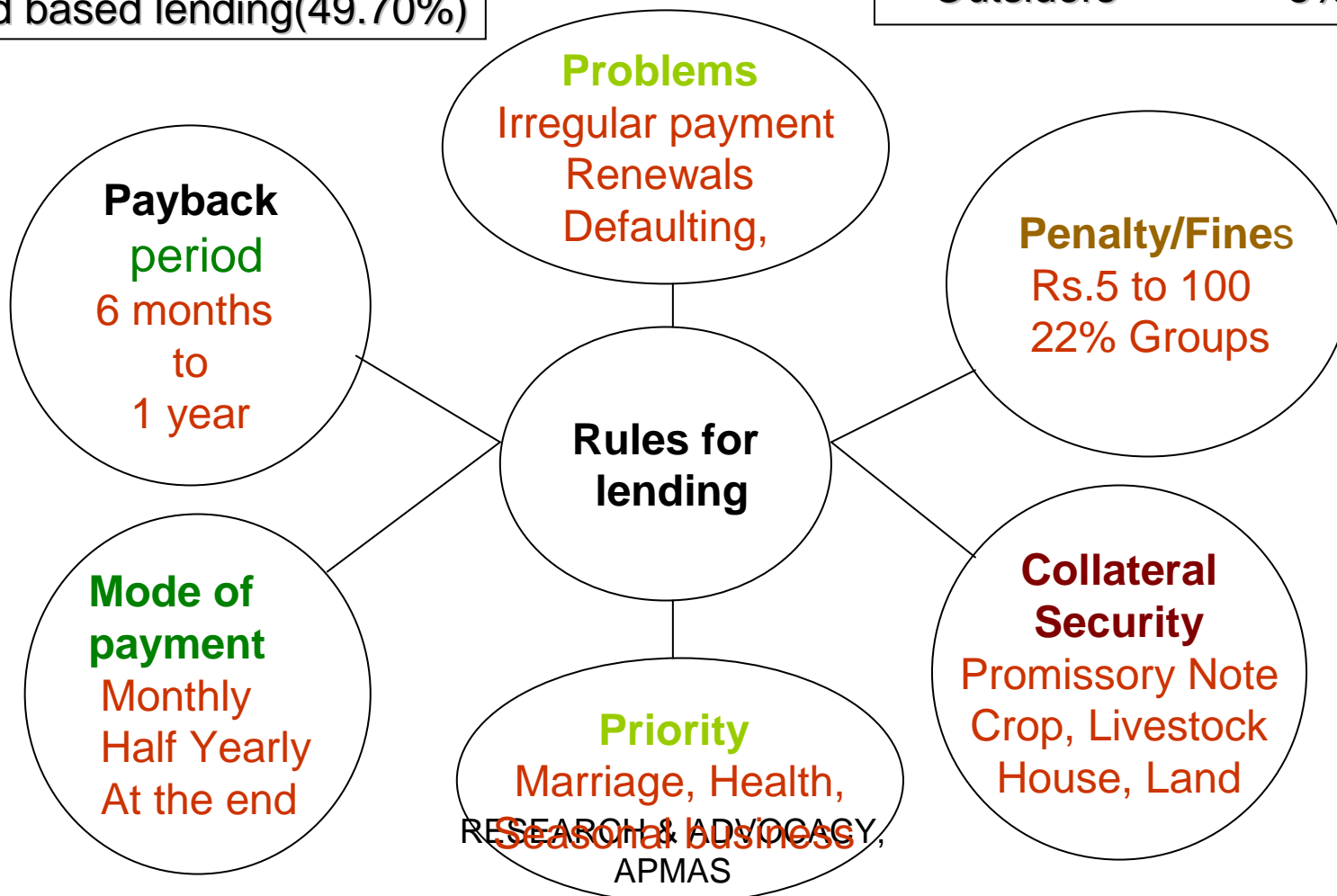
LENDING PROCEDURES

Pattern of lending (Current Loan)

- Equal distribution (50.30%)
- Need based lending(49.70%)

