

STATUS OF SHG SAVINGS:
***A Study with reference to SHGs
in Andhra Pradesh***

**Conducted BY
APMAS
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LIST OF ACRONYMS

APMAS	:	Mahila Abhivrudhi Society, Andhra Pradesh
Avg.	:	Average
BC	:	Backward Category
BL	:	Borderline
BPL	:	Below Poverty Line
CBO	:	Community Based Organization
CRP	:	Community Resource Person
Cum.	:	Cumulative
F	:	Frequency
GP	:	Gram Panchayat
HH	:	Household
IGA	:	Income Generation Activity
IKP	:	Indira Kranthi Patham
MFI	:	Microfinance Institution
Min	:	Minorities
N	:	Number
NBFC	:	Non-banking Financial Corporation
NGO	:	Non-Government Organization
OC	:	Open Category
RF	:	Revolving Fund
RMG	:	Rythu Mithra Group
RR	:	Repayment Rate
SC	:	Scheduled Caste
SGSY	:	Swarnajayanthi Gram Swarojgar Yojana
ST	:	Scheduled Tribe

Executive Summary

1 What are the objectives of the study?

- 1.1 The broad objective of the present study is to understand the status of saving of SHGs; how would the members mobilize savings and how would the groups being utilized. The specific objectives of the present study are: i) to know the type and nature of SHGs savings; ii) to know how do the SHGs mobilize funds to pay savings; iii) to know how the SHGs are utilizing the members' savings; iv) to know the perceptions of SHG members on savings in future and the problems in; and v) to suggest measures for addressing the gaps in achieving the purpose of savings.
- 1.2 The present study has covered 150 SHGs in 27 mandals and 3 municipalities of 9 districts in Andhra Pradesh. An interview schedule was prepared & piloted before it applied to SHGs for data collection. Besides, the study team has interacted with IKP staff informally to obtain qualitative information. Fieldwork for data collection was conducted between October and December 2009.

2 What is the profile of SHGs & SHG members?

- 2.1 Of the 150 sample SHGs, more than two-third is between 4 to 10 year old and the other one-third is more than 10 year old. The average age of sample SHGs is 8.68 years. Of the 150 sample SHGs, 91% of SHGs consists of 10 to 15 members and the remaining 4.7 % and 4% of SHGs formed between 7 to 9 and 16 to 20 members respectively. Group size is more at the beginning of the group compared to the present.
- 2.2 Of the 150 sample SHGs, 94 (62.7%) SHGs have reported 267 dropouts. However, 51 (34%) out of 150 sample SHGs have admitted 146 members with an average of 2.86. Socio-economic and demographic factors and group norms reported as major reasons for withdrawal of membership from group.
- 2.3 Of the total 1,802 SHGs members of 150 sample SHGs, 38.8% are BCs, 31.6% are SCs, 12.1% are OCs, 9.7% are Minorities and the remaining 7.8% are STs. About 59% of SHGs exclusively formed with members belong to one social category and the remaining groups formed with members belong to more than one social category (41.3%). Labour (agriculture labour (40.1%) and non-farm labour (11%) is the majority members' households primary occupation.
- 2.4 About 36 (24%) out of 150 sample SHGs were defunct in the past between 1 to 84 months period with an average of 17 months. The reasons de-functioning are delay in sanctioning SGSY and bank loans, misuse of funds by the leaders, loan repayment & defaulting and migration. The

Sangamithras (13.3%), Community Coordinators/ Master Book Keepers (9.3%) from the SHPI played a major role in reviving defunct SHGs.

3. What is the present status of SHG savings?

- 3.1 Majority SHGs (88.7%) have monthly meetings at the beginning of the groups. Now, many SHGs have the practice of monthly (46%) and weekly (44.7%) and some have the practice of fortnightly meetings. During the last six months (April to September) the average no. of meetings conducted by the sample SHGs in the month of September (2.0) and July (2.1) are low compared to other months (2.2).
- 3.2 Most of the groups (92%) have the practice of monthly savings at the beginning. Now, majority SHGs have the norm of weekly savings (56%) followed by monthly (40.7%). Where as in practice, majority SHGs have the practice of monthly savings (54%) followed by weekly (40.7%).
- 3.3 An SHG member on an average saves Rs. 60 per month. It is low among SCs (Rs. 42) and high among OCs (Rs. 54) compared to all other SHG categories (SC-Rs.46, BCs-Rs.50, Min- Rs.53). Of the 150 sample SHGs, 114 (76%) SHGs have increased their monthly savings amount 1 to 3 times since inception of SHGs.
- 3.4 The cumulative savings of sample SHGs varies from Rs. 5,400 to Rs. 1,36,500 with an average of Rs. 42, 714 per SHGs and Rs. 3,556 per member.
- 3.5 Of the 150 sample SHGs, 117 (78%) SHGs do savings every month in village organizations (VO). The cumulative savings of SHGs in VOs varies from Rs. 100 to Rs. 10,050 with an average of Rs. 3,234. Further, 114 (76%) SHGs have paid a share capital of Rs. 115,754 with an average of Rs. 1,015 to VO at the time of getting membership.
- 3.6 Of the 150 sample SHGs, 30 (20%) SHGs made FD of Rs. 887,500 with an average of Rs. 29,583. Of the total 30 SHGs having FD in the bank, 40% of SHGs made a portion of loan as FD. There are only two SHGs have RD account in the bank. They save Rs. 500 and Rs. 1000 per month.

4 How did the SHGs use their savings?

- 4.1 The no. of members paid their savings during the last six months shows that between 93 to 96 percent of the members have paid their savings to SHGs. During April to September 2009, the samples SHGs have deposited an amount of Rs. 64.9 lakhs in 906 transactions. On an average an SHG has made 6 transactions during the period that means one transaction per month. About 12 to 20 percent of SHGs not deposited any amount in their SB accounts.

- 4.2 About 20% of members in nearly 25% of SHGs have saved Rs. 137.17 lakhs in formal financial institutions (FFI) as well as informal financial institutions / traditional financial institutions (IFI/TFIs). Further, though a high percentage of members saved in FFIs compared to IFIs, the amount saved in FFI is awfully low (Rs. 12.7 lakhs) compared to IFIs (34.1 lakhs).
- 4.3 At present, all the sample SHGs, except 6 SHGs, have lent group funds to their members. Of the total 1,802 members of sample SHGs, 86.4% of members have borrowed 2,455 loans with an average of 1.57 loans from SHG corpus.
- 4.4 During the last six months, the sample SHGs has withdrawn an amount of Rs. 73.26 lakhs in 338 transactions. The samples SHGs have sanctioned 737 loans with a loan of over Rs. 62 lakhs with an average loan size of Rs. 8,419.
- 4.5 Most of the SHGs (98%) have got repeat linkages as the samples SHGs are more than five year old. The average amount of loan in each linkage shows that the loan volume has increased from one linkage to the other linkage. The average amount of idle funds in SHG savings accounts before and after bank linkage shows that the idle funds are more from linkage to next linkage but there is no much difference like loan volume. Out of 150 sample SHGs, 132 (88%) SHGs have received 'pavalavaddi', an interest subsidy of Rs. 9.89 lakhs with an average of Rs. 7,492 on SHG bank loans from District Rural Development Agencies (DRDA).
- 4.6 About 44% of SHGs have distributed group corpus¹ to their members one to three times with an average of 1.54. Of the SHGs distributed its corpus, 26%, 12% and 6% of SHGs distributed once, twice and thrice respectively. The SHGs have distributed an amount of over Rs. 19.98 lakh with an average of Rs. 30,279. The SHG members have reported the reasons for it- i) more funds in SHGs, ii) difficulties in managing huge amount of funds, iii) availability of external credit & interest rate, iv) delay in getting bank linkage, v) to repay external (banks) loan installments, vi) to avoid idle funds, vii) at the time of repaying the savings of dropouts, viii) no lending/ equal distribution once in a year or along with the disbursement of bank linkage loan.
- 4.7 Of the 150 sample SHGs, 26.7% of SHGs have reported about transfer of funds one to six times. The amount of funds transferred varies between Rs. 945 and Rs. 95,000 with an average of Rs. 29,294. SHGs members have reported reasons for it as i) to avail subsidy on interest rate/ pavalavaddi, ii) large amount of loan in repeat bank linkage by ensuring

¹ *Group funds/corpus includes members savings, revolving fund/matching grant received if any, interest earned, amount of interest subsidy on bank loans, subsidy component of SGSY loans, fines & penalties, and donations, visiting fee collected etc.*

good loan repayment. The members also accounted the negative implications of fund transfer as i) no funds for internal lending to cater the emergency credit needs of members, ii) quarrels among members and iii) de-functioning of SHGs.

