
SHG BANK LINKAGE:

A study on loan utilization patterns in

West Godavari



Conducted by
APMAS

OBJECTIVES OF THE STUDY

- To understand the distribution patterns of larger loan amounts
- To study the loan disbursement process adopted by banks and groups.
- To learn about the utilization of loan amount by members.
- To know the repayment trends and its impact on families



SAMPLE COVERED

- Rev. divisions : 3
- Bank Branches* : 3#
- SHGs* : 19
- SHG members** : 57

*with 1 lakh & above active loans

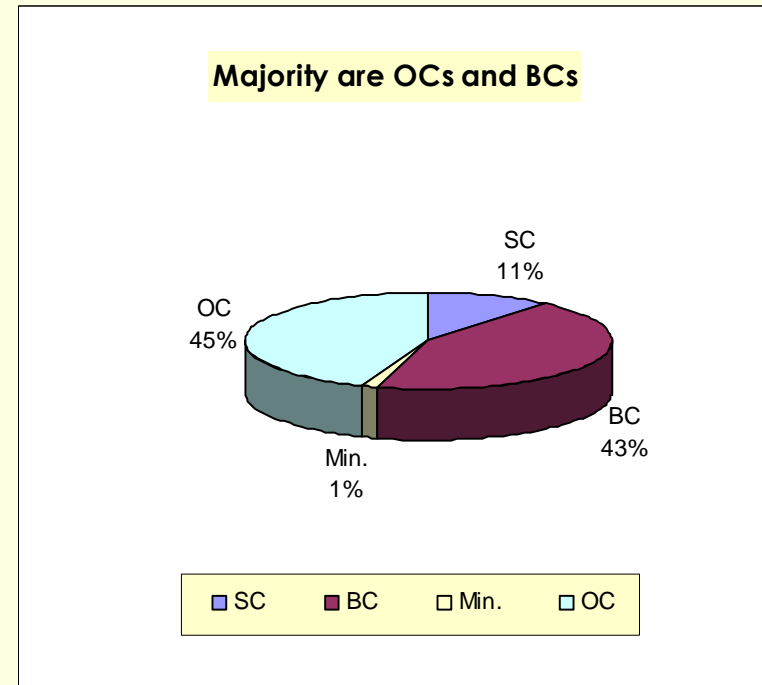
**with Active Loans

#1 lead bank, 1 Non-lead bank, 1 RRB

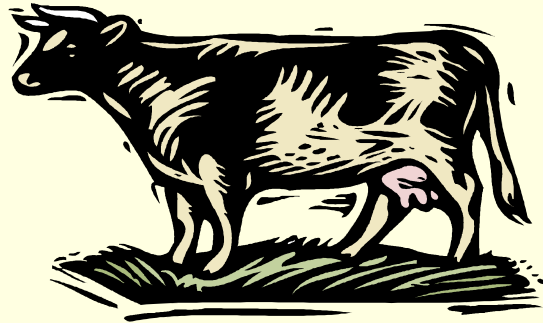


PROFILE OF THE SHGs

- DRDA is the promoting agency
- Average Group size is 11.
- Majority are of 18-35 age group(49%), followed by 35-55 age group(46%).
- Majority are literates (56%) followed by neo-literates (32%)



PROFILE OF THE SHG MEMBERS



Dairy is the principle supplementary source of income

- Agriculture is the primary occupation
- 75% are Landless but majority of them taking up land-lease activities
- Almost all hold white ration cards
- Majority have pucca and semi-pucca houses.



MONTHLY THRIFT

- Monthly thrift in almost all the cases is either Rs. 30 or Rs. 50.
- 79% groups are regular in savings
- 37% groups enhanced their monthly saving amount to get larger loans
- 26% groups reduced their saving amount for the convenience of repayments
- Average Group corpus is Rs. 27411.
- Member average cum. savings is Rs.2778, ranged between Rs. 1000 to Rs. 9000.
- 79% of groups distributed savings at least once



ACCESS TO LOANS

Sources of loans	Max.No. of linkages	SC	BC	Min	OC	Total
Bank linkages	4	7	22	1	26	57
Internal Funds	3		10		14	24
SHG Federations	1		3		1	4
Revolving fund	1	6	22	1	26	55
Subsidy loan	1	1	3		1	5

- Avg. cum. loan from banks/member- Rs. 18078.
- Majority of the groups distributed the DRDA RF.
- Less VO linkage (CIF)

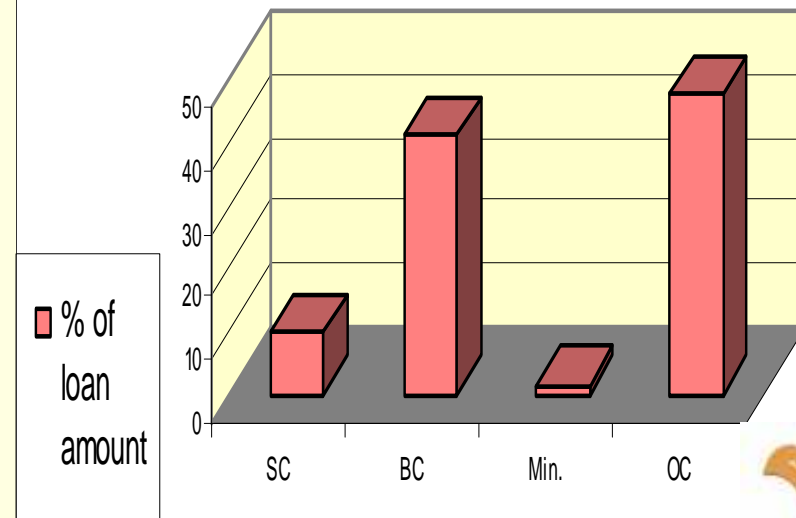
OC & BC members are the major bread winners.