Loan borrowers

- Group members - 95%
- Outsiders - 5%



GROUP LEADERS

Selection

- 95.3% on the consent of groups
- External influence is minimal

Selection criteria

- **Education** (57%-literate, 27%- neo-literate and 16% - illiterate)
- Other - social networks, awareness, team spirit, talkativeness, numerical dominance

Leadership

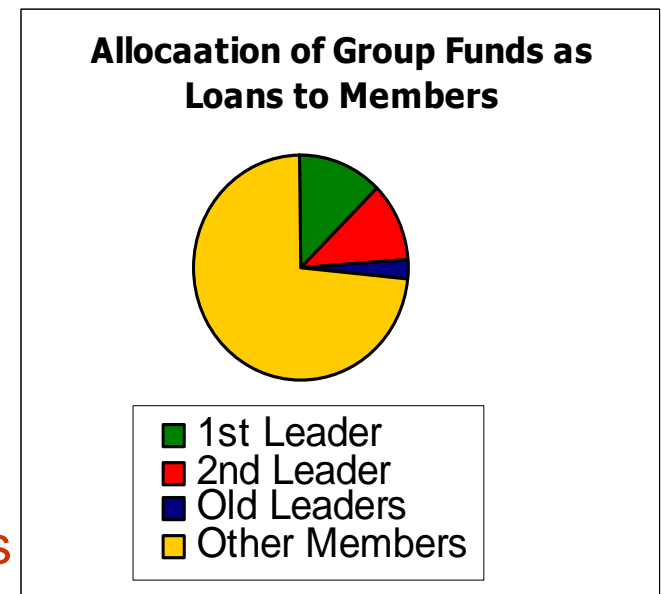
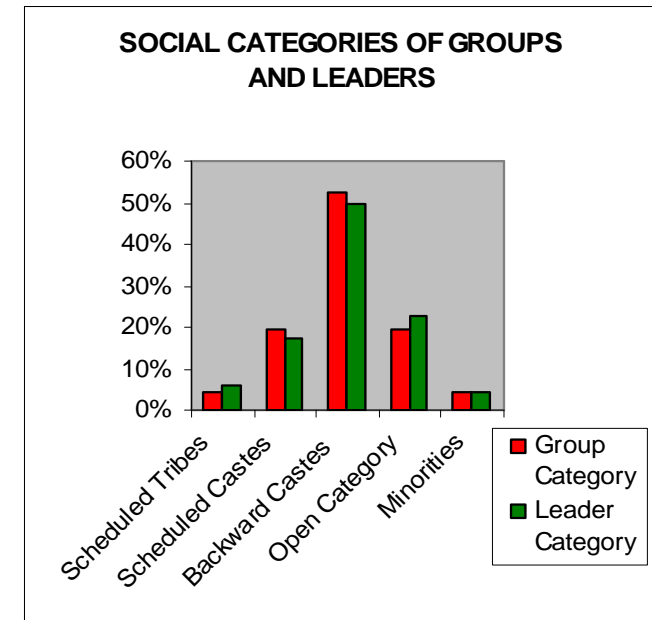
- Under representation – SC, ST, BC and Min.
- Over representation – OC

Change of leadership

- 17% of the groups changed their leaders
- 1st time 12%, 2nd time-4%, 3rd time- 1%

Leaders misused group funds

- borrowed loans
- withdrawal of savings
- Enjoyed benefits with name of group members



PATTERN OF LOAN UTILIZATION

Utilization

- Majority (71%) of the groups used loan for stated purpose
- Repeat loans used for stated purpose
- Loan used for multiple purposes
- **Consumption**
- Purchase of food material (17.04%)
- Life-cycle ceremonies (2.13%)
- Health (<1%)
- Children Education(<1%)

Production

- Purchase of milk animals (46%)
- To repay old loan borrowed to high interest (2%)
- Ag. Inputs (7%)
- Seasonal business (29%)
- Petty business (11%)

Asset Creation

- House,
- Bore well,
- Purchase of land,
- T.V., Motor Cycle (each < 5%)