5 What are the perception of SHG members on mobilization & Utilization of savings?

- 5.1 The SHG members have reported the kind of benefits they have realized with savings as i) getting loans from SHGs (81.3%), ii) educating children (59.3), iii) loans from banks (58%), iv) improvement in household members' health (49.3%), v) taken up some income generation activity (48.7%), vi) procuring different kinds of assets (44%), vii) less dependency on money lenders (39.3%) viii) promoting savings (32%), ix) old age security (26.7%), and x) dividend/income on savings from SHG (18%).
- 5.2 The SHG members have paid savings from multiple sources such as i) daily wage (88%), ii) household income (72.7%), iii) hand loans (24.7%), iv) income from IGA taken up from loan (29.3%) and v) at time/ bullet payment (4.7%). Majority SHGs have paid savings in group meetings. However, 30.7% of SHGs have paid savings, 1 to 5 days after the group meeting. It is because of irregular meetings, non-observance of norms relating to fines, large amount of savings and loan installment amount etc.
- 5.3 Out of 150 SHGs, 39.3% of SHGs would like to increase their monthly savings in future. However, more percentage of SHGs willing to increase their savings belong to SCs (49%) followed by OCs (44.4%). The SHGs those want to increase savings an amount of between Rs. 10 to Rs. 50 with an average of Rs. 31 per week & member. Majority SHG members have said that they don't have any understanding on the other products of savings and their utility.
- 5.4 The SHG members have reported variety of problems relating to interest rates & procedures, regularity of payment of savings and the factors influence it, lending practices and the attitude of banks etc. The problems and the issues reported are: i) savings is a burden, ii) no regular savings in the VO, iii) collection of savings outside the group meeting, iv) bullet savings, v) not paying any interest on member savings, vi) more interest on lending from group funds, vii) diversion of savings to loan installments, viii) perseverance of banks and promoters on the amount savings and FDs, ix) low repayment of loans from group funds, x) no lending from group funds, xi) lending to members outside SHG, xii) low awareness levels on savings among members, xiii) poor book keeping, xiv) leaders' dominance and xv) large amount of idle funds.

6 What is the major learning from the present study?

- 6.1 Majority groups are 4 to 10 years old with an average size of 12 members. At present, the group size is less compared to at the time of formation of SHG due to changes in membership because of withdrawal of membership and new admissions. Majority of the SHGs are homogenous in terms of members' social category and primary economic activity of the household. Though a significant number of SHGs were defunct in the past because of multiple reasons, the SHPI staff at field level has revived all the defunct groups.
- 6.2 Most SHGs have changed the meeting norm from monthly to weekly due to SHPI's vigor than groups' decision. Majority of SHGs have the practice of monthly meetings and savings due to difficulties in weekly meetings. Some SHGs not conducted at least one or two scheduled meetings.
- 6.3 The amount of monthly savings varies between groups of various SHG social categories. As the SHGs realized the utility of savings, majority SHGs have increased their monthly amount of savings. Majority SHGs voluntarily or compulsorily, have promoted various saving products in village organizations and banks. Some members promoted savings outside the SHGs in formal and informal financial institutions.
- 6.4 The members and the SHGs have observed different practices to mobilize funds to pay savings to SHGs, federation and bank. Members mostly pay savings to SHGs from their daily wages and other household income sources; where as the SHGs pay saving to VO mostly from group funds; but funds for FDs mobilized from a portion of loan/ savings/ and revolving fund.
- 6.5 Most of the members in the SHGs have paying savings regularly. However, there is an increase and decrease of cumulative savings of SHGs during the last six months because of irregular savings and bullet savings. Though most SHGs reported regular savings, a good number of SHGs not deposited their savings in banks during the period. Besides promotion of savings in SHGs and their federations, a good number of SHG members started savings outside SHGs with formal and informal financial institutions
- 6.6 Primarily, most SHGs used their members' savings for on lending to members. Significant number of SHGs withdrawn funds from SB account for on lending to their members. However, there is a difference in no. of loans and amount disbursed in a month during the last six months.
- 6.7 Almost all SHGs credit linked to bank more than once and borrowed large amount of loan in the subsequent linkages/borrowings. There are

significant amount of idle funds in SHG SB account before and after bank linkage. The amount of idle funds in SHG SB a/c is more from linkage to other linkage. Most SHGs availed 'pavalavaddi', an interest subsidy programme on SHGs loans implemented by the Govt. of AP.

- 6.8 The practice of distribution of group corpus/savings has assorted implications on both members as well as on SHGs. There is a practice of transfer of funds from SB account to loan account with or without consent of the groups by banks as means of recovery mechanism which has similar implications like distribution of group funds.
- 6.9 Most SHG members have realized the benefits of savings as it's a prerequisite for getting large credit from SHGs and external agencies such as banks and VOs. However, majority SHG members are unwilling to increase their monthly savings in future because of large volume of loan, more household expenses and irregular household income and low awareness levels on variety of saving products.
- 6.10 The members have reported many problems related to the amount, regularity, type, mode of payment, interest rate, diversion of savings, pressure from banks & promoters and utilization of members' savings at group level. The study team also reported some of the problems related to awareness, quality of SHGs relating to savings, lending, book keeping, leadership and idle funds.
- 6.11 In conclusion, on one hand some factors encouraging savings among the SHG members in achieving the goals of savings like mobilization of credit, self reliance and saving promotion; and on the other, discouraging/decreasing savings of SHG members and their SHGs in addressing the goal like old age security.

Chapter-1: INTRODUCTION

1.1 Background

There is a saying 'save a penny for the rainy day'. It means save today while you are working for difficult times in future. The word 'difficult times' means unable to work/ earn due to unavailability of work, ill-health and old age. Savings are necessary not only for difficult times, but also for planned events such as marriage, child birth, pilgrimage, children education, and for emergencies like death, disease, accident and such occasions. Further, savings required for acquisition of assets. It also creates self confidence and credit worthiness among the individuals.

Savings are mandatory among the SHGs and their federations. The members save in their SHGs, and the SHGs save in Village Organizations (VO). As members, they avail different kind of financial and non-financial services from SHGs, federations and banks. According to NABARD², as on March 2009, 12.80 lakh SHGs in AP have a total savings of Rs. 1,19,193 lakhs with an average of Rs. 9,305 in their savings bank accounts. According to a study conducted by APMAS (2007), of the total liabilities, 29% of it is members' savings³. How the SHG members do mobilized these huge amounts of savings? What the SHG members are doing with these savings? Does SHG savings serving the ultimate goal of promotion of savings?

From the recent past, the participants in many review meetings, workshops, seminars have raised their concerns on the status of savings as i) there is no much increase in the monthly savings even in old SHGs, ii) the cumulative savings of members has been decreased, iii) large volume of loans under SHG-BL and the recovery mechanisms followed by the banks discouraging SHG members, iv) Interest rates on savings discouraging savings in SHGs and their federations. In this context, APMAS has initiated a study in its operational districts of AP.

1.2 Objectives of the study

The broad objective of the present study is to understand the savings in SHGs and their federations achieving the ultimate purpose of savings. The specific objectives of the present study are: i) to know the type and nature of SHGs savings; ii) to know how do the SHGs mobilize funds to pay savings; iii) to know how the SHGs are utilizing the members' savings; iv) to know the perceptions of SHG members on savings in future; and v) to

² *The Status of Microfinance in India 2008-09, published by Nabard, Mumbai*

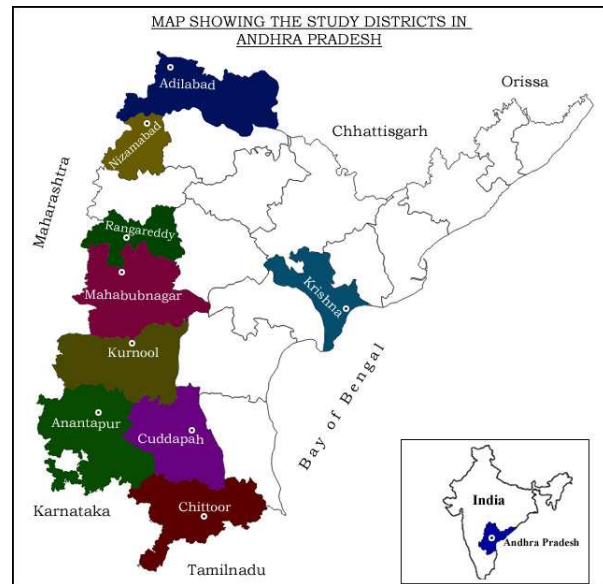
³ *SHG-Bank Linkage: A Recurrent study in Andhra Pradesh, study conducted by APMAS*

suggest measures for addressing the gaps in achieving the ultimate purpose of savings.

1.3 study design

a) Sampling design: The universe of the present study is the SHGs in all the 14 clusters of Indira Kranthi Patham (IKP) and 3 municipalities of MEPMA where APMAS is working in Andhra Pradesh. All the mandals in the cluster were covered in the sample. Of the total 30 mandals, 90

villages were selected. Within the mandal, 5 SHGs which have more than 5 years old were selected for a detailed study. Within the mandal one was selected from mandal headquarters, two were selected from an interior village and two from a road side village. While selecting the sample SHGs in all the three villages in a mandal care has taken to cover 1-ST, 2-SC, 2-BC and 1-OC SHGs. totally, the study team has covered 150 SHGs in 27 mandals and 3 municipalities of 9 districts in Andhra Pradesh. Besides SHGs, the study team was interacted with many project personnel informally to collect qualitative information.



b) Data collection tools: An interview schedule was prepared and piloted before administered it for data collection. The format mainly covered the socio-economic background of members and their SHGs, details of frequency of meetings and savings, sources of savings, quality of SHGs, uses of savings, details of savings outside SHGs and opinion on diversity of saving products at present and in future.

c) Fieldwork: Fieldwork was carried out with 6 teams, each team with two members, in all the 19 clusters where APMAS is working, between October and December 2009. Before leaving for data collection, organized one day orientation to the study team on the objectives, selection of sample, data collection tools and editing of filled in formats to ensure common understanding among the team members.

d) Limitations of the study: Following are the limitations of the present study:

- The study was conducted in the operational districts of APMAS in AP.
- The sample SHGs were selected only from the model mandals

- The Sample SHGs are more than four year old

e) Data analysis: All the collected data was entered into computer for further analysis. Before analysis, the data was edited and coded. Data was analyzed in terms of social category, age, locality of SHGs etc based on relationship with the other variables. Simple statistics like percentages, averages, ratios were computed to make comparisons between SHG categories, age, size and locality. Different kinds of tables were prepared to make comparisons and draw meaningful inferences to address the objectives of the study.

f) Reporting structure: The finding of the study presented in four sections. Section-1 mainly describes the profile of SHGs and their members. Section-2 focuses on nature of savings, sources of savings, fund sources to pay savings. Section-3 discusses the usage of savings by SHGs and the last section of the report discusses the views of SHG members on need assessment of savings' products in future besides suggestions for addressing the gaps to achieve ultimate purpose of savings.

