

What Does the SHG Audit Say?

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Summary of Facts

Profile of sample SHGs: i) 73.31% of SHGs formed with 10 to 12 members; ii) 43.5% of sample SHGs are more than 5 year old; iii) Most SHGs belong to BC (48.4%) and OC (34.8%) categories.

Quality of SHGs: i) 83.2% of SHGs have the practice of monthly meetings; ii) Rs. 36,582 is the average cumulative savings of an SHG; iii) 85.09% of SHGs engaged book-keepers and paid honorarium to them; iv) Rs. 8.22 crores of cumulative loan disbursed to their members; v) Rs. 6.71 crores of funds mobilized from external sources for lending; vi) Rs. 11.61 earned as interest on loans and savings; vii) 35.4% of SHGs collected a cumulative fine of Rs. 27,336; viii) Rs. 5,922 are the idle funds in SHG savings bank account; ix) 33.54% of SHGs received revolving fund; x) 26.71% of SHGs received 'pavalavaddi'.

Financial performance: i) Rs. 2.5 lakh is the average liabilities/assets of an SHG; ii) 72.06% of SHG liabilities are loans outstanding to bank and VO; iii) 14.76% are total savings of members; iv) 82.14% of SHG assets lies with members as loan outstanding; v) Rs. 7,009 are the idle funds in banks; vi) Rs.56,944 is the average income of an SHG; vii) Rs. 57,022 is the average expenditure of an SHG; viii) 25.47% of SHGs reported losses. If SHGs pay interest on savings @ 6% it will increase to 55.28%

1 Introduction

a) Context of the study: In the process of making self help groups (SHGs) & SHG federations as member owned, managed and controlled sustainable institutions, APMAS has initiated a pilot intervention called 'Swayam Niyantana Udyamam (SNU) or Sector-own Control (SOC) with the support of InWent and DGRV, Germany. In course of implementation of SOC, APMAS has developed a module on 'Auditing of SHGs & SHG federations' with a purpose to i) evolve good accounting system, ii) bring transparency, iii) know sustainability, iv) demonstrate group strengths for external linkage, iv) correct the pitfalls, v) plan their future activities and vi) create trust among the members on their institutions.

In this regard, APMAS⁴ and Society for Elimination of Rural Poverty⁵ (SERP) have evolved a strategy called 'Community Resource Persons' (CRP) from SHG community to i) update books of SHG accounts and ii) train book keepers. To understand the process, issues and prepare plan of future activities regarding the intervention, APMAS has initiated and completed the auditing of SHG with the support of CRPs-Audit in all the clusters where APMAS is working. In this context, the authors of the present paper made an

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⁴ APMAS is a national level technical supporting organizations, based at Hyderabad, working with a vision "Sustainable Self Help Movement in India".

⁵ SERP is an NGO promoted by Govt. of Andhra Pradesh for poverty reduction & women empowerment with the financial support of the World Bank.

attempt to analyse the audited statements of SHGs to know the quality of SHGs.

b) Objectives: The specific objectives of the present analysis are i) to understand the quality of SHGs with reference to their financial statements, ii) to analyse the income & expenditure patterns, surplus & loss and the reasons for it; and iii) to know the issues and members' perceptions on SHG auditing.

c) Sample coverage: The present study has covered 161 SHGs of 17 village organizations (VOs) in all the four mandals in Palamner cluster of Chittoor district in Andhra Pradesh. Of the 161 sample SHGs, 48.4% are from Palamaner Mandal, 31.7% of SHGs are from Peddapanjani Mandal, 16.8% of SHGs are from Bangarupalem Mandal and the remaining 3.1% are from Baireddipalli Mandal. The data source for the present analysis is the financial statements of SHGs prepared at the time of SHG auditing by the Community Resource Persons-Audit⁶ (CRPs-Audit).

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

- The sample includes only the SHGs accepted for auditing.
- There are many mistakes in the financial statements.
- There are not enough full details on some of the heads for an in-depth analysis.

e) Analysis and reporting: The data collected from 'Audited Statements of SHGs' was entered into computers for further analysis. The data was analyzed in terms of mandals, SHG categories and age. Simple statistics such as averages, percentages and ratios were computed to make comparisons and to draw meaningful inferences. The results of the present analysis discussed broadly as i) profile of SHGs, ii) quality of SHGs, iii) financial performance, iv) issues in SHG auditing, v) repercussions of SHG auditing and vi) conclusions.

