

**SHG-BANK LINKAGE, DEFAULTING AND COMPETITION
AMONG THE MICROFINANCE INSTITUTIONS AND ITS
IMPLICATIONS**



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LIST OF CONTENTS

S.No	CHAPTER	PAGE No.
	SECTION-I: INTRODUCTION	
1.1	Research Topic	
1.2	Research Methodology	
	SECTION-II: SHG-BANK LINKAGE AT A GLANCE	
2.1	State Level	
2.2	District Level.....	
2.3	Branch Level	
	SECTION-III: PROFILE OF SHGs	
3.1	Composition	
3.2	Quality of SHGs	
4	SECTION-IV: FUNDS AND LENDING	
4.1	Savings	
4.2	Internal Lending	
4.3	Distribution of Savings	
4.4	Revolving Fund	
4.5	Fixed Deposits	
4.6	Lending Norms	
	SECTION-V: BANK LINKAGE	
5.1	Appraisal Methodology	
5.2	Loan Strategies	
5.3	Opinion on Current Loan	
5.4	Loan Volume	
5.5	Access to Bank Loan	
5.6	Over Due	
5.7	Monitoring	
5.8	Problems	
	SECTION-VI: MFIs & THEIR IMPACT ON SHGS	
6.1	MFI-SHG Members' Profile	
6.2	Loan Size	
6.3	Over Dues to SHG	
6.4	Opinion on MFI Procedures	
6.5	Dynamics	
	SECTION-VII: CONCLUSIONS & RECOMMENDATIONS	
7.1	Conclusions	
7.2	Dos and Don't	
	Annexure	
1	<i>Branch-wise SHG-Bank Linkages in Ananthapur, Guntur and Karimnagar Districts.....</i>	
2	<i>Research Tools.....</i>	

LIST OF GRAPHS

S. No.	Title of the Graph	Page No.
2.1	Percentage of SHGs According to No. of Linkages.....	
2.2	Status of SHGs in a Branch.....	
2.3	Percentage of SHGs and Amount of Over Due to Bank.....	
3.1	Social Categories of the SHG Members.....	
3.2	Literacy Levels of the SHG Members.....	
3.3	Primary Occupations of the SHG Members.....	
3.4	Type of House Possessed by the SHG Members.....	
3.5	SHGs According to Grade and Nature of Institution.....	
4.1	Places of Collection of Group Funds.....	
4.2	Persons Collected the Group Funds.....	
4.3	Period of Time Taken to Get the Revolving Fund.....	
5.1	Opinion on Current Loan.....	
5.2	Time Taken to Get the Loan.....	
5.3	Percentage of Fresh and Repeat Linkages.....	
5.4	Average Amount of Loan According to Linkage.....	
6.1	Social Categories of the MFI-SHG Members.....	
6.2	Social Categories of SHG and MFI members.....	
6.3	Occupational Patterns of the MFI-SHG Members.....	
6.4	Source-wise Average Loan Per SHG Member.....	
6.5	Avg. Amount of Over Dues to SHG by the MFI-SHG Member..	
6.6	Opinion of SHGs on MFIs-1.....	
6.7	Opinion of SHGs on MFIs-2.....	
6.8	Opinion of SHGs on MFIs-3.....	
6.9	Opinion of SHGs on MFIs-4.....	

LIST OF TABLES

S. No.	Title of the Table	Page No.
1.1	Sampling Criteria and Method Followed at Different Levels to Select SHGs.	
1.2	Study Coverage.....	
2.1	SHG-Bank Linkage Scenario in the Study Districts.....	
2.2	SHG-Bank Linkage Scenario at District Level.....	
2.3	SHG-Bank Linkage Details of the Branches Studied.....	
3.1	Age of the SHGs.....	
4.1	District-wise Monthly Thrift of the SHGs.....	
4.2	Percentage of SHGs and Their Bank Balance According to District.....	
4.3	No. of Days Taken to Collect the Funds According to Social Categories.....	
4.4	Percentage of SHG Members Access to Loan According to District.....	
4.5	Percentage of Loan Amount repaid by the SHGs According to District.....	
4.6	District-wise Period of Default by the SHGs.....	
4.7	Percentage of SHGs Distributed Their Savings According to District.....	
4.8	Social Category-wise Amount and Percentage of SHGs Received RF.....	
4.9	District-wise Percentage of SHGs Made Savings and RF as Fixed Deposits...	
5.1	Opinion of SHGs on the Criteria Followed by the Banks.....	
5.2	Strategies Adopted to Get the Loan by the SHGs.....	
5.3	No. of Visits Made to Get the Loan.....	
5.4	District-wise Time Taken to Get the Bank Linkage.....	
5.5	Social Category-wise Time Taken to Get the Bank Linkage.....	
5.6	Linkage-wise Time Taken to Get the Bank Linkage.....	
5.7	Month and Loan Disbursement.....	
5.8	Social Category-wise Cumulative Loan Size of the SHGs.....	
5.9	District-wise Cumulative Loan Size and Percentage of SHGs.....	
5.10	Linkage-wise Size of the Current Loan and Percentage of SHGs.....	
5.11	Age-wise current Loan Size of the SHGs.....	
5.12	District-wise Percentage of SHGs and Current Loan Size.....	
5.13	Social Category-wise Percentage of SHGs and Current Loan Size.....	
5.14	Membership-wise Percentage of SHGs and Loan Size.....	
5.15	Linkage-wise Payback Period of the Current Loan of SHGs.....	
5.16	Percentage of Loan Borrowers by No. of Linkage.....	
5.17	Percentage of Loan Borrowers by District.....	
5.18	Percentage of Loan Borrowers by Group Composition.....	
5.19	Social Category-wise Amount of Over Dues and Percentage of SHGs.....	

5.20	District-Wise Amount of Over Dues and Percentage of SHGs.....	
5.21	District-wise Percentage of SHGs and Period of Default.....	
5.22	Reasons for Over Dues.....	
5.23	Mean & Percentage of SHGs Visited by Various Personnel.....	
5.24	Nature of Assistance Extended by Various People	
5.25	Purpose of Visits Made by Various Persons to SHGs.....	
5.26	Percentage of SHGs and Amount Paid to Various Categories.....	
6.1	District and MFI-Wise Percentage of MFI-SHG Members.....	
6.2	MFI-wise Average Size of Current and Cumulative Loans and No. of Loans.	
6.3	MFI-wise Size of the Current Loan and Percentage of MFI-SHG Members...	
6.4	District-wise Percentage of SHGs and Amount of Over Due.....	
6.5	Opinion of MFI-SHG Members on Various Issues Related to MFI& SHGs.....	
6.6	Utilization of Development Programmes By the SHG Households.....	
6.7	Percentage of Change Reported by SHGs and MFI-SHGs.....	

ABBREVIATIONS USED

APL	:	Above Poverty Line
BC	:	Backward Castes
BPL	:	Below Poverty Line
CB	:	Commercial Bank
CRI	:	Critical Rating Index
DRDA	:	District Rural Development Authorities
DRPs	:	District Resource Persons
EO-RD	:	Extension Officer Rural Development
FD	:	Fixed Deposits
MDO	:	Mandal Development Officer
MFI	:	Microfinance Institutions
MG	:	Matching Grant
Mi	:	Minorities
MRO	:	Mandal Revenue Officer
NABARD	:	National Agricultural Bank for Rural Development
NGO	:	Non-Governmental Organizations
NRF	:	Not-received Revolving Fund
OC	:	Open Categories
PDS	:	Public Distribution System
RF	:	Revolving Fund
RRB	:	Regional Rural Banks
RRF	:	Received Revolving Fund
SC	:	Scheduled Castes
SGSY	:	Swarnajyanthi Gram Swarjrojgar Yogana
SHG	:	Self Help Group
SHPI	:	Self Help Promoting Institutions
ST	:	Scheduled Tribes

INTRODUCTION

1.1 INTRODUCTION

In the year 1992 National Agricultural Bank for Rural Development (NABARD) has started SHG-Bank Linkage Programme with the objective of eradicating poverty through improving access to formal institutional finance for SHGs. As on March 2003 NABARD has linked 7,17,360¹ groups disbursed an amount of Rs. 20,487² millions. Of these nearly 40% of the linkages with 48% of amount disbursement happened in Andhra Pradesh. These services and goods have been delivered through 30,942 branches of commercial, regional rural banks and cooperatives.

The total no. of SHG linkages in AP during the year 2002-2003 were 79,037³ and the amount disbursed is Rs. 4,541.3⁴ millions. The targets fixed for the year 2003-2004 are 2,03,977 linkages⁵, with a credit of Rs. 1,00,000 lakhs. When we compare the targets for the current year and the achievement of the previous year the target linkages for the current year is nearly 260% and nearly 3/4th of the cumulative no. of bank loans (281338) provided up to 31 March 2003. But the question is to what extent are the various key players such as banks, NGOs, SHGs, Velugu/DRDA will maintain quality and follow prescribed norms in achieving their targets? And the strategies adopted by the key players in the SHGS linkage process may have much influence on repayment and sustainability of SHGs.

In the recent past non-governmental organizations/voluntary organizations, who are the major SHG promoting institutions, have started micro-credit /finance activities. Earlier, these organizations (no. of participating NGOs and other Agencies are 2,800⁴) , used to act as intermediaries or facilitators between banks and SHGs. Now-a-days these NGO-MFIs with their rich experience have been regularizing their activities in a close monitoring system on one hand and influencing the SHG-Bank Linkage on the other, directly or indirectly. It might be one of the factors for high or increasing defaulting of SHGs to banks under SHG-Bank linkage programme.

Both District Rural Development Agencies and Velugu Project are promoting SHGs and SHG Federations at habitation, village, and Mandal levels seriously for the past 4 / 5 years. They are providing financial assistance in the form of revolving fund or matching grant to these groups so that they could cater the financial needs of their group members. The groups which formed for getting revolving fund/ matching grant/ govt. inputs, and the ineligible groups after reaching the objective might be defunct or become dormant or even get reorganized because of other reasons also. As a facilitator and promoter DRDA/Velugu linked the SHGs to banks for financial assistance in the form of

¹ SHGS-Bank Linkage Progress Report 2002-2003, NABARD

² Ibid, NABARD, 2002-2003

³ Ibid, NABARD, 2002-2003

⁴ Ibid, NABARD, 2002-2003

⁵ Workshop on SHGS Bank Linkage to Velugu/DRDA, Project Directors Organized by SERP, Sep 2003.

loans. DRDA/Velugu is extending the financial assistance in the form of Community Investment Fund (CIF) along with the bank loan amount to promote livelihood activities. In the linkage process targets set at different levels have played a critical role than SHG- Bank Linkage norms, which has several consequences of which defaulting is one.

The data on branch-wise linkages, no. of over due accounts and amount in all the branches of Andhra Bank in Guntur district⁶, where it is a lead bank, shows that nearly 40% of the branches have default accounts, which ranges from 1 to 70. The rate of defaulting is 19.86% and the overdue amount is 4.86%. The over due amount ranges from Rs. 1,000 to 3,00,000 with an average of Rs. 5,240.

According to an APMAS Study⁷ (May, 2003) the average no. of SHGs to an Animator is 30, 6 of which are defunct groups. It indicates that about 20% i.e. 90,000 groups are estimated as defunct in the State of Andhra Pradesh.

According to another APMAS study⁸, out of 400 SHG-Bank linkages in 8 districts, 65 percent are by commercial banks and 35 per cent are by Regional Rural Banks. Of the Commercial Bank Linkages, 12.3%⁹ were done by Andhra bank which stood as second among the Commercial Banks. In addition to this, it is a Lead Bank in four districts in Andhra Pradesh namely Guntur, East Godavari, West Godavari and Srikakulam. Andhra Bank has received an award from Govt. of Andhra Pradesh for its best performance in SHG-Bank linkage programme during the year 2001-02.

During the presentation of findings of APMAS study on "SHG-Bank Linkage: A Study in Andhra Pradesh" at district and national level workshops organized by DRDA/Velugu¹⁰⁻¹¹⁻¹², Banks, NABARD¹³, CARE-API¹⁴, Immersion Programme organized by APMAS¹⁵ participants raised many issues related to default, rate of default in SHGs promoted by various agencies, period of defaulting, nature of defaulting (willful), reasons for it, etc., loan size, attitude of banks and groups on SHG-Bank linkage, performance variation in the three models of SHGS Bank Linkage, influence of MFIs, multiple loans, dual membership, percentage of PoPs in the SHGs and so on. Andhra Bank has requested a study on their SHG-bank linkages with an intension to know about the quality of SHGs and their needs,

⁶ Statement on Branch-wise no. of groups and the amount of over due in Andhra Bank, Guntur District as on June 2003

⁷ A Study on Animator System in Andhra Pradesh conducted by APMAS, May 2003

⁸ SHG-Bank Linkage: A Study in Andhra Pradesh conducted by APMAS, Feb-Mar 2003

⁹ Ibid, APMAS, 2003

¹⁰ "Workshop on SHGS-Bank Linkage" to District Level Bankers Organized by Velugu, Krishna District on

¹¹ "Workshop on SHGS-Bank Linkage" to District Level Bankers Organized by Velugu, Krishna District on

¹² "Workshop on SHGS-Bank Linkage" to District Level Bankers Organized by Velugu, Krishna District on

¹³ "Workshop on SHGS-Bank Linkage" to District Level Bankers Organized by SERP, Hyderabad on

¹⁴ Workshop on Micro-Finance organized by CARE-AP, September 2003

¹⁵ Immersion Programme on Micro-finance Organized by APMAS, September 2003

attitude of the Bank Managers on the Programme, and to develop strategies for the better implementation of the programme.

In this context, to answer some of these issues, Mahila Abhivrudhi Society, Andhra Pradesh (APMAS) has proposed a study on "Default in SHG-Bank Linkage: A Study with Reference to Andhra Bank," with the following objectives.

1.2 OBJECTIVES

The broad and the specific objectives of the present study are:

- to understand the quality of SHGs after bank-linkage;
- to understand the coverage of SHG-Bank Linkage in a branch;
- to understand the rate of default and the percentage of over dues;
- to identify various needs of the groups and the strategies for meeting them;
- to understand the impact of MFI lending on SHG-Bank Linkage; and
- to understand the impact of SHG-Bank linkage on the Socio-economic status of the group members.

1.3 RESEARCH METHODOLOGY

1.3.1 Data Collection and Techniques

Nature of data: Both quantitative and qualitative data was gathered from banks, DRDA/Velugu project, NGOs carrying MFI activities and SHG members. The nature of data is that mainly related to the quality and financial aspects of SHGs. Apart from that the perceptions of Bank Managers on SHG-bank linkage especially on no. of accounts, no. of linkages, loan size, and appraisals, method of interest calculation, review of SHG linkages, awareness on MFIs and its implications, measures to be taken for the sustainability of SHGs in terms of bank linkage etc were also sheltered.

Data collection techniques: Structured Interviews, informal interviews and group discussions with the SHGs and individual members and observation are the chief techniques employed for the collection of data. Three separate interview schedules were prepared to collect both qualitative and quantitative data from various sources to fulfill the objectives of the study. Firstly, an interview schedule was administered exclusively to the SHGs which covers identification details, socio-economic profile, internal and external sources of funds and grants, appraisal methodology, loan and their details, problems in bank linkage, expectations, and impact on SHGs, microfinance institutions and their services to SHGs. Secondly, an interview schedule was used for bank to collect quantitative data such as no. of S/B Accounts, no. of linkages, amount disbursed, amount over due, amount outstanding, repeat linkages etc. Besides, a check-list was used to collect qualitative information through structured interviews with Branch Managers on the procedures which are being followed in that branch. Thirdly, to know the procedures and the activities of the MFI, NGO-MFIs in the study area, another interview schedule was prepared and executed. In addition to these three tools, Critical Rating Index Tool which was developed and prescribed by

NABARD to appraise the quality of the SHGs was also applied to know the performance of the bank linked SHGs.

1.3.2 Piloting of tools

Based on the available literature and preliminary field work observations study tools were prepared and piloted in the service area of Andhra Bank Branch, Phirangipuram in Guntur district. The observations of the field work and the study tools were shared with the key players for feedback and made necessary changes were made accordingly.

1.3.3 Research Team

Research Officer from APMAS and 2 Research Associates, who were hired on contract basis from a Local University and Velugu Project who have enough experience in working with SHGs, were constituted into a research team to conduct field work in the selected districts. Before going to field, orientation was given to Research Associates by the Research Officer regarding sampling, data collection techniques, quality assurance, editing of filled in schedules, code sheet and how to transfer the collected data into a schedule mode.

1.3.4 Fieldwork plan

The team has stayed 3 days in each selected branch. First day was spent in bank to collect statistical information, selection of sample SHGs, conduct structured interviews with the Branch Manager/Field Officer or Officer concerned, Bank Officials such as LDM, DGM, and Monitoring Officer at district level and to coordinate the activities with various persons involved in the process of SHG bank linkage. Both 2nd and 3rd days were used to meet SHGs, villagers, key informants, animators, book-keepers, Velugu-Mandal Community Coordinators, and MFI-NGO frontline staff in that village.

1.3.5 Sampling Design

Universe: The universe for the present study is SHGs linked to Andhra Bank in Andhra Pradesh. The sampling units are three regions, districts, revenue divisions within the district, Andhra bank branches and SHGs linked to Andhra Bank. Multi-stage Stratified purposive sampling technique was used to select SHGs for the study.

Districts: Three districts were chosen on the basis of one from each of all the three regions namely Coastal Andhra Pradesh¹⁶, Rayalaseema¹⁷ and Telangana¹⁸ one from each region in the State of Andhra Pradesh. Keeping that the criteria proposed by the Andhra Bank in mind, districts were selected. As a first step in the selection of districts the 8 districts which were covered under the

¹⁶ Coastal Andhra Pradesh is region which consists of 9 districts which are located in the coast of The Bay of Bengal viz. Visakhapatnam, Vizianagaram, Srikakulam, East Godavari, West Godavari, Krishna, Guntur, Prakasam, Nellore

¹⁷ Rayalaseema is the region which consists of 4 districts viz. Chittoor, Cuddapah, Kurnool, and Ananthapur Which are mainly located in the

¹⁸ Telangana is the region of the Deccan Plateau in Andhra Pradesh which consists of 10 districts viz. Karimnagar, Adilabad, Nizamabad, Warangal, Ranga Reddy, Mahaboobnagar, Nalgonda, Khammam, Medak, .

APMAS Study in 2003 namely East Godavari, Prakasam Vizianagaram, Mahaboobnagar, Nizamabad, Warangal, Chittoor and Kurnool were excluded from the sample. Guntur selected as one of the sample districts among the districts -Vizianagaram, Guntur, East Godavari and West Godavari in which Andhra Bank is the lead bank. The other two districts Ananthapur and Karimnagar- were selected based on the rate of default and the percentage of over due amount. The other criteria which were followed in selection of the districts are default rate, over due amount and 1st phase districts of Velugu project and the presence of MFIs, or NGO-MFIs in the district.

Branches: Before selecting the branches within the district branch-wise data relating to SHGs was gathered from the concerned Regional Offices of Andhra bank and analysed so that it would facilitate the process of selection. From each district 5 branches were selected through stratified purposive sampling technique based on the no. of SHGs bank linked, percentage of default SHGs, percentage of over due in that branch. The list of branches selected was submitted to the Head Office and Regional Offices for feedback and through them it was communicate to the concerned branches for providing necessary information to the research team.

SHGs: From each branch 7 SHGs were chosen based on size of the loan, amount of over due, period of over due and transactions in the last three months. Upper sample is limited to 2 SHGs in each Panchayat to cover more no. of Panchayats in the service area of that branch. In addition to that based on the discussions with the Branch Manager/ Field Officer some of the SHGs were purposively included in the sample, which is were not selected in the normal course of selection. The following table shows the sampling criteria and size of the sample of the current study.

Sampling Design

Stages of sampling	Sampling methods	Criteria for sampling
State	A.P.	<ul style="list-style-type: none"> • SHGs linked to Andhra Bank in A.P.
Region	Regions (3)	<ul style="list-style-type: none"> • To cover all the regions in the State of Andhra Pradesh
District	Purposive and Stratified sampling (3)	<ul style="list-style-type: none"> • Excluded the districts from the sample which were covered in the earlier APMAS study • At least one out of 4 districts in which Andhra Bank is a lead bank. • At least one district in the sample where Grameen Bank is lead bank. • Percentage of amount of over due • Percentage of default SHGs.
Branch	Purposive and Stratified sampling (5 x 7 =35)	<ul style="list-style-type: none"> • No. of linkages • No. of default accounts • Amount of overdue • MFIs located in the district and mandals
SHG	Purposive	<ul style="list-style-type: none"> • Amount of over due

sampling
(5x7x3=105)

- Period of over due
- Limited to 2 SHGs in a Panchayat
- SHGs from the willful default or black-listed villages

Field work for data collection was conducted in two phases. Phase-1 was conducted in Phirangipuram Mandal to pilot the study from 4th-7th November 2003 by a two member team, one from APMAS and the other from IRMA. Phase-2 was conducted from 20th-30th November 2003 in Kolluru, Kuchinipudi, Tumrukota, Vinukonda and Phirangipuram branches of Andhra Bank in Guntur District.

1.3.6 Area of the study

The study has covered 105 SHGs of 72 habitations in 56 Panchayats which comes under the service area of 15 branches in 19 Mandals. The research team also met grass-root level frontline staff of various stake-holder organizations and the district level officials to collect the data. The following table and the tree diagram show the area covered and the data obtained from various sources.

Sampling area	Districts			Total
	ATP	GNT	KRN	
Mandals	9	5	5	19
Panchayats	17	17	22	56
Habitations	24	25	23	72
SHGs	35	35	35	105
Branches	5	5	5	15
Branch Managers	5	5	5	15
Mandal Coordinators	10	10	10	30
DRDA/Velugu PD/APD	1	1	1	3
Zonal Manager/LDM	1	1	1	3

1.3.7 Period of study

Fieldwork was conducted during Nov. 2003 to Feb. 2004 in three phases. Fieldwork was first commenced in Guntur district where the percentage of default and over due is more. Based on these experiences, second phase of fieldwork was conducted in Ananthapur. Finally it was done in Karimnagar district. The Research Team before leaving the district shared its significant observations and impressions with the concerned officials at the district level.