Chapter-2: PROFILE OF SHGs & SHG MEMBERS

The present chapter mainly describes the socio-economic profile of SHGs and their members. It analyses the changes in group membership with reference to drop-outs and new admissions. Besides, it also explains the implications of changes in membership and SHG de-functioning on savings.

2.1 Profile of SHGs

The profile of SHGs includes age & size of the group, social composition and primary occupation of SHG members' households, homogeneity or the heterogeneity of the sample SHGs.

a) Group age: The age of sample SHGs varies from 4 to 16 years with an average of 8.68. Of the 150 sample SHGs, more than two-third are between 4 to 10 year old and the other one-third is more than 10 year old. Among the OCs and Minority categories, majority SHGs are 6-10 year old; where as among the BCs and STs, majority groups are 4-8 year old; but among the SCs majority groups are 8-12 year old; even among STs, 20% of SHGs are 14-16 year old. It might be because of formation of SHGs with a focus on SC, ST and BCs under DWCRA and SGSY programmes prior to the Velugu/ IKP programme in the year 2000.

Age (in years)	ST (N=10)	SC (N=49)	BC (N=59)	Min (N=14)	OC (N=18)	Total (N=150)
1. 4-6	40.0	18.4	22.0	21.4	16.7	21.3
2. 6-8	20.0	20.4	30.5	35.7	27.8	26.7
3. 8-10	--	20.4	16.9	28.6	33.3	20.0
4. 10-12	10.0	24.5	18.6	7.1	11.1	18.0
5. 12-14	10.0	12.2	8.5	--	--	8.0
6. 14-16	20.0	4.1	3.4	7.1	11.1	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

b) Group size: The group size varies from 7 to 20 members with an average of 12.01. The data shows that of the 150 sample SHGs, 91% of SHGs consists of 10 to 15 members and the remaining 4.7 % and 4% of SHGs formed between 7 to 9 and 16 to 20 members respectively. However, little more than half of the SHGs formed with 10 (36%) and 15 (16%) members respectively.

At the beginning of the group, all the sample SHGs comprises of 1,951 members. The group size varies from 7 to 25 members with an average of

13.01. Similar to the group size at present, even at the beginning also majority of the SHGs formed with 15 (34.7%) and 10 members (30%). However, the number of members covered in sample SHGs at the beginning is more (1,951 members) compared to the number of members in groups at present (1,802). Further, the maximum number of members in groups is high at the beginning compared to group size at present.

c) Membership withdrawal: Of the 150 sample SHGs, 94 (62.7%) SHGs have reported 267 dropouts varying from 1 to 9 members with an average of 2.84. But, 51 (34%) out of 150 sample SHGs have admitted 146 new members with an average of 2.86. However, there is no membership change in one-third of SHGs. There is a membership change in two-third of sample SHGs because of dropouts and new admissions. Of the sample SHGs, 32.7% of SHGs have reported drop-outs; another 30% of groups have reported both drop-outs and new admissions, and 4% of groups have reported new admissions. Of all the SHG categories, the average no. of dropouts is high among SCs with 3.17 members and low among STs with 1.25 members compared to all other SHG categories (BCs-2.92; Minorities-2.78; and OCs-2.43).

d) Reasons for membership withdrawal: The SHGs have reported multiple reasons for membership withdrawal such as i) migration (48%), ii) old age/ death (34%), iii) not interested in group (22%), iv) unsuitable group norms (11%), v) marriage (9%), vi) multiple memberships/ membership in other SHG (6%), vii) expulsion of women who are quarrelsome (6%), viii) no bank linkage for a long time (5%) after group formation, ix) misuse of funds by leaders (5%), and x) small volume of loans (2%). The above discussion shows that socio-economic, demographic aspects of members and incongruous group norms are the major reasons for membership withdrawal.

2.2 Profile of SHG members

a) Social composition: Of the total 1,802 SHGs members of 150 sample SHGs, 38.8% are BCs, 31.6% are SCs, 12.1% are OCs, 9.7% are Minorities and the remaining 7.8% are STs. It shows that majority SHG members (70.4%) belong to BC and SC social categories. All the sample SHGs categorized into five types (SC, ST, BC, Min and OC) based on the numerical dominance of members' of a particular social category. Of the 150 sample SHGs, 39.3% belong to BC category, 32% are SC category, and the remaining are other social categories (OC -12%; Minorities-9.3%; and STs-6.7%).

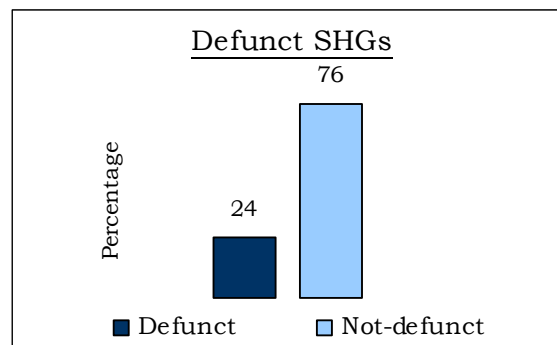
b) Caste homogeneity: Of the 150 sample SHGs, 58.7% of SHGs exclusively formed with members belong to one social category and the other 41.3% of SHGs formed with members belong to more than one

social category. Of all the SHG categories, the percentage of groups formed with members belong to one social category is high among SCs (81.6%) and STs (80%) and low among the OCs (16.7%). However, there is no much difference between BCs (49.2%/50.8%) and Minorities (57.1%/42.9%) categories in the percentage of mono-caste and multi-caste groups. It could be because most of the scheduled castes and tribes live in homogenous habitations besides the principle of homogeneity-caste, income, locality, gender- in promoting SHGs.

c) Primary occupation: Of the total 1,802 SHG members, majority households' primary occupation is agriculture labour (40.1%) and non-farm labour (11%); 26.4% of the households have agriculture and the remaining 6.9%, 4% and 11.7% households' primary occupations are agri-allied, govt./private jobs and others respectively. It shows that majority households depend on labour and one-third of households depend on agriculture and agri-allied activities. It could be because of more coverage of SC and BC population among SHGs who are mostly landless/marginal farmers.

2.3 Defunct SHGs

a) No. of defunct SHGs & defunct period: The data shows that 36 (24%) out of 150 sample SHGs were defunct⁴ in the past between 1 to 84 months period with an average of 17 months. Of the 24% defunct SHGs, the highest percentage of defunct SHGs is among STs (50%) followed by OCs (33.3%) and Minorities (28.6%), and the lowest percentage is among BCs (15.3%) followed by SCs (24.5%). Where as the average period of de-functioning is high among SCs with 27.25 months followed by STs with 21.20 months, where as the defunct period among all other social categories is around 14 months.



b) Reasons for de-functioning: During interactions with SHGs, the members have reported multiple reasons for de-functioning such as i) no loan from bank for a long time even after repeated visits, ii) delay in getting SGSY loan, iii) misuse of group funds by the leaders-members' savings not deposited in bank, borrowed loans without taking any

⁴ The group which has stopped its functioning- no meeting, saving and credit activities because of varied reasons.

decision in the meeting, iv) death of a leader, v) loan given to non-SHG members not repaid, vi) less awareness among the groups members on SHGs, vii) claimed more expenses to attend meeting at district level, viii) drought- no savings due to less availability of work, ix) migration, x) due to general elections, and xi) to recover loan from default members. It shows that the reasons primarily related to sanction of SGSY and bank loans, misuse of funds by the leaders, loan repayment & defaulting and migration.

c) Revival of defunct SHGs: The revival of defunct SHGs is one of the SHG strengthening strategies of promoting institutions. The Sangamithras (13.3%), Community Coordinators/ Master Book Keepers (9.3%) from the SHPI played a major role in reviving defunct SHGs. The CRP (3.3%) and Sub-committees of VO/MS also visited defunct groups to revive them by solving the issue if any. The SHPI staff at different capacities have involved in reviving defunct SHGs. Besides, the defunct SHGs (9.3%) they themselves have solved their issues and restarted its functioning as they have realized that how the other SHGs those are functioning regularly benefiting with various development programmes, credit linkage from banks and the capacity building inputs from SHPI staff.

d) Implications: During interactions, the SHG members have reported the implication of SHG de-functioning as i) there are no saving and lending activities during the period, ii) one or two drop-outs /restructuring of SHGs, iii) distribution of group funds to members before reviving the group, iv) changes in leadership, v) delay in bank linkage, vi) streamlined the group, vii) loss of group reputation etc. The positive side of de-functioning is that it is a strategy and opportunity to SHGs those are irregular in functioning. The negative side of it is group lost its reputation, improves/breaks the solidarity between members in the group.