2 Profile of SHGs

a) Size of SHG: There are 1,825 members in the sample SHGs with an average of 11.34 members. The group size varies between 8 and 16 members. Of the 161 sample SHGs, 73.31% of SHGs comprises of 10 to 12 members; little more than 22% of SHGs comprises of more than 12 members and the remaining 4.3% comprises of less than 10 members each. There is no significant difference in group size between various SHG social categories. However, the average group size is low among STs (11.17) and high among BCs (11.50) compared to all other SHG categories (see appendix-1).

b) Age: The age of sample SHGs varies from 9 months to over 12 years with an average of 4.9 years. Majority SHGs are 1 to 5 years old (54.7%); another 43.5% of SHGs are more than five year old and the rest of 1.9% of SHGs is less than one year old. The data shows (see annexure-1) that among OC (44.6%) and BC (37.2%) categories many SHGs are 1 to 3 year old; where as among ST and SC categories, many SHGs are 5 to 7 year old. However, majority SHGs of Minority category is 3 to 5 year old.

⁶ Community Resource Persons are the experienced persons selected from good SHGs to promote and strengthen SHGs in their villages. The CRPs who does the audit of SHGs are called CRPs-Audit.

c) *Social category*: Based on the numerical dominance of social category of members within the group, SHGs were categorized into i) Scheduled Tribes (STs), ii) Scheduled Castes (SCs), iii) Backward Classes (BCs), iv) Minorities (Min), and v) Open Categories (OCs). Of the 161 sample SHGs, most of the SHGs are BCs (48.4%) and OCs (34.8%) and the remaining 11.2%, 3.7% and 1.9% are SCs, Minorities and STs respectively.

d) *Access to bank*: There are 9 bank branches of three commercial banks (CB) and one regional rural bank (RRB) in Palamaner cluster where the study was conducted. Of the 161 SHGs studied, 50.9% of SHGs have savings account with State Bank of India (SBI), 32.9% of SHGs with Indian Bank (IB), 6.2% of SHGs with Indian Overseas Bank (IOB) and the remaining 9.9% of SHGs with Saptagiri Grameen Bank (SGB), which is a regional rural bank (RRB).

3 Quality of SHGs

3.1 Savings

a) *Amount of savings*: The monthly savings of an SHG member varies from Rs. 20 to Rs. 100 with an average of Rs. 64. Of the 161 sample SHGs, more than three quarters of SHGs (79.5%) save Rs. 50 and above. Of the 79.5% of SHGs, 37.35% of SHGs save Rs. 100 per month. Of the 14.3% of SHGs save less than Rs. 50, 11.8% of SHGs save Rs. 25 per month per member.

Of all the social categories, the average amount of savings per month per member is high among OCs (Rs. 74) and low among STs (Rs. 55) compared to other SHG social categories (SCs-Rs.61; BCs-Rs. 59; and Minorities-Rs.56). The data also shows that the percentage of SHGs save more than Rs. 50 is high among Minorities (66.7%) and low among STs (16.7%) compared to other SHG social categories (SC-55.6%; OCs-42.9%; and BCs-33.3%). The percentage of SHGs saves less than Rs. 50 is high among SCs (33.3%) and low among Minorities (0%) compared to other social categories (BCs-23.1%, STs-16.7% and OCs-14.3%). However, the percentage of SHGs save Rs. 50 per month is very high among STs (66.7%) compared to all other SHG social categories.

Table-1: Social Categories & Savings Per Member Per Month

Amt in Rs.	ST	SC	BC	Min	OC	Total
1. < 50	16.7	33.3	23.1		14.3	20.5
2. 50	66.7	11.1	43.6	33.3	42.9	40.4
3. > 50	16.7	55.6	33.3	66.7	42.9	39.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

b) *Cumulative savings*: As on December 2009, the sample SHGs has a cumulative savings of Rs.58.89 lakhs with an average of Rs.36,582. The amount of cumulative savings of SHGs varies between a minimum of Rs. 10,000 and a maximum of Rs. 1,05,050. The data on age-wise average cumulative savings of SHGs shows that there is an increase from year to year (up to 1 year old- Rs. 16,253; 1-3 year old Rs. 23,453; 3-5 year old- Rs. 32,926; 5-7 year old- Rs. 44,574; 7-9 year old- Rs.46,456; > 9 year old- Rs. 66,059). Of all the SHG categories, the average cumulative savings is high among OCs (Rs. 40,339), and low among Minorities (Rs. 25,967) compared to other SHG categories (SC- 36,712; BC- Rs. 34768; and ST-30,015)

The data in table-2 shows that a significant percentage of SHGs of more than five year old, 26 out of 70 SHGs (37.14%), have less than a cumulative savings of Rs.40,000. It could be because of distribution of savings, adjustment of savings to loan installments, diversification of savings to loan installments & recurrent deposits (RD), absence of savings, de-functioning of group in the past, etc.