1.4 Analysis

Editing of data collected in the field was started in the field itself. The two Research Associates exchanged their filled in schedules to check the entries. Finally, the Research Officer has once again gone through it and got clarification to the words used in the open ended questions. The edited schedules were coded. A Key was prepared and entered the data into computer accordingly. By using SPSS (Statistical Package for Social Sciences) the entire data was analysed. Before going to statistical treatment, the entries were at once again checked random to know the quality of data entry.

The data was analysed at both micro and macro levels. The unit of analysis is SHG members, SHGs, district, and nature of institution, social category of the SHGs, and sanction of revolving fund, mfi-SHG and branch of the bank. Averages, percentages, deviations and correlations were computed to various variables. Both frequency and cross tables were prepared to draw meaningful inferences from the analysed data.

1.6 Organization of the Study

The present study was organized into seven sections. Section-I deals with the scope, significance, objectives and research methodology of the present investigation. Section-II portrays the SHG Bank Linkage status of Andhra Bank at different levels i.e. state, district, and branches selected for the study. Section-III describes profile of the SHGs and their quality after bank linkage. Section-IV analyses the status of funds and Grants, and its utilization by the SHGs. Opinion on current linkage, loan volume, repeat linkages, and problems in process of SHG-Bank linkage examine in Section-V. Section –VI pays attention on SHGs associated with MFIs, credit facilities and its impact on SHG-Bank Linkage. The last section of the report summarizes the findings and made suitable suggestions in the form of dos and don't.

SECTION-II: SHG-BANK LINKAGE AT A GLANCE

Table-1: SHG-Bank Linkage Scenario in the Study Districts				
S.NO	SHG-Bank Linkage Details	ATP	GNT	KNR
1	No. of Branches in the District	24		
2	No. of Branches having SHG Accounts	20		
3	No. of Branches have no SHG Accounts	4		
4	No. of SHG Accounts in the District	1599		
5	No. of SHG Linkages in the District	1350		
6	Cumulative linkages in the District (total no. of loans)	1350		
7	Targets Achieved in 2002-2003	482		
8	Targets Fixed for the Current Year 2003-2004	960		
9	Targets Achieved in 2003-2004	806		
10	No. of Linkages in Live	1350		
11	Total Amount disbursed to SHGs (Amount in Lakhs)	316		
12	Total no. of SHGs having Over Due	172		
13	Total amount of Over Due (Amount in Lakhs)	11		
14	No. of 1 st linkages	643		
15	No. of 2 nd Linkages	163		
16	No. of 3 rd Linkages			
17	No. of 4 th Linkages			
18	No. of 5 th Linkages			
19	Total no. of NPA Accounts of SHGs	15		
20	Total amount of NPA-SHG (Amount in lakhs)	4		
21	No. of Century Banks in the district	3		
22	No. of Commercial Banks in the District	16		
23	No. of RRBs in the District	1		

The total no. of branches in Ananthapur, Guntur and Karimnagar districts are 21, 64 and 25 respectively. The no. of branches is almost thrice in Guntur where Andhra Bank is a lead Bank compared to Ananthapur and Karimnagar where the Syndicate Bank and the State Bank of Hyderabad are the lead bank in the respective districts. Except 1 or 2 branches in Ananthapur and Karimnagar districts all the branches have SHG accounts and extending credit to the SHGs. But in Guntur a good number of branches nearly 30 branches does not have any SHG accounts and credit facility in Guntur districts as many of the branches are located in the urban areas it could not extended credit facility to the urban poor.

S.No.	Particulars	ATP	GNT	KNR
1	No. of Branches in the district	21	70	21
2	No. of branches having SHG accounts	21	37	21
3	Total no. of SHG accounts	1823		2611
4	Percentage of SHG bank linked	942	2362	
5	Avg. no. SHGs linked in a branch		64	81
6	Total amount disbursed to SHGs in lakhs		51052	
7	Percentage of SHGs over dues	6.94	19.86	20.56
8	Percentage of amount overdue	5.83	4.82	5.03
9	Average accounts per branch	96		124
10	Average linkages per branch	50		81

The data shows that the highest no. of SHG accounts are in Guntur with ----- followed by Karimnagar with ----- and the lowest no. of SHG accounts are in Ananthapur with -----.

The amount disbursed to SHGs also indicates that more amounts is disbursed in Guntur followed by Karimnagar and the less amount is in Ananthapur district. The percentage of default is more in More in Karimnagar followed

The percentage of SHGs having over dues is highest with 20.56 in Karimnagar followed by Guntur in which it is 19.86. Though the district Ananthapur is economically poor the percentage of SHGs defaulted is three times less (6.94) compared to other two districts. The percentage of loan amount having over dues is more or less 5% in all the three districts. However, the percentage of amount of over due is related to the socio-economic or drought conditions prevailing in the districts that is the district have severely affected by drought have more over dues compared to the district have less drought. The percentage of over dues of the SHGs is positively correlated to the severity of the drought in the concerned district. Much variation in the percentage of SHGs between districts is because of various factors which would be discussed under the reasons for over dues or defaulting.

The average loan sizes are also vary from district to district irrespective of its nature whether it is fresh or repeat linkage. The loan volume is low in Ananthapur district compared to the other two districts Karimnagar and Guntur.

S. No	Name of the Branch	No. of SHG Accounts	% of SHGs Not linked	Cum. Linkages	Active Linkages	% of Rep Linkages	Amt. of Loan-'000	No. of Def. SHGs	% of OD Amount
A	Ananthapur								
1	Goothy	110	23	128	81	43	2776	28(35%)	25
2	Talupula	100	72	39	24	46	558	21(88%)	24
3	Tadipatri	102	11	98	86	8	2991	34(40)	4
4	Vepulaparthu	121	60	78	41	71	2165	7(17%)	0
5	Kalyandurg	78	35	56	42	12	1304	36(86%)	(?) 90
B	Guntur								
1	Kolluru	160	47	149	81	70	1790	10(12%)	5
2	Kuchinipudi	157	39	146	75	68	2900	40(53%)	9
3	Phirangipuram	250	11	332	223	35	4638	72(32%)	3
4	Tumrukota	156	44	156	81	57	3446	32(40%)	8
5	Vinukonda	310	57	180	132	35	5070	42(32%)	6
C	Karimnagar								
1	Dharmaram	249	17	341	180	61	4448	47(26%)	3
2	Julapally	160	61	251	59	71	15369	16(27%)	0
3	Jammikunta	157	22	249	120	60	3450	56(47%)	37
4	Metpally	254	29	322	173	62	3147	51(29%)	10
5	Rudrangi	189	16	235	144	39	2720	45(31%)	31
	Total	2553	35	2760	1542	48	56772	537(35%)	10

BRANCH LEVEL ANALYSIS

SHG Accounts¹⁹:

The data collected from the 15 branches selected for the detailed study indicates that a total of 2,553 SHGs have S/B Accounts in these 15 branches with an average of 170 accounts in each branch and in the range of 78 to 232. Compared to Guntur and Karimnagar, Ananthapur has low average no. of SHG accounts. Vinukonda has the highest number of SHG accounts of 310 and Kalyandurg has the lowest of 78. The no. of SHG accounts in a branch depended on the service area of the branch, presence of other bank branches, existence of SHGs in that area and type of the branch, whether it is a full-fledged branch or an extension counter.

SHGs Credit Linked²⁰:

On an average 65 per cent of the SHGs have been linked with banks for credit and the remaining are unlinked SHGs (35%). Phirangipuram and Tadipatri have

¹⁹ Total no. of SHGs having SB Accounts as on December 2003

²⁰ Total no. of SHG linkages as on December 2003 in the selected branches.

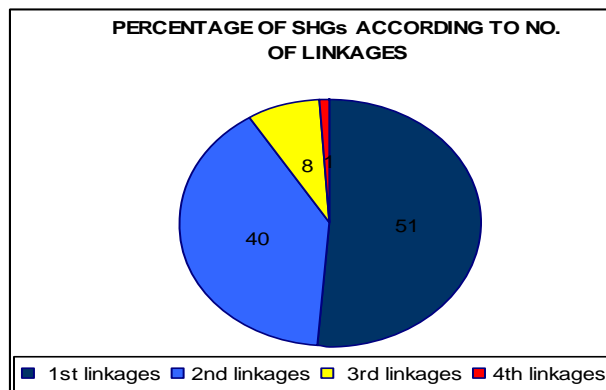
the highest percentage of SHGs linked to bank for credit are in both of which are located in the semi urban areas. Where as Talupula with only 28 per cent has the lease percentage of SHGs linked to bank because of high default rate and very less repeat linkages at the branch. More no. of cumulative linkages²¹ is found in majority of the branches in Karimnagar district followed by Guntur. Coming to cumulative loans are very low in the district of Ananthapur compared to other two districts. This is because of less no. of groups, meager repayment, high default and more no. of fresh linkages and so on.

Active Linkages:

The percentage of active linkages²² is more in Phirangipuram (89%) followed by Tadipatri (84%) where it is low in Talupula (24%) and Vepulaparthi (34%), compared to all other 15 branches. It depends on the positive attitude of the Branch Managers towards the SHG-bank linkage programme, quality of the SHGs and repayment capacity of the SHGs.

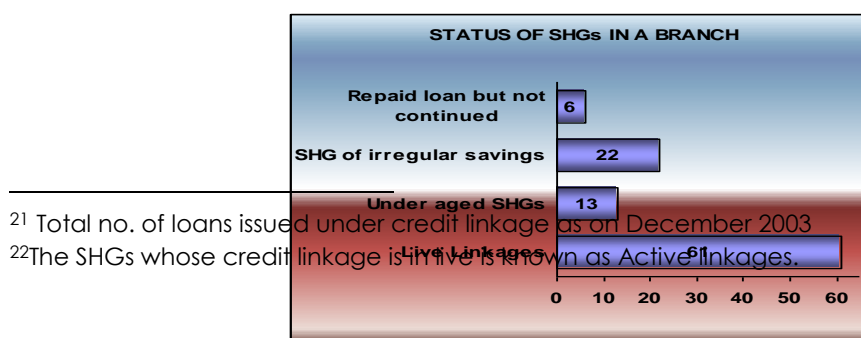
Repeat Linkages:

The data shows that on an overage both fresh (51%) and repeat (49%) linkages are almost equal. However, the percentage of repeat linkages is more or less 70 percent in Vepulaparthi (71%), Julapally (71%), Kolluru (70%) and Kuchinipudi



(68%) which indicates that the groups have sustainable access to banks for credit. However, the percentage of repeat linkages is very low in Tadipatri (8%) and Kalyandurg (12%), which might be because of delayed repayment due to chronic drought in the district of Ananthapur and lack of understanding on the existing polices relating to SHG-bank linkage. Of the total 49% of the repeat linkages 40% happened twice; 8% happened thrice and the remaining happened four times.

Irregular Group:



²¹ Total no. of loans issued under credit linkage as on December 2003

²²The SHGs whose credit linkage is in five is known as Active Linkages.

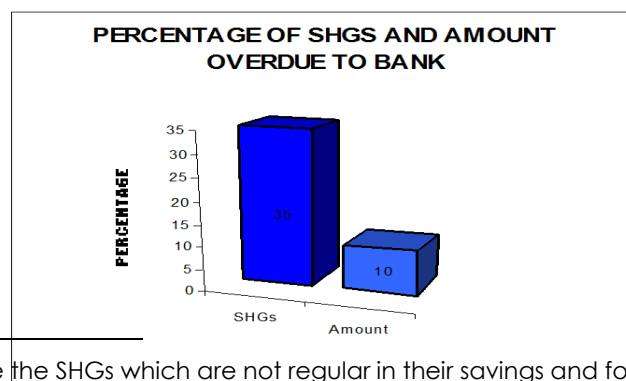
There are 576 irregular SHGs²³ in all the 15 branches with an average of 38 SHGs (22%) in a branch. Julapally has reported the highest percentage (51%) of irregular groups among all the 15 branches studied. The Branch Manager has revealed that it is because of the absence of SHPIs like Velugu, NGOs, and poor attention of DRDA. It is significant that irregular groups are absent in Phirangipuram and Dharmaram where the branches have received Appreciation Certificate for their best performance, and are labeled as 'Century Branches'²⁴.

De-linking²⁵:

Though some of the SHGs, which are eligible for loan and have no over due are not willing to take further credit from banks. Reasons for this are multiple from the perspective of SHGs. Firstly, it is because of internal problems of the SHGs such as repayment of loan, collection of funds, misuse of funds by the leaders and internal defaulting. Secondly, the SHGs felt that the operational cost is high. Thirdly, the SHG-bank linkage loan is not a subsidy loan and the benefits are meager. Lastly, the SHGs which have good awareness reported that due to severe drought they are unable to invest on production activities and by taking loan from the banks and using it for consumption or to meet the drought situation they don't want to become default to bank and get pushed into the debt trap. The opinion of the bankers also focused on the internal problems of the SHGs. However, bankers extending credit facility without any delay to the SHGs which have regular in repayment. The data shows that the percentage of un-linked SHGs is high at Kuchinipudi (13%) in Guntur district. As the Branch Manager has been discouraging SHG members joining MFIs and was avoiding credit facility to those SHGs, whose members were joined MFIs, few SHGs preferred high volume of loans provided by the MFIs and rejected the small loans provided with lot of rules and regulations by the banks.

Over Due:

The data gathered from the sample branches indicates that on an average 35 per cent of SHGs default to bank. The percentage of default varies from 12% to 88%. The percentage of amount of over due also varies from 3 to 90 per cent with an average of 10 per cent. Talupula has the highest percentage of over



²³Irregular groups are the SHGs which are not regular in their savings and formed as a group for limited purposes.

²⁴ The branch which has crossed one hundred SHG linkages in a year is called it as Century Branch.

²⁵ The stage when the groups are not continuing their credit with banks is called de-linking.

due at 90 per cent compared to other branches. Out of 15 branches, 2 have no over dues; 5 have more than 20% and the rest have less than 10 per cent of over dues. More percentage of over dues is found in Ananthapur and Karimnagar which are drought affected districts. However in Guntur district it is less than 10 per cent.

Under-aged SHGs:

The data shows that out of 2,553 SHGs in 15 branches 320 (14%) are under-aged²⁶ which are less than 6 months old. More percentage of under-aged SHGs is found in Talupula (64%) and less number is found in Tadipatri (3%). It might be because of the sincere efforts of the Velugu in the formation of SHGs in the recent past. Out of 15, except Talupula branch which has more than 64 per cent of under-aged SHGs, 7 have less than 10 per cent and another 7 have between 10-20 per cent of under aged SHGs. This can be helpful in assessing the future demand and supply needs of the SHGs and banks.

²⁶ The SHGs which are less than 6 months old and are ineligible to get a bank credit based on NABARD guidelines relating to SHG-bank linkage.

SECTION-III: PROFILE OF SHGS

3.1 COMPOSITION

3.1.1 Membership

The data shows that the average size of the SHG is 12. It varies from 9 to 16. The data also reveals that majority of the SHGs (61%) have a membership of 11-15 followed by less than 10 where a negligible percentage of SHGs have 16 and above members. Across the social categories the SHGs which have received RF have been reflecting the same trends. But where as in the case of 3rd and 4th linkages that the percentage of SHGs in small membership categories is more when compared to other membership categories. The percentage of SHGs which have heterogeneous membership is low. The data shows that the composition of the SHGs has been reflecting the Indian village structure and distribution patterns of population of various social categories in the habitation.

When we compare the present size of the SHGs with that at the time of their formation it shows a decrease from 14 to 12 which is due to various socio-economic and demographic reasons such as migration, death, dual membership, utilization of various inputs provided by the govt. Of the total drop-outs, on an average only 0.21 members have been replaced with their kin and kith in the case of marriage and death; where as in the other cases permanent with-drawls is the only solution.

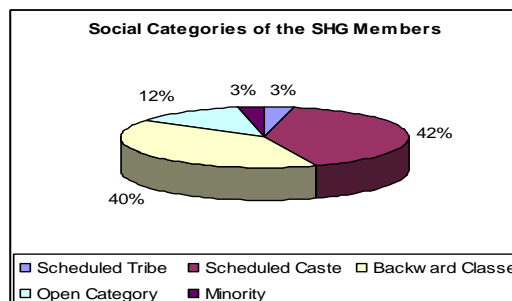
3.1.2 Age

The age of the SHGs varies from 1.17 years to 11.34 years with an average of 5.02 years. The data shows that majority (47%) of the SHGs are in the age group of 4 to 5 years followed by 5 to 6 years (17%) and 3 to 4 years (10%). Less than 2 year old SHGs are very less. It indicates that younger SHGs are less defaulted compared to old SHGs. More percentage of younger (25%) SHGs are associated with the MFIs compared to other SHGs. Majority of the SHGs in all the social categories are in the age group of 4.1-5 year old. But the age of the SHGs received revolving fund varies from 2.1-11years. The data indicates that more percentage of old SHGs received revolving fund than new groups, which are 1 to 4 years old.

S.No.	Age in Years	Frequency	Percentage
1	1.1-2	2	1.9
2	2.1-3	4	3.8
3	3.1-4	11	10.5
4	4.1-5	49	46.7
5	5.1-6	17	16.2
6	6.1-7	9	8.6
7	7.1-8	9	8.6
8	8.1 >	4	3.8
Total		105	100.0

3.1.3 Social categories

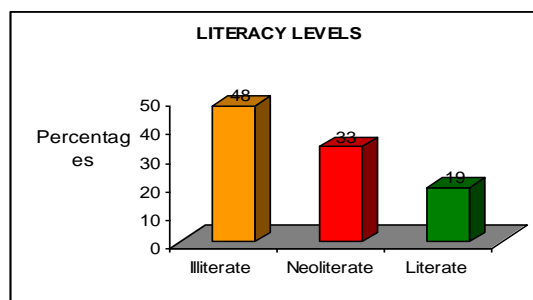
The data on social composition of the SHGs shows that more or less 80% of the members are SCs (41%) and BCs (40%). The remaining comprises of STs (3%), OCs (12%) and Minorities (3.3%). It indicates that majority of the default SHGs belong to SC and BC category. Social categories of the SHGs of the present study show distinct picture compared to the social categories of general populations. It is



because the SHGs selected for of the present study is limited to default SHGs. More than 3/4th of the SHGs are SCs (35%) and BCs (46%). The social composition of the MFI-SHG members indicates that majority of the members are SCs (60%). 1/3rd are OCs (20%) and BCs (15%) and the remaining are STs.

3.1.4 Educational Levels

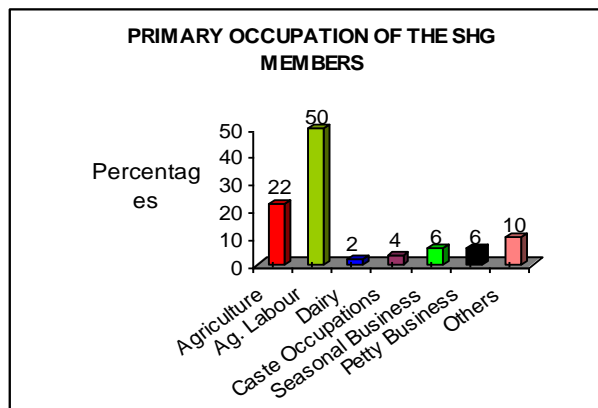
The data on the educational levels of the SHG members shows that nearly half of the (48%) members are illiterates; and 1/3rd are neo-literates²⁷. Only 1/5th of the SHG members are literates with their educational levels varying from primary



education to college education. Compared with the female literacy rate of AP (33%) the percentage of literates among the SHG members is very low. This is because majority of the SHG members of the present study are SCs whose literacy levels are low. It is important to note that majority of the literates especially who have completed their high school and college education are associated with MFIs (27%) than compared to normal SHG members (17%).

3.1.5 Occupations

²⁷ Neo-literates are the persons who are made them as literates through various literacy programmes. In another way neo-literate women are the women who learnt their signature for the purpose of SHG Bank Linkage operations.



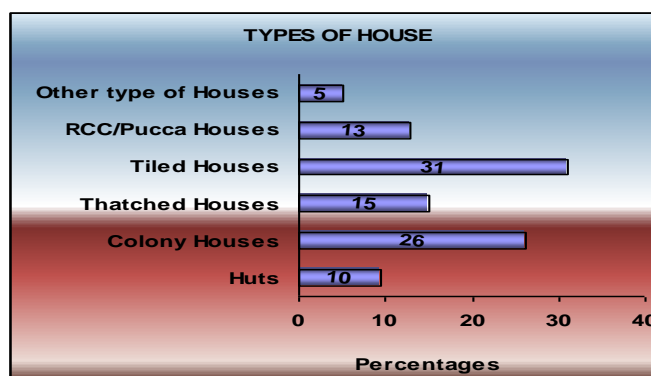
Primary occupations²⁸ of the SHG members indicate that half of them are agriculture labourers and nearly 1/4th of them are depending on agriculture. The remaining are depending on dairy, caste based occupations and businesses which includes both seasonal and petty businesses. Compared to this, more percentage of MFI-SHG members' have either non-agriculture or agriculture labour as their primary occupation whose primary occupation is business are more associated with MFIs and their percentage is double to the percentage of the SHG members.

3.1.6 Public Distribution System

The data on Public Distribution System indicates that 89% of the households of the SHG members are possessing white cards (80%) and Pink Cards (9%) while only 11% of them have no cards. Based on APMAS' earlier study the percentage of SHGs that doesn't possess any card decreased from 11(??) to 11. It is because in the recent past the Govt. of Andhra Pradesh has distributed ration cards to many households under 'Kotivaralu'²⁹ scheme

3.1.7 Housing

One can assess the economic status of person by just knowing in which type of a house he/she is residing. The data on the housing pattern of the SHG members indicate that 50% are residing in huts³⁰ (10%), colony house³¹ (26%) and thatched houses³² (15%) which indicate low economic status. 1/3rd of the SHG members



are residing in tiled houses. SHG members possessing Pucca/ RCC Buildings are

²⁸ Of all the occupations practiced by the household, the occupation which contributes more to the household income is treated it as primary occupation.