2.4 Conclusions

Majority groups are 4 to 10 years old with an average size of 12 members. At present, the group size is less compared to at the time of formation of SHG due to changes in membership because of withdrawal of membership and admission to new members. Majority of the SHGs are homogenous in terms of members' social category and primary economic activity of the household. Though a significant number of SHGs were defunct in the past because of multiple reasons, the SHPI staff at field level has revived all the defunct groups.

Chapter-3: STATUS OF SAVINGS

The present section of the report mainly focuses on the regularity of meetings and savings. How much they save? Is there any change in the amount of monthly savings? If yes, what are the reasons for decreasing or increasing it? What are the nature and the amount of savings? How do they pay? Does this savings voluntary or involuntary? In addition, it discusses on the implication of various practices on savings.

3 Details of meetings and savings

3.1 Meetings

a) Periodicity of meetings: To understand the changes in meeting and saving norms, the study team has collected information at the time of formation of SHGs, now, and the changes made in between if any. The data shows that at the beginning of SHGs, majority SHGs (88.7%) have monthly meetings. However, some SHGs have weekly meeting and few SHGs had no fixed date, day and time for their group meetings. Now, majority SHGs (59.5%) have the norm of weekly meetings followed by monthly (37.6%), and very few SHGs have fortnightly (2%) and no norm relating to frequency of meeting (1.3%). Nevertheless, in practice, many SHGs have monthly (46%) and weekly (44.7%) meeting; and some have the practice of fortnightly meetings. It reveals that though majority SHGs have the norm of weekly meetings, in practice they have fortnightly and monthly meetings. It is because of SHPIs imposition / pressure, many groups shifted from monthly to weekly meetings. However, due to disadvantages some SHGs even though they have weekly meeting norm, follow fortnightly and monthly meetings.

Table-3.1: Periodicity of Meetings						
Periodicity	Beginning		Now-norm		Now-practice	
	F	%	F	%	F	%
1. Monthly	133	88.7	56	37.3	69	46.0
2. Fortnightly	--	--	3	2.0	11	7.3
3. Weekly	11	7.3	89	59.5	67	44.7
4. No schedule	6	4.0	2	1.3	3	2.0
Total	150	100.0	100	100.0	150	100.0

b) Regularity of meetings: The data on the no. of meetings conducted during the last six months shows that the sample SHGs has conducted a minimum of 305 and a maximum of 336 meetings in a month with an average of 327 meetings. During April to September, the no. of average meetings conducted in the month of September (2.0) and July (2.1) are

low compared to all other months (2.2). During interactions, the group members have reported that the peak agriculture operations during that period as the reason for less no. of meetings. It shows that some SHGs skipped one/two meetings during the period. If there is no meeting, it is that there is no savings from the members. The SHG members also reported that if there is no meeting the savings of that week / month will be paid in the subsequent meeting along with the savings of that week / month as bullet savings.

3.2 Periodicity of savings

Generally the periodicity of savings depends on the periodicity of meetings as it is a meeting place of members for all kinds of their group activities. The data shows that most of the groups (92%) have the practice of monthly savings at the beginning; some groups have the practice of weekly savings, and an insignificant no. of SHGs have irregular and fortnightly savings. Even though some SHGs have the norm of weekly meetings, they have monthly savings in practice. Now, majority SHGs have the norm of weekly savings (56%) followed by monthly (40.7%). Where as in practice, majority SHGs save monthly (54%) followed by weekly (40.7%). In case of periodicity of savings also, similar trends like periodicity of meetings are found. It is because the frequency of meetings mostly determines the periodicity of savings.

Periodicity	Beginning		Now-norm		Now-practice	
	F	%	F	%	F	%
1. Monthly	138	92.0	61	40.7	81	54.0
2. Fortnightly	1	0.7	2	1.3	4	2.7
3. Weekly	8	5.3	84	56.0	61	40.7
4. Not regular	3	2.0	3	2.0	4	2.7
Total	150	100.0	100	100.0	150	100.0

3.3 Amount of savings (per month)

a) Amount of savings: The amount of savings varies from SHG to SHG, a minimum of Rs. 10 and maximum of Rs. 100 with an average of Rs. 60. The average amount of savings is low among SCs (Rs. 42) and high among OCs (Rs. 54) compared to all other SHG categories (SC-Rs.46, BCs-Rs.50, Min- Rs.53). The data shows that there is a positive correlation between social categories and the amount of savings per month, i.e. social category increases the amount of savings also increases.

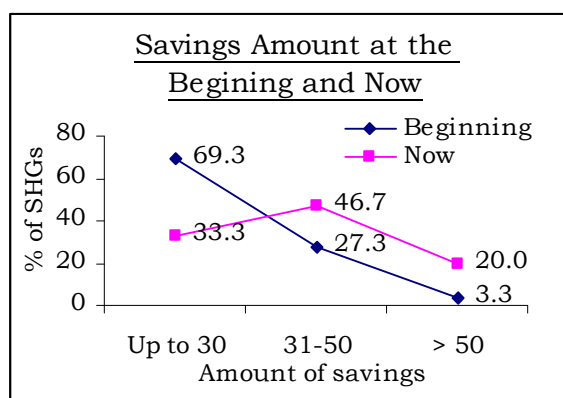
Of the 150 sample SHGs, two-third of SHGs has fixed their monthly savings as between Rs. 31 and Rs. 100 per member and the remaining one-third as up to Rs. 30. However, 36.7%, 24% and 12.7% of SHGs have

fixed their monthly savings per member as Rs. 50, Rs. 30 and Rs. 100 respectively. The data also shows that the percentage of SHGs whose savings are more than Rs. 50 per month per member is high among OCs (27.8%) and low among STs (10%) compared to all other SHG categories (Minorities-21.4%, BCs-20.3% and SCs-18.4%).

Amount in Rs.	ST	SC	BC	Min	OC	Total
1. Up to 30	50.0	40.8	25.4	35.7	27.8	33.3
2. 31 - 50	40.0	40.8	54.2	42.9	44.4	46.7
3. > 50	10.0	18.4	20.3	21.4	27.8	20.0
Total	150	100.0	100	100.0	150	100.0

During discussions, the SHG members have reported that in most cases, promoters have suggested the amount of savings per month & members at the time of formation of groups with a slogan “save Re.1 per day” irrespective of social categories. Over a period of time, many SHGs increased their monthly savings amount because of varied reasons which would be discussed later under the heading reasons for increasing/decreasing savings.

The data shows that the percentage of SHGs saves up to Rs. 30 is more than double (69.3%) compared to the percentage of SHGs at present (33.3%). The percentage of SHGs saves Rs. 31-50 has raised from 27.3% to 46.7%. Further, the percentage of SHGs saves more than Rs. 50 at the beginning (3.3%) has risen six times compared to now (20%).



The average amount of savings at the beginning is low (Rs. 35.43) compared to now (Rs. 48.83). It shows that majority SHGs have increased their monthly savings over a period. The data also reveals that of the 150 sample SHGs, 114 (76%) SHGs have increased their monthly savings amount 1 to 3 times.

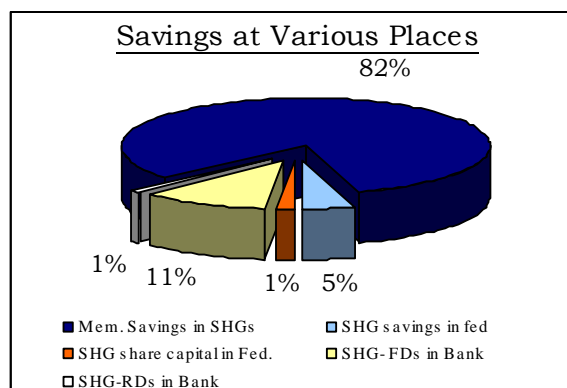
b) Reasons for increase of saving amount: The SHG have reported multiple reasons for the increase of savings as i) to increase group corpus (54.39%), ii) to get large volume of bank loan (38.60%), iii) to increase member savings (37.72%), iv) on IKP suggestion (21.93%), v) increase in household income (11.4%), vi) linkage with TFI (7.02%) and vii) multiple loans (2.63%). Some SHGs have reported the reasons for decrease their monthly savings as i) large loan installment (14.04%) and ii) multiple loans (2.63%). If we categorize the reason for increase of savings, some are

voluntary, some are imposed and some are prerequisites to get more benefits out of it.

Reasons		F	%
A. Increasing	1. To increase SHG corpus	62	54.39
	2. To increase member's savings	43	37.72
	3. To get large volume of bank loan	44	38.60
	4. IKP suggested	25	21.93
	5. Linked to TFI loan	08	7.02
	6. Increase in household income	13	11.40
B. Decreasing	7. Large loan installment	16	14.04
	8. Multiple loans	03	2.63

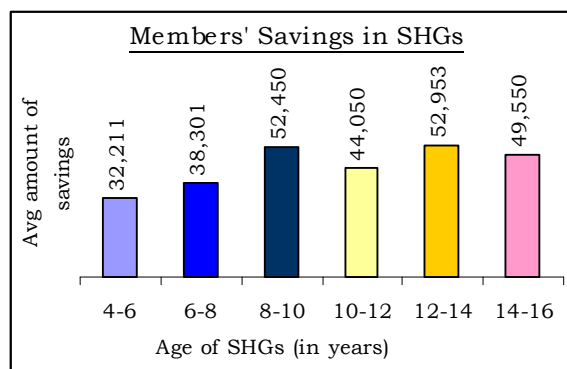
3.4 Form & nature of savings

The SHGs and their members have made savings at different sources that includes SHG, village organization and banks in different forms such as savings in SHGs, share capital in VO, fixed deposit and recurrent deposits in bank. The data shows that the sample SHGs and their members have a cumulative savings of Rs. 78.26 lakhs with an average of Rs. 52,173. The graph shows that of the total savings of SHGs and their members, 82% of the amount lies with SHGs, and the remaining amount lies with SHG federations (6%) and banks (12%). The details of source-wise cumulative savings in different forms, does they voluntary or compulsory, how do they mobilize funds to pay savings, and why did they save have been discussed in the following discussion.



a) Members' savings in SHGs: The cumulative savings of sample SHGs varies from Rs. 5,400 to Rs. 1,36,500 with an average of Rs. 42,714 per SHGs and Rs. 3,556 per member. The data in table- on average cumulative savings of SHG categories shows that it is low among STs with Rs. 38,355 and high among OCs with Rs. 48,602 compared to all other categories-SCs - Rs. 39,753, BCs - Rs. 44,645 and Minorities- Rs.40,479. It shows that there is a positive correlation between social categories and average cumulative savings of SHGs that means the SHG social category increases the average cumulative savings of members also increases.