ACCESS TO LARGER LOAN

- Average Loan size is Rs.13775.
- Loan size ranged between Rs. 2000 to Rs.50000.

Loan size	SC	BC	Min	OC	Total
Less than 5000	1	3		3	7
5001 - 10000	5	17	1	9	32
10001 - 15000				5	5
15001 - 30000	1	3		6	10
30001 - 50000				3	3
Total	7	23	1	26	57

Category-wise share of larger loan amount



LOAN PROCESSING

APPRAISAL

- CRI is used in few cases – No formal Grading to SHGs
- Informal appraisal based on
 - Group corpus
 - Repayment of previous loans
 - Books verification

Time taken for processing – 1 to 60 days

Time taken to sanction - 1 to 10 days

Loan size on savings - 1:4 to 10

Nature of surety

- Group liability
- SHPIs Recommendation
- Retaining 10% of loan amount in savings (Non-lead Bank)

Promissory notes are informal surety at group level



LENDING PRACTICES

Loan Distribution :

- Need Based Lending : 10
- Equal Distribution : 8
- Group Activity : 1

Repayments :

- 20 to 36 installments of both principle & interest - monthly basis
- Installment ranging between Rs.100 – Rs. 2500
- SHG & Bank Manager jointly decide the loan installments & amount

Interest Rates :

- Bank charging : Rs . 0.75 to 1.00
- SHGs charging : Rs. 0.75 to 2.00

(47% Of SHGs charging more to build the corpus)



LOAN UTILIZATION

Purpose Mentioned

Petty business	- 30%
Agricultural inputs	- 18%
Purchase of Livestock	- 14%
Seasonal Business	- 11%
House construction	- 14%
Other priority needs	- 17%