²⁹ Kotivaralu is a programme intended to provide benefits to one core people in the state of Andhra Pradesh which was introduced by the Telugu Desam Government in the State of Andhra Pradesh.

³⁰ The house which has thatched roof on round mud walls with less height is known as a hut

³¹ Colony house is a house that is provided by the Govt., which has two rooms with concrete roof .

³² Thatched house is a house, which has thatched roof, mud/brick or stone walls, with or without compartments in normal height.

only 13%. The data also says that 42% of the MFI-SHG members are living in the colony houses, which are provided by the Govt. to the poor under the 'Housing Scheme'. It reveals that majority of the poor are associated with MFIs.

3.1.8 Religion

Religion of the SHG members shows that majority (90%) of them are Hindus. Rest of them is Christians (6.5%) and Muslims (3.5%). It is significant that none of the Minority SHG member is associated with MFIs. Nearly 1/5th of the MFI-SHG members are Christians. It might be due to the adoption of Christianity by the SCs.

3.1.9 Type of family

Out of 105 SHGs, 89% belong to nuclear families³³ and the remaining belongs to joint families³⁴. And of the total 1309 SHG members, 13% belong to joint family. It is significant that all of the 20 MFI-SHGs, except one are nuclear in composition.

3.2 QUALITY OF SHGs

3.2.1 Belongingness or solidarity

The quality and the sustainability of the SHGs depend on 'we feeling' and 'solidarity' among the members. The data shows that 'moderate solidarity' is found in majority of the SHGs followed by very less solidarity (26%). More homogeneity is found only in the case of 16% of the SHGs. The issues emerged at the time of groups' savings, loan disbursement and repayment and distribution of funds among the members, and the attitude of the group leaders are influencing the solidarity of the group.

3.2.2 Governance

The data shows that 41% of the SHGs have awareness about the objectives of SHGs; 57% of the SHGs have awareness about the rules and regulations of the SHGs; 2/3rd of the SHGs leaders don't know about their responsibilities and sharing by the group members; and 3/4th of the SHGs majority of the members know member-wise savings of their group. The personal interviews with the individual members indicate that it might be due to lack of inputs to the group members about the SHG concept from the frontline staff of the promoting agencies.

3.2.3 Meetings

Meeting plays an important role in sharing information, carrying financial transactions, decision making and bargaining power of the SHG members. The data shows that 57% of the SHGs conduct the meetings very irregularly. Nearly 1/4th of the SHGs conduct meetings monthly. Only 5% of the SHGs have been conducting meetings regularly as per fixed date, time and place. Awareness about the objectives, rules and regulations of the SHGs is less due to irregular meetings. The data also shows that 20% of the SHGs have not been conducting any meetings. As a result collection of funds out-side the meetings, more time

³³ Nuclear family consists of wife, husband and their unmarried children and dependents

³⁴ Joint family consists of two or more than two nuclear families.

required for the collection of funds, more dependency on leaders, misappropriation of funds and so on have become so common.

3.2.4 Attendance

The data indicates that only 80% of the SHGs have been conducting meetings. In the meetings the percentage of attendance is less than 50% in 26% of the SHGs between 50%-70% in 26% of SHGs and 70%-90% in case of another 26%. More than 90% of attendance is found only in a negligible percentage of SHGs.

3.2.5 Financial transactions

The data on status of savings shows that nearly 1/4th of the SHGs stopped savings for the past one year. Such is the situation there is no point in discussing about the transaction of funds. For the past one year nearly 50% of the SHGs did not make any transactions. All the fund collections are made outside meetings but loan decisions are taken during the meetings, in case of 35% of the SHGs. Only 9% of the SHGs have made all fund collections from members, financial decisions and disbursements of loans to members during meetings. It indicates that all the financial transactions have been taking place outside the meetings due to non-conducting of meetings and poor attendance pattern.

3.2.6 Awareness about financial transactions

The data shows that nearly 1/10th of SHGs' majority members are unaware about the financial dealings. In majority (45%) of the SHGs only few members are aware the financial transactions. All the members are acknowledged the monetary dealings only in 1/4th of the SHGs and in another 1/5th of the SHGs more than 75% of the members remain unaware. It reveals that as majority of the members are unaware about the financial aspects, few SHG members especially leaders took it as an advantage to misappropriate the funds.

3.2.7 Regularity of savings

Regularity of savings influences cumulative savings of the group, members' access to credit and volume of loan. The data shows that 1/3rd of the SHGs are not undertaking any savings from the past six months. The data also shows that in majority of the SHGs (47%) less than 70% of the members made on time payment of savings. 100% on time payment of savings by members is done only in case of 6% of the SHGs. It indicates that on time payment of savings is poor. Consequentially more time required for collection of funds, existence of more cash on hand, dependence on few members to run the SHGs and so on have emerged.

3.2.8 Pattern of internal lending

The data shows that 1/4th of the SHGs ignored internal lending, one of the important components of SHG. Majority percentage of SHGs (41%) has practiced equal distribution of loans. However, 1/3rd of SHGs practiced need based lending to many members. It might be due to lack of faith on each other.

3.2.9 Repayment terms prescribed

The data reveals that 2/3rd of the SHGs have prescribed monthly mode of repayment. Only 21% of the SHGs prescribed lump sum payment based on their internal lending practices. The data gathered through structured interviews from the SHGs and Branch Managers also supporting that due to the implications of drought and non-perennial limited sources of income, quarterly and yearly mode of repayment are practiced in some cases and are also , few SHGs bearing much interest on loan.

3.2.10 Repayment pattern

Though the data has been indicating that majority of the SHGs are practicing repayment of both principle and interest in full on monthly basis, the informal discussions with SHG members reveal that they are unaware about the repayment criteria. The SHGs have been paying some amount to the loan every month depending on their repaying or savings or earning capacity. In fact the SHGs don't know whether they paid for principle or interest or for both. Because of such ambiguities conflicts cropped in paying the last instalment of loan in many SHGs.

3.2.11 Borrower and loan quality

The data illustrates that 9% of the SHGs have less than 2 default members. It also confirms that the percentage of defaulters is more than 5 members in 75% of the SHGs. The loan quality of the SHGs explains that in majority of the SHGs (64%) the over due is more than 5%. Both borrower and loan quality indicate the poor repayment of loans by the SHG members because of various reasons.

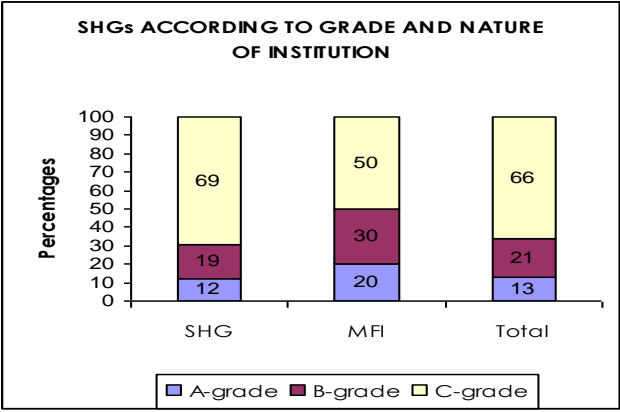
3.2.12 Maintenance of records

The data shows that more or less 55% of the SHGs show no adherence to the groups by laws and attendance at the meetings while 45% of the groups took financial decisions only at the meetings. Only 1/3rd of the groups are collecting savings in the meetings. Nearly 2/3rd SHGs kept the records of loan disbursement. Only 50% of the SHGs have been maintaining the individual savings details. All the above indicates that majority of the SHGs have not maintained records of savings, loans, disbursement, attendance, minutes book and so on. Physical verification of record at the time of data collection also revealed that majority of the SHGs is not retaining the records. At the time of data collection the Investigators faced lot of problem to obtain information on lending and repayment details of the SHGs due to unacceptable and or little records

3.2.13 Grading of SHGs

'Critical Rating Index Tool' which was approved by NABARD to appraise the quality of SHGs to be linked to bank, was administered to each SHG. The data shows that out of 105 SHGs, 66% are graded as 'C' followed by 'B' with 21%. However, there only 13% of the SHGs are categorized as 'A'. The data shows that the percentage of 'A' and 'B' grade SHGs are more in MFIs. More or less 1/3rd of the SHGs of 'A' and 'B' category are more in MFI-SHG's compared to non-MFI-SHG's. Among the SHGs which have no membership with MFIs more than

2/3rd of SHGs are categorized as 'C' grade. It reveals that among the MFI-SHGs quality SHGs are more.



SECTION-IV: FUNDS AND LENDING

4.1 SAVINGS

4.1.1 Monthly Thrift

Each SHG member has saved an amount of Rs. 47 on an average as compulsory savings the minimum being Rs. 10 and the maximum being Rs. 100. Various interests of the SHGs like future needs, loan size and procedures and to get various kinds of economic and other benefits from various sources such as bank linkage, subsidy loans, revolving fund etc have influence on the savings amount.

The amount of thrift varies from district to district and social category to social category. The individual thrift is less with Rs. 31 in Ananthapur district compared to Karimnagar (Rs. 41) and Guntur (Rs. 53), where it is 20% and 30% more respectively. It indicates that the prosperity of the district and the monthly thrift is positively correlated. Economically prosperous district like Guntur has more savings where and the drought prone districts like Ananthapur and Karimnagar have less monthly savings. Social Categories and monthly thrift are positively correlated; that is lower the social category lower the savings and higher the social category higher the savings. STs have lower average savings with Rs. 38 and Open Categories have higher with Rs. 57, which indirectly influences various aspects of the bank linkage. Of the total 105, 52% of the SHGs have a monthly thrift of less than Rs. 30 and 41% have between Rs. 31-50; while only 7% of the SHGs save more than Rs. 50. It indicates that majority SHGs' monthly savings capacity is less.

Table-1: District-wise Monthly Thrift of the SHGs

S. No.	Amount in Rs.	District			Total
		Ananthapur	Guntur	Karimnagar	
1	< 30	80.00	20.00	54.29	51.43
2	31-50	20.00	62.86	40.00	40.95
3	51 >		17.14	5.71	7.62
Total		100.00	100.00	100.00	100.00

Monthly mode of savings is practiced by almost all the SHGs except a few, whose mode of savings is weekly and fortnightly. This is due to the norms set by the SHG promoters such as NGOs, Banks, DRDA and Velugu, at the time of their formation. However, some of the SHGs though practicing monthly mode of savings, follow the bullet payment method especially at the time of credit linkage with bank.

4.1.2 Cash on Hand

The data shows that only 17% of the SHGs have cash on hand, with an average amount of Rs. 361 ranging from Rs. 100 to 13,000. Of the total SHGs having cash in hand, half of the SHGs have less than Rs. 500. High amounts are due to bullet repayment of loans and conflicts and quarrels in disbursing the loan amount to the members. Another reason for the less percentage of SHGs having cash on

hand is that nearly 1/3rd of the SHGs have stopped their savings and almost all the sample SHGs are default SHGs. As money transactions have been minimized, in some cases no financial operations, majority of the SHGs have cash on hand and few SHGs with less amount.

4.1.3 Bank Balance of the SHGs

Since the SHGs are supposed to deposit their savings monthly in the bank, all the SHGs have some amount of balance in their SB accounts. The balance varies from Rs. 42 to Rs. 12,574 with an average of Rs. 2,433. The average bank balance is high in Ananthapur (Rs. 2,989) district and low in Karimnagar district (Rs. 1953). Nearly 2/3rd of the SHGs bank balance is less than Rs. 2,000. The size of the

Table-1: Percentage of SHGs and their Bank Balance According to Districts

S. No.	Amount in Rs.	District			Total
		Ananthapur	Guntur	Karimnagar	
1	< 1000	40.0	40.0	48.6	42.9
2	1001-2000	14.3	25.7	20.0	20.0
3	2001-3000	8.6	11.4	8.6	9.5
4	3001-4000	5.7	5.7	8.6	6.7
5	4001-5000	5.7	8.6	2.9	5.7
6	5001-6000	5.7	--	2.9	2.9
7	6001-7000	5.7	--	--	1.9
8	7001 >	14.3	8.6	8.6	10.5
Total		100.0	100.0	100.0	100.0

amount depends on the practice of internal lending, nature of account that means single account for both loan and savings and adjustment of savings amount to loan amount as a strategy for recovering loan instalments or over dues and the informal strategies followed by the bankers to main considerable amount of balance which is a collateral surety and the easiest means of collecting over dues.

4.1.4 Changes in Monthly Thrift

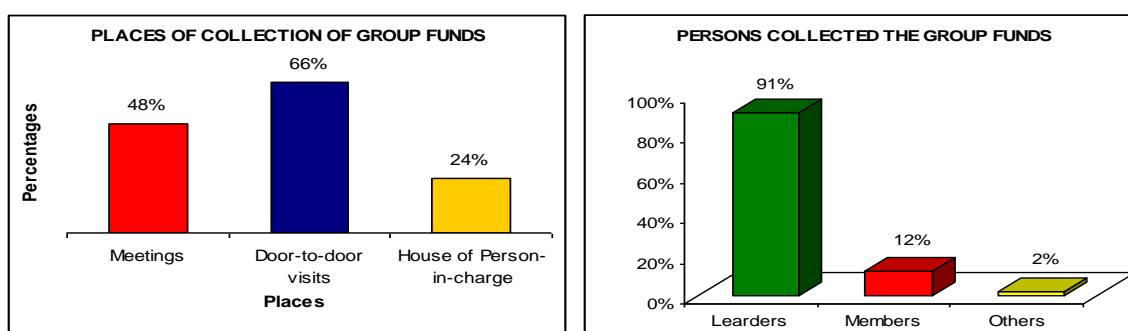
Owing to various socio-economic reasons the SHGs made changes to their monthly thrift amount. The data reveals that nearly 1/4th of the groups have stopped savings. Nearly 30% of the SHGs made changes to their monthly thrift amount. Of the SHGs which made changes, 22% of the SHGs increased their monthly thrift and 9% decreased it. On an average there is an increase of Rs. 2 in the monthly savings amount. It could be the result of the capacity building efforts of the Velugu/DRDA and NGO staff who are working at SHG and Mandal level. The reasons vary and are many. SHGs have recognized that primarily the loan size depends on the size of savings. So that to get outsized amount of loans SHGs have increased their monthly thrift. To maintain large amount of savings some of the SHGs instead of meeting the contingent expenditure such as the insurance premium and reimbursement of share of the drop-out SHG members, enlarged their monthly savings. Some of the SHGs started with lesser amount on the advice of the promoting agencies like Velugu Community Coordinator and

Staff of NGO. Due to shifting priorities to get the credit linkage from banks, have amplified their monthly thrift.

The SHGs which have shrunk their monthly thrift have done it mainly due to severe drought and its consequences. Apart from drought, misuse of funds by the leaders is another important reason for reduction. Besides, adjustment of savings to loan instalments or over due is another explanation for minimizing the savings.

4.1.5 Fund Collection

Though the group norms are stating that all the financial transactions should be carried-out in group meetings, monthly savings and loan instalments are collected through various methods. Majority of the SHGs have been collecting it through door to door visits (66%) followed by meetings (48%) and at the house of a person in-charge (24%) for fund collection.



As majority of the SHGs are not paying the savings and loans in the meetings some one has to take responsibility of fund collection. In majority of the SHGs leaders (91%) collect the funds while the members do it in 12% of the SHGs. Only in 2% of the SHGs the family members of the SHG members are engaged in the task of fund collections.

Collection of monthly savings and the loan instalments generally takes place before and after the group meeting. As group meetings are absent in many SHGs the leaders or the concern members pass the message about the payment well in advance and collect the funds. On an average it takes more than a week (8 days) ranging from 1 to 30 days which varies from SHG to SHG to collect the funds. The data also reveals that nearly 2/3rd of the SHGs take less than a week and the remaining 1/3rd takes more than a week to collect the funds. This is the reason why SHGs have large amount of fund in their hand.

Tabel-1: No. of Days Taken to Collect the Funds According to Social Categories.

S. No.	No. of days	Social Categories					Total
		ST	SC	BC	OC	Min.	
1	< 7	100.00	54.76	76.19	43.75	50.00	62.86
2	8 >	--	45.24	23.81	56.25	50.00	37.14
Total		100.00	100.00	100.00	100.00	100.00	100.00

As the SHGs are not regularly conducting meetings, and burden of collection of funds only on leaders and or non-sharing of group activities and sparing of much time for group activities by the members, most of the groups stopped internal

lending as a strategy to avoid some of the things as result no internal lending and books of accounts.

4.2 INTERNAL LENDING

4.2.1 Types of lending

Internal lending is one of the important components of the SHG concept. Lending of group funds to its members provides an access to credit sources.

The data shows that 14% of the SHGs have not been practicing internal lending in any form; more than 50% of the SHGs have lent to all of their members; 14% to 20-40 percent of its members; 11% to 41-60 percent of its members; less than 20 percent and more than 80% of the group members borrowed loan only from less than 5% of the SHGs. It indicates that need based lending is found only in 1/4th of the SHGs. The percentage of non-lending SHGs is highest in Ananthapur district with 26% which is three times more to Guntur (8.5%) and Karimnagar (8.5%). It is because SHGs made their savings as Fixed Deposits which has minimized space for internal lending.

Table-1: Percentage of SHG Members Access to Loan According to District

S. No.	Percentage of Borrowers	District			Total
		Ananthapur	Guntur	Karimnagar	
1	No lending	25.71	8.57	8.57	14.29
2	1-20	5.71	--	8.57	4.76
3	21-40	8.57	17.14	5.71	10.48
4	41-60	5.71	28.57	8.57	14.29
5	61-80	2.86	8.57	5.71	5.71
6	All the Members	51.43	37.14	62.86	50.48
Total		100.00	100.00	100.00	100.00

4.2.2 Credit, repayment and outstanding

Of the total 1309, 64% of the members took loans from the savings. On an average each SHG lent Rs. 15,298 as loan and Rs. 1,227 per member. The amount is almost 50% of the average loan per SHG member. Major portion of the savings lent as loans is in the form of outstanding amount (91%) which includes over due also. Only 9% of amount was repaid to SHGs by the loan borrowers.

Table-1: Percentage of Loan Amount Repaid by the SHGs According to District

S. No.	Percentage of Amount Repaid	District			Total
		Ananthapur	Guntur	Karimnagar	
1	1.00	60.00	53.13	90.91	68.89
2	2.00	16.00	18.75	6.06	13.33
3	3.00	8.00	9.38	3.03	6.67
4	4.00	8.00	6.25	--	4.44
5	5.00	8.00	12.50	--	6.67
Total		100.00	100.00	100.00	100.00

Table-1: District-wise Period of Default By the SHGs

S. No.	Period of defaulting	District			Total
		Ananthapur	Guntur	Karimnagar	
1	No lending	28.57	17.14	11.43	19.05
2	1 year	28.57	42.86	22.86	31.43
3	2 years	31.43	40.00	48.57	40.00
4	3 years	8.57		14.29	7.62
5	4 years	2.86		2.86	1.90
Total		100.00	100.00	100.00	100.00

4.2.3 Period of over due

On an average the over due period is 15 months. Internal lending indicates that less number of SHG members borrowed loans and became default to SHGs. It shows the high rate of default and poor repayment. It is also one of the explanations from SHGs' perspective for equal distribution of savings. The percentage of SHGs not practicing internal lending is more (20%) among homogenous SHGs than heterogeneous SHGs (8%). In the case of homogenous groups for reasons such as kinship, same caste, and other obligations, majority of the SHGs adopted equal distribution rather than need-based lending. Among the ST Category, equal percentage of SHGs practiced no lending, need-based lending and equal distribution where as in Open category majority of the SHGs followed need-based lending. It might be because of awareness and bargaining capacity of the members within the group.

4.3 DISTRIBUTION OF SAVINGS

Instead of need based internal lending of savings, 52% of the SHGs have distributed their savings equally to its members for a variety of motives? These motives are connecting to diverse people at different levels. Some of the SHGs to avoid quarrels and mischief distributed their savings at the time of withdrawal of one of its members. As the bankers prescribed the repayment of individual loan arrears as a pre-requisite for bank linkage, the SHGs distributed its savings to the members to repay the individual loans. Keeping the continuity and smooth running of the SHG in mind, to protect the savings from internal default, mishandling of funds by the leaders and to avoid clashes within the group, SHGs have distributed savings to all their members. Some of the SHGs have distributed their savings due to lack of guidance, absence of book-keeper and migration of leader to nearby towns for labour permanently or temporarily.

Table- Percentage of SHG Distributed Their Savings According to District

S. No.	Amount in Rs.	District			Total
		Ananthapur	Guntur	Karimnagar	
1	Not Distributed	40.00	62.86	42.86	48.57
2	< 500	17.14	8.57	11.43	12.38
3	501-1000	17.14	8.57	22.86	16.19
4	1001-1500	8.57	5.71	8.57	7.62
5	1501-2000	11.43	5.71	5.71	7.62
6	2001 >	5.71	8.57	8.57	7.62

Total	100.00	100.00	100.00	100.00
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Distribution of savings also took place for better motives, or to increase income levels or to take up the income generation activities. Most of the SHGs in these categories distributed savings along with the loan amount, which is inadequate to meet large expenses to take up productive activities such as purchase of milch animals, obtain LPG connection, seasonal business and children's education.

To meet the miscellaneous and contingent expenses such as health, marriage, festive expenses and to meet the costs imposed by drought and to purchase rice from Velugu Project under Rice Credit Programme few SHGs distributed their savings among the members.

Some of the groups due to distress caused by the delay in getting inputs from the govt., bank and other financial input providing agencies, have allocated their pool of savings among their members equally. As the groups have no demand for internal lending dispersed the surplus savings among the members.

NGOs, banks and frontline staff of Velugu/DRDA have been encouraging equal distribution as a strategy to avoid quarrels among the members of SHG. Each SHG member got an average share of Rs. 706 at the time of distribution of savings. This share is equal to 1/4th of the current loan amount.