BANK LOAN REPAYMENT

Repayment

- 88% of the groups have been regularly repaying the loan instalments
- 100% loan repayment is double among OCs compared to SCs and STs
- Very high repayment is found in Mahabubnagar district
- Pre-payment is found 1/3rd of 1st Linkage only
- Prepayment is mostly by STs and SCs, whose loan size is small

Defaulting

- 12% of the groups are defaulted to bank
- Defaulting is from 1 to 18 months
- Defaulting is decreased if the no. of linkage increased
- SCs are recently defaulted (since 2 months)
- BCs, SCs, OCs and Minorities are defaulted between 1 and 18 months
- Double the defaulters among RF received groups
- Defaulting is more in Nizamabad followed by Kurnool

LOAN RECOVERY STRATEGIES-BANKS

Banks

- 91% of the loans Banks decided the no. of installments and pay back period
- Care in deciding loan size (loan = savings)
- Adjustment of savings to loan installments
- Loan released in installments
- Few cases, 50% of the loan made as FD/Separate account
- Monitoring on withdrawal of group savings
- Rigid recovery procedures
 - Taken away all the ag. Produce
 - collected RF bonds

Promoter

- Formal letters to groups through MDO
- Repeated visits with the promoting agencies

Group

- Reminders at the time of monthly savings deposition
- High amount of repeat loans for early/regular loan clearers
- Pressure on defaulters
 - Best groups in the village
 - Stoppage of loans to entire loan defaulter village

IMPACT OF DROUGHT

On savings

- Since 6 months loan repayment is irregular in majority of the groups
- More impact on monthly savings than on loan repayment

Strategies adopted

- Too much pressure on banks from fresh groups
- Savings reduced and paid loan installments
- Borrowed loans from Money Lenders to repay loans
- Mortgaged Gold ornaments to repay the loans

Impact

- Migration (9.3%)
- Savings are used for consumption (15%)
- Loan repayment postponed (6.3%)
- Voluntary refusal of repeat loans by the old groups
- Postponement of fresh and or repeat loans by bankers
- Repayment has been decreasing and defaulting increasing
- Less pressure from banks on repayment

NEW ADMISSIONS

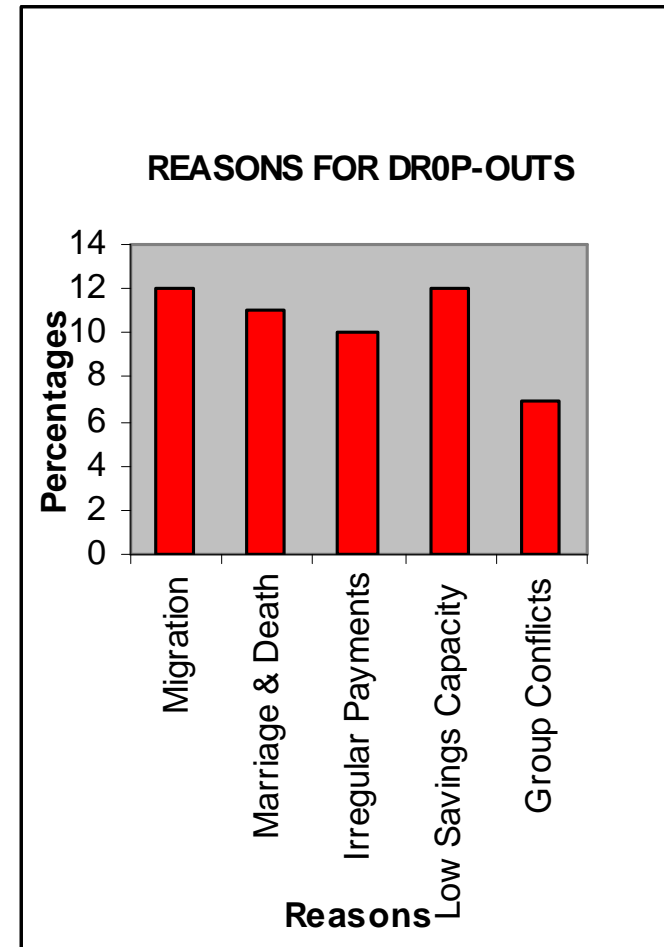
- 116 (2.19%) members newly admitted in 65 (16%) SHGs, out of 5308 members
- Replacement with other family members in the case of marriage/ death of the SHG member is common
- The percentage of new admissions are more in Warangal followed by Mahabubnagar district
- Least no. of admissions are in Nizamabad district
- New admissions are more among the minorities followed by OCs
- New admissions are more among the old groups aged 8 & above years and less in young groups