Amount Rs. in '000	SHG Age (in years)						Total (N=161)
	Up to 1 (N=3)	1 - 3 (N=60)	3 - 5 (N=28)	5 - 7 (N=39)	7 - 9 (N=14)	> 9 (N=17)	
1. 10 - 20	66.7	55.0	7.1	--	--	--	23.0
2. 20 - 30	33.3	28.3	32.1	15.4	7.1	5.9	21.7
3. 30 - 40	--	10.0	35.7	33.3	28.6	5.9	21.1
4. 40 - 50	--	--	25.0	12.8	42.9	23.5	13.7
5. 50 - 60	--	3.3	--	23.1	--	5.9	7.5
6. > 60	--	3.3	--	15.4	21.4	58.8	13.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

c) *Idle funds/ Cash in SB A/c*: As on December 2009, the sample SHGs has a total amount of Rs. 8.09 lakhs with an average of Rs. 5,922 in their saving bank accounts (SB A/c). The amount of funds varies between Rs.20 and over Rs. 53,000. The data shows that majority SHGs (54%) have an amount of less than Rs. 4,000 in their SB a/c. Of the SHGs (46%) having more than Rs. 4000, 19.9% of SHGs have more funds of between Rs. 4 to 6 thousands and the remaining have fund of more than Rs. 6,000. Further, across age of the groups, more or less 10% of SHGs have funds more than Rs. 10,000 in their savings bank account. If it assumes that whatever funds that are lying in SB a/c are the savings of SHGs then 13.73% of cumulative savings of sample SHGs lying as idle funds in SB a/c. Of the four banks, the average amount of idle funds in SB a/c is more in IB with Rs. 8,577, and low in SGB with Rs. 3,715 compared to SBI (Rs. 6652) and IOB (Rs. 5701)

Amount Rs. in '000	SHG Age (in years)						Total (N=161)
	Up to 1 (N=3)	1 - 3 (N=60)	3 - 5 (N=28)	5 - 7 (N=39)	7 - 9 (N=14)	> 9 (N=17)	
1. up to 2	33.3	25.0	25.0	23.1	35.7	11.8	24.2
2. 2 - 4	--	26.7	28.6	28.2	35.7	47.1	29.8
3. 4 - 6	33.3	20.0	28.6	12.8	7.1	29.4	19.9
4. 6 - 8	--	6.7	10.7	10.3	7.1	5.9	8.1
5. 8-10	--	11.7	--	10.3	--	--	6.8
6. > 10	33.3	10.0	7.1	15.4	14.3	5.9	11.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

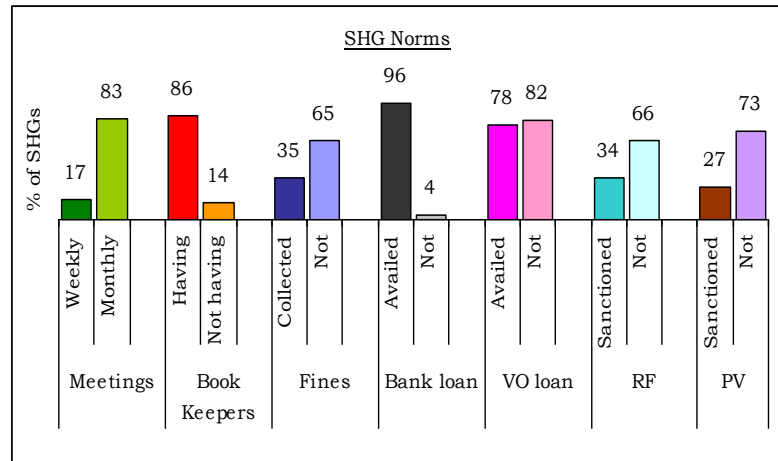
3.2 Meetings

Of the 161 sample SHGs, most SHGs (83.2%) have the practice of monthly meetings. Only 16.8% of SHGs have weekly meetings even though the promoters have induced weekly meetings. Of all the four mandals, hundred percent SHGs have weekly meetings in Baireddipalli mandal; where as in all

the other three mandals, in contrary to it, most SHGs have the practice of monthly meetings. However, the percentage of SHGs practicing weekly meetings is more in Palamner mandal (17.9%) compared to peddapanjani (11.8%) and Bangarupalem (7.4%). The data also shows that of all the SHG categories, the percentage of weekly meetings is high among SCs (33.3%) and no among Minorities and STs (0% compared to all other social categories (BCs-16.7% and OCs-14.3%).

During focus group discussions, the SHG members have expressed that they can conduct their group meetings without any assistance of Community Activists or project staff. In response to a question on the regularity of meetings members have reported that about 10% of SHGs have irregular meetings. However, leader collects savings by door to door visits or members pay at leader's house.

With regard to members' attendance in meetings, members have reported that it varies between 85 and 100 percent. In some SHGs, those members who were not attended the last meeting (s) also affix their signatures in both, last and current,



meeting minutes. It is also observed that the meeting agenda mostly confined to savings and credit activities, and in most SHGs (> 80%) decisions are taken by the leaders rather than in a democratic way.

