

SHG BANK LINKAGE PROGRAMME: Study on loan utilization patterns in Chittoor District of AP



**Conducted by
APMAS**

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OBJECTIVES OF THE STUDY

- **To understand the distribution pattern of large loan amount**
- **To study loan disbursement process adopted by banks and groups.**
- **To learn about purposes and utilization of loan amount by members.**
- **To know the repayment trends and its impact on family consumption, indebtedness and group saving, etc.**



STUDY TEAM WITH SHG MEMBERS



SAMPLE COVERED

- **District chittoor : 1**
- **Rev. divisions : 3**
- **Mandals : 3**
- **Bank Branches : 3**
- **Villages : 9**
- **SHGs : 18**
- **SHG members : 54**



PROFILE OF THE MEMBERS

- Ag. and ag. labor are the primary occupations
- Dairy is the principle secondary occupation
- Majority are small farmers followed by landless
- Most of them are neo-literates
- All are having white ration cards
- But most of them are non-poor
- Majority are BCs and OCs
- Most of them living in tiled and pucca houses



ACCESS TO LOANS

- All the SHGs obtained 3-4 loans from the banks
- Rs. 15,000-30,000 avg. cum. loan from banks
- 2-5 loans with Rs. 5,000-10,000 from group corpus
- RF mostly either made it as FD or lent to members
- Very few groups got subsidy loans from DRDA
- CIF is only to few SHGs and members



MONTHLY THRIFT

- **Either Rs. 30 or Rs. 50 is the monthly thrift**
- **Member cum. savings from Rs. 2000 to Rs. 4000**
- **Savings distribution is only in very few cases**
- **Many groups enhanced their monthly savings**
- **Each member saving Rs. 10 pm in VO**



APPRAISAL

- **Most of the SHGs are 'A' grade**
- **Loan size is mainly depend on group corpus**
- **Regularity in the repayment of earlier loan**
- **Loan size generally 1:5**
- **RF and FD are the informal surety**
- **More idle funds/ bullet payment**



LENDING NORMS

- Equal distribution is very common in SHG-BL
- 20 to 36 months is the loan payback period
- SHGs charging the same interest rate charged by the banks
- SHG & BM jointly decided the loan instalments & amount
- Monthly repayment of both principle & interest
- A portion of loan (10% to 15%) made it as FD



LOAN UTILIZATION

- **Milk animals between Rs. 8,000 and Rs.12,000**
- **House construction worth Rs. 2 to 5 lakhs**
- **Meet the expenses of daughter's marriage**
- **Ill-health of the household members**
- **Meet the expenses of children education and to repay private loans**
- **Existing economic activities-dairy, petty business, agriculture inputs etc.**
- **Little portion of the loan used for HH miscellaneous expenses**



LIVELIHOODS



NON-PRODUCTIVE INVESTMENTS

- HEALTH
- EDUCATION
- HOUSING
- MARRIAGES



LOAN REPAYMENT SOURCES

- **Household income is the major source**
- **IGA taken up with loan is another source**
- **Amount obtained under PV adjusted to loan instalments**
- **Money transfers from SB A/c to loan account**
- **Loans from savings to delayed members**



DELAYED PAYMENT REASONS

- **Delayed payers- loan spent on non-production purposes**
- **Less availability of work & crop failure**
- **Less income from the household activity**
- **Ill-health of one of the household members**
- **Willful default is almost absent**



REPAYMENT STRATEGIES

- Repayment is more than 95 percent
- Repayment strategies
- Adjustment of savings
- Loans from internal funds/savings to defaulters
- Loans from external sources
- Bullet payment of last 2 or 3 instalments to get repeat loan



RATE OF INTEREST

- **Rate of interest varies from bank to bank**
- **Increase in banks' interest rates from 9% to 12%**
- **Reduction in interest rates (Rs. 2-1) by the SHGs**
- **To avail 3% interest per annum (PV) SHGs regularly repaying bank loans**
- **But stopped repaying loans borrowed from group funds**
- **Diminishing method of interest**
- **Interest will add to principle for every 3 or 6 months**



PAVALAVADDI- 3% Interest rate

- **All SHGs benefited with *pavalavaddi***
- **All the members benefited in the group**
- **Once in every 6 months received from DRDA**
- **Amount varies from 5 to 10 thousand rupees**
- **In many SHGs used to repay loan inst.**
- **Some added to group corpus for int. lending**



OPERATIONAL COST

- **Between Rs. 500 and Rs.1000**
- **Meeting the expenses in two ways**
- **Deducting at the time of disbursement**
- **Paying separately without using group funds and loan amount**
- **It could be because of more awareness**



PROBLEMS REPORTED

- **Large instalment amounts**
- **Less no. of instalments**
- **No information about the FDs of loan and Revolving fund**
- **No trainings on IGAs**



IMPACT

- **About 1/3rd of cases no income creation**
- **Income varies from Rs. 500 to Rs. 1500 per month**
- **3-4 hours of additional employment generation**
- **Employment to husband and wife rarely children**
- **No additional savings in any form**
- **No increase in expenditure on food items**
- **Asset creation-Owning milk animals, improvement in business, house construction**



IMPACT

- **Much pressure on women to repay instalments regularly**
- **Children education improved**
- **Repaid old debts**
- **Loan utilization - decreased the dependency on Money lenders**
- **Regular repayment - increased the dependency on money lenders**



IMPACT ON SHGs

- Large loans to members
- More access to formal credit
- More savings in VO
- More respect in the bank



EXPECTATIONS

- Large loans between 2 to 3 lakhs
- 50% of the loan for IGA and another 50% to repay private loans
- IGA includes existing activities-dairy, petty business, agriculture inputs
- No one requested any training on livelihoods



Thank You