DUAL MEMBERSHIP

- Out of 5308, 240 (4.52%) members have dual membership in 101 (25%) SHGs
- Warangal and Mahabubnagar having the highest no. of dual memberships
- Prakasam has the least no. of dual memberships
- Less no. of OCs have dual membership and STs and Minorities having high no. of dual membership
- The groups aged one year and the groups aged more than 6 years members having dual membership
- Dual membership is more among the A-grade groups followed by B and C

DROP-OUTS

- Out of 5308, 349 (6.57%) members dropped from 166 (41%) SHGs
- Percentage of drop-outs is more in Chittoor(36%) followed by East Godavari and Warangal
- Least are in Vizianagaram followed by Prakasam
- Drop-outs are more among Minorities followed by SCs and OCs
- Drop-outs and age of the groups are positively correlated
- Drop-outs are more in A-Grade followed by C and B



PROBLEMS TO BANKERS

Internal

- Target approach- Small loans to poor quality groups and large amount to high quality groups to reach targets
- Partial knowledge on SHG concept
- Work load, lack of HR and time for monitoring

Key Players

- Target linkages fixed at State, District, and Branch level
- Some MFIs badly portraying the bank-linkage programme
- No post linkage support from NGOs, Velugu, DRDA etc. particularly at loan recovery

Groups

- Fake resolutions and signatures for withdrawing
- Group members spouses' involvement in linkage process
- Tensions due to complex informal procedures
- Willful defaulting and demonstration effect

PROBLEMS WITH BANKERS

Bank Mangers' transfers

- More no. of visits
- delay in linkage
- problems within the group and from family

Complex withdrawal procedures

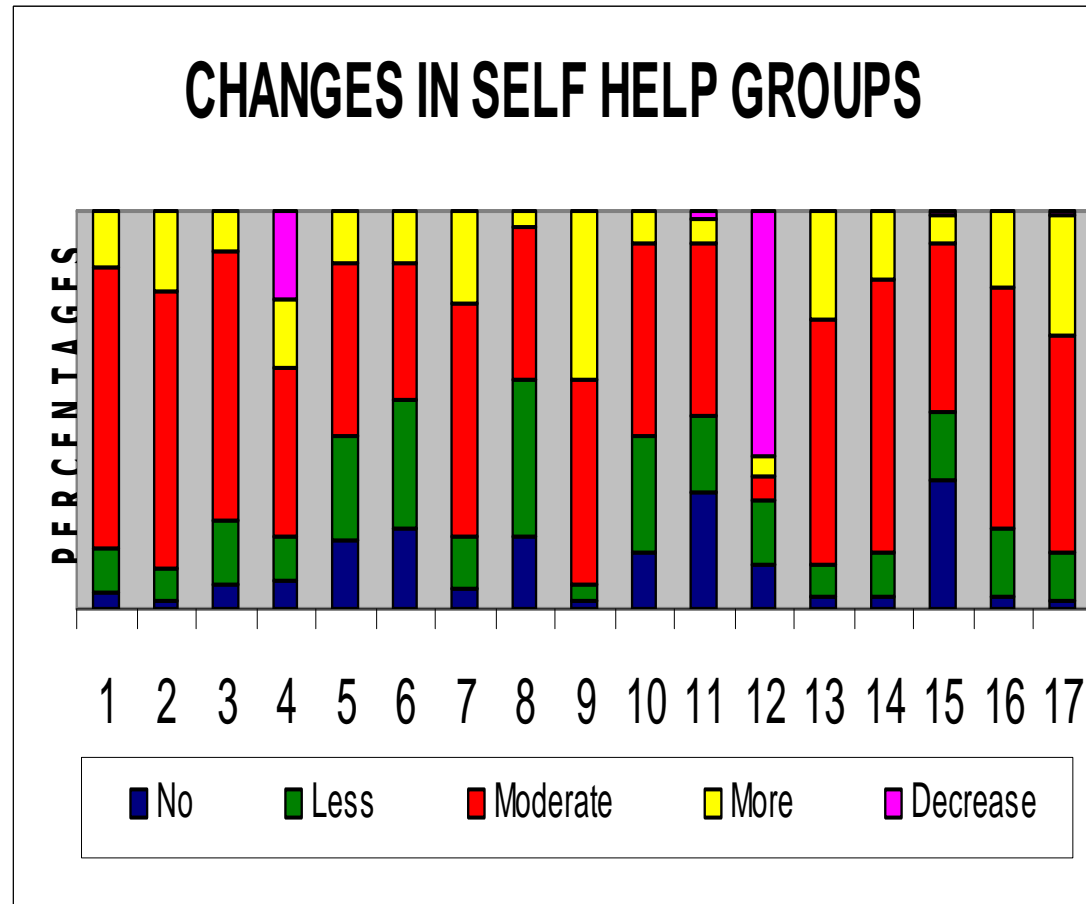
- specific days
- ceiling on amount
- attestation from MDO office
- presence of all the group members
- non-acceptance of LTI
- Non-tally of signature