3.3 Book Keeping

The data (see annexure-3) on expenditure and payments of 161 sample SHGs shows that 85.09% SHGs have paid their book keepers a sum of Rs. 2.29 lakh with an average of Rs.1,669. That means majority SHGs have book writers. If we assume that the SHG paying Rs.50 as honorarium to a book keeper, the data shows that more or less from the past three years, SHGs have been paying honorarium to book writers. It is observed that good number of book writers still depend on community activists because of complexities in SHG book keeping system and low educational levels of book writers. Of the total 215 SHGs audited, 74.8% of SHGs have all the relevant financial statements (i. Receipts & payments, 2. income & expenditure and 3. Assets & liabilities), 18.6% of the SHGs have only details of assets & liabilities and the remaining 6.6% SHGs have no financial data or not in a usable form.

3.4 Lending

All the SHGs have disbursed a cumulative loan of Rs. 8.22 crores to their members with an average of Rs.5,20,195 and Rs.45,036 per SHG and member respectively. It is evident that all the members are accessed to credit from their SHGs. The members also repaid a cumulative loan of Rs. 4.53 crore to their SHGs. During interaction with SHGs, the members have reported that the loan repayment from member to SHGs is more than 90%.

However, the repayment of loans from group funds is far low (< 25%). It is also in observed that some SHGs, that the members not even paying interest on loans.

The sample SHGs have earned Rs. 8.45 lakh as interest on loans besides an interest of Rs. 3.16 lakh on their savings in bank & VO, FDs in the bank and interest subsidy under PV scheme on SHG-BL scheme. This is an equalent to 19.71% of total savings of SHG members.

3.5 Mobilization of external funds

a) Loans: To address the credit needs of their members, all the 161 sample SHGs have mobilized a cumulative loan of Rs.5.94 crore and Rs. 76.77 lakh from banks and village organizations respectively with an average of Rs. 4.16 lakh per SHG. It is evident that the SHGs are accessing and mobilizing credit from formal financial institutions such as banks and federations.

b) Subsidies: The data on SHG receipts (see appendix-4) revealed some interesting things. Of the sample SHGs, only one third SHGs have received revolving fund of Rs. 5.5 lakh with an average of Rs. 10,176. Little more than one quarter of SHGs (26.71%) received pavalavaddi a sum of Rs. 2.57 lakh with an average of Rs. 5,984, though most of the SHGs availed SHG bank linkage.

c) Fines and penalties: The data on receipts shows that 35.4% of SHGs collected cumulative fines of Rs.27,336 from their members for late coming, delayed payment of savings and default of loan installment. Similarly, 11.8% of SHGs paid fines and penalties of Rs. 2,725 to VO and Mandal Samakhya (MS). It shows that at least little more than one third of SHGs have norms in practice.

4 Financial Performance

4.1 Liabilities & Assets

a) Liabilities: The sample SHGs has total liabilities of Rs.3.99 crore with an average of 2.5 lakh rupees. Of the total liabilities, a major portion is in the form of loan outstanding to banks (65.84%) and village organizations (6.22%) followed by members' savings (14.76%) and Indiramma Housing Bridge Loans (IBL) (4.21%). Besides, revolving fund (RF) and interest payable on bank loans constitute of 3.65%. Of the sample SHGs, no group has paid interest on members' savings. But 75.53% of sample SHGs have reported surplus of Rs.23.71 lakh with an average of Rs.19,757. If the SHGs pay interest at the rate of 6% per annum on members' savings, the percentages of SHGs reported surplus(75.53%) will come down to 44.72% with an average surplus of Rs.13,163

The liabilities of sample SHGs clearly reveal that more than three quarters (77.54%) are related to loans and interest payable to external agencies and more than one-fifth is related to members savings and interest payable and group common fund which includes surplus. It indicates that most SHGs depending on banks for credit.

b) Assets: Of the total assets of sample SHGs (Rs.3.99 crores), 93% of SHG assets lies with members as loan outstanding. About 3.47% of assets are in the form of savings & share capital in village organizations, and fixed deposits (FD) in banks. About 2.94% of SHG assets are in the form of idle

funds which includes cash in hand and cash at bank. Of the sample SHGs, 17.39% of SHGs have reported cash in hand a sum of Rs.45,628 with an average of Rs.1,630. Further, an SHGs has an average of Rs.7,009 cash at bank in their savings accounts. It shows that a significant amount of SHG funds lies in banks as idle funds.