4.3 REVOLVING FUND

4.3.1 Access to Revolving Fund

Revolving fund / Matching Grant is the fund received by the SHGs from the SHPI such as DRDA, Velugu, banks, NGOs etc. The Govt. with the intention to promote and provide financial access to many members has sanctioned considerable amount of grant to the SHGs.

Table-1: Social Category-wise Amount and Percentage of SHGs Received RF

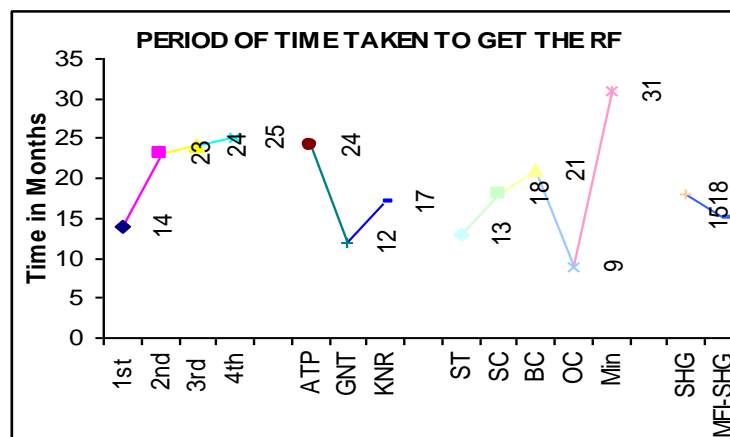
S. No.	Amount in Rs.	Social Categories					Total
		ST	SC	BC	OC	Min.	
2	Not sanctioned	33.33	23.81	21.43	62.50	--	28.57
3	< 5000	--	--	2.38	--	--	.95
4	5001-10000	33.33	66.67	61.90	31.25	100.00	59.05
5	10001-15000	--	9.52	11.90	6.25	--	9.52
6	15001 >	33.33	--	2.38	--	--	1.90
Total		100.00	100.00	100.00	100.00	100.00	100.00

The data shows that out 105, 70% of the SHGs received RF/MG. The size of the revolving fund varies from Rs. 5,000 to Rs. 15,000 with an average of Rs. 7,571 per SHG and Rs. 607 per member. The data also shows that nearly 60% of SHGs received an amount of Rs. 5001-10,000. Only 10% of SHGs have received more than Rs. 10,000. The size of the revolving fund depends on the size of the group and the guidelines existing at the time of sanctioning of it. During the initial phases of the DW CRA programme with the objective of promoting SHGs the Govt. has sanctioned Rs. 10,000 to 15,000 to a group. A good number of people

were attracted by this and formed into SHGs to avail the benefit of revolving fund. To avoid these kind of formations the Govt. has changed the guidelines and linked it to bank-linkage and back-end subsidy.

4.3.2 Time taken to get RF

The data shows that most of the SHGs have received revolving fund within an average period of 18 months after the date of its formation. The relationship between the time taken to get the RF and the no. of linkages shows that SHGs



which have repeat linkage have taken more time to get the revolving fund where as SHGs which got linked for the 1st time have taken less time. The data also shows that majority of the SHGs have received revolving fund before bank linkage. Consequentially many SHGs after receiving RF and bank linkage became defunct and default as they thought that no further economic inputs would be provided to the group from either the promoting agency or the Govt.

The data in the districts shows that the SHGs in Guntur district have received RF early (12 months) compared to the other two districts Karimnagar (17 months) and Ananthapur (24 months). Time taken to get RF to various social categories indicates that as the social category increases time also increases. It would be the strategy of the promoting agencies to sanction revolving fund carefully so as to encourage the SHGs among the lower social categories. There is no significant difference between SHGs (15 months) and MFI-SHGs (18 months) in the average period of time taken to get the RF.

The time taken to get the revolving fund from the Govt. has its own influence on the functioning of the group especially continuity of the group, loan size, and access to loan. On an average each SHG obtained the amount of revolving fund after 25 months period. It has both positive and negative implications on the SHGs. Due to long waiting period and no other benefits from the promoting agencies the SHG members are disappointed and are discontinuing or withdrawing from the group. The groups which formed with the intention of getting revolving fund are discontinuing immediately after getting it.

All most all the SHGs distributed revolving fund equally among their members. The data reveals that on an average SHG received Rs. 10,600 as RF. It also shows that only 28% of the members of the SHGs have repaid RF to the SHG.

Repayment was made due to variety of reasons. In few cases local leaders advised for repayment. In few cases the amount was used to clear arrears or over dues of the individual loans, which is a precondition for bank-linkage. In another few SHGs leaders were used it. Very few SHGs have been circulating it among the members to get large amount of bank linkage loans by improving corpus of SHG.

The grounds mentioned for not repaying the revolving fund to SHGs are reflecting the unawareness of the SHG members. Majority of the groups have reported that the Govt. has sanctioned it to the poor, and hence, it should be for all and should not be repaid. In some of the SHGs few members borrowed loan from the savings and became defaulters for a long period of time. As a strategy to recover and safeguard their savings the non-borrowers borrowed RF and they too became default. After benefiting from it some group became defunct. Some of the SHGs used it to meet the drought and its consequences.

In case where need-based lending is absent, at the time of disbursing RF, savings are clubbed with RF to get the large amount to invest on productive activities such as purchase of sheep units, start business, to repair the house, to get gas connection, to purchase land and to repay old loan arrears. Some spent on health needs and marriage of their daughter.

It is important that majority of the groups don't know the status of the revolving fund sanctioned to them. The DRDA sent the list of SHGs and the amount obtained to the bank. What the bankers did is adjusting it to the loan instalments and closing the loan well in advance and sanctioning repeat loan. Most of the SHGs thought that they got subsidy from the Govt. So the details of revolving fund, loan instalments & repayment and subsidy are not known by many SHG members. There could be an option of misuse of group fund by the leaders, bankers, and promoters.

4.3.3 Persons Assisted

The SHGs in the process of getting revolving fund took the help or assistance of various persons including people of the community- local leaders, family members of the SHG members-husband, son, daughter, brother; and representatives of the PRIs- Sarpunch, Ward Member, MPTC; and the personnel of the promoting agencies-NGO staff, Community Coordinator, Animator, Anganwadi Teacher, Village Secretary, EO-RD, MDO, Bank Manager.

4.3.4 Payments Made

The data reveals that 59% of the SHGs made payments to the persons assisted. The volume of payments varies from Rs. 50 to Rs. 5,000 with an average of Rs. 613 or 8% in the revolving fund. Majority of the SC category groups made large payments followed by Minorities and STs. Open category groups have made small payments and only in less cases. This might be because of competition among the SC groups and illiteracy.

4.4 FIXED DEPOSITS

4.4.1 Size

The SHGs are supposed to do internal lending with group funds which includes savings, external funds in the form of revolving fund or matching grant, interest, penalties, fines, and loan. But, though it is not a criterion for bank linkage, some of the SHGs made a portion of their savings and or RF as fixed deposits which act as collateral surety for the loan to be sanctioned because of certain formal and informal procedures of the groups, promoting agencies and the bankers.

Nature of funds	Status of funds	District			Total
		Ananthapur	Guntur	Karimnagar	
Revolving Fund	Not deposited	94.29	82.86	100.00	92.38
	Deposited	5.71	17.14	--	7.62
Savings	Not deposited	77.14	97.14	100.00	91.43
	Deposited	22.86	2.86	--	8.57
Total		100.00	100.00	100.00	100.00

The data reveals that 8% of the SHGs made revolving fund as fixed deposit and the amount varies from Rs. 6,000 to Rs. 13,000 with an average of Rs. 722. This kind of FDs are found only in Guntur and Ananthapur districts. The data also shows that 9% of the SHG made their savings as Fixed Deposits. All the FDs of savings are only in Ananthapur district and FDs of Revolving fund are in both Guntur and Ananthapur districts and the size of the deposits varies from Rs. 4,000 to 40,000 depending on the size of the loan and the repaying capacity of the SHGs. No FDs were reported from Karimnagar either of savings or revolving fund or both.

4.4.2 Tenure

The tenure of deposits where the savings were made as FD is equivalent to the payback period of the loan. Where as in the case of revolving fund the tenure vary from branch to branch in the districts. In some branches it is 3 years which is equivalent to payback period of a loan prescribed by NABARD. Where as in some cases it is like savings. Some branches are paying interest on FDs and some are not.

4.4.3 Reasons

If we come across the reasons for making FDs it is known that the deposits are involuntary. As a strategy to avoid quarrels at the time of distribution and repayment, few SHGs made it as FD. Some other SHGs felt that the revolving fund is too small and it is not enough for any productive work and hence, made it as FD and appealed for large amount of loans from the bank. Few Branch Managers demanded FDs from the SHGs.

The DRDA, by taking their learning into account made some changes in the norms relating to the release of RF to the groups. As a part of it deposited in the bank for a period of three years instead of directly being released to the SHG.

Appraisal Methodology

NABARD has prescribed a ratings tool known as Critical Rating Index (CRI) to appraise the quality of SHGs to be linked for credit. The data was collected about the awareness of SHGs and bankers on the tool and the agencies using it to assess the quality of SHGs.

The data shows that 65% of the SHGs are aware of the CRI tool. Of these 52% of the SHGs were appraised before linkage and the remaining (13%) were appraised after bank linkage. More than 1/3rd of the SHGs don't know whether the group was appraised or not. Of the 65% of the appraised SHGs except 13% which were evaluated by banks, all other SHGs were appraised by DRDA (3/4th of the SHGs) through Animators. NGOs did not play even a nominal role in appraising the quality of SHGs.

Opinion of the SHGs on the Criteria Followed by the Bankers at the time of Linkage

S.No.	Criteria	Frequency	Percentage
1	Verified the savings pattern	96	91
2	Asked about the purpose of loan	68	65
3	Enquired about internal lending	37	35
4	Enquired about quantum of loan	24	23
5	Got information through villagers	4	4
6	Asked about previous loans	19	18
7	Asked about matching grant	34	32
8	Verified all the records	61	58
9	Enquired about the FDs	8	8
10	Appraised at the bank	19	18
11	Others	4	4

The data collected through structured interviews with the Bank Managers reveals that for the purpose of documentation the CRI format has been filled in. The Branch Managers have reported that there are some problems in carrying out the CRI tool particularly related to quality and availability of SHG records. They also reported that if it is strictly implemented then more than half of the bank linked SHGs would be ineligible. Implementation of CRI tool strictly is also a problem to bankers to reach the no. of linkages targeted to a branch. According to the opinion of the Branch Managers, it can be used if any one wants to exclude a group from bank linkage or postpone or not interested in the linkage or to avoid the bank linkage on the whole.

It is evident from this fact what kind of outlook the Branch Managers have on the CRI and its implementation. It also signifies that ineligible or poor quality SHGs are linked to bank. Another important thing is that in majority of the cases bankers assign this duty or rely on the appraisal done by animators rather than assessing by themselves.

The data on the criteria followed by the bankers to appraise the group was collected from the SHGs. It indicates that bankers adopted multiple criteria. The most important among those is verification of savings pattern (91%), fund inflows (58%) and outflows (35%) especially about revolving fund and internal lending of savings, the purpose of loan (65%), and quality of books of accounts (58%). Apart from this, they also focused on the financial discipline of the SHG members in the past by enquiring and verifying about the arrears of the old individual/household loans (18%), deposits (8%) and quantum of loan (23%). Besides, to know the loan absorption & repaying capacities of the SHGs, they triangulated the information with both SHG and non-SHG members of the villagers (4%).

Though the SHGs are graded by DRDA through Animators, the bankers summon all the SHG members to bank instead of visiting the SHG for assessment, because of various reasons. Consequentially, groups are supposed to make more no. of visits to bank which is cost bearing to them and also the bankers are losing direct relationships with the SHGs by relying on the voices and documents produced by the SHGs. As a result some irregularities have been noticed here and there which have influenced access to loan and finally the repayment.

The structured interviews conducted with the Branch Managers dazzling with the views expressed by the SHG members on the appraisal of SHGs. Further, the Branch Manager added some more criteria such as S/B Account on the name of the SHG and at least six months active savings. During interviews the Branch Managers on one hand accepted that they have collected arrears or over dues of the past individual or household loans through adjustment of current loan and revolving fund while on the other disagreed with the statement that bankers insisted for over dues, loan postponement up to clearing of over dues, regret to sanction the loan, exclusion of defaulters from the SHG and no lending to the defaulters.

The above discussion concludes that though the bankers have not been strictly applying the CRI due to multiplicity of reasons, they have been assessing the performance of SHGs through other alternative mechanisms.

Loan Strategies

As there are various formal and informal means of criteria that are followed by the bankers and various problems in SHGs, the promoting agencies namely DRDA/Velugu, NGOs, and the SHGs themselves have evolved and adopted certain strategies for getting linkage. The attitude and quality concern of SHGs have been reflected in the adopting strategies. Some of the SHGs have show concern for quality and maintained minimum standards and some other SHGs built their internal capacities. Where as few SHGs have chosen short cuts through local leaders and made informal payments. Many SHGs have adopted combination of strategies to get the linkage.

Strategies Adopted to Get the Loan by the SHGs

S.No.		Frequency	Percentage
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1	Local leaders assistance	27	26
2	Group quality improved	11	11
3	Good book-keeping	21	20
4	Have been a good SHG	18	17
5	Good lending and repayment	22	21
6	Repeated visits	62	59
7	Others	10	10
8	No/not applicable	7	7

The data shows that majority (59%) of the SHGs made repeated visits because of lack of concern towards quality. Nearly 1/4th of the SHGs got linked to bank as they are more concerned of quality and maintained good repayment, book keeping and over all performance. Another 1/4th of the SHGs took the help of the local leaders to get the linkage. Majority of the SHGs which have taken the assistance of the local leaders made payments at various sizes for their services. With this it is evident that involvement of political leaders and bribery has crept in which hampers and damages the SHG bank linkage process and SHG movement as did in the case of Integrated Rural Development Programme. The details of the persons who were approached for assistance and the payments made to them are discussed later.

Rules & Regulations of Internal Lending

Lending: There is a marked difference in the perceptions of the SHG members between the guide lines framed for lending savings, and bank loan. In the case of savings the percentage of SHGs practiced need base lending is more (55%) where as in the case of bank loan equal distribution is more (77%). It is important to note that internal lending of savings is not found in 14% of the SHGs.

Clients: For both savings and bank loan the clients are both SHG members and non-SHG members but in lending to non-SHG clients savings amount was utilized more (19%) compared to bank loan (9%). It is because SHGs don't want to risk the amount borrowed from bank by lending to non-SHG members.

Rate of interest: The rate of interest on the borrowing is also different from savings to bank loan. In the case of SHG members the interest rate is low (Maximum Rs.2) where as to non SHG members it is high (upto RS.3). Like-wise the interest rate on savings is high (Rs. 2) compared to bank loan (Re. 1). Majority of the SHGs collect an interest from their members only the amount charged by the bank on loan.

Payback period: The payback period for the amount lent from savings is less than a year in cases of majority of the SHGs (95%). While it comes to bank loans it is spread from 10 months to 5 years depending on the payback period prescribed by the bank. It is also found that payback period is less to SHG members (between 6 months and one year) than to non-SHG members whose payback period is generally a year and more.

Collateral surety: No collateral surety is collected from to the SHG members in lending both savings as well as bank loan. Where as it is collected as a must from

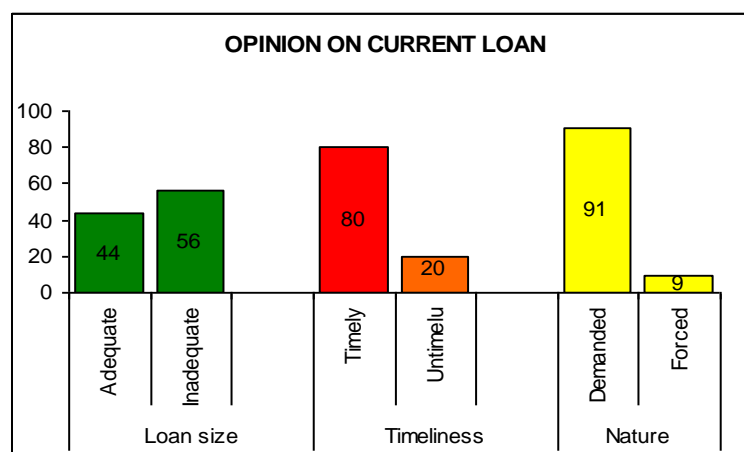
non-SHG members in various forms like mortgage of land, house, assets, crop and promissory note.

Mode of payment: Mode of repayment of loans is quite different. In the case of SHG members it is monthly in majority of the SHGs, where as it is half yearly or yearly in bullet payments, in case of non-SHG members.

Penalties: Initiation of collection of penalties is found in very less percentage of SHGs in the case of both savings and bank loan. And the amount of penalties varies from SHG to SHG ranging from Rs. 2 – 5 per month.

Opinion on the Current Loan

The data was gathered from the SHGs on loan, whether the loan is adequate or inadequate; timely or untimely and whether is it demand driven or forced. The data reveals that majority of the SHGs have reported that it is inadequate (56%), timely (80%) and demand driven (91%). The SHGs which felt that the loan was inadequate, gave explanations indicating that the loan amount is too small and not enough to take up any productive economic activities. One of the reasons explored for untimely loans is waiting for disbursement through 'loan melas'³⁵.



The data also reveals that 9% of linkages are forced linkages which are significant. The percentage of forced linkages is almost double in case of repeat linkages (13%) than fresh linkages (6.8%). It is because of best repayment performance of the SHGs during first linkage which strands guarantee for the bankers vying to reach targets the bankers and who forcibly sanction loans though some of the SHGs are not willing to go for further linkages. The groups exhibit reluctance to go for further linkage due to severe drought which influences utilization pattern of the loan and earnings and repayment of loan. The percentage of forced loans is more in Karimnagar (26%) compared to Ananthapur (3%). But these are totally absent in Guntur district. The percentage of forced linkages is more in case of SCs (19%) followed by BCs (4%). Where as the forced linkages are absent in the OC, ST and Minority Categories.

No. of Visits

The data on no. of visits made shows that on an average each SHG made 5 visits to bank to get the linkage. The reasons identified for more no. of visits are approaching the Branch Manager without any or with incomplete records, absence of SHG members on the day of documentation, absence of concerned bank staff on the day of documentation etc. The time taken to sanction the loan i.e. the period between the day of submission of application

³⁵ The Banks, with the assistance of various stake-holders disburse the Cheque of the loan amount to a large no. of SHGs by organizing public meetings twice or thrice in a year, inviting the people's representatives of that region and Heads of their Apex Institutions.

at the bank and the day of sanctioning, is found to be 3 weeks on an average and the time taken for release i.e. the period between the day of sanctioning to the day the loan amount is debited into the SHG account, is found to be another, where it totally takes one and half months or 6 weeks to get the loan.

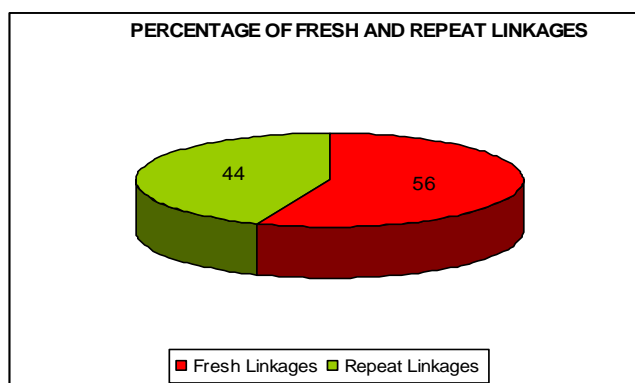
Table-1: No. of Visits Made to Get the Loan

S.No.	No. of Visits Made	No. of SHGs	Percentage
1	1-2	30	28.60
2	3-4	37	35.20
3	5-6	21	20.10
4	7-8	5	4.80
5	9-10	5	4.80
6	11 +	7	6.9
Total		105	100.00

The data indicates that the time taken even for releasing the loan also is equivalent to the time taken to sanction it which involves lot of procedures. The discussions with the Branch Managers and the SHG members also support the quantitative data stating the reason to be because of disbursement of loans bulkily twice or thrice in a year on the eve of visits of official, politicians etc.

Repeat Loans

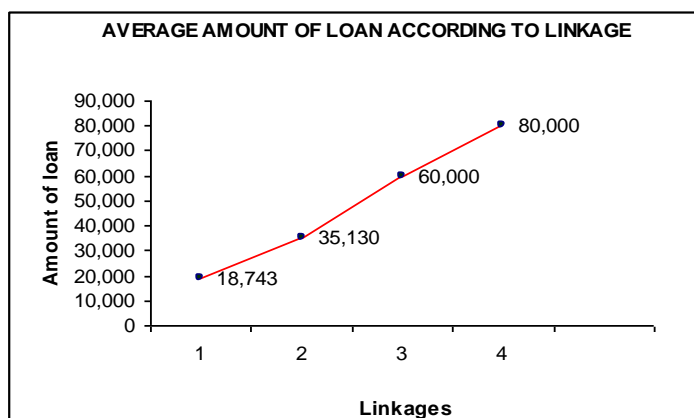
High percentage of repeat linkages is one of the indicators to know the performance of the SHGs and their sustainability, and uninterrupted access for formal financial institutions. Out of 105 total linkages, 56% are fresh and 44% are repeat linkages. Of the repeat linkages, 37%, 6% and 1% are 2nd, 3rd and 4th



linkages respectively. It indicates that higher the linkages are lower are the percentage and it is inversely related. The data shows that the percentage of repeat linkages is more in case of BC groups (57%) followed by Minorities (50%). But it is low in case of the OC groups (25%). The percentage of repeat linkages is high in Karimnagar district (57%) and low in Guntur district (31%). The qualitative data which was gathered through personal discussions with SHG members also supports that high percentage of repeat linkages in Karimnagar might be because of renewal of loans.