- **42% used the loan amount completely for mentioned purpose.**

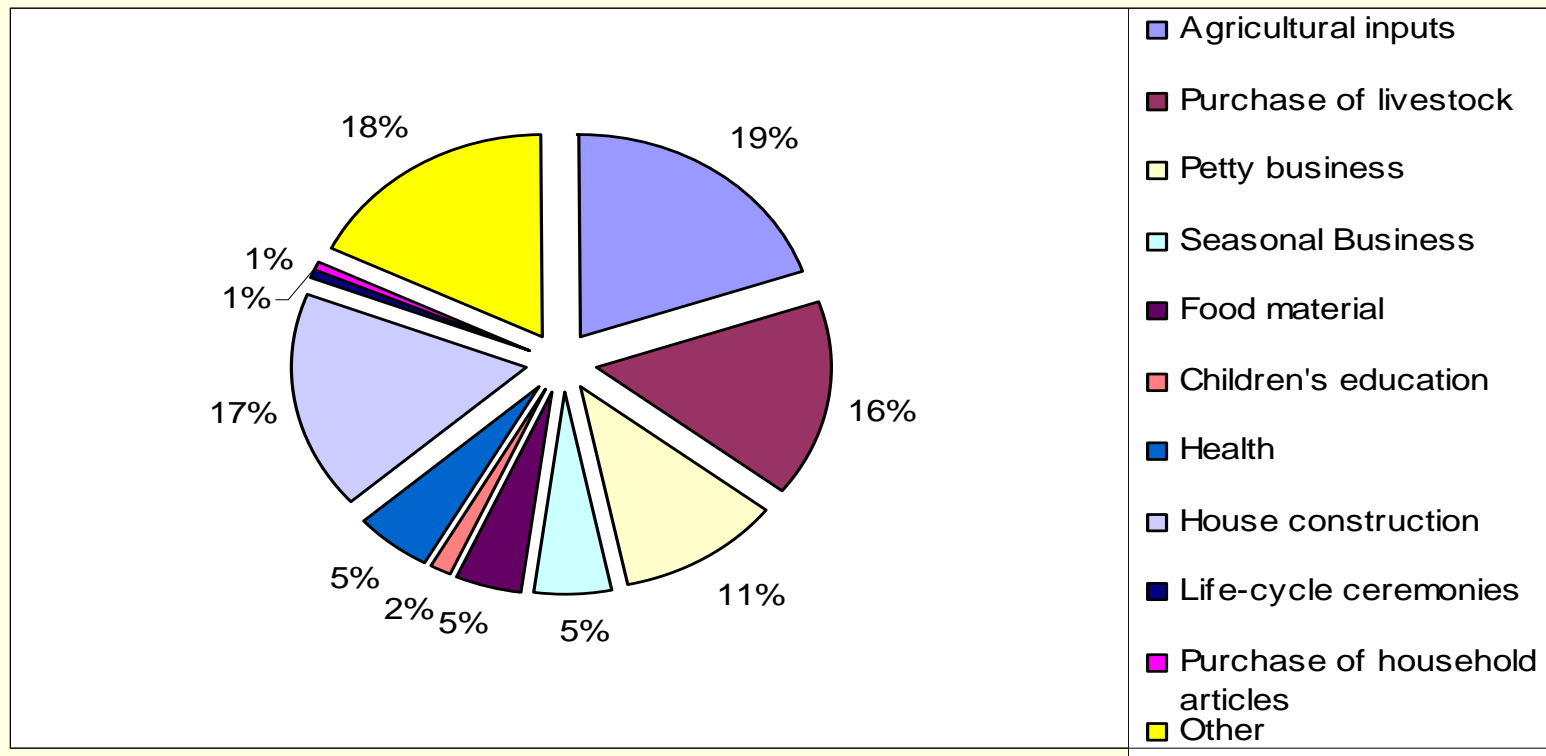
Major Utilization

- **74 % used on productive activities**
- **63% used for the expansion of existing economic activities- dairy, petty business, agriculture inputs etc.**
- **11% used for entirely new productive purposes**
- **26% used for non-productive purposes like house construction, health, education of children, life-cycle ceremonies and consumption.**



Loan Distribution on different Purposes

- 56 % used the loan amount for single purpose.
- 44% used the loan amount for different purposes.



LOAN REPAYMENT

SOURCES :

- Daily wages of loan borrower
- Household income
- Supplementary sources of income like dairy
- IGA taken up/Expanded activity

Strategies:

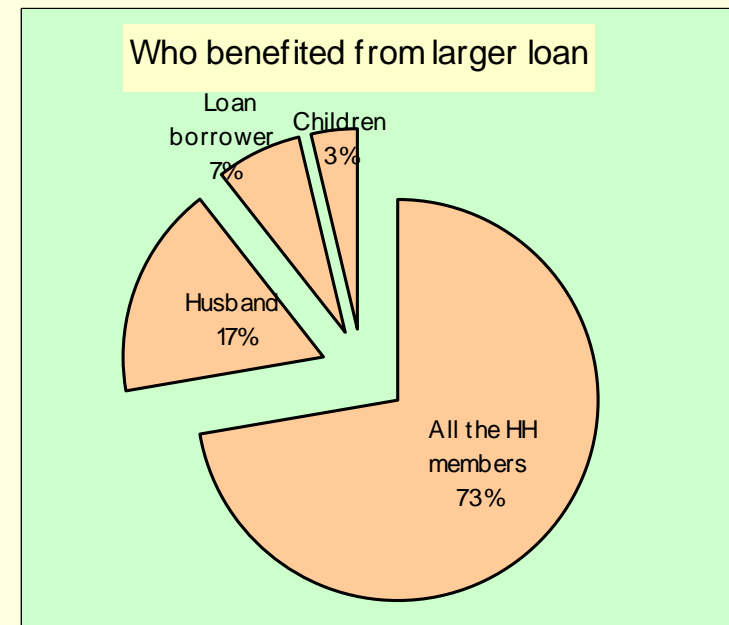
- Hand loan adjustments by other members
- Adjustment of savings
- Postponement of installment payment for next month
- Peer pressure
- Penalty for late payments

79% are regular payees (as decided). Repayment is more than 95%.



IMPACT

- **63% reported increase in Income levels - Rs. 50 to Rs. 2000 per month**
- **42% reported additional hours of work – 1 to 6 hours**
- **42% reported additional savings like insurance, savings in post office, chits, etc.**
- **32% able to create/improve assets like land, house, cattle and Gold.**
- **28% improved their business or existing activity.**



OTHER IMPACT

POSITIVE

- Increase in food expenditure (42%).
- Repaid old debts (9%)
- Children education improved(39%)
- Recovered from ill-health(19%)

NEGATIVE

- More pressure on women (47%)



Benefits Perceived through Bank Linkage

- Large loans to members
- More access to formal credit
- More respect in the bank
- * **PAVALAVADDI- 3% Interest rate***

Other :

- Dependence on informal sources of lending reduced greatly.
- Money lenders reduced their interest rates.



What Bankers feel about SHG-Linkage

BENEFITS:

- Business and services improved.
- Banks are going beyond financial services like orientation to groups, visits to groups, etc.
- No NPA in case of SHGs. General NPA of Banks came down drastically.
- Very little percentage of over-dues

OPERATIONAL COST : Only stationary cost increased.

OPERATIONAL EFFICIENCY: Staff response and responsibility improved.

EXPECTATIONS:

- SHPI should be more responsive.



Expectations of SHG Members

LARGER LOANS:

- 20,000 to 50,000 per individual based on their repayment capacity
- Need based lending

TRAININGS:

- Income generation and livelihood trainings like tailoring, embroidery, dairy and agri-based inputs.
- SHG & SHG Federation concepts





EXPECTING YOUR CRITICAL FEEDBACK