Particulars of liabilities	% of Amount	Particulars of assets	% of Amount
• Loan O/s to bank/VO	76.27	• Loan O/s with members	93.00
• Members' savings	14.76	• SHG Savings & SC	3.47
• Others	8.97	• Others	3.53
Total	100.00	Total	100.00

4.2 Income & expenditure

a) *Income:* The sample SHGs have earned an income of Rs. 91.68 lakh with an average of Rs.56,944 since inception to March 2010. Of the total income, a lion portion is from interest on loans (92.13%) and the remaining is interest on savings in bank and VO and FDs in bank. Besides interest on loans and savings, few groups have earned income in the form of visiting/exposure fee and fines & penalties. Of the sample SHGs, 25.47% of SHGs have reported a loss of Rs. 1.47 lakh with an average of Rs.3,592.

b) *Expenditure:* The sample SHGs has spent a sum of Rs.91.81 lakh with an average of Rs.57,022. Of the total expenditure, major portion is interest on loans from banks (50.35%) and village organization (7.06%). About 8% of total expenditure was on group maintenance that includes stationary, meeting expenses, travel expenses, to pay fines and penalties, bank charges, service charges to VO, book keeping etc. Of the 161 sample SHGs, 73.91% have reported surplus of Rs.23.77 lakh with an average of Rs.19,975 (see graph below).

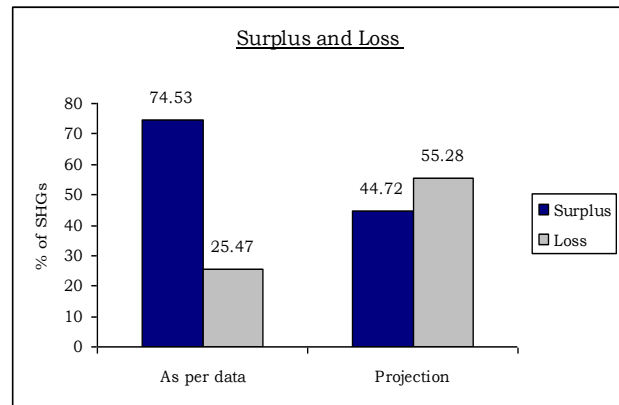
4.3 Surplus & Loss

a) *Surplus:* Of the 161 sample SHGs, 74.53% of SHGs have reported surplus and the remaining 25.47% of SHGs have accounted losses. The amount of surplus varies between Rs. 74 and Rs. 1,67,510 with an average of Rs.24,051. Of all the SHG categories, all the ST groups have reported surplus; among other categories, the percentage of groups reported surplus is high among SCs (83.3%) and low among Minorities (66%) compared to OCs (76.8%) and BCs (71.8%). The data shows that the average amount of profit is high among OCs (Rs.22,491) category, and low among Minorities (Rs.5,941) compared to other social categories (ST- Rs. 15,071; SC- 14,042; BC- Rs.20,312).

The data shows that there is a positive correlation between age of the groups and the average amount of surplus i.e. age of SHGs increases the amount of surplus also increases (up to one year old- Rs. 1,064; 1-3 years-Rs. 6,211; 3-5 years-Rs.11,995; 5-7 years-19,476; 7-9 years-43,884; > 9 years-Rs.48,008). Of all the mandals, the average amount of surplus of SHG in Palamaner mandal is more (Rs.21,318) and low in Baireddipalli mandal (Rs.11,780) compared to Bangarupalem (Rs.27,540) and Peddapanjani

(Rs.13,243) mandals. The above discussion shows that the amount of surplus varies between social categories, age of the groups and mandals.

b) *Loss*: As discussed above, of the 161 sample SHGs, 25.47% of SHGs have accounted losses. The amount of loss varies between a minimum of Rs. 11 and a maximum of Rs.13,346 with an average of Rs. 3,493. Of all the SHG categories, STs not reported any loss; where as among other social categories, the average amount of loss is high among OCs (Rs.2,635), and low among Minorities (Rs.11) compared to BCs (Rs.4,240) and SCs (Rs.2,889).



The data on SHG age-wise amount of loss shows that the average amount of loss is high among 7-9 year old groups (Rs.6,467) and low among one year old groups (Rs. 378) compared to all other age groups (1-3 years- Rs.3,895; 3-5 year old- Rs.2803; 5-7 year old-Rs.2,968; >9 year old-Rs.3,670). It shows that in an irregular intervals the average amount of loss increasing and decreasing and again increasing and decreasing. Of all the sample mandals, the average amount of loss is high in Peddapanjani (Rs.4,181) and low in Baireddipalli (Rs.378) compared to Palamaner (Rs. 3,353) and Bangarupalem (Rs.1,005). Like surplus, the amount of loss also varies between SHG categories, age and mandals.