Linkages and Loan Size

The size of the loan and the no. of linkage is positively correlated that means as linkage increases the volume of loan also increases. The data shows that from one linkage to subsequent linkage the amount of loan has been increased on an average of nearly Rs. 20,000.



On an average 1.5 loans were borrowed by the SHG with an average cumulative loan amount of Rs. 38,895 with Rs. 3,120 by each member. There is a marked difference in the cumulative loan size of the SHGs and MFI-SHG. The loan volume ratio is 3:2 between SHGs and MFI-SHGs. For instance, if the loan to a SHG is Rs. 30,000 it is Rs. 20,000 to the MFI-SHG.

Table-1: Social Category-wise Cumulative Loan Size of SHGs

S. No.	Cumulative Loan Size in Rs.	Social Categories					Total
		ST	SC	BC	OC	Min	
1	< 25000	66.67	54.76	33.33	56.25	50.00	46.67
2	26000-50000	--	28.57	30.95	25.00	50.00	28.57
3	51000-75000	--	14.29	19.05	--	--	13.33
4	76000 >	33.33	2.38	16.67	18.75	--	11.43
Total		100.0	100.0	100.0	100.0	100.0	100.0

The data on cumulative loan size of the SHGs according to social categories shows that more or less 50 per cent of the SHGs cumulative loan is less than Rs. 25,000. Another 30 per cent of the SHGs loan is in the range of Rs. 25,000-50,000. Only 1/4th of the SHGs cumulative loan is more than Rs.50,000. It indicates the less percentage of repeat linkages and loan size among all social categories. However, the percentage of SHGs of BC and OC categories is limited to----- . It might be because of repayment and high volume of loan in repeat linkages.

Table-1: District-wise Cumulative Loan Size and Percentage of SHGs

S. No.	Cumulative Loan Size in Rs.	District			Total
		Ananthapur	Guntur	Karimnagar	
1	< 25000	40.00	57.14	42.86	46.67
2	26000-50000	34.29	20.00	31.43	28.57
3	51000-75000	11.43	8.57	20.00	13.33
4	76000 >	14.29	14.29	5.71	11.43
Total		100.0	100.0	100.0	100.0

The district-wise cumulative loan sizes also show similar the results as analysed by social category-wise. But the percentage of SHGs with loan size in the range of more than Rs. 50,000 is more in Ananthapur (26%) and Karimnagar (26%) compared to Guntur (23%). This could be because of FDs in Ananthapur and loan renewals in Karimnagar. Further, it could be because of adjustment of savings, RF, and FDs to loan instalments.

Size of the Current Loan

The average size of the current loan is Rs. 29,085. It varies from district to district, linkage to linkage, social category to social category, and also based on revolving fund, size of the savings, fixed deposits and nature of activity. The loan size is more in Ananthapur (Rs. 30,814) and low in Karimnagar (Rs. 26,114). Among the social categories, the average loan size of the BCs is more compared to all the other social category SHGs and it is low in case of ST category SHGs.

S. No.	Loan Size in Rs.	Current Linkage Number				Total
		1st Linkage	2nd Linkage	3rd Linkage	4th Linkage	
1	< 10000	20.3	--	--	--	11.4
2	11000-20000	52.5	25.6	--	--	39.0
3	21000-30000	22.0	30.8	--	--	23.8
4	31000-40000	1.7	23.1	16.7	--	10.5
5	41000-50000	1.7	12.8	33.3	--	7.6
6	51000-60000	--	--	16.7	--	1.0
7	61000 >	1.7	7.7	33.3	100.0	6.7
Total		100.0	100.0	100.0	100.0	100.0

Loan linkage and the loan amount are positively correlated. Average loan size is less in the case of 1st linkage (Rs. 19,593) and more in case of 4th linkage. It is on an average, an average of more by 61% when compared between SHGs which have received matching grant or revolving fund (Rs. 32,620) from the government and the SHGs which have not obtained the revolving fund (Rs. 20,250).

Table-1: Age-wise Current Loan Size of the SHGs

S. No.	Loan Size in Rs.	Age of the SHGs								Total
		1.1-2	2.1-3	3.1-4	4.1-5	5.1-6	6.1-7	7.1-8	8.1 >	
1	< 10000	--	50.0	27.3	10.2	--	11.1	--	25.0	11.4
2	11000-20000	100.0	50.0	36.4	46.9	35.3	11.1	22.2	25.0	39.0
3	21000-30000	--	--	9.1	24.5	35.3	44.4	--	50.0	23.8
4	31000-40000	--	--	9.1	10.2	11.8	--	33.3	--	10.5
5	41000-50000	--	--	18.2	--	11.8	22.2	22.2	--	7.6
6	51000-60000	--	--	--	2.0	--	--	--	--	1.0
7	61000 >	--	--	--	6.1	5.9	11.1	22.2	--	6.7
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The loan size of the SHGs which have been associated with Micro-finance Institutions is on an average lesser by 21% (Rs. 6,498) compared with those of the SHGs (Rs. 30,323) which are not associated with the MFIs. The SHGs which made FDs for bank linkage got less volume of loan (Rs. 20,028) compared to other SHGs (Rs. 22,294). The percentage of SHGs made deposits is almost four times more in case of repeat linkages (28%) than in case of fresh linkages (7%).

S.No.	Loan Size in Rs.	District			Total
		Ananthapur	Guntur	Karimnagar	
1	< 10000	14.3	14.3	5.7	11.4
2	11000-20000	28.6	40.0	48.6	39.0
3	21000-30000	28.6	17.1	25.7	23.8
4	31000-40000	8.6	11.4	11.4	10.5
5	41000-50000	14.3	5.7	2.9	7.6
6	51000 >	5.7	11.4	5.8	7.7
Total		100.0	100.0	100.0	100.0

The data shows that nearly 40% of the SHGs borrowed the loan amount between Rs. 11,000-20,000 and nearly 1/4th between RS. 21,000- 30,000. Only 7% of the SHGs have in the size of loans Rs. 51,000 and above. Only 11% have it in the size less than Rs. 11,000. Nearly 50% of SHGs have a loan in the range of Rs. 11,000 - 20,000 in Karimnagar; in the district where the average loan size is less compared to the other two districts. Except in case of Minority Categories whose loan size is in the range of Rs. 21,000-30,000, majority of the SHGs of all other social categories have a loan size in the range of Rs. 11,000-20,000. The amount of loan is limited to less than Rs. 20,000 in case of 1 to 3 year old SHGs, where as in the case of old groups (whose age is more than 8 years) it is limited to Rs. 30,000. In the case of SHGs aged between 3 to 8 years the loan size and the percentage of SHGs increase relatively. Majority of the SHGs in the age group of 7-8 years have received more than Rs. 61,000 as loan. As age increases loan size also increases. It is because as age increases there is a scope for repeat linkages. If repeat linkage increases the loan size also increases. Also as age increases the cumulative savings and corpus also increases. If all the above increases the loan size automatically increases.

Table-1: Social Category-wise Percentage of SHGs and Current Loan Size

S. No.	Loan Size in Rs.	Social Categories					Total
		ST	SC	BC	BC	Min	
1	< 10000	33.3	14.3	7.1	12.5		11.4
2	11000-20000	33.3	50.0	31.0	37.5		39.0
3	21000-30000		21.4	23.8	25.0	100.0	23.8
4	31000-40000		7.1	19.0			10.5
5	41000-50000		4.8	9.5	12.5		7.6
6	51000-60000			2.4			1.0
7	61000 >	33.3	2.4	7.1	12.5		6.7
Total		100.0	100.0	100.0	100.0	100.0	100.0

It is because as age increases there is a possibility for increased savings, corpus, space for subsequent linkages, and scope for getting revolving fund which all will decide the loan size of a SHG.

Interviews with the Branch Managers also specifying that the loan size in 1st linkages would be Rs. 10,000-25,000, 2nd linkages between Rs. 26,000-50,000 and for 3rd linkages between Rs. 50,000-1,00,000. Generally the loan size is decided by size of the group savings, FDs, no. of members in the SHG and the purpose of loan. Strictly speaking it is not decided by the norms prescribed by NABARD.

Table-1: Membership-wise percentage of SHGs and Loan Size

S. No	Loan Size In Rs.	Type of Institution		Total
		SHG	MFI	
1	< 10000	10.6	15.0	11.4
2	11000-20000	37.6	45.0	39.0
3	21000-30000	23.5	25.0	23.8
4	31000-40000	11.8	5.0	10.5
5	41000-50000	8.2	5.0	7.6
6	51000-60000	1.2	--	1.0
7	61000 >	7.1	5.0	6.7
Total		100.0	100.0	100.0

The data shows that both in the ranges of less than Rs. 10,000 and Rs. 11,000-20,000 the percentage of SHGs associated with MFIs is far more compared to SHGs which are not associated with MFIs. It might be because of small amount of loan to SHGs which are linked for the first time and less no. of repeat linkages among the SHGs associated with MFIs.

Payback Period: According to the NABARD guide lines the pay back period for the SHG loans is 36 months. The data shows that the average pay back period of a SHG loans is 21 months. It varies from 10 to 60 months. In Guntur the payback period of a loan is low with an average of 16 months. Owing to more percentage of repeat linkages the average payback period in Karimnagar is more compared to the other two districts. Average payback period varies from 17 months to 34 months depending on the no. of linkage and amount of loan.

Table-1: Linkage-wise Payback Period of the Current Loan of SHGs

S. No.	Period in months	Current Linkage Number				Total
		1st Linkage	2nd Linkage	3rd Linkage	4th Linkage	
1	< 12	55.93	17.95	--	100.00	39.05
2	13-24	33.90	58.97	16.67	--	41.90
3	25-36	8.47	20.51	83.33	--	17.14
4	37-48	--	2.56	--	--	.95
5	49-60	1.69	--	--	--	.95
Total		100.00	100.00	100.00	100.00	100.00

Payback period is positively correlated with loan size and no. of linkages. However, the average payback period in the case of 4th linkage is far less (12 months) compared with the case of fresh linkage. The increase of payback period and the increase of loan amount and linkage are not highly correlated.

As a result there is a pressure on savings pattern. For instance, the SHGs whose loan installment size is more with less no. of instalments and less payback period have stopped their savings or reduced their savings, and are paying the loan instalments regularly. The average payback period of MFI-SHG is 6 months less compared to the SHGs (22months) which are not associated with the micro-finance institutions.

Repayment

The data indicates that on average 36% of the loan amount on an average or an average of Rs. 10,460 has been repaid and the remaining is as outstanding amount of loan, with an average of Rs. 18,671. Out of 21 instalments, only 7 instalments have paid on an average. The SHGs in Ananthapur, a drought prone district, have paid more no. of loan instalments (12) compared with Guntur (9) and Karimnagar (11). The data gathered from the Branch Managers also supporting that this is because of adjustment of savings, FDs of savings and RF to the loan instalments.

Members Access to Bank Loan

The data shows that on an average 11 (92%) members of the SHG have accessed to the amount borrowed from the bank as loan. Each SHG lent an average of Rs. 27,915 to the total group and Rs. 2,239 per member as loan from the amount borrowed from bank. The percentage of average amount of loan outstanding is more in Guntur (69%) and low in Ananthapur (63%), as mentioned earlier because of loan adjustment and FDs.

S. No.	Percentage of Borrowers	Current Linkage Number				Total
		1st Linkage	2nd Linkage	3rd Linkage	4th Linkage	
1	1-20	1.69	7.69	16.67	--	4.76
2	21-40	3.39	10.26	--	--	5.71
3	41-60	1.69	5.13	--	--	2.86
4	61-80	1.69	2.56	16.67	--	2.86
5	81-100	91.53	74.36	66.67	100.00	83.81
Total		100.00	100.00	100.00	100.00	100.00

S. No.	Percentage of borrowers	District			Total
		Ananthapur	Guntur	Karimnagar	
1	1-20		8.57	5.71	4.76
2	21-40		5.71	11.43	5.71
3	41-60	2.86		5.71	2.86
4	61-80		5.71	2.86	2.86
5	81-100	97.14	80.00	74.29	83.81
Total		100.0	100.0	100.0	100.0

S. No.	Percentage of borrowers	Nature of Groups		Total
		Homogeneous	Heterogeneous	
1	01-20	3.51	6.25	4.76

2	21-40	7.02	4.17	5.71
3	41-60	3.51	2.08	2.86
4	61-80	--	6.25	2.86
5	81-100	85.96	81.25	83.81
Total		100.00	100.00	100.00

Amount of Over Due

The data shows that on an average 67% of the loan amount is remaining as outstanding loan amount. Of the total outstanding amount, an average of Rs. 16,778 (60%) is remaining as over due. The percentage of over due is more in Guntur (66%) and low in Karimnagar (52%). Among all the social categories majority percentage of SHGs has an overdue of Rs. 5001-10,000. However, the range of over due is stretched upto Rs. 40,000 in SC, BC and OC categories.

S. No.	Amount in Rs.	Social Categories					Total
		ST	SC	BC	OC	Min	
1	< 5000	--	19.05	19.05	25.00	--	19.05
2	5001-10000	66.67	33.33	21.43	31.25	100.00	30.48
3	10001-15000	--	16.67	11.90	18.75	--	14.29
4	15001-20000	--	16.67	11.90	6.25	--	12.38
5	20001-25000	--	2.38	19.05	--	--	8.57
6	25001-30000	--	4.76	4.76	--	--	3.81
7	30001-35000	--	2.38	--	--	--	.95
8	35001-40000	--	2.38	4.76	--	--	2.86
9	40001 >	33.33	2.38	7.14	18.75	--	7.62
Total		100.00	100.00	100.00	100.00	100.00	100.00

District scenario also suggests that majority percentage of SHGs have an over due of Rs. 5,001-10,000 except in Karimnagar where it is largely in the range of less than Rs. 5,000. The data gathered from discussions with the group and the Branch Managers supports the findings that it is because of adjustment of savings and FDs to loan instalments; renewal of default linkages as repeat linkages and half yearly and yearly mode of repayment.

S. No.	Amount In Rs.	District			Total
		Ananthapur	Guntur	Karimnagar	
1	< 5000	11.43	14.29	31.43	19.05
2	5001-10000	37.14	37.14	17.14	30.48
3	10001-15000	14.29	20.00	8.57	14.29
4	15001-20000	8.57	5.71	22.86	12.38
5	20001-25000	14.29	2.86	8.57	8.57
6	25001-30000	--	2.86	8.57	3.81
7	30001-35000	2.86	--	--	.95
8	35001-40000	5.71	2.86	--	2.86
9	40001 >	5.71	14.29	2.86	7.62
Total		100.00	100.00	100.00	100.00

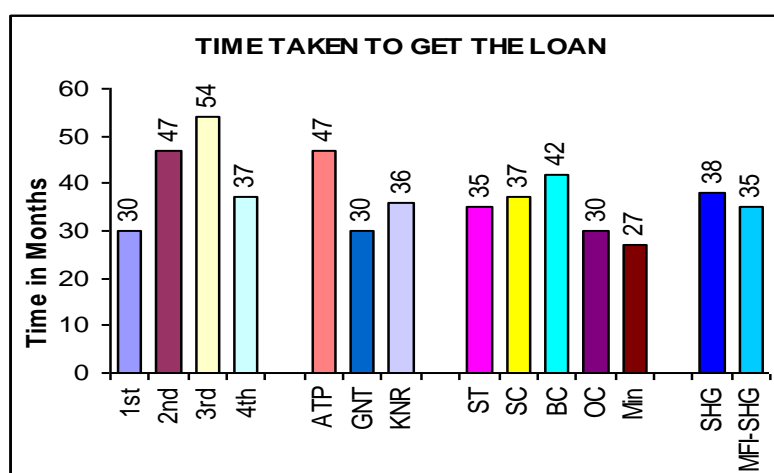
Period of Over Due: The period of over due to bank is varying from 1 month to 42 months with an average of 12 months. In all the districts majority percentage of SHGs' over due period is 7-12 months. However, the over due period is 13-18 months in Guntur in case of nearly 1/3rd of the SHGs. Like in case of districts, when analysed social categories in case of more than half of the SHGs among all categories the period of over due is between 7-18 months.

Table-1: District-wise Percentage of SHGs and Period of Default

S. No.	Period in months	District			Total
		Ananthapur	Guntur	Karimnagar	
1	1-6	37.14	17.14	28.57	27.62
2	7-12	28.57	37.14	34.29	33.33
3	13-18	17.14	31.43	17.14	21.90
4	19-24	8.57	11.43	11.43	10.48
5	25 >	8.57	2.86	8.57	6.67
Total		100.00	100.00	100.00	100.00

Time Taken to Get the Loan

The period from the date of formation of the SHG to the date of loan released is treated as the time taken to get the loan. The data shows that in the case of fresh linkages the average time taken³⁶ to get the loan is 30 months or 2 ½ years. The data shows that more or less 60% of the SHGs among all the social categories got the loan between 13 to 36 months during the 1st linkage. But in case of 1/3rd of SHGs of SC and BC categories the loan is sanctioned between



25-36 months, while it took 13-24 months in case of majority SHGs of OCs and all the SHGs of STs. It is interesting to note that 1/4th of SHGs of OCs and all the SHGs of Minority Category obtained loan within a year. Nearly 30% of the SHGs of BCs and SCs obtained the loan after three years. It might be because of regular

³⁶ The period from the date of formation of the SHG or the date of opening of an SB account on the name of SHG to the date of loan released is treated as the time taken to get the loan.

savings, functioning, high awareness levels and nature of the target group and policies relating to SHG-Bank linkage.

Table-1: District-wise Time Taken to Get the Bank Linkage

S. No.	Time taken In months	Districts			
		Ananthapur	Guntur	Karimnagar	Total
1	1-12	--	20.83	13.33	11.86
2	13-24	35.00	25.00	33.33	30.51
3	25-36	35.00	33.33	20.00	30.51
4	37-48	5.00	12.50	33.33	15.25
5	49-60	10.00	8.33	--	6.78
6	61-72	10.00	--	--	3.39
7	73 >	5.00	--	--	1.69
Total		100.00	100.00	100.00	100.00

The data shows that more than half of the SHGs in all the districts got loan between 13-36 months. None of the SHGs got loan within a year in Ananthapur district. However, 20 percent of SHGs in Guntur district got loan within a year. More or less 1/3rd of SHGs in Ananthapur and Karimnagar got linkage after 3 years. It is also shows that the loan sanctioning period is more in Ananthapur and less in Karimnagar district.

Table-1: Social Category-wise Time Taken to Get the Bank Linkage

S. No.	Time taken In months	Social Categories					
		ST	SC	BC	OC	Min.	Total
1	1-12	--	7.69	5.56	25.00	100.00	11.86
2	13-24	100.00	26.92	27.78	33.33	--	30.51
3	25-36	--	34.62	33.33	25.00	--	30.51
4	37-48	--	19.23	16.67	8.33	--	15.25
5	49-60	--	7.69	5.56	8.33	--	6.78
6	61-72	--	3.85	5.56	--	--	3.39
7	73 >	--	--	5.56	--	--	1.69
Total		100.00	100.00	100.00	100.00	100.00	100.00

The data shows that more than 60% of the fresh linked SHGs got loan between 13-36 months where as the SHGs of 2nd linkage most of them or more than half have linked to bank for credit linkage between 37-60 months. But majority SHGs of 3rd linkage got loan between 61-72 months. Average time taken to various linkages indicates the regularity of repayment of loan and repeat linkages to SHGs.

Table-1: Linkage-wise Time Taken to Get the Bank Loan

S. No.	Time taken In months	No. of Linkages				
		1st	2nd	3rd	4th	Total
1	1-12	11.86	--	--	--	6.67
2	13-24	30.51	12.82	--	--	21.90
3	25-36	30.51	10.26	16.67	--	21.90
4	37-48	15.25	33.33	16.67	100.00	22.86
5	49-60	6.78	23.08	16.67	--	13.33
6	61-72	3.39	10.26	33.33	--	7.62

7	73 >	1.69	10.26	16.67	--	5.71
Total		100.00	100.00	100.00	100.00	100.00

Average time taken for 1st linkage is 30 months. For 2nd linkage it is 47 months. That means to repay the 1st loan and to get the 2nd linkage, on an average it took 17 months and to get the 3rd linkage it took 9 months. From linkage to linkage the period of repayment has been decreasing. It might be because of adjustment of amount in S/B savings account to loan instalments and transfer of FD amounts to the loan account. The structured interviews with the Branch Managers and the data on problems presented reasons reported such as adjustment of savings to loan, less no. of instalments and high amount of premium, forbidding of prepayment, supporting the above inferences.

The data on the time of loan sanctioned indicates that most of the loans were sanctioned mainly at the time of agricultural operations and at the end of the financial year. This generally helped in two ways. The loans sanctioned at the time of agricultural operations, particularly at the time of sowing and harvesting were spent on meeting the agriculture expenses. The loans sanctioned in the last quarter of the financial year were used for consumption need due to drought. Hence, then most of the SHGs have distributed the loan amount equally among the members to meet their needs rather than practicing need-based lending and income generating activities.

Table-1: Month and Loan Disbursement

S.No.	Month	Frequency	Percentage
1	January	13	12.4
2	February	13	12.4
3	March	13	12.4
4	April	10	9.5
5	June	3	2.9
6	July	4	3.8
7	August	12	11.4
8	September	7	6.7
9	October	11	10.5
10	November	12	11.4
11	December	7	6.7
Total		105	100.0

Another reason is that at the beginning and ending of the agricultural seasons there is a good demand for credit and the interest rates are overpriced. So no one is interested to lose the loan that comes at cheaper rate of interest. Hence, to avoid competition, quarrels and to provide opportunity to all the members, in majority of the cases equal distribution is practiced rather than need-based lending. The data shows that nearly 40% of the loans were in the last quarter of the financial year. In the 1st quarter of the year there are only 10% of the linkages and in the month of May there is not even a single linkage. The quantitative data also supports the qualitative data obtained through structured

interviews with the Branch Managers stating that SHG loans are disbursed by organizing 'loan melas' twice or thrice in a year.

Why over dues?

The reasons for over due can be broadly categorized into different headings based on nature of the reason viz., leaders, social, economic, ethnic, group, membership, risk, utilization of loan, awareness about the programme, natural calamities, and geographical reasons.