- Transfer of account from one bank to another bank
- Different rates of interest confusion among groups
- Service Bank is located at far off places
- Few branches Collecting documentation and servicing charges
- Demanding FDs for bank linkage
- Managers' attitude on linkage
- Long waiting time, some times whole day
- Not accepting for changing the group leaders
- Mean behaviour of staff

IMPACT ON GROUPS

Changes in ...

1. Improvement in income levels
2. Credit is easily available
3. Access to formal institutions
4. Free from money-lenders
5. Access to Pro-poor prog
6. Employment Generation
7. Independent life
8. Education levels improved
9. Habit of savings
10. Health Status improved
11. More expenditure on food
12. Indebted
13. Self-confidence
14. Decision Making power
15. Representation in other groups
16. Leadership qualities
17. Group solidarity



IMPACT ON GROUPS

- Majority (71%) of the groups reported 'moderate' improvement in income levels
- Credit availability is 'moderately' (69%) improved –more among the OCs and less among the STs
- Access to formal institutions is 'moderate' (68%). STs have less access to bank and the new groups are 'more' access to formal institutions
- 70% of the groups reported free from money lenders
- 23% reported 'decreased' change in the case of free from money lenders and this is more or less 30% reported by SCs, OCs and Minorities
- STs (18%) and OCs (17%) are 'more' access to propoor programmes but it is 'decreased' among BCs and SCs and Old groups are 'more' accessed .
- The degree of access is increasing from linkage to linkage
- 80% of the groups reported 'moderate' change in employment generation

IMPACT ON GROUPS

- 59% of the groups reported 'moderate' change in independent life and is positively correlated to ethnic categories
- 80% of the groups reported 'moderate' improvement in educational levels and this is low among the STs
- 98% of the groups reported that habit of savings increased. STs reported 'more' change in it
- 80% of the groups expressed 'moderate' improvement in health conditions. Significantly STs reported 'more' improvement
- 62% of the groups toward 'moderate' Self Confidence followed by 'more' (28%).
- 96% of the groups reported 'moderate' change in decision making 'more' change is found among STs (23.33%) and OCs (27.16%).
- majority of the groups in all the social categories reported 'moderate change' (43%) in decision making
- 60% of the groups felt that there is a 'moderate' change in leadership qualities.
- about 5% of the groups among SCs, STs and BCs felt that there is no change in leadership

Thank You