Of the sample SHGs, 25.47% of SHGs have reported a loss of Rs.1.47 lakh with an average of Rs. 3,592. Further, 9.32% of sample SHGs have reported an interest of Rs. 92,460 to be recovered. If the sample SHGs pays interest on members' savings at the rate of 6% per annum the percentage of SHGs reported loss (25.47%) will go up to 55.28% with an average of Rs.9,242 (see the graph above).

c) *Reasons for loss*: During interactions with SHGs, members have reported multiple reasons for loss as:

- *No margin on interest rates*: Not charging minimum rate of interest on members other than the rate of interest charged by bank and VO on their loans. But many SHGs spend considerable amount from group funds to get RF and credit linkage from bank. Hence, there is a deficit.
- *All the expenses from group common fund*: Meeting all types of group expenses like travel, food, daily wage, fine & penalties paid to bank and VO, bribes, donations for charity activities, there is more expenditure than income. This is also one of the reasons for small amounts of corpus in SHGs.
- *Meager amount of loan disbursement from internal funds*: The data on receipts shows that nearly 10% of SHGs not reported any interest earned on loans. It indicates that there is no lending from groups funds and member savings. Some SHGs have lent very meager amounts due to various reasons – i) less amount of savings, ii) distribution of group

funds including savings on various occasions, iii) adjustment and or transfer of group savings and common fund to installments of the loan borrowed from bank, iv) large amount of idle funds in SHG saving bank accounts, v) fixed deposits (FD) from members' savings and group funds etc.

- *Misuse of funds:* Misuse of group funds by the leaders, community activist (CA) book keeper and staff of the promoting agency without the consent of group members.

4.4 Receipts & Payments

a) Receipts: The sample SHGs together has receipts of Rs. 13.2 crore with an average of 8.20 lakhs. Of the total receipts, 44.99% of the receipts are in the form of loans from bank, 34.36% are loans from members (principle), 5.91% in the form of interest from members on loans, 5.81% are in the form of loans from village organization, 4.47% in the form of members' savings (Rs. 59.01 lakh) and the remaining in the various forms, each has less than one percent in the total receipts of the groups.

Majority of the sample SHGs availed loans from Village Organization (78.26%) and banks (96.27%) with an amount of Rs. 5.94 crores and 0.76 crores respectively. More than one-third of SHGs (35.40%) collected a fine of Rs. 27,336 with an average of Rs. 480 from their members. About four SHGs have collected fee of Rs. 2,216 from visitors. Of the sample SHGs, 90.68% of SHGs collected interest on loans disbursed to their members. The reason for, about 10% of SHGs, not reported any interest earned on loans could be because of absence of internal lending from group funds and not charging interest other than the amount of interest charged by the bank from members. The receipts of SHGs clearly reveal that most SHGs activities are centered on savings and credit activities.

b) Payments: The sample SHGs have made payments of a sum of Rs. 13.24 crore with an average of Rs. 8.2 lakh. Of the total payments of 161 sample SHGs, 62.05% of payments are in the form of loans to members followed by repayment of bank (24.91%) and VO (4.03%) loans and interest on VO loans (3.43%) and the remaining little more than 5% of payments are related to more than 24 activities each with less than one percent in the total payments.

Majority SHGs made payments to banks (96.89%) and VOs (76.40%) to repay their loans. It shows that most of the SHGs accessed to external credit. Nearly one quarter of sample SHGs (23.06%) have fixed deposits (FDs), a sum of Rs. 8.79 lakhs with an average of Rs. 23,145, and savings (98.76%) and share capital (76.40%) in village organizations, a sum of Rs. 5.56 lakh and 0.25 lakh respectively. It shows that SHGs promoting savings not only at group level but also at Village Organization.

Many SHGs made payments for purchasing stationary (80.12%), book-keeper honorarium (85.09%), traveling expenses (80.12%), meeting expenses (5.59%), fines and penalties (11.80%), membership at VO (44.72%), bank expenses (19.88%). Few SHGs have paid audit fee and service fee to village organizations.

The data on payments also reveal that 24.22% of SHGs distributed pavalavaddi to their members, a sum of Rs. 2.4 lakhs with an average of Rs.

6,159. It also shows that only 2.5% out of 26.7% of SHGs received pavalavaddi added to their group corpus. One SHG has distributed its corpus of Rs. 1 lakh to its members.