Leaders

Some of the group leaders borrowed loans from the group funds, defaulted and migrated to nearby places. And the leaders intentionally became inactive to pacify their irregularities. In some of the SHGs the leaders are both defaulters and inactive but because of their migration to nearby places for livelihood which resulted lack of leadership in the SHGs became default.

Tabel-22: Reasons for Loan Instalment Over Dues

S.No.	Reasons	ATP	GNT	KRN	Total
1	Conflicts between leaders and members	--	6	3	3
2	Benefits only to reserved categories	--	--	6	2
3	All benefits enjoyed	6	--	9	5
4	Leaders defaulted	3	3	9	5
5	Crop failure/less yielding	--	--	9	3
6	Business not up to the mark	11	--	6	6
7	It is there share	9	9	17	11
8	Decided to dissolve the group	9	6	3	6
9	Paying interest amount only	6	11	11	10
10	All the loan amount used by the leaders	--	3	3	2
11	No benefits from govt.	--	--	6	2
12	Payments	--	--	3	1
13	Savings adjusted to loan instalments	--	3	6	3
14	Drought	6	9	--	5
15	To meet the festival expenses	6	--	--	2
16	Leader migrated	3	9	--	4
17	To purchase wool	3	--	--	1
18	No internal lending	14	9	3	9
19	Savings made as FD to get the large loan	6	--	--	2
20	Bullet payments	3	--	--	1
21	Quarrels at the time of repayment	3	--	--	1
22	Lending to non-SHG members not repaid	--	6	--	2
23	Less earnings	--	3	--	1

Monitoring

In the process of formation, strengthening, revival and bank linkage of SHGs various persons, related to Govt. or Non-Government, official or non-officials, persons or institutions are supposed to visit the SHGs. The DRDA/Velugu has appointed different categories of frontline workers such as Community Coordinators, Animators/Grama Deepikas, Book Keepers, and Master Book-Keepers who have direct working relationship with the SHGs for the above mentioned purposes. The quality of the SHGs mainly depends on how best these frontline staff discharges their duties. Data was collected from SHGs on the no. of visits made and the purpose of visits made by various frontline workers in the past one year.

The data shows that Animators have visited only 45% of the SHGs with an average of 4.4 visits. Book-keepers visited only 16% of the SHGs with an average of 6.4 visits. The Mandal Coordinators visited 20% of the SHGs with an average of 3.4 visits. The data indicates that the persons who are next to SHGs and have been working with them have not been providing inputs to SHGs regularly.

Table-22: Mean & Percentage of SHGs Visited by Various Persons

S. No.	Name of the Person	SHGs (N=105)		Mean	
		F	%	Per	Mean
1	Bank Officials	59	56	1.02	1.80
2	Mandal Coordinator	25	24	0.82	3.40
3	EO-RD	44	42	1.59	3.80
4	MDO	10	10	0.27	2.80
5	NGOs	3	3	0.09	3.00
6	Animator	48	46	2.03	4.40
7	Book-keeper	19	18	1.15	6.40
8	Others	17	16	1.34	8.30

Extension Officer – Rural Development is the person in-charge for the promotion of SHGs at Mandal level. He/she made visits to 41% of the SHGs with an average of 3.8 visits. Due to convergence of the DRDA and Velugu, Mandal Coordinator is supposed to visit the SHGs promoted by the DRDA. As part of execution and monitoring of different developmental programmes, the MDO visited 7% of the SHGs with an average of 2.8 visits.

NGOs that took an active role in the SHG promotion made visits only to 3% of SHGs with an average of 3 visits. It is a clear indication of the passive role played by the NGOs in the present SHG movement, which might be due to lack of space or the under utilization of NGO services by the DRDA/Velugu.

Of all the persons involved in the SHG activities Bankers made visits to more percentage of SHGs (53%) with an average of 1.8 visits. As the sample selected for the present study belongs to default SHGs, as part of their loan recovery strategies bankers made visits to more percentage of SHGs. In the case of regular SHGs bankers are not participating in the meetings of the group. Even

the appraisal is also made at the time of linkage and also at the bank not at the habitation.

Nature of Assistance Extended by Various People in the Process of SHG Bank Linkage														
S. No.	Nature of Assistance	Ani	MCC	EO-RD	MDO	NGO	BM	BS	LL	PUBl	Edu.	Family	Oth.	Total
1	Information about bank linkage	3	-	10	8	-	1	-	1	2	2	1	2	
2	Loan documentation	19	1	48	5	5	17	20	3	1	2	1	7	
3	Helped at all stages	1	-	10	4	1	2	-	1	2	1	2	1	
4	Recommendation	-	-	5	2	2	1	1	5	1	2	5	7	
5	Loan sanctioned	-	-	-	-	-	1	-	1	1	-	-	-	
6	Guidance in loan utilization	-	-	-	-	-	1	-	-	-	-	-	-	
7	Collateral surety	-	-	-	-	-	1	-	-	-	-	-	-	
8	Book-keeping	11	-	1	-	1	-	1	1	-	3	1	6	
9	Loan application forwarded	1	1	1	3	-	1	3	-	-	-	-	-	
10	To enhance the savings	-	-	-	-	-	-	-	-	-	-	-	-	
11	Loan disbursed equally to all the members	-	-	-	-	-	-	-	1	-	-	-	-	
12	Assisted in purchasing livestock	-	-	-	-	-	-	-	-	-	-	1	-	
	Total no. of ways	35	2	75	22	9	25	25	13	7	10	11	23	

The above discussion indicates that even the frontline staff have not been attending to the SHGs which are confronting various problems and are looking for external help to make a move forward.

Purpose of visits

The prime purpose of the Animators, Mandal Coordinator and the EO-RD is to form new SHGs and strengthen the already formed and defunct SHGs through capacity building activities and resolving conflicts between the SHG members. The decisions taken by the group and the financial transactions made during the meetings are supposed to be recorded by the Book-keeper. But as the SHGs are irregular in conducting meetings they are not visiting the SHGs. The irregular and/ or complete absence of meetings, residence of the book-keeper is in the other habitation, lack of infra structure facilities, non-supply of records to SHGs are some of the further significant explanations given by the boo-keepers for not attending the SHGs.

Table-1: Purpose of Visits Made by Various Persons to SHGs

S.No.	Purpose of Visit	BO	MCC	EORD	MDO	NGOs	AM	BK	Oth	Total
1	To revive defunct groups	22	7	-	3	-	18	1	1	
2	To resolve the group conflicts	-	-	-	-	-	1	-	-	
3	For better functioning of groups	-	8	16	2	-	15	2	6	
4	To participate in group meetings	-	1	3	-	-	1	-	2	
5	To update the records	1	2	3	-	1	4	13	4	
6	To form Mandal Samakhyas	-	2	-	-	-	-	-	2	
7	To form new groups	-	-	-	-	1	-	-	-	
8	To collect bribe amount	-	-	1	-	-	-	-	-	
9	Loan documentation	-	-	1	-	-	-	-	-	
10	To disburse the loan amount	5	-	5	-	-	-	-	-	
11	To recover the loan arrears	23	1	3	1	-	6	-	1	
12	Household visits	3	-	46	1	-	-	1	-	

Total no. of groups	54	21	78	7	2	45	17	16
Note: BO-Branch Officials; MCC-Mandal Community Coordinator; EORD-Extension Officer Rural Development; NGO-Non-Governmental Organizations; AM-Animator; BK-Book Keeper; Oth- Others.								

The Mandal Coordinators, EO-RD visited the SHGs to form the Mandal Samakhyas. The SHGs which have over due to bank and are irregular in functioning are ineligible to send representatives to Village Organizations. So the EO-RD or the Mandal Coordinator for the purpose of motivating them made them as VO members and visited the SHGs.

In the areas where both DRDA and Velugu are operating jointly as a result of convergence, DRDA has neglected the groups which were promoted under DWCRA scheme. And at the same time Velugu frontline staff also paid less attention on strengthening these SHGs. In such a situation expecting quality SHGs could be a mirage. In some parts, frontline staff of Velugu is not treating the DWCRA groups promoted by DRDA as equivalent to the SHGs promoted by Velugu. The DWCRA members also have the same mind set. This might be because of the inputs provided by various promoters at the time of formation of group.

All the frontline staff visited the SHGs to assist them in the process of loan documentation, disbursement of loan and even to collect the payments made to them for the services rendered.

Payments

In the process of linkage banking the SHGs call for the assistance of various persons at various stages. Few SHGs have made some payments to the persons who provided assistance depending on the need of the SHGs. A good percentage of SHGs made payments to EO-RD (41%) with Rs. 1,015 and Animators (18%) with Rs. 224. 2-5 percent of SHGs made payments to other persons such as MDO, educated persons in the village, bank staff, peoples' representatives, NGOs, family members of the SHG in the range of from Rs. 50 to 2,000. SHGs thought that the loans provided by the bank to SHGs are similar to that of the subsidy loans provided by the DRDA. Due to this misunderstanding of the concept and lack of awareness about the bank linkage programme they paid large amount to EO-RD. As a result of these payments the operational cost of the loan increased, repayment decreased and some of the SHGs have defunct and dissolved the group after obtaining the loan amount.

Table-22: Percentage of SHGs and the Amount Paid to Various Categories

S. No.	Name of the Person	SHGs (N=105)		Mean		Range	
		F	%	Per	Mean	Min	Max
1	Animator	19	18	41	224	50	500
2	Mandal Coordinator	2	2	3	175	150	200
3	EO-RD	45	43	435	1015	100	6000
4	MDO	2	2	16	850	500	1200
5	NGO	3	3	7	267	200	300
6	Bank Manager	2	2	5	255	100	500
7	Bank Staff	2	2	2	100	50	150
8	Local Leaders	4	4	28	725	200	1000

9	Peoples' Rep.	2	2	11	600	200	1000
10	Educated Persons	5	5	8	170	50	300
11	Family Members of SHGs	2	2	52	2750	500	5000
12	Others	14	13	81	607	100	500

Problems

Data was collected from the SHGs on various problems faced by the SHGs at different stages of linking process. To understand the dimensions of problems at various levels the entire process is categorized into different stages such as eligibility and appraisal, submission of application, loan documentation, follow up of loan application, sanctioning and grounding of loan, loan size, rate of interest, fixation of loan instalments, loan repayment and or loan recovery, attitude of the bankers and problems at the time of carrying the financial transactions. The problems are analysed at various levels from the perspective of SHG members, forwarding authorities, facilitating agencies or institutions, banks, community and so on.

Problems at Group Level

The problems at group level includes problems relating to health, books of accounts, quarrels among the group members, internal defaulting, loss of daily wage, illiteracy and documentation and lack of information. Problems are reported not only related to phase one but also related to many phases.

Leaders

Problems relating to leaders indicate the misuse of funds, migration and the communication gap between the leaders and the group members. Firstly, in some of the SHGs, leaders borrowed the major portion of the bank loan and have not repaid. Secondly in some other SHGs the group leaders, who are the active members, migrated to nearby town in search of their livelihood. As a result these SHGs became default and defunct. Thirdly, in one SHG the leader passed away and no one come forward to lead the group. As a result this group became defunct.

Loan Size

The problems relating to loan size reflects the volume of loan, loan-savings ratio, size of the FDS and long waiting for sanctioning the loan. The data shows that majority of the SHGs have reported that loan size is very small and they have to wait for long time to get the loan. In addition to this some of the SHGs have reported that the size of the loan is decided by the amount of savings and FDs and not by the corpus of the SHG which includes savings, revolving fund, penalties, donations, amount obtained through interests and so on.

Repayment & Drought

Drought is one of the important causes for the non-repayment of loan. The consequences of drought such as low availability of less work and yielding have

been reported as major problem in repaying the loan instalments by some of the SHGs. Some of the SHGs have stopped payment of loan instalments to the bank, and have been paying the instalments of the loans borrowed from other sources due to pressure. Few SHGs have reported *pre-payment*³⁷ as a problem. SHGs which have less outstanding amount of loan decided to repay the loan in advance to get large amount of loan in the repeat linkages to face the drought and its consequences. But the banks discouraged the prepayment to postpone the repeat loan and to avoid the utilization of loan for consumption needs which leads to defaulting.

Procedures/ Technicalities

Some of the groups have reported problems relating to procedures. In the process of SHG-Bank linkage the role of personnel is most and necessary to appraise the quality of the group, forwarding the application, documentation of the loan, and sanctioning & releasing the amount. Transfer of MDO, Bank Manager, Changing /dropping of Animators has much influence on the bank linkage process. The new incumbents take much time to assess and understand the performance of the groups as a new comer. As the SHGs are also irregular in some of the aspects and try to manage things to get linkage, also take pains in the process to create faith in branch managers that their group is functioning properly. As a result it takes long time to get the loan and also becomes expensive to the group because of repeated visits and payments to various people at all levels. The presence of all the members at the time of withdrawals and loan documentation is a painful thing to the group. Owing to demand for agriculture labour and high daily wages during peak seasons members are not willing to lose their wages and it is difficult for all the members to attend at the bank during financial transactions.

Due to pressure from the Promoting Agencies, and due to guidelines relating to financial discipline of banks and financial needs of the SHG member, they are forced to come to a consensus that the banks and promoting agencies suggest, that the SHGs have repay the arrears of the old loans or adjust the arrears from the loan amount.

In majority of the cases instead of 36 months the bankers unofficially or informally fixed the payback period as 12 months to 20 months based on the size of the amount of loan and the no. of linkage. This shows that the banks are not following the NABARD guidelines pertaining to the payback period and the instalments. Majority of the SHGs also reported that the no. of instalments are less and the amount is more.

The SHGs compare the interest rates charged on the loan amount and the interest paid on savings and fixed deposits, and claim that the rate of interest is

³⁷ Payment of loan instalments well in advance to the payback period and the no. of instalments prescribed to repay the loan.

high. Some of the SHGs paid bribes to the people who assisted in the process of bank-linkage. When we include the operational cost is considered while calculating the rate of interest then it is very high than the interest rate charged by the scrupulous money lenders.

Distance & Visits

Some of the groups have reported that their habitations are far off from the bank and Mandal Development Office. Because of illiteracy, complex procedures like submission of loan application to bank through MDO, attestation from the MDO to withdraw the amount from savings account, and absence of concerned officials who look after the matter make them pay many visits, which indirectly influence the operational cost of the loan. To avoid repeated visits to MDO office, groups were prepared to pay bribes to the concerned.

Bankers' Attitude

Few Branch Managers have the apprehension that the SHGs which have membership in MFIs and borrowed loan from them may become default due to less or lack of repaying capacity and/ or less earnings. To avoid default Branch Managers discourage membership in MFIs by imposing a condition that SHGs that take loans from MFIs are ineligible for bank credit.

In some of the branches, the staff including Branch Manager has no clear understanding about the SHG-bank linkage. According to them the SHGs are burden to them and even in terms of business also they thought that it is negligible. Because of aggressive behaviour of the staff few SHGs feared to approach the bank not only for loan but also to withdraw savings.

In some of the busy branches second priority is given to the SHG works. During peak business hours, staff never attends to SHG related works. Generally they take this work in the afternoons. Consequentially the SHG members should wait for along period for their turn.

Developmental Programmes

The SHGs have participated in many welfare and developmental programmes implemented by both Central and State Governments related to social, economic and health, meant for various sections of the society. The data shows that nearly 85% of the SHGs have participated in *Janmabhoomi programme*³⁸ which would be organized twice or thrice in a year. It is because the govt. has been organizing this programme at village level and has been delivering all the inputs to beneficiaries through it only. It also provides a place to present their needs to the representatives. So the SHGs attended the programme to collect their loan checks and other benefits and to submit memorandums to concerned authorities during the programme.

S.No.	Name of the Programme	F	%
1	Child Labour Campaign	9	9
2	Total Literacy Campaign	34	32
3	Girl-Child Education	7	7
4	Pulse Polio	70	67
5	AIDS Control Mission	6	6
6	Family Planning	59	56
7	Janmabhoomi	88	84
8	Neeru-Meeru	18	17
9	Anti-arrack Movement	6	6
10	Mid-Day Meal	15	14
11	ICDS Activities	6	6
12	Food for Work	37	35
13	PDS Maintenance	2	2
14	CM Meetings	70	67
15	DWCRA Bazaar	20	19
16	Exposure Visits	5	5

Next to Janmabhoomi and CM Meetings, the programme in which SHGs effectively participated is *Pulse Polio*³⁹ (67%). Keeping the health of their children in mind and accessibility and availability of services at the village itself, most percentage of SHGs participated in this programme. Majority members of more than half of the SHGs have observed family planning.

The participation of SHG members in programmes relating to social issues such as child labour campaigns, girl-child education, AIDS Control Mission, anti-arrack movement is minimal. It might be because as all these problems are sensitive and interwoven with the structural and functional aspects of the community. In addition to these it also might be due to lack of awareness.

³⁸ Janmma Bhoomi is a programme introduced by the State Government in the year 1996 with the concept of serving the motherland through decentralized administration.

³⁹ Pulse polio is the programme

The data on *Food For Work (FFW)*⁴⁰, *Fair Price Shops*⁴¹ Maintenance, *Mid Day Meal*⁴², *Neeru-Meeru*⁴³ and *ICDS* activities indicates that SHGs' participation and utilization of these programmes, which are implemented to generate employment or income generating activities to the poor to arrest the migration, is very less and discouraging. Though the guidelines of the programme Neeru-Meeru and Food For Work forbid using machinery and Contractor system, in reality most of the works were done by contractor system with machines. Consequentially many SHGs missed an opportunity to participate in it. Another reason is that majority of the FFW and Neeru-Meeru works are earth works which needs physical strength. Besides, those kinds of activities can be done only by certain categories or sections of the society. Majority of the SHGs have reported that owing to illiteracy and inadequate capital, it is difficult to come forward to maintain the Fair-Price Shops at the village level. Out of 105 SHGs, 19 percent of SHGs are aware of DW CRA Bazaars and only 5 percent of SHGs made exposure visits to know about the best practices in the SHGs.

Impact

A five point scale was developed which measures the change from 'less' to 'more' and 'decreased' to understand the impact of membership in SHGs and banking.

Less change: The data shows that majority of the groups reported 'less change' relating to improvement in income levels, easily credit availability, access to formal institutions for credit linkage, freedom from money lenders, accessibility to pro-poor programmes, improvement in educational levels, self-confidence building, and decision making power.

S. No.	Issues	Degrees of Change									
		SHGs					MFI-SHG				
		1	2	3	4	5	1	2	3	4	5
1.	Improvement in income levels	13	53	24	9	1	25	45	25	5	--
2.	Credit is easily available	18	52	24	13	1	10	65	25	--	--
3.	Access to formal institutions	17	51	31	2	--	5	40	55	--	--
4.	Free from money-lenders	41	46	9	2	1	30	50	10	5	5
5.	Access to Pro-poor prog.	27	42	26	5	--	15	55	25	5	--
6.	Employment Generation	41	26	27	5	1	25	40	35	--	--
7.	Self Reliance	21	39	27	13	--	40	20	20	20	--
8.	Education levels improved	42	45	11	2	--	30	45	20	5	--

⁴⁰ Food for Work was intended to check migration by providing employment to the rural poor.

⁴¹ The Govt. of Andhra Pradesh under livelihood promotion has attached some PDS shops and their maintenance to SHGs.

⁴² Mid-day Meal programme was introduced to improve the enrolment and reduce the drop-out in the primary schools. The Govt. of A.P. to create employment and livelihoods to the SHG members assigned the mid-day meal activities to the SHGs.

⁴³ Neeru-Meeru is intended to create employment to the poor and to improve the ground water level by tapping the rain water properly

9.	Habit of savings	12	21	37	28	1	10	40	25	25	--
10.	Health Status improved	41	45	13	1	--	60	40	--	--	--
11.	More expenditure on food	59	31	9	1	--	70	25	5	--	--
12.	Indebted	50	26	17	1	6	50	30	15	--	5
13.	Self-confidence	18	38	31	14	--	25	40	25	10	--
14.	Decision Making power	31	44	25	1	--	35	45	15	5	--
15.	Representation in other groups	80	15	4	1	--	75	25	--	--	--
16.	Leadership qualities	53	33	13	1	--	45	35	20	--	--
17.	Group solidarity	44	24	20	7	6	10	35	25	25	5
<i>Note: 1-No change; 2-Less change; 3-Moderate change;4-More change; and 5-Decreased</i>											

Moderate & More change: 'Moderate change' is reported by majority of the SHGs only in the case of inculcating the habit of savings. Except in the case of habit of savings (28%) in all other aspects very less percentage of SHGs, between 1 and 14, reported 'more change'.

No change: With regard to employment generation, additional expenditure on food items, indebtedness, representation in other groups, improvement in leadership qualities and solidarity of the group, majority of the SHGs have expressed 'no change'. It might be true and the reasons might be that majority of the SHGs used funds for consumption and meeting the consequences of drought rather than investing on livelihood activities.

Decreased: Few percentage of SHGs reported 'negative change' in some of the aspects like improvement in income levels, easily credit availability, free from money lenders, employment generation, and habit of savings, indebtedness and group solidarity. The individual interviews with the Branch Managers and the SHG members also supporting the data. As the Branch Managers demand for FDs, expecting large amount in SB Account and more pressure on repayment some of the SHGs have been approached money lenders to meet their needs and became indebted.

MFI-SHGs: unlike SHGs, majority percentage of SHGs reported 'moderate change' instead of 'less change' in the improvement of income levels. It can be because of high volume of loan and proper utilization of loan amount on income generating activities. The more percentage of MFI-SHGs reported 'decreased change' when is asked about free from money lenders. It is true because, to repay the weekly instalments and because of zero tolerance of MFIs many SHG members have borrowed money from the money lenders and became indebt. Majority of MFI-SHGs reported 'less change' rather than 'no change'. It is because of utilization of loan on IGAs. Group solidarity is 'decreased' in both the cases for the reason that at the time of internal lending and repayment, quarrels and conflicts cropped within the group.