The average total savings of members in SHGs is Rs. 42,714. The data in the graph shown shows that the age of SHG increases the average amount of total savings also increases up to 8-10 year old SHGs; between 10-12 year old SHGs the average amount of total savings has decreased; again it has increased among 12-14 year old SHGs; and once again it has decreased among 14-16 year old SHGs. However, among the SHGs of more than 10 year old the average amount of total savings has not increased. However, the average total savings of 10-12 year old SHGs and 14-16 year old SHGs are less



than to the total savings of 8-10 year old SHGs. The data in table 3.5 shows that of the total 48 SHGs of more than 10 year old, majority SHGs (56.16%) have less than Rs. 50,000 of total savings. During interactions, the SHG members have accounted the reasons for it as i) distribution of group corpus/member savings to its members and ii) adjustment of savings to loan installment. This will be discussed in detail under the chapter utility of savings.

Amount of Savings in Rs. '000	Age of SHGs (in Years)						Total (N=150)
	4-6 (N=32)	6-8 (N=40)	8-10 (N=30)	10-12 (N=27)	12-14 (N=12)	14-16 (N=9)	
1. < 20	15.6	10.0	6.7	7.4	8.3	33.3	11.3
2. 20-30	37.5	15.0	3.3	18.5	--	11.1	16.7
3. 30-40	18.8	37.5	20.0	22.2	16.7	11.1	24.0
4. 40-50	15.6	15.0	10.0	11.1	16.7	--	12.7
5. 50-60	6.3	15.0	20.0	18.5	25.0	22.2	16.0
6. 60-70	3.1	7.5	26.7	11.1	--	--	10.0
7. > 70	3.1	--	13.4	11.1	33.4	22.2	9.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

b) SHGs' Savings in federations: Of the 150 sample SHGs, 117 (78%) SHGs do savings every month in village organizations. The cumulative savings of SHGs in VO varies from Rs. 100 to Rs. 10,050 with an average of Rs. 3,234. The amount of savings per month also varies from Rs. 50 to Rs. 200 depend on the amount of member's savings in SHG per month. The amount of SHG's savings in VO is voluntary. Of the total 117 SHGs, 65% of SHGs pay savings to VO from their group funds, where as the remaining 35% of SHGs collect every month from members directly. During interaction, the SHG members have reported multiple reasons for

why they save in federations. They are i) SHG being a VO member, savings are mandatory and the amount is voluntary (55.6%), ii) insistence from VO (47.9%), iii) to get large volume of loan from VO (41%), iv) SHG decided to save in VO (33.3%) and v) problems in repayment of loans from group funds (2%). It shows that most SHGs do save in village organizations as it is mandatory and it is a prerequisite for availing large volume of loan.

c) SHGs Share capital in VOs: The data in tables 3.6 shows that of the 150 sample SHGs, 114 (76%) SHGs have paid a share capital of Rs. 115,754 with an average of Rs. 1,015. Of the 114 SHGs, 69.3% of SHGs have mobilized funds from members to pay their share capital to federation; where as 17.5% of SHGs from their group fund and the remaining paid from revolving fund. The groups have reported the reasons for paying share capital in VO as i) it is mandatory (47.4%), ii) VOs insisted for share capital at the time of getting membership (46.5%) and iii) to have a stake in getting large volume of loans (24.6%).

Saving sources	No. of SHGs	% of SHGs	Total Amount*	Average Amount
1. Savings in SHGs	150	100.0	64.07	42,714
2. Savings in Federations	117	78.0	3.78	3,234
3. Share Capital in VO	114	76.0	1.16	1,015
4. Fixed Deposits (FD)	30	20.0	8.88	29,583
5. Recurrent Deposits (RD)	2	1.3	0.37	18,664
Total	--	--	78.26	52,173

* Amount Rs. in Lakhs

d) Fixed deposits (FD) in bank: The data in table-3.6 shows that of the 150 sample SHGs, 30 (20%) SHGs made FD of Rs. 887,500 with an average of Rs. 29,583. The amount of FD varies from group to group with a minimum of Rs. 5,000 and a maximum of Rs. 80,000. Of the total 30 SHGs having FD in the bank, 40% of SHGs made a portion of loan as FD followed by group funds (26.7%) member savings (16.7%) and bullet savings from members (10%). Few SHGs, whatever the amount or a portion of revolving fund/matching grant received made it as FD because of backend subsidy policy. During discussions, the SHG members have reported reasons for it as i) banks perseverance while sanctioning loan (80%), ii) to get large volume of loan SHGs also decided to go for FDs, as loan volume linked to FD by banks (33.3%), and iii) it is mandatory in case of back-end subsidy (10%). It indicates that though SHGs are unwilling, the intention of getting large volume of loan because of perseverance by banks, SHGs accepted for making FDs.

e) Recurrent deposits (RD) in bank: There are only two SHGs have RD account in the bank. They save Rs. 500 and Rs. 1000 per month. Whatever the amount of savings collect from members will be deposited in RD account instead of savings account as there is perseverance from banks. The banks encouraging recurrent deposits because of two reasons: i) it is an informal collateral to the loan and ii) meeting targets in mobilization of deposits from public. As a result, within the group there is no lending with members' savings. Further, there is no scope for SHGs to withdraw savings from the RD account. The other rationale of is that instead of insisting SHGs for large amount of idle funds by informal means, they are encouraging recurrent deposits by diverting regular savings to RD account.

3.5 Conclusions

Most SHGs have changed the meeting norm from monthly to weekly due to SHPI's vigor than group's decision. Majority SHGs have the practice of monthly meetings and savings as weekly meetings are incongruous for them. Some SHGs have skipped one/ two scheduled meetings during the last six months.

The amount of monthly savings varies between groups of various SHG social categories. As the SHGs realized the utility of savings, majority SHGs have increased their monthly amount of savings. Majority SHGs voluntarily or compulsorily, have promoted various saving products in village organizations and banks. Some members promoted savings outside SHGs in formal as well as informal financial institutions.

The members and the SHGs have observed different practices to mobilize funds to pay savings to SHGs, federation and bank. Members mostly pay savings to SHGs from their daily wages and other household income sources; where as the SHGs pay saving to VO mostly from group funds; but funds for FDs mobilized from a portion of loan/ savings/ and revolving fund.

Chapter-4: UTILITY OF SAVINGS

This part of the report analyzed the promotion of savings and its utility at SHG level. Under promotion of savings mainly focused on how regular that the SHG members in saving their thrift and changes in weekly/monthly savings of an SHG member. Under utilization, how the SHGs are using members' savings for on lending, mobilization of external loans, to repay loan installments regularly to avail incentives, and to address the credit needs of the members for income generation and asset creation activities. It also discusses the factors contributing for encouraging and or discouraging promotion of savings which directly or indirectly influences the short as well as long term goals of saving.

4.1 Promotion of savings/habit of savings

a) No. of members paid their savings: The data in table-4.1 on the no. of members paid their savings during the last six months shows that between 93 to 96 percent of the members paid their savings. There is no significant difference in the percentage of members paid savings, between months during the last six months. However, the percentage of members paid savings is less in May, August and September months. During discussions, the SHG members have reported the reasons for it as i) less availability of work and ii) more expenditure during those months.

Months	Member			Savings	
	Sum	Avg.	%	Sum	Avg.
1. April	1,709	11.4	94.8	95,371	636
2. May	1,688	11.3	93.7	95,550	637
3. June	1,730	11.5	96.0	99,766	665
4. July	1,711	11.4	95.0	96,675	645
5. August	1,689	11.3	93.7	97,920	653
6. September	1,697	11.3	94.2	96,335	642

b) Amount of savings paid: The data on cumulative savings of sample SHG members during the last six months shows that the amount of savings per month varies from Rs. 95,550 to Rs. 99,766 with an average of Rs. 96,936, and Rs. 646 per SHG. Further, the average savings of a group from May to September there is an increase and decrease in every alternative month. It indicates that there is an irregularity of savings, and some SHG members do have the practice of bullet savings.

c) No. of deposits and the amount: During April to September 2009, the sample SHGs deposited an amount of Rs. 64.9 lakhs in 906 transactions.