5 Issues

During the study team's interaction, the auditing team members have shared the kind of issues, which the team has faced during SHG audit as:

a) Unwillingness/ unenthusiasum from Community Activists & leaders: Some Community Activists and SHG leaders, especially SCs and STs, are not interested to do auditing of SHGs as they have some inhibitions like i) if all the other members aware what is happening in the group, they may question their authority & decision making which eventually lead to leadership change and ii) may come out all the irregularities in case of misuse of funds (not depositing of loan installment amounts collected from members, withdrawal of amounts from savings account without any decision in the group meeting,

b) Up-dation of Savings & loan Pass Books: Generally most SHGs what they do is savings deposit in saving account, loan installment deposit in loan account, and collect counter files from banks. But many SHGs do not request bankers for pass book up-dation. Some times even the bankers also not particular due to varied reasons- i) printer & electricity problem, ii) in case of transfer of funds from SB to loan account, iii) some times members forget to bring the pass books. Without loan out standings, it is difficult to undertake auditing. In case of SHGs, whose bank pass books are not up to date, audit team has been facing problems.

c) Pseudo accounting: Some SHGs and leaders manipulated the books of accounts to please bankers and promoters with out any transactions between member and SHG at group level, and the leaders to cover their misappropriation of funds collected from the members with the help of book-keeper and/ or community activist (CA).

d) Insufficient information: Though most SHGs (85.09%) engaged book keepers and paid honorarium, only 'minutes book' and 'individual pass books are as on date and the remaining books are not up to date with complete information, especially details of internal lending, in many SHGs. For instance, the SHGs of Village Organization in Battamdoddi, having up to date 'minutes book' and 'individual pass books' but not all other SHG books. In some SHGs, the expenditure incurred by the leaders not entered in SHGs books.

6 What does the SHGs doing with audit reports?

During interaction with SHGs, in response to the questions what are the uses and implications of SHG audit, members shared their experiences as:

- SHG members realized the importance of auditing.
- SHGs are able to know their financial status.
- Using audit report as basis for distributing group earnings to their members and or paying interest on members' savings.
- Provided an opportunity to other members to know the proper-use and misuse of SHG funds by the leaders or the dominant members in SHGs.

- Many other SHGs in the villages showing interest on SHG auditing.
- Helped in streamlining or updating their accounts.
- Began internal thinking among the group members on their group functioning
 - Discussion on increase of monthly savings;
 - Increase of interest rate on loans from internal funds;
 - Recovery of long pending loans with interest;
 - Quarrels within the group on misuse of group funds;
 - Moved proposals to change their group leaders

The above discussion clearly shows that the SHG audit has created a significant dent on SHGs. Further, the SHGs have already started corrective measures to address the issues identified through SHG auditing.

7 Conclusion

Appendix-1: Profile of Sample SHGs

Particulars	Name of the mandal				Total
	BRP	BGP	PMR	PP	
A. Group Size					
1. 8	--	--	--	2.0	0.6
2. 9	--	7.4	2.6	3.9	3.7
3. 10	40.0	37.0	34.6	49.0	39.8
4. 11	--	14.8	16.7	17.6	16.1
5. 12	60.0	7.4	19.2	15.7	17.4
6. 13	--	11.1	14.1	5.9	10.6
7. 14	--	14.8	1.3	2.0	3.7
8. 15	--	7.4	11.5	4.0	8.1
Total	100.0	100.0	100.0	100.0	100.0
B. Age (in years)					
1. Up to 1	40.0	--	1.3	--	1.9
2. 1 - 3	--	48.1	37.2	35.3	37.3
3. 3 - 5	40.0	7.4	21.8	13.7	17.4
4. 5 - 7	--	14.8	23.1	33.3	24.2
5. 7 - 9	20.0	14.8	7.7	5.9	8.7
6. > 9	--	14.8	9.0	11.8	10.6
Total	100.0	100.0	100.0	100.0	100.0
C. Social category					
1. ST	--	3.7	6.4		3.7
2. SC	--	14.8	12.8	7.8	11.2
3. BC	60.0	33.3	43.6	62.7	48.4
4. Min	--		1.3	3.9	1.9
5. OC	40.0	48.1	35.9	25.5	34.8
Total	100.0	100.0	100.0	100.0	100.0
D. Name of the bank					
1. IB	100.0	--	1.3	92.2	32.9
2. IOB	--	37.0	--	--	6.2
3. SBI	--	7.4	98.7	5.9	50.9
4. SGB	--	55.6	--	2.0	9.9
Total	100.0	100.0	100.0	100.0	100.0
<ul style="list-style-type: none"> • BRP- Baireddipalli; BGP-Bangarupalem; PMR-Palamaner; PP-Peddapanjani; • ST-Schedule Tribe; SC-Scheduled Caste; BC-Backward Category; OC- Open category; Min-Minorities; • IB- Indian Bank; IOB- Indian Overseas Bank; SBI- State Bank of India; SGB-Saptagiri Grameen Bank. 					

Appendix-2: Balance Sheet

Liabilities & Assets	SHGs	% of SHGs	Sum	% of Amount	Mean
a. Liabilities					
1. Member savings	161	100.00	5,901,810	14.76	36,657
2. Loan OS to VO	93	57.76	2,485,305	6.22	26,724
3. Loan OS to Bank	146	90.68	26,328,230	65.84	180,330
4. Revolving Fund	54	33.54	549,500	1.37	10,176
5. Interest payable on member savings	0	0.00	2,098,136	5.25	13,032
6. Others	8	4.97	158,245	0.40	19,781
7. IBL	48	29.81	1,685,083	4.21	35,106
8. Interest payable on bank loan	21	13.04	494,379	1.24	23,542
9. Interest to be recovered	1	0.62	15,000	0.04	15,000
10. Surplus	120	74.53	2,370,814	5.93	19,757
Total (Rs.)	161	100.00	39,988,366	100.00	248,375
b. Assets					
1. Loan Outstanding with members	142	88.20	32,802,286	82.14	231,002
2. Internal Loans	19	11.80	793,560	1.99	41,766
3. VO Loans	10	6.21	471,980	1.18	47,198
4. Bank loans	16	9.94	2,961,539	7.42	185,096
5. Savings at VO	161	100.00	559,999	1.40	3,478
6. Share capital at VO	121	75.16	23,768	0.06	196
7. Fixed Deposit	37	22.98	801,100	2.01	21,651
8. Cash in hand	28	17.39	45,628	0.11	1,630
9. Cash at bank	161	100.00	1,128,496	2.83	7,009
10. IBL	1	0.62	106,857	0.27	106,857
11. Interest to be recovered	15	9.32	92,460	0.23	6,164
12. Loss	41	25.47	147,253	0.37	3,592
Total (Rs.)	161	100.00	39,988,366	100.00	248,043

Appendix-3: Income & Expenditure Statement

Expenditure & Income	SHGs	% of SHGs	Sum	% of Amount	Mean
a. Expenditure					
1. Interest on VO loans	121	75.16	648,534	7.06	5,360
2. Interest on Bank loans	145	90.06	4,622,291	50.35	31,878
3. Stationary	129	80.12	98,668	1.07	765
4. Book keepers wage	137	85.09	228,617	2.49	1,669
5. Meeting expenses	10	6.21	18,995	0.21	1,900
6. Traveling expenses	128	79.50	97,578	1.06	762
7. Membership at VO	72	44.72	5,625	0.06	78
8. Fines & Penalties	18	11.18	3,502	0.04	195
9. Pavalavaddi (distributed)	36	22.36	223,023	2.43	6,195
10. Others	70	43.48	156,634	1.71	2,238
11. Service charges to VO	6	3.73	2,550	0.03	425
12. Bank charges	30	18.63	68,590	0.75	2,286
13. Abhayastham	3	1.86	11,252	0.12	3,751
14. Interest to be recovered	22	13.66	509,419	5.55	23,155
15. Surplus	119	73.91	2,376,989	25.89	19,975
16. Corpus distributed	3	1.86	108,305	1.18	36,102
Total (Rs.)	161	100.00	9,180,572	100.00	57,022
b. Income					
1. Interest on Loans	134	83.23	7,399,192	80.71	55,218
2. Interest on internal loans	25	15.53	488,080	5.32	19,523
3. Interest on VO loans from members	10	6.21	86,023	0.94	8,602
4. Interest on Bank loans from members	16	9.94	472,992	5.16	29,562
5. Fines & Penalties	58	36.02	28,016	0.31	483
6. Exposure fee	2	1.24	200	0.00	100
7. Interest on SB A/c	158	98.14	67,664	0.74	428
8. Interest on savings at VO	1	0.62	683	0.01	683
9. Interest on Fixed Deposits	0	0.00		0.00	
10. Pavalavaddi	42	26.09	247,211	2.70	5,886
11. Others	65	40.37	133,263	1.45	2,050
12. Advance with leaders	1	0.62	5,000	0.05	5,000
13. Interest to be recovered	15	9.32	92,460	1.01	6,164
14. Loss	41	25.47	147,253	1.61	3,592
Total (Rs.)	161	100.00	9,168,037	100.00	56,944

Appendix-4: Receipts & Payments

Receipts & payments	SHGs	% of SHGs	Sum	% of Amount	Mean
a. Receipts					
1. Members' Savings	161	100.00	5,901,810	4.47	36,657
2. Loan from members (principle)	158	98.14	45,370,713	34.36	287,156
3. Saving loan	3	1.86	154,638	0.12	51,546
4. Bank loan	3	1.86	698,050	0.53	232,683
5. VO loan	3	1.86	228,250	0.17	76,083
6. Interest from members	146	90.68	7,802,906	5.91	53,445
7. From Saving loan	13	8.07	194,285	0.15	14,945
8. From Bank loan	13	8.07	363,073	0.27	27,929
9. From VO loan	10	6.21	86,023	0.07	8,602
10. Loan from VO	126	78.26	7,676,792	5.81	60,927
11. Loan from Bank	155	96.27	59,412,450	44.99	383,306
12. Revolving