MFI & THEIR IMPACT ON SHGs

MFI-SHG Members Profile

Out of 105 SHGs, few members in 20 per cent of the SHGs have got enrolled as members in microfinance institutions (MFIs) through Joint Liability Groups (JLGs). Of the total 1,309 SHG members, 8 per cent have membership in MFIs. Of the total 111 MFI-SHG members, 11 per cent have membership in more than one MFI. Majority of the MFI-SHG members (35%) have taken membership in MFIs very recently in the month of November 2003; 20% are enrolled two years back 15% are with MFIs since 3 years and the remaining got enrolled between 2 - 20 months.

The microfinance institutions existing in the study districts are six in number. They are SHARE and Spandana in Guntur District, Rayalaseema Development Trust (RDT), Grameen Vikas Samastha (GVS) and ALMACS in Ananthapur District, and LODI in Karimnagar District. SHARE and SPANDANA are exclusively microfinance institutions. RDT, GVS and LODI are categorized as NGO-MFIs. ALMACS is a microfinance institution registered under Cooperative Society Act, 1995, and is promoted by DRDA. The data shows that majority of the members are associated with RDT (45%) followed by SHARE (20%) and GVS (15%). All the other MFIs have less than 10 per cent representation.

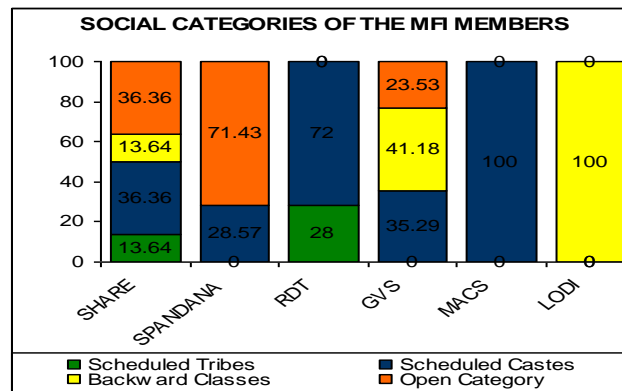
Table-1: District and MFI-wise Percentage of MFI-SHG Members

Name of the MFI	Districts						Total	
	Ananthapur		Guntur		Karimnagar			
	F	%	F	%	F	%	F	%
SHARE	--	--	22	75.86	--	--	22	19.82
SPANDANA	--	--	7	24.14	--	--	7	6.31
RDT	50	64.94	--	--	--	--	50	45.05
GVS	17	22.08	--	--	--	--	17	15.32
ALL MAX	10	12.99	--	--	--	--	10	9.01
LODI	--	--	--	--	5	100.00	5	4.50
Total	77	100.00	29	100.00	5	100.00	111	100.00

Of the total 111 MFI-SHG members, majority (70%) are in Ananthapur followed by Guntur (26%). Only a negligible percentage of members (4.5%) present in Karimnagar District. Of the two MFIs in Guntur district, Majority of the members is associated with SHARE (76%), which is functioning from the past 5/6 years and the remaining are with Spandana (24%) which is 2 and half years old. The data shows that the percentage of clients might be associated with the age and the intensity of activities of the MFI. In Ananthapur nearly 2/3rd of the members are with RDT and the remaining are with GVS and ALMACS. It is because RDT is the oldest NGO-MFI in the district which has been engaged in promoting SHGs. Though there are some NGOs in Karimnagar district, very few NGOs have been engaged in microfinance activities. Hence, there is less number of members in the district.

Social Categories of the members of various MFIs indicates that majority of the members of SHARE are SCs and OCs. Whereas in Spandana nearly 3/4th are OCs

and the remaining 1/4th are SCs. The membership in RDT is restricted only to SCs and STs. But in GVS majority of the members are BCs. ALMACS has only SCs and LODI has only BCs. It indicates that NGOs have concentrated on poor classes, particularly SCs and STs, NGO-MFIs mainly concentrated on the lower strata of

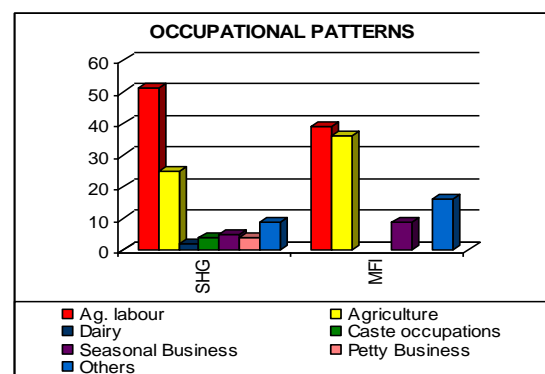
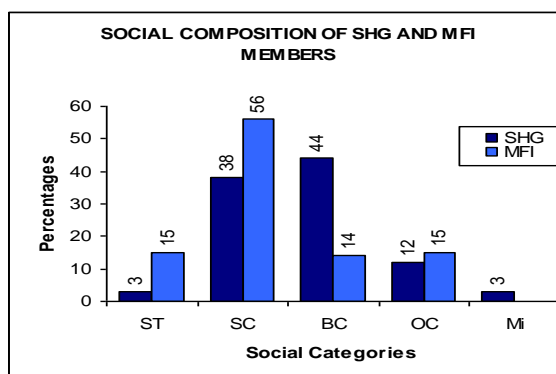


the society and MFIs have paid attention on the upper section of the society.

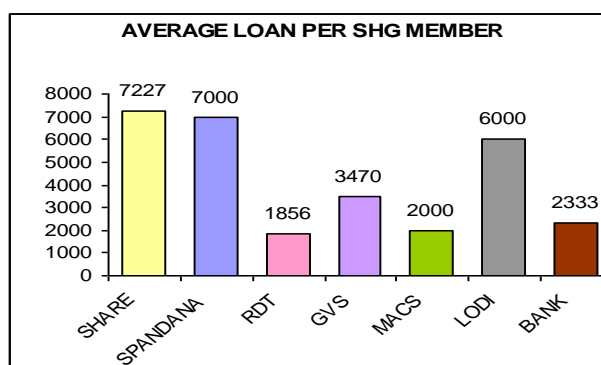
The data shows that more than half (55%) of the MFI-SHG members are SCs followed by ST, BC, OC each with 15%. It is significant that of all the 111 MFI-SHG members, none of the members belong to Muslim community. Only 14 per cent of the SHG leaders are enrolled in MFIs. But majority of the MFI-SHG members are SHG leaders in Guntur district (82%). Of these 82% of the leaders, 68% are with SHARE and the remaining are with Spandana. The graph shows that except BCs and Minorities all other social categories have over representation in MFIs compared to their composition in the SHGs. Among STs, SCs, and OCs more percentage of ST and SC categories are associated with MFIs. Less percentage of BCs has membership with the MFIs. None of the Muslim members are enrolled with MFIs.

Agriculture (36%) and agriculture labour (39%) are the primary occupations of 3/4th of the MFI-SHG members. And the remaining 1/4th of the members primarily depend on non-farm economic activities such as petty business (15%), stone polishing (9%) and electrical work (1%). The data explains that there are only four occupational categories such as agriculturists, agricultural labourers, petty businessmen and occupations related to non-farm sectors; whose practitioners are associated with MFIs. It indicates that the people who have regular flow of money are associated with MFIs.

Of all the MFIs, SHARE has provided large amount of loan with an average of Rs. 7,227 per member followed by Spandana and LODI with Rs. 7,000 and Rs. 6,000



respectively. RDT has provided low volume of loans with Rs. 1,856 followed by ALMACS and GVS with Rs. 2,000 and Rs. 3,470 respectively. It shows that the loan size of the MFIs is almost triple to that of the NGOs and double to that of the NGO-MFIs. The amount of loan provided by the MFIs' is almost three times to the



loan given by banks per member. The size of the cumulative loans of all the MFIs also illustrate the same trends as current loan size, except ALMACS whose current average loan size and the cumulative loan size is one and the same as Rs. 2,000. However, the size of the cumulative loans of SHARE and RDT are more than double to their current loan sizes. Cumulative no. of loans also shows that on an average a member have borrowed more loans from SHARE (2.5) and RDT (2.5) than from other MFIs. It is because of long period of association, more no. of repeat loans and large volume of loans.

Table-1: MFI-wise Average Size of Current and Cumulative Loans And No. of Loans

S. No.	Name of the MFI	Current Loan in Rs.	Cumulative Loan in Rs.	No. of Loans
1	SHARE	7,227	14,636	2.5
2	Spandana	7,000	9,286	1.6
3	RDT	1,856	4,4,20	2.5
4	GVS	3,470	4,059	1.3
5	ALMACS	2,000	2,000	1.0
6	LODI	6,000	6,000	1.0

Table-1: MFI-wise Size of the Current Loan and Percentage of MFI-SHG Members

S. No.	Amount in Rs.	MFIs						Total
		SHARE	Spandana	RDT	GVS	ALL MAX	LODI	
1	<-1000	--	--	28.00	--	--	--	12.61
2	1001-2000	4.55	--	56.00	70.59	100.00	--	45.95
3	2001-3000	4.55	--	--	--	--	--	.90
4	5001-6000	31.82	--	16.00	--	--	100.00	18.02
5	6001-7000	18.18	100.00	--	29.41	--	--	14.41
6	7001-8000	27.27	--	--	--	--	--	5.41
7	8001->	13.64	--	--	--	--	--	2.70
Total		100.00	100.00	100.00	100.00	100.00	100.00	100.00

The data explains that much variation in the volume of loan is found in SHARE compared to other MFIs which depends on the purpose of loan and the repaying capacity of clients. Unlike SHARE, Spandana has lent large amount of loans between Rs. 6,000 and Rs. 7,000 to its clients. Like Spandana, LODI also

sanctioned large amount of loans to its members. More than half of the loans provided by the RDT are in the range of Rs. 1,001-2,000. However, a good percentage of members borrowed (Rs. 5,001-6,000) large amount of loan from RDT to meet the expenses of marriage and the education of their children. In the case of GVS and ALMACS the loan size is limited to less than Rs. 2,000.

Purpose of Loan

The data on the purpose of loan borrowed from the MFIs shows different reasons unlike the purpose of loan borrowed from banks by the SHGs. It shows that 3/4th of the members borrowed loan for sheep units (38%) and business (37%). Only 1/5th of the members borrowed for milch animals. Majority of the members of SHARE borrowed loans for milch animals (46%) and business (32%), where as the members of Spandana borrowed loans more for business (71%) followed and milch animals (29%). But all the members of RDT borrowed loans to buy sheep units. GVS and ALMACS have lent to its members only for business. LODI has extended loan facility to its members for both consumption and production purposes. The data also reveals that 82% of the loans in Guntur district were sanctioned only for business (41%) and for milch animals (41%). But majority of the loans (60%) in Karimnagar district are borrowed for consumption. The above discussion reveals that majority of the members of all the MFIs borrowed loans for production especially business and animal husbandry rather than consumption.

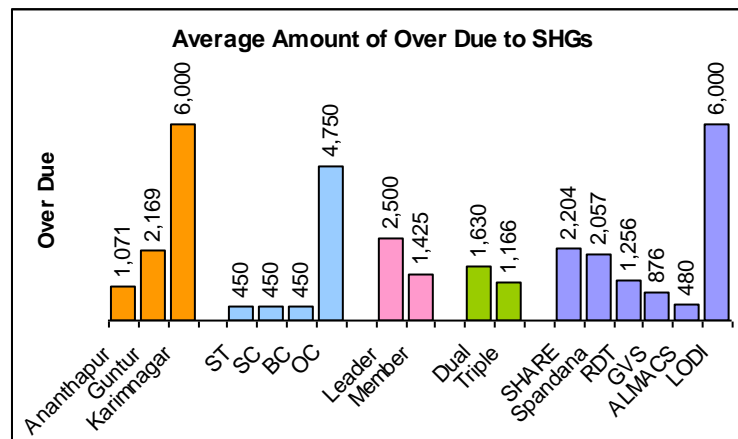
Over Dues

Out of 111 MFI-SHG members, 82% have dues to SHGs. Except 1/3rd of the SHARE and RDT members all other MFI members have dues to SHGs/banks. Except 13% in Ananthapur and 28% in Guntur all the members have dues to SHGs. It is interesting to note that more percentage of members in Guntur have no dues to SHGs. It is because of individual responsibility rather than group responsibility in repaying the loan amount. Another interesting thing is only 20% of STs have dues to SHGs. It might be because of less access to MFIs due to their location. Another observation is that among SC, BC and OC categories, 100% of SC members are having dues to bank followed by BCs at 80%. Compared to other social categories, less percentage (18%) of OC members have dues to SHGs. The data also shows that 45% of the members whose primary occupation is agriculture and 20% of business people have no dues to SHGs.

Table-1: District-wise Percentage of SHGs and Amount of Over Due

S. NO.	Amount in Rs.	District			Total
		Ananthapur	Guntur	Karimnagar	
1	No dues	18.18	20.69	--	18.02
2	< 500	28.57	--	--	19.82
3	501-1000	7.79	34.48	--	14.41
4	1001-1500	15.58	3.45	--	11.71
5	1501-2000	19.48	6.90	--	15.32
6	2501-3000	10.39	3.45	--	8.11
7	3001-3500	--	6.90	--	1.80
8	3501-4000	--	3.45	--	.90
9	4001 >	--	20.69	100.00	9.91
	Total	100.00	100.00	100.00	100.00

Each member on an average has an over due of Rs. 1,580 to the SHG. The amount of over due is between Rs. 450 and Rs. 10,000. The amount of over dues is also varying from district to another district, one social category to another, MFI to MFI and from leader to member.



The average amount of over due per member in Ananthapur is low at Rs. 1,071 followed by Guntur at Rs. 2,168 but in Karimnagar (Rs. 6,000) it is thrice to Guntur and six times to Ananthapur. In Ananthapur nearly 1/5th of the members have no dues, nearly 30% of the members have dues less than Rs. 500 and another 50% of the members have over due of Rs. 501-3000. In Guntur more than 1/3rd of the members have over dues between Rs. 501-10,000 and another half of the members have over dues more than Rs. 1,000. However in Karimnagar, unlike Guntur and Ananthapur all the members have the over dues of more than Rs. 4,000. The amount of over due to SHGs mainly depend on the nature of activities carried out by the MFI and the percentage levels of tolerance towards default and the inputs provided by the MFIs to their clients. Among all the 6 MFIs, both SHARE and Spandana are maintaining Zero tolerance towards default. Therefore, the members are regularly repaying to the MFIs though they stand default to SHGs. According to APMAS Study (2003) the leader-member loan ratio is 2:1. Similar findings are replicated in the case of over dues also. The amounts of over due also depend on the loan size borrowed from the SHGs. Compared to other two districts, the district of Ananthapur has less average amount of over due to SHGs. It might be due to adjustment of savings, FD, and RF to loan instalments. The other reason is that RDT is issuing small loans based on the amount contributed by the member. In addition to that it also provides some incentives to the clients' family members particularly to children's education and marriages. So to avail the incentives in addition to loan, members pay the instalments regularly to RDT even though there is no much pressure on repayment.

Opinion on MFI Procedures

Opinion of the MFI-SHG members was collected on a set of variables which have been influencing the SHG-Bank linkage programme and the micro-finance institutions. To know the opinion of the members and the severity of the issue a 5 point scale –strongly agree, agree, can't say, disagree and strongly disagree-

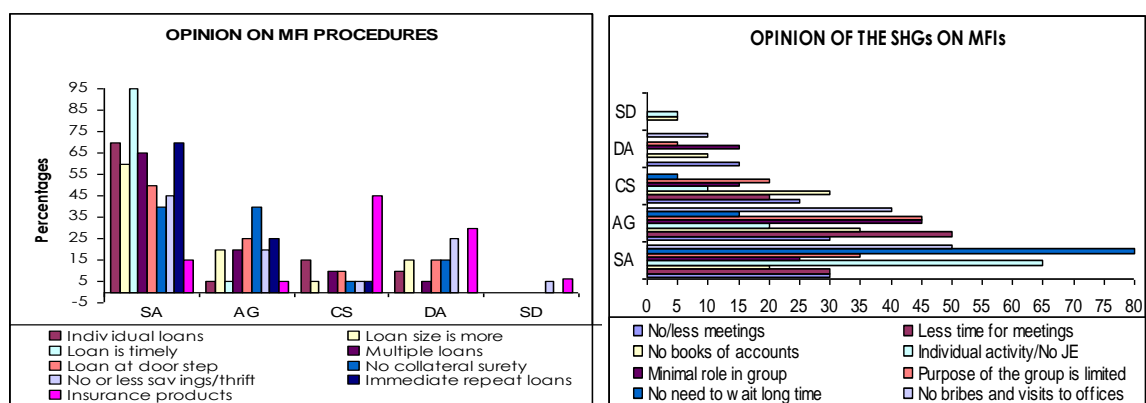
was prepared and used. The following table shows the opinion of the members on various issues.

Table-1: Opinion of MFI-SHG Members on Various Issues Related to MFI & SHGs

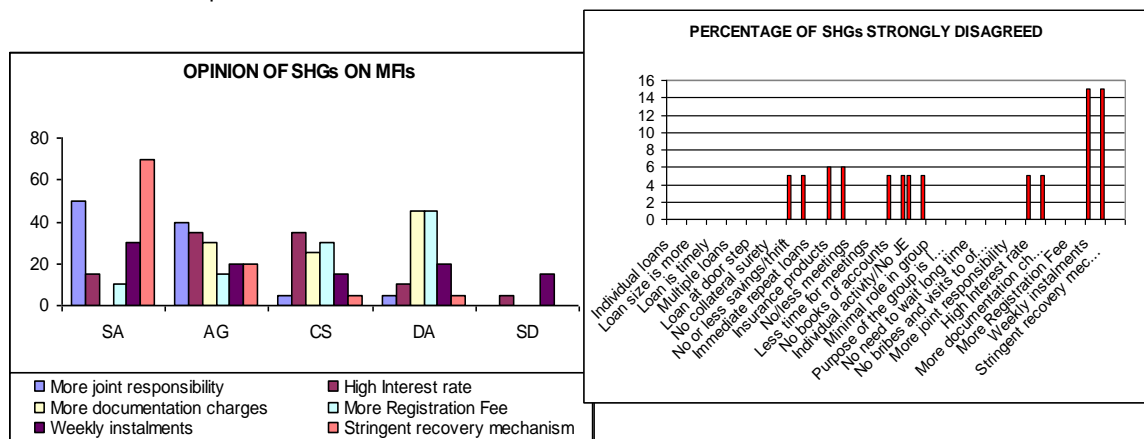
S.No.	Opinion	SA	AG	CS	DA	SD
1	Individual loans	70	5	15	10	--
2	Loan size is more	60	20	5	15	--
3	Loan is timely	95	5	--	--	--
4	Multiple loans	65	20	10	5	--
5	Loan at door step	50	25	10	15	--
6	No collateral surety	40	40	5	15	--
7	No or less savings/thrift	45	20	5	25	5
8	Immediate repeat loans	70	25	5	--	--
9	Insurance products	15	5	45	30	6
10	No/less meetings	30	30	25	15	--
11	Less time for meetings	30	50	20	--	--
12	No books of accounts	20	35	30	10	5
13	Individual activity/No JE	65	20	10	--	5
14	Minimal role in group	25	45	15	15	--
15	Purpose of the group is limited	35	45	20	5	--
16	No need to wait long time	80	15	5	--	--
17	No bribes and visits to offices	50	40	--	10	--
18	More joint responsibility	50	40	5	5	--
19	High Interest rate	15	35	35	10	5
20	More documentation charges	--	30	25	45	--
21	More Registration Fee	10	15	30	45	--
22	Weekly instalments	30	20	15	20	15
23	Stringent recovery mechanism	70	20	5	5	--
<i>Note: SA-Strongly Agree; AG-Agree; CS-Can't Say; DA-Disagree; SD-Strongly Disagree</i>						

Majority of the members or SHGs 'strongly agreed' to aspects concerning to loan such as loan to individuals than to group, timely large amount of loan at door steps without any collateral surety and savings & thrift activity. All these are more encouraged by the MFIs and the same are reported as problems in case of SHGs in the process of SHG-Bank linkage. Hence, majority of the members strongly agreed with the statements.

The SHGs have set certain norms for the SHG members to follow and achieve



the objectives such as women empowerment, poverty reduction through women shelf help movement. Those norms include regular meetings, good books of accounts, joint enterprise, participation in social and community activities, maintenance and other costs, loan procedures, leadership and proactive role in the group, savings and thrift and so on. In all these aspects, the members are supposed to contribute for the sustainability of the shg. Though the group norms have been stated as the above, the members, infact have formed the group to enjoy economic benefits that accrue by it rather than to achieve the objectives of it. Therefore, though on one hand majority of the groups have agreed with the statements from the perspective of shgs, on the other hand majority of them disagreed from the perspective of MFIs whose primary focus is on financial aspects rather than other.



Related to some aspects such as collateral surety, more registration fee, more documentation charges, high interest rate, stringent recovery mechanism and more joint responsibility, majority of the groups have disagreed with MFIs. Unlike shgs, MFIs are very particular in these issues. Hence, members have expressed dissatisfaction towards MFIs. The above discussion can be summed up that groups have agreed and strongly agreed with the aspects both in SHGs and MFIs which are in favour to them and disagreed with which are lumber and compels their participation.