On an average an SHG has made 6 transactions during the period. The data in table 4.2 shows that 12 to 20 percent of SHGs not deposited any amount in their SB accounts. However, the percentage of SHGs not deposited is less in July (12%) and August (13.3%) and more in May (20%) and April (19.3%) compared to all other months. The average amount of funds deposited during April to September 2009 is high in July (15.85 lakhs) and low in June (7.70 lakhs) compared to all other months. It is because of the percentage of SHGs deposited in SB accounts during those months. The percentage of SHG members paid their savings, amount paid no. of times deposited into their SB account reveal that most of the members saving regularly and depositing in the bank.

	Apr	May	Jun	Jul	Aug	Sep
1. No	19.3	20.0	16.0	12.0	13.3	18.7
2. One	68.7	66.7	66.7	71.3	75.3	68.0
3. Two	10.7	10.7	14.0	13.3	9.3	10.0
4. Three	0.7	2.0	2.0	2.7	2.0	3.3
5. Four	0.7	0.7	1.3	0.7	--	--
Total	100.0	100.0	100.0	100.0	100.0	100.0
Total amount*	6.52	10.35	7.70	15.85	13.81	10.67
Avg. amount	5,390	8,623	6,109	12,005	10,622	8,747

* Amount Rs. in Lakhs

d) Savings outside SHGs: The data in table-4.3 shows that about 20% of members in nearly 25% of SHGs have saved Rs. 137.17 lakhs in formal as well as informal financial institutions / traditional financial institutions. The formal financial institutions (FFI) include post office, bank and insurance corporations. Of the total 1,802 SHG members, 6.21% of members have saved a sum of Rs. 6.21 lakhs with an average of Rs. 6,085 at post offices; 13.21% of members have saved Rs. 5.88 lakhs with an average of Rs. 2,470 by opening individual SB a/c; and 19.81% of members have taken life insurance policies of 90.38 lakhs with an average of Rs. 25,315.

Source	% of SHGs	Members		Amount	
		No.	%	Sum*	Average
1. Post Office	24.66	112	6.21	6.82	6,085
2. Bank-Individual a/c	34.00	238	13.21	5.88	2,470
3. Insurance-LIC	48.00	357	19.81	90.38	25,315
4. Chit- Funds	18.00	97	5.38	18.70	19,280
5. Relatives & friends	0.66	1	0.05	0.60	60,000
6. Lending	21.99	185	10.26	14.80	8,000

* Amount Rs. in Lakhs

The informal financial institutions (IFI) include chit funds, relatives & friends, and MFI-NGOs. Of the total 1,802 SHG members, 5.38% of members enrolled with chits, and saved Rs. 18.70 lakhs with an average of Rs. 19,280; about 10.21% of members have lent to the villagers a sum of Rs. 14.8 lakhs with an average of Rs. 8,000. It also shows that though an high percentage of members saved in FFIs compared to IFIs, the amount saved in FFI is very low (Rs. 12.7 lakhs) compared to IFIs (34.1 lakhs). The data also shows that of all the source of savings outside SHGs, 19.81% of members have made insurance for an amount of Rs. 90.38 lakhs with an average of Rs. 25,315. During discussions, the SHG members have reported that it is not voluntary, and is because of insistence of banks for LIC policy from SHG members from a portion of loan while sanctioning it.

4.2 Savings for on lending

a) Member access to loans: At present, all the sample SHGs, except 6 SHGs, have lent group funds to their members. The data shows that of the total 1,802 members of sample SHGs, 86.4% of members have borrowed 2,455 loans with an average of 1.57 loans from SHG. Of the total loan amount of Rs. 3.66 crores disbursed to 1,557 SHG members, Rs. 2.26 crores (61.76%) is as loan outstanding with members as on September 2009. The average volume of a loan borrowed from SHG funds is Rs. 14,925. It confirms that most of the SHGs are lending to their members from SHG funds largely comprises of members' savings.

	Apr	May	Jun	Jul	Aug	Sep
1. No	66.7	68.7	66.0	63.3	75.3	69.3
2. One	30.0	26.0	30.7	31.3	23	24.0
3. Two	2.7	5.3	2.0	3.3	.3	6.7
4. Three	0.7	--	.7	2.0	1.3	--
5. Four	--	--	.7	--	--	--
Total	100.0	100.0	100.0	100.0	100.0	100.0
Total amount*	21.97	9.72	8.71	14.83	2.74	15.26
Avg. amount	43,942	20,690	17,092	26,960	7,421	33,180

* Amount Rs. in Lakhs

b) No. of withdrawals & amount: During the last six months, the sample SHGs has withdrawn an amount of Rs. 73.26 lakhs in 338 transactions. On an average the SHG has done 2.2 withdrawals during the period. The data in table-4.4 shows that the percentage of SHGs not made any withdrawals from SB a/c varies from 63 to 76 percent during the last six months. The percentage of SHGs not made any withdrawals is high in

August (75.3%) and low in July (63.3%) compared to all other months. Further, during the last six months i.e. April to September, the amount withdrawn is high in April (21.97 lakhs) and low in August (2.74 lakhs) compared to other months.

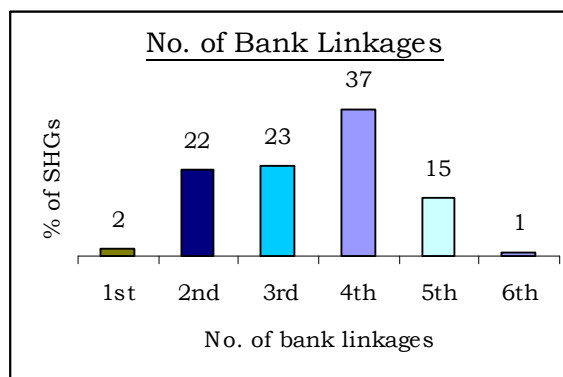
c) No. of loans & the amount disbursed: During the last six months all the sample SHGs has sanctioned a total of 737 loans with a loan of over Rs. 62 lakhs with an average loan size of Rs. 8,419. The data in table 4.5 shows that the number of loans disbursed in a month is low in July with 95 loans and high with 177 in September. Though the no. of loans is less in April compared to September, the amount of loan disbursed is very high with Rs. 19,29,339 during the last six months. The amount of loan disbursed in a month varies from Rs. 100 to Rs. 4,92,500. It could be because many groups have disbursed the loan amount of SHG-BL to its members during these months.

Month	No. of Loans		Loan Amount	
	Sum	Avg.	Sum*	Avg.
1. April	139	0.9	19.29	36,403
2. May	115	0.8	7.51	13,911
3. June	108	0.7	7.96	16,584
4. July	95	0.6	6.78	14,740
5. August	103	0.7	5.58	12,404
6. September	177	1.2	14.92	29,259

*Amount Rs. in lakhs

4.3 Mobilization of external funds

a) No. of bank linkages: Of the 150 sample SHGs, 37.3% SHGs have got four linkages, 22.7% of SHGs have got three linkages, 22% of SHGs have got two linkages, 14.7% of SHGs have got five linkages and 2 % and 1.3% of SHGs have got one and six linkages respectively. It shows that most of the SHGs (98%) have got repeat linkages as the samples SHGs are more than five year old. However, nearly one quarter of SHGs got only one and two linkages. It could be because of delay in getting 1st linkage, long repayment period of 1st and 2nd bank linkage loans and de-functioning.



b) Loan volume: The data in table -4.6 on the average amount of loan in each linkage shows that the loan volume has increased from linkage to linkage. The loan volume in 2nd and 3rd linkages is more or less double to its previous loan volume. However, in 4th, 5th, and 6th linkages, percentage of loan increase to its previous loan is low.

c) Fund in SB account / Idle funds: The data in table-4.6 on the average amount of idle funds in SHG savings bank accounts before and after bank linkage shows that the idle funds are more from linkage to next linkage but there is no much difference like loan volume. Though there is an increase of average idle funds before loan from linkage to linkage, there is a decrease in sum of idle funds over linkages because of less no. of SHGs banked many times. Idle funds in SB account after loan is similar to that of before bank linkage. However, except after 2nd & 3rd bank linkage there is no significant difference in the funds lying in SB account after loan sanctioning.

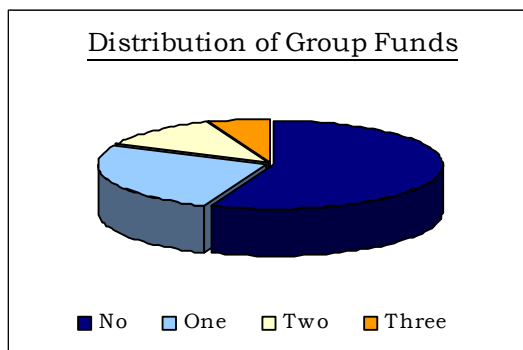
Linkage	% of SHGs	Loan amount		Before loan		After loan	
		Sum*	Avg.*	Sum*	Avg.	Sum*	Avg.
1. First	100	45.16	0.03	6.59	5,227	5.50	4,363
2. Second	98	114.85	0.78	10.67	8,403	8.87	6,985
3. Third	76	180.77	1.59	9.82	9,440	7.15	6,746
4. Fourth	39	131.74	2.27	7.64	14,140	4.98	9,065
5. Fifth	16	64.03	2.67	3.40	14,161	5.44	11,794
6. Sixth	1	5.90	2.95	0.10	4,705	0.10	4,705

* Amount Rs. in Lakhs

d) Subsidy on interest rates (Pavalavaddi): Out of 150 sample SHGs, 132 (88%) SHGs have received 'pavalavaddi', an interest subsidy of Rs. 9.89 lakhs with an average of Rs. 7,492 on SHG bank loans from District Rural Development Agencies. On an average the sample SHGs have received 'pavalavaddi' 2.58 times with a minimum of 1 and maximum of 7 times. The amount of interest subsidy that the groups have received was used in multiple ways. Nearly half of the sample SHGs (49.3%) reported that the PV was distributed equally to all its members; 36.7% deposited to SHG corpus; 17% of the groups adjusted to loan installments and 6.7% of SHGs added to members' savings. It appears that the amount of subsidy adding to group corpus and to members' savings are good practices that would help members in future, improves group's cohesiveness and for group's sustainability.

4.4 Distribution of group funds

a) Frequency distribution: The data in the graph shown that 66 (44%) out of 150 sample SHGs have distributed group corpus⁵ to their members one to three times with an average of 1.54. Of the 44% of SHGs distributed group corpus, 26%, 12% and 6% of SHGs distributed once, twice and thrice respectively. Of all the SHG categories, the percentage of SHGs distributed group corpus is high among OCs (55.6%) and low among BCs (37.3%). But ST and Minorities categories distributed 1 to 2 times; where as SC, BC and OC categories distributed 1 to 3 times. It shows that significant percentage of SHGs among all SHG categories have distributed groups funds one to three times.



b) Amount distributed: Of the 150 sample SHGs, 44% of SHGs have distributed an amount of over Rs. 19.98 lakh with an average of Rs. 30,279. The average amount of group funds distributed is low among OCs (Rs. 19,201) and STs (Rs. 19,975); where as it is very high among Minorities categories (Rs. 74,800), and moderate among SCs (Rs. 27,529) and BCs (Rs. 28,388).

Frequency	ST	SC	BC	Min	OC	Total
1 st time	13,175	17,741	21,541	47,133	12,801	20,586
2 nd time	17,000	10,876	15,826	55,333	27,000	19,113
3 rd time	--	21,098	2,735	--	10,000	13,744
Total average	19,975	27,529	28,388	74,800	19,201	30,279
Total amount*	0.99	6.33	6.24	4.49	1.92	1.99

*Amount in lakhs

c) Reasons for distribution of group funds: The SHGs have distributed its funds on three different circumstances: i) To provide large volume of loan to all the groups members, as to invest on productive purposes. ii) Whatever the savings that the groups have up to getting an external credit linkage such as bank linkage or revolving fund, have distributed along with an external funds and grants. iii) Some SHGs distributed group funds once in a year before agricultural operations in the month of June/July to purchase agricultural inputs.

⁵ Group funds/corpus includes members savings, revolving fund/matching grant received if any, interest earned, amount of interest subsidy on bank loans, subsidy component of SGSY loans, fines & penalties, and donations, visiting fee collected etc.

During discussions with SHGs, members have reported variety of reasons for distribution of group funds. They are mainly related to availability of funds & ability to manage group funds such as more funds in the group (40.6%) and difficulties in managing large funds (12.5%). Some reasons are related to availability of external credit and interest rates such as multiple sources of credit (4.7%), external loans on low interest rate (6.3%), delay in getting bank linkage (9.4%) and to repay bank loan installments (7.8%). Some reasons are related to group procedures and default management strategies such as to avoid idle funds (3.1%), to return the savings of the drop-outs (12.5%), no lending or the practice of equal distribution (29.7%), to provide large loans to members (12.5%) and to procure household & productive assets 6.3%). The above discussion reflects members' thinking on how they manage their own funds as well as external funds; and how they would safeguard members' as well as groups' funds.

Reason	F	%
1. More group funds	26	40.6
2. Difficulties in managing large funds	8	12.5
3. Multiple sources of credit availability	3	4.7
4. Availability of external funds on low interest rate	4	6.3
5. No lending/ only distribution	19	29.7
6. To provide large loans to members	8	12.5
7. Delay in getting bank linkage	6	9.4
8. Avoid idle funds	2	3.1
9. To pay savings of the drop outs	8	12.5
10. Procure useful assets	4	6.3
11. To repay bank linkage loan installments	5	7.8

4.5 Funds transfer from SB account to Loan account

a) No. of times: There is a practice of transfer of funds from SB account to loan account by banks without any information to SHGs. Of the 150 sample SHGs, 26.7% of SHGs have reported about transfer of funds one to six times. Of the 26.7% of SHGs transferred funds, 14.7% of SHGs transferred funds only once, 8% of SHGs transferred funds 2 to 3 times and the remaining 4% of SHGs transferred more than thrice.

b) Amount transferred: The amount of funds transferred varies between Rs. 945 and Rs. 95,000 with an average of Rs. 29,294. The percentage of SHGs transferred funds is high among STs (40%) and low among Minorities (14.3%) compared to all other social categories- BC-32.2%, SC-22.4% and OC-22.2%.

c) Who did it? Some times the transfer of funds from SB account to loan account was the decision of the groups as a strategy to maintain regular repayment for availing 'pavala vaddi scheme' (subsidy on interest rate). However, 22 (55%) out of 40 SHGs have reported that banks transferred funds without any information from savings account to loan account. As a result, members in many SHGs suspected their group leaders that they have withdrawn funds from bank without any group decision. During discussions, the SHG members have reported reasons for it as i) to avail subsidy on interest rate/ pavalavaddi, ii) large amount of loan in repeat bank linkage by ensuring good loan repayment. The members also accounted the negative implications of fund transfer as i) no funds for internal lending to cater the emergency credit needs of members, ii) quarrels among members and iii) de-functioning of SHGs.

4.6 Conclusions

Most of the members in the SHGs have paying savings regularly. However, there is an increase and decrease of cumulative savings of SHGs during the last six months because of irregular savings and bullet savings. Though most SHGs reported regular savings, a good number of SHGs not deposited their savings in banks during the period. Besides promotion of savings in SHGs and their federations, a good number of SHG members started savings outside SHGs with formal and informal financial institutions which is a positive trend.

Primarily, most SHGs used their members' savings for on lending to their members. Significant number of SHGs withdrawn funds from SB account for on lending to their members. However, there is a difference in no. of loans and amount disbursed in a month during the last six months.

Almost all SHGs credit linked to bank more than once and borrowed large amount of loan in the subsequent linkages/borrowings. There are significant amount of idle funds in SHG SB account before and after bank linkage. The idle funds in SHG SB a/c is more from linkage to other linkage. Most SHGs availed 'pavalavaddi', an interest subsidy programme on SHGs loans implemented by the Govt. of AP.

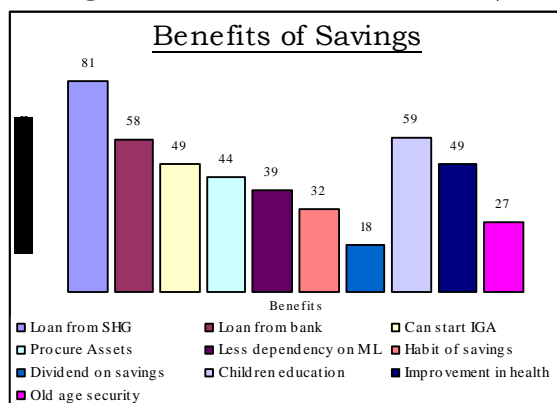
The practice of distribution of group corpus/savings has assorted implications on both members as well as on SHGs. There is a practice of transfer of funds from SB account to loan account with or without consent of the groups by banks as means of recovery mechanism which has similar implications like distribution of group funds.

Chapter-5: MEMBERS' PERCEPTIONS ON SAVINGS:

This part of the report mainly presents the views of SHG members on the benefits of savings, how do they mobilize funds to pay it and different kinds of saving products they are expecting in future. Further, it also illustrates the problems in relation to mobilization and utilization of savings. It also suggested some measures for achieving the objectives of savings.

5.1 Benefits of savings

During discussions with SHGs, the members have reported that the kind of benefits perceived with savings as i) loans from SHGs (81.3%), ii) educating children (59.3%), iii) loans from banks (58%), iv) improvement in household members' health (49.3%), v) taken up some income generation activity (48.7%), vi) procuring different kinds of assets (44%), vii) less dependency on money lenders (39.3%) viii) promoting savings (32%), ix) old age security (26.7%), and x) dividend/income on savings from SHG (18%). The data shows that not only the SHG members but also the other household members have been benefited directly or indirectly in multiple ways with savings.



5.2 Savings- sources of fund mobilization

a) Fund sources to pay savings: The rural households especially agriculture households have non-perennial income sources. Even the disbursement of wages to agriculture labourers depends on the nature of work, availability of work, periodicity, mode of payment etc. Under those circumstances, how would the members mobilize funds to pay savings every week/ fortnight/ month to group? The data shows that the members have paid savings from multiple sources such as i) daily wage (88%), ii) household income (72.7%), iii) hand loans (24.7%), iv) income from IGA taken up from loan (29.3%) and v) at time/ bullet payment (4.7%). The percentage of SHG members paying savings from income from IGA is high among OCs (61.1%) compared to all other social categories. Contrary to it, borrowing hand loans is low among OCs. The percentage of households paying savings from household income is very high among

Minorities category compared to all other SHG categories. It could be because as most of the Muslim women engage in household enterprise activities. Some SHG members pay savings at a time whenever they return from migration to their village.

Source	ST	SC	BC	Min	OC	Total
1. Daily wage	90.0	93.9	86.4	71.4	88.9	88.0
2. HH income	70.0	65.3	71.2	92.9	83.3	72.7
3. Hand loans	30.0	22.4	27.1	28.6	16.7	24.7
4. Income-IGA	20.0	18.4	30.5	28.6	61.1	29.3
5. At a time	--	4.1	6.8	7.1	--	4.7

b) Time taken: The data shows that of the 150 sample SHGs, majority SHGs pay savings in group meetings itself. However, 30.7% of SHGs pay savings, 1 to 5 days after the group meeting. It indicates that in, the financial transactions are happening outside the meeting in significant no. of SHGs, which is an unhealthy practice. The percentage of groups paying savings after meeting is more among STs (40%) and low among SCs (26.5%) compared to all other SHG categories (BCs-33.7%, Minorities-28-6% and OCs-27.8%). It would be because of irregular meetings, non-observance of group norms relating to fines, large amount of savings and loan installment amount etc.

No. of days	ST	SC	BC	Min	OC	Total
1. Within Meeting	60.0	73.5	66.1	71.4	72.2	69.3
2. 1 -2	30.0	18.4	28.8	21.4	11.1	22.7
3. 3-4	--	4.1	1.7	--	11.1	3.3
4. > 4	10.0	4.1	3.4	7.1	5.6	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

5.3 Increase of savings in future

The study team has collected data on how many SHGs are willing to increase their savings in future for designing different kinds of saving products. Out of 150 SHGs, 39.3% would like to increase their monthly savings. However, more percentage of SHGs willing to increase their savings belong SCs (49%) followed by OCs (44.4%). The SHGs those want to increase savings of an amount of between Rs. 10 to Rs. 60 with an average of Rs. 30.85 per week & member. The SHGs those are unwilling to increase savings have reported the reasons as i) large volume of loans (36%), ii) more household expenses (29.3%) and iii) irregular household income (20%). The ST groups have mentioned that large amount of loan

installment (50%) and irregular household income (40%) are the two major reasons for not to increase savings.

Reasons	ST	SC	BC	Min	OC	Total
1. Willing to increase	10.0	49.0	37.3	28.6	44.4	39.3
2. Large loan EMI	50.0	24.5	40.7	50.0	33.3	36.0
3. More HH expenses	20.0	28.6	30.5	35.7	27.8	29.3
4. Irregular HH income	40.0	20.4	18.6	14.3	16.7	20.0

5.4 Other saving products

During discussions with SHGs, majority members said that they don't have any understanding on the other products of savings and their utility; some members expressed that they don't have capacity to do any more as they are already saving large amounts. Some SHGs have suggested products like savings for children education, health of the household members and old age security.

5.5 Problems and issues

During dialogue with SHGs, the members have reported variety of problems relating to interest rates & procedures, regularity of payment of savings and the factors influence it, lending practices and the attitude of banks etc. The problems and the issues reported are:

- a) *Saving is burden/large amount of monthly thrift:* Because of much variance in income levels of SHG member households and large amount of monthly thrift, some members are unhappy with large amount of monthly savings that they are doing now.
- b) *No regular savings in VO:* Some SHGs have reported that since 4 to 6 months not doing any savings in village organization, as they are not interested on saving in VO.
- c) *Collection of savings outside SHG meeting:* Some SHGs have reported that all the members do not pay savings within the meeting. Some members take 2/3 days even after the meeting day.
- d) *Bullet savings:* As there are no regular meetings, some groups have the practice of bullet savings. Consequentially there is a burden on members to pay all the savings at a time.
- e) *Not paying any interest on member savings:* No SHG is paying any interest on the members' savings. It could be because the practice of distribution of members' savings or group funds in a regular interval as an alternative strategy for paying interest on members' savings.

- f) *More interest rate on lending from group funds:* Some groups have the practice of different rates of interest on loans based on the sources of funds for lending. For instance 24 percent on loans from groups' fund; 12 percent on loans funds mobilized from banks and village organization.
- g) *Savings to loan installments:* To avail pavalavaddi and to get large volume of loan in repeat linkage by ensuring regular loan repayment, in some cases to make prepayments, SHGs they themselves have decided to pay loans from cumulative savings. In some cases because of loan defaulting, banks were transferred funds from SB account to loan account as default management strategy. Consequentially, no lending from group funds to meet members' emergency credit needs.
- h) *Perseverance of banks for recurrent deposits:* Some bank branches encouraging recurrent deposit (RD) account by deflecting the monthly savings amounts as RD account. As a result, there is no fund in SB account for on lending to members
- i) *Low repayment rate of loans from group funds:* Many SHGs have reported that in case of bank loans repayment rate is more than 95%. Where as in case of loans from groups funds it is less than 50 percent. Consequentially, many members are not access to loan from group funds to cater the emergency needs.
- j) *No lending from internal/ group funds:* There is no lending from internal funds due to multiplicity of reasons such as i) lesser amount of funds, ii) the practice of distribution of group funds in a regular intervals, iii) adjustment of monthly savings to loan installments, iv) poor repayment of internal loans & to avoid long defaulting and v) conversion of monthly savings as recurrent deposit accounts etc.

5.6 Problems observed by the study team

While verifying group records for information, the study team has observed many problems and issues relating to savings, meetings, book keeping, lending, repayment, leadership rotation etc. Following discussion is on the problems and the issued observed by the study team:

- a) *Low levels of awareness on savings:* During interactions with SHG members, the study team has observed that many SHG members don't have clear understanding on the savings and its utility (16%).
- b) *Bullet savings:* Some SHGs and/or some members in SHGs there is no savings as per the schedule, but there are bullet savings. The members have reported the reasons for it as i) migration, ii) to get large volume

of loan in bank linkage, iii) de-functioning of group and iv) to repay whatever the amount of savings adjusted to loan amount during difficult times.

- c) *Irregular savings in VO*: Some SHGs are not doing savings every month in VO (7.33%), though the members paying saving to SHGs regularly.
- d) *Weekly meetings are unsuitable*: Though many SHGs have the norm of weekly meeting, many are following monthly meetings as they thought that weekly meetings are not convenient for them.
- e) *Poor book keeping*: It is observed that in many groups the books of accounts are not up to date with complete information.
- f) *Leaders' dominance*: It is observed that in many groups, leaders taking decisions on behalf of members in the group. As a result, most of the members don't know what is going on in the groups.
- g) *Savings for group maintenance*: In a couple of SHGs there is a practice of meeting all the group expenses from members' savings. As a result, members' savings will decrease over a period of time.
- h) *No interest on to increase monthly savings*: During interactions with SHGs, members have reported that as they have already large amount of savings per month and large loan installments many SHGs not interested to increase their monthly thrift amount.
- i) *No lending*: except loans from external funds, in some SHGs, there is no lending from group funds which is mainly comprises of members' savings and interest on it. Consequentially, there is no income to group in the form of interest on loans, fines & penalties from late loan payers.
- j) *SHGs lending outside SHGs*: The study team has observed that some SHGs and their members borrowing from banks and SHGs, in turn lending to others on high interest rates.
- k) *Low recovery rate*: Though the sample SHGs have reported more than 95 percent of recovery rate of external loans, it is less than 50 percent in case of loans from group funds.
- l) *Large amount of idle funds*: while collecting data from bank pass books, the study team has observed large amount of idle funds in their SB accounts for a long period. The members have reported that it was because after SHG bank linkage, especially in case of large volume of loans, banks not allowing SHGs to withdraw funds from their savings bank account as a default management strategy. As a result, whatever

the savings collected from members and deposited in SB account. As a counter strategy to address the issue, some SHGs stopped depositing savings in SB a/c, and monthly loan installment amount to loan account. Under that circumstance, the banks transferred funds from savings account to loan account to recover the amount of loan over due.

5.7 Conclusion

The members have reported many problems related to the amount, regularity, type, mode of payment, interest rate, diversion of savings, pressure from banks & promoters and utilization of members' savings at group level. The study team also reported some of the problems related to awareness, quality of SHGs relating to savings, lending, book keeping, leadership and idle funds.

Most SHG members have realized the benefits of savings as it's a prerequisite for getting large credit from SHGs and external agencies such as banks and VOs. However, majority SHG members are unwilling to increase their monthly savings in future because of large volume of loan, more household expenses and irregular household income and low awareness levels on variety of saving products.

5.8 Learnings & Suggestions

Majority SHGs are homogenous in terms of caste and occupation. There is a significant gap between dropouts of members and new the members admitted into groups. There is a significance variance between norms and practices of SHG meetings & savings due to socio-economic and group dynamics. There is no much increase in savings even in matured groups. Promotion of large amount of savings in FFIs & IFIs besides SHGs is noteworthy. SHGs have been used savings in multiple ways - a) lending, b) mobilization of external funds, c) informal loan collateral, d) distribution of funds, e) repay loan installment etc. Groups have reported multiple problems relating to savings such as a) amount, b) regularity, c) type, mode of payment, d) interest rate, e) diversion of savings f) utilization of savings, g) awareness and h) diverse products.

On one hand, some factors encouraging in achieving some of the goals of savings such as mobilization of credit, self reliance and saving promotion. On the other, discouraging/decreasing in addressing old age security, one of the important objectives of savings

Keeping in view the importance of savings, following suggestions have been made to achieve rationale of savings promotion in SHGs:

1. Create awareness on savings- importance, various products, necessity of its increase and usage
2. Avoid use of member's savings for adjustment of loan installments, meeting group expenses, distribution, etc.
3. Promote lending with group funds, and ensure good repayment
4. Encourage individual savings by paying interest on member's savings, and adding it to individual member cumulative savings
5. Encourage voluntary savings or fund mobilization from group members by paying reasonable interest rate to attract the savings of members outside SHGs