Issues	Dos	Don't
•	•	• Don't insist for attestation from MDO for bank transactions
• Appraisal	• Appraise SHGs at their habitation	• Don't Appraise SHGs at the bank
• Bankers	• Priority to SHG customers or Do the needful early	• Don't behave harshly with the SHG clients
• Bankers	• Avoid long waiting hours	•
• Bankers	• Assign work to other in the case of absence of concerned staff	•
• Bankers attitude	• Priority to the SHG members	• Don't ill-treat SHG members by neglecting and long waiting hours.
• Books/records	• Check the records at the	• Don't

	time of bank transactions	
• Bribes	• Encourage direct relationship between banks and SHGs	• Don't encourage payments to the middlemen or the bank personnel
• Deposits	•	• Don't make the group funds as FDs
• Documentation	• Documentation at the group level	• Avoid documentation at the bank.
• Instalments	• Take the opinion of the SHGs in fixing loan instalments	• Don't fix instalments on your own
• Interest rates	• Provide clear information about interest on loan	• Don't hide the information on interest rates
• Leaders	• Encourage rotation basis leadership	• Don't object to change the Group Leaders
• Lending	• Encourage need-based lending	• Don't encourage equal distribution
• Loan	• Encourage collective repayment	• Don't encourage individual repayments
• Loan	• Monitor for regular payment	• Avoid adjustment of savings to loan amount
• Loan	• Clear information about the principle and interest	• Don't adjust the loan amount
• Loan	• Inclusive approach	• Don't exclude members who have old arrears for bank linkage.
• Loan	• Peer pressure and loan recovery	• Don't postpone or stop loan to the regular SHGs
• Loan	• Disburse loans as soon as sanctioned it	• Don't wait for loan 'melas' to disburse the loans
• Loan Appraisal	• Strictly follow the CRI in appraising the groups	• Don't provide credit to the groups which performed poorly
• Loan disbu	• Create awareness among the members to use the loan properly	•
• Loan disburse	• Loan amount hand over it to the group	• Don't interfere in SHG internal lending of the loan
		• Don't take the responsibility of loan disbursement of loan to the shg members
• Loan Insta	• Uniform loan instalments	• Don't encourage different modes of instalments
• Loan repayment	• Study the reasons for over dues and search for the solutions.	• Don't renew the loan to the groups to collect the arrears and over dues
• Loan repayment	•	• Don't take leaders and other members' personal assets into possession.
• Loan size	• Decide loan size based on	• Don't decide loan volume

	the group corpus	based on savings, FDs and Revolving fund
• Meetings	• Initiate meetings among the SHGs	• Don't discourage meetings
• Meetings	• All the members should attend the meeting irrespective of social categories	• Don't show any sympathy towards the members who were absent to the meetings
• Meetings	• Conduct meeting monthly	• Don't postpone or conduct irregular meetings
• Mfi	• Awareness building about mfis	• Don't neglect external environment.
• Middlemen	• Maintain direct relationship with the SHG members	• Don't encourage middlemen
• Monitoring	• Increase pre and post linkage regular monitoring	•
• Monitoring	• Triangulate the information provided by the animators/DWCRA-EORD, leaders	• Don't depend completely on animators,/DWCRA-EORD, leaders and so on.
• Old loans	• Create awareness to clear the old loan arrears	• Don't insist SHGs to clear the old loan arrears of households.
• Pass books	• Separate pass books for loan and savings	• Don't maintain loan and savings in a single pass book
• Prepayments	• Deposit excess loan instalment amount to the SB Account of the SHG	• Don't encourage prepayments
• Reviewing	• Monthly review and monitoring	• Don't review the performance once in a quarter
• RF	• Fix loan size based on their corpus	• Don't link RF with loan and its volume
• RF	•	• Don't adjust RF to loan amount or instalments
• RF	• Use it for need-based internal lending	• Don't distribute among the members
• RF	• Repay the RF to the group for internal lending	• Don't use it for common purposes
• RF	• Share information on RF with the group	• Don't adjust RF to the loan instalments
• Savings	• Financial transactions within the meeting	• Avoid collection of funds outside the meetings
• Savings	• Encourage collective responsibility	• Discourage individual responsibilities
• Savings	• Pay savings in the meetings only	• Discourage door to door collection of funds
• Savings	• Fund collection on the day of meetings	• Avoid collection of over a period of time
• Savings	• Encourage regular savings	• Discourage bullet savings

- Savings
 - Savings
 - Visits
 - Training
 - Banks
- Encourage internal lending of savings
 - Encourage regular savings
 - Minimize no. of visits by proper guidance
 -
 -
- Avoid idle funds in the bank
 - Discourage stopping of savings and loan payment
 - Don't create unnecessary hopes and more visits
 - Don't postpone or delay the sanction of loan due to transfers
 -



A STUDY ON SHG-BANK LINKAGE, DEFAULTING AND COMPETITION AMONG THE MICROFINANCE INSTITUTIONS AND ITS IMPLICATIONS

Study Organized by
**MAHILA ABHIVRUDHI SOCIETY, ANDHRA PRADESH (APMAS),
HYDERABAD**

A. Identification details **Schedule No.** _____

- | | | | |
|------------------|---------|---------------------------|---------|
| 1. District | : _____ | 6. Name of the Group | : _____ |
| 2. Mandal | : _____ | 7. Group Leader(1) | : _____ |
| 3. Panchayat | : _____ | 8. SB Account No. | : _____ |
| 4. Habitation | : _____ | 9. Date of opening | : _____ |
| 5. Bank Location | : _____ | 10. Distance to Bank :Km. | : _____ |

B. Background of the SHG members

1. Size of the group
 1. At the time of formation: _____
 2. Present/now : _____
 3. No. of members left: _____
 4. No. of members joined : _____
2. Caste/Social composition of the group members
 1. Scheduled Tribes : _____
 2. Scheduled Castes : _____
 3. Backward Castes : _____
 4. Open Category : _____
 5. Minorities : _____
3. Religion of the group members
 1. Hindu : _____
 2. Muslim : _____
 3. Christian : _____
 4. Others(specify) : _____
4. Educational levels of the group members
 1. Illiterates : _____
 2. Neo-literates: _____
 3. Primary : _____
 4. Upper Primary : _____
 5. High : _____
 6. College : _____
5. Type of ration cards possessed by the group members
 1. White card: _____
 2. Pink card: _____
 3. No card: _____
6. Type of House possessed by the group members
 1. Hut : _____
 2. Colony House : _____
 3. Thatched House : _____
 4. Tiled House : _____
 5. RCC/Pucca : _____
 6. Other (specify) : _____
7. Primary Occupation of group members' households
 1. Agriculture : _____
 2. Ag. Labour : _____
 3. Dairy : _____
 5. Seasonal Business : _____
 6. Petty Business : _____
 7. Job-Private/Govt. : _____

4. Caste Occupations :_____ 8. Others :_____

8. Type of Family

1. Nuclear/Simple families:_____ 2 Joint families:_____

C. Details of savings

1. Each individual's monthly thrift: Rs. _____

2. Periodicity of savings

1. Weekly 2. Fortnightly 3. Monthly

3. Total balance in the bank (see bank pass book) : Rs. _____

4. Cash on hand (Amount not deposited in the bank) : Rs. _____

5. Is there any change in the regular thrift amount?

1 No change 3 Earlier Savings Rs. _____
2 Savings stopped 4 Present Savings Rs. _____

6. Reasons for changes in savings/thrift amount?

1 _____ 3 _____
2 _____ 4 _____

7. Did the members ever distribute the savings?

1 Yes 2 No

8. If yes? How much did each member get? Rs. _____

9. Reasons for distribution of savings among the group members?

1 _____ 3 _____
2 _____ 4 _____

10. When is the savings/loan amount collected?

1 Meetings 3 House of a person in-charge
2 Door to Door visits 4 Others (specify) _____

11. Who collects the savings?

1. Leaders 2. Members 3. Other (specify) _____

12. How many days does it take to collect the savings? No. of days: _____

13. Lending details of savings/thrift amount?

No. of Member	Amount borrowed	Amount repaid	Amount outstanding	Period of defaulting	Remarks /Reasons
1					
2					
3					
4					
5					
6					

7					
8					
9					
10					
11					
12					
Total					

D. Details of Revolving Fund/Matching Grant

1. Revolving fund/ Matching grant : Rs. _____
2. Date of sanction/deposited in the bank : _____
3. Who helped in getting revolving fund and the nature of payments made?

S.No	Persons Assisted	Amount paid in Rs.
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____

4. Utilization of matching grant/revolving fund

Pattern of lending	Reasons
1. Equally distributed	1. _____ 2. _____
2. Need based lending	1. _____ 2. _____

5. Did the members repay the revolving fund to the group?
 1. Yes, why 1. _____ 2. _____
 2. No, why 1. _____ 2. _____

6. Fixed Deposits of the group in the bank, if any ?

S.No.	Details	R F	Savings	Reasons
1	Amount deposited in Rs.	_____	_____	1. _____
2	Period in years	_____	_____	2. _____
3	Amount at the end in Rs.	_____	_____	3. _____

E. Appraisal of the group & internal lending procedures

1. Was your group appraised?
 1. Before Linkage
 2. After Linkage
 3. Don't know
2. If yes, by whom it was appraised
 1. DRDA
 2. Velugu Project
 3. NGO
 4. Bankers
 5. MACS
 6. Mandal Federation
 7. Animators
 8. Village Organization
 9. Others (specify) _____
3. Criteria followed by the banks to sanction the loan (Opinion of SHG)
 1. Verified the savings pattern
 2. Asked about the purpose of loan
 3. Enquired about internal lending
 7. Asked about matching grant
 8. Verified all the records
 9. Enquired about the deposits

4. Enquired about quantum of loan 10. Appraised at the bank
 5. Got information through villagers 11. Other (specify) _____
 6. Asked about previous loans

4. Strategies adopted to get bank-linkage

1. Local leaders assistance 5. Good lending & repayment
 2. Group Quality improved 6. Repeated visits
 3. Good Book-keeping 7. No/ not applicable
 4. We have been a good group 8. Others (specify)_____

5. Lending Procedures followed by the groups

S.No	Procedures	Savings amount	Loan amount
1	Type of lending*		
2	Clients**		
3	Rate of interest per month		
a.	SHG members		
b.	Non-SHG/outsidere		
4	Pay back period in months		
5	Mode of repayment***		
6	Collateral Surety		
7	Penalties		
* 1. Need based lending 2. Equal Distribution			
** 1. SHG members 2. Non-SHG members			
*** 1. Monthly 2. Quarterly 3. Half yearly 4. yearly			

F. Loan details

1. Details of loans borrowed and their status

S. No	Details of Linkages	No. of Linkages				
		1	2	3	4	5
1	Loan Account No.					
2	Amount sanctioned					
3	Amount released					
4	Date of sanction the loan					
5	Date of amount releasing					
6	Total payback period					
7	No. of installments fixed					
8	No. of installments paid					
9	No. of installments due					
10	Total amount paid					
11	Total amount outstanding					
12	No. of instalments adjusted					
13	Rate of interest					
14	Loan totally repaid on					

2. Lending and other details of current loan

S.	Social	Amount	Amount	Amount	Overdue	Period of	Reasons/

No	Category	borrowed	paid	outstanding	amount	overdue	Remarks
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
	Total						

3. Opinion on the current bank loan

Details	Opinion	Reasons
1. Quantum of loan	1. Adequate 2. Inadequate	1. _____ 2. _____
2. Timeliness	1. Timely 2. Untimely	1. _____ 2. _____
3. Nature of linkage	1. Demand 2. Forced	1. _____ 2. _____
4. No. of visits made to get loan	: _____	1. _____ 2. _____
5. Time taken to sanction the loan	: _____ weeks	1. _____ 2. _____
6. Time taken to release the loan	: _____ weeks	1. _____ 2. _____

4. Details of persons assisted and payments made in the process of linkage?

S.No	Persons assisted	Nature of assistance	Payments
1	Animator/ Book- keeper	1. _____ 2. _____	Rs. _____
2	Mandal Coordinator	1. _____ 2. _____	Rs. _____
3	EO-RD	1. _____ 2. _____	Rs. _____
4	MDO/MRO	1. _____ 2. _____	Rs. _____
5	NGO/ Federation/MACS	1. _____ 2. _____	Rs. _____
6	Bank Manager	1. _____ 2. _____	Rs. _____
7	Bank Sub-Staff	1. _____ 2. _____	Rs. _____
8	Local leaders/rich farmers	1. _____ 2. _____	Rs. _____
9	People's Representatives	1. _____ 2. _____	Rs. _____
10	Educated persons in the village	1. _____ 2. _____	Rs. _____
11	Family members of SHG	1. _____ 2. _____	Rs. _____
12	Other (specify) _____	1. _____ 2. _____	Rs. _____

5. What kind of problems have you faced in the process of SHG-Bank Linkage?

S.No	Loan Process	Problems
------	--------------	----------

- | | | | |
|----|------------------------------|----------|----------|
| 1 | Eligibility and Appraisal | 1. _____ | 2. _____ |
| 2 | Submission of Application | 1. _____ | 2. _____ |
| 3 | Loan Documentation | 1. _____ | 2. _____ |
| 4 | Follow up | 1. _____ | 2. _____ |
| 5 | Sanction | 1. _____ | 2. _____ |
| 6 | Grounding/Releasing of loan | 1. _____ | 2. _____ |
| 7 | Loan size | 1. _____ | 2. _____ |
| 8 | Calculation of interest | 1. _____ | 2. _____ |
| 9 | Fixation of loan instalments | 1. _____ | 2. _____ |
| 10 | Loan recovery | 1. _____ | 2. _____ |
| 12 | Treatment in the bank | 1. _____ | 2. _____ |
| 13 | Information sharing | 1. _____ | 2. _____ |
| 14 | At the time of withdrawal | 1. _____ | 2. _____ |

6. What are the reasons for no linkage or no repeat linkage?

- | | |
|--------------------------------------|---------------------------------|
| 1. Earlier loan not cleared(SHG) | 7. Bank-linkage more expensive |
| 2. Priority to New Groups | 8. Locally - Low interest rates |
| 3. Target completed | 9. Group has surplus savings |
| 4. Bankers are not interested | 10. Bank pays in installments |
| 5. Only to healthy groups | 11. Small size of the loan |
| 6. Insisted for old loan arrears(HH) | 12. Any other (specify) _____ |

7. What kind of services you are expecting from banks and suggestions for it?

- | <i>Expectations</i> | <i>Suggestions</i> |
|---------------------|--------------------|
| 1. _____ | 1. _____ 2. _____ |
| 2. _____ | 1. _____ 2. _____ |
| 3. _____ | 1. _____ 2. _____ |
| 4. _____ | 1. _____ 2. _____ |

G. Monitoring

1. In the past one year which of the following visited your group?

S.No	Persons visited the groups	No. of Visits	Occasion	Purpose
1	Bank Manager/Field Off.			
2	Mandal Coordinator			
3	EO-RD			
4	MDO/MRO			
5	District Officials			
6	NGO			
7	Animator			
8	Book-Keeper			
9	Other (specify)			

H. Microfinance Institutions

1. a. No. of SHG members having Membership in MFI promoted
SHGs:_____

b. No. of membership for each member:_____

2. Details of loan Microfinance Institutions

s. No	Details of the loan borrowers from MFI	Source-1:			Source-2:			Source-3:		
		1	2	3	1	2	3	1	2	3
1	Group size (MFI)									
2	Amount borrowed									
3	Purpose of loan									
4	Date of sanction the loan									
5	Date of releasing amount									
6	Total payback period									
7	No. of installments fixed									
8	No. of installments paid									
9	No. of installments due									
10	Total amount paid									
11	Total amount outstanding									
12	Rate of interest									
13	Loan totally repaid on									
14	No. of loans borrowed									
15	Cumulative amount									
16	Social category*									
17	Occupation									
18	Amount overdue to SHG-BL									
19	any other services									
* Code: 1-ST; 2-SC; 3-BC; 4-OC; 5-Minorities										

3. Opinion on the procedures followed by the Microfinance Institutions?

S. No	Particulars	Opinion				
		SA	A	CS	D	SD
1	Individual loans					
2	Loan size is more					
3	Loan is timely					
4	No collateral surety					
5	No or less savings/thrift					
6	No need to wait long time					
7	Less time for meetings					
8	No/less meetings					
9	No books of accounts					
10	Individual activity/No JE					

11	More joint responsibility					
12	Minimal role in group					
13	Purpose of the group is limited					
14	Multiple loans					
15	Immediate repeat loans					
16	Loan at door step					
17	No bribes and visits to offices					
18	Insurance products					
19	High Interest rate					
20	More documentation charges					
21	More Registration Fee					
22	Weekly instalments					
23	Stringent recovery mechanism					
24	Fresh loans borrowed to pay inst.					
25	How long with the MFI					
<i>Note: SA-Strongly Agree ;A-Agree; CS-Can't Say; SD-Strongly Disagree; D-Disagree</i>						

I. Group dynamics

1 Give your opinion on the following

S. No.	List of dynamics	Opinion*(Enter Code)	
		SHG-BL Members	SHG-MFI-members
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.	Self reliance		
8.	Education levels improved		
9.	Habit of savings		
10.	Health Status improved		
11.	More expenditure on food		
12.	Indebtedness		
13.	Self-confidence		
14.	Decision Making power		
15.	Representation in other groups		
16.	Leadership qualities		
17.	Group solidarity		
<i>*Note : 1-No: No difference; 2-Less: Less than 30%;3- Moderate:31-60%;4-More: 61% >; 5-Decreased: Lesser than previous position</i>			

J. Participation in developmental programmes

1. Details of programmes in which the group members participated
- | | |
|----------------------------|-------------------------|
| 1. Child labour Campaign | 9. Anti-Arrack Movement |
| 2. Total Literacy Campaign | 10. Mid-day Meal |
| 3. Girl Child Education | 11. ICDS activities |
| 4. Pulse Polio | 12. Food for Work |
| 5. AIDS Control Mission | 13. PDS –Maintenance |
| 6. Family Planning | 14. CM Meetings |
| 7. Janmabhoomi | 15. DWCRA Bazaar |
| 8. Neeru-Meeru | 16. Exposure Visits |

Research Investigator's Remarks:

Date of Interview :

Signature of the Research Investigator



A STUDY ON SHG-BANK LINKAGE, DEFAULTING AND COMPETITION AMONG THE MICROFINANCE INSTITUTIONS AND ITS IMPLICATIONS

Study Organized by
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Interview Schedule for Bank Managers/Field Officer

• **Name of the Branch and Address**

Location : _____ Mandal : _____

District : _____ Branch code : _____

• **Name of the respondent and designation**

Name : _____ Designation : _____

Information on SHGs

- No. of SHG Accounts in the branch : _____
- No. of SHG Linkages in the branch : _____
- Cumulative linkages : _____
- Targets achieved in 2002-2003 : _____
- Targets fixed for the current year : _____
- No. of Linkages in Live : _____
- Total amount of loan : _____
- Total amount paid : _____
- Total amount outstanding : _____
- No. of groups having over dues : _____
- Total amount of over dues : _____
- Avg. period of over due : _____

Details of Repeat linkages

- No. of 1st Linkages : _____
- No. of 2nd Linkages : _____
- No. of 3rd Linkages : _____
- No. of 4th Linkages : _____
- No. of 5th Linkages : _____

Details of Groups Having Continuous Access to Banks

- No. of groups not linked even once : _____
- No. of groups linked and repaid the loan : _____

Note: Please collect the above information from Bank Records

CHECKLIST FOR CONDUCTING INTERVIEWS WITH BANK –BM/FO

- Objectives of the SHG-Bank Linkage programme
- Uses of SHG Bank linkages
 - Bank
 - Group
 - Community/Nation
- Criteria for the selection or rejection of the groups for bank linkage
 - For selection:

 - For rejection :

- Appraisal of groups
 - Identification groups for linkage
 - Basing on the individual stature of the groups members
 - Group activity
 - Savings pattern
 - Corpus
 - Age of the SHG
 - Defaulters
 - Financial transactions
 - Books of accounts
 - Internal lending
 - Leadership
 - No dues from other branches in the service area
- Formal means
 - CRI
 - Agency administering
 - Problems in using CRI
 - Banks
 - Groups
- Informal
 - No defaulters in the group
 - Exclusion of default members from the group
 - Clearing of old loan arrears
 - Opinion from villagers

- Why you followed the informal means
- Volume of loan / Loan ratio
 - Criteria followed in deciding the loan size
 - Savings- Bank balance
 - FDs-RF/Group
 - Saving loan amount ratio
 - Opinion on present loan size
 - Adequate or inadequate and reasons for it
 - Idle loan size
- Time takes to process the loan (in weeks)
 - For assessment
 - Documentation
 - Sanctioning
 - Grounding
 - Reasons for delay
 - Impact of delay
- Loan repayment details
 - Who fixes the no. of instalments
 - Who fixes the instalment amount
 - No. of instalments
 - Prepayment
 - Reasons for prepayment
 - How much percentage of prepayments
 - What is your opinion on prepayment
- Rate of interest
 - Monthly rate of interest
 - Method of calculation- simple/compound
- Collateral Surety
 - Formal
 - Informal
 - Informal means- influence on groups
- Recovery of loans
 - Regular groups
 - Formal
 - Informal
 - Informal means – influence on groups

- Default groups
 - Formal
 - Informal
 - Informal means-influence on groups
- Defaulting
 - Who is a defaulter
 - Reasons for defaulting
 - Period of defaulting
 - Average amount of over dues
 - Social categories of the Default groups
- Repeat linkages
 - Criteria for repeat linkages
 - Loan size and ratio
 - Reasons for less repeat linkages
- Various Services providing to the groups
 - Trainings
 - Insurance
 - Loans
 - Other services
 - Mode of delivering services and their details
- Problems related to SHG Linkage
 - Bank
 - Group
 - Community
 - Govt. officials
 - Politicians
- Complaints and demands from the groups
- Refinance norms-related to NABARD
- Attitude of the Bank officials
 - The extent to which the bank surroundings are user friendly towards the SHG members
 - Boards and nameplates
 - Paper work (the extent of details, time taken,)
 - Help offered by the officials

- Opinion on the following
 - Reasons for less no. of linkages in the branch
 - Blocking of the external funds and partial loan amounts
 - Linkage to recover old loans
 - Loans to ineligible groups
 - Target approach
 - Impact of SGSY loans on SGH loans
 - Working styles
 - SHG-Bank linkage only builds up NPA for the bank
 - SHG-Bank linkage is the best form to help the poor
- Special measures taken for sustainability of SHG
- What kinds of dynamics they have observed.
 - Economic
 - Health
 - Education
 - Decision making
 - Self reliance
 - Employment generation
 - Social aspects
- Information on MFIS
 - Details of MFIs in the area
 - Impact on SHG bank linkage
 - Measures taken to arrest the negative consequences
 - Suggestions for check the negative influence
- *Researchers Comments:*

Date of Interview

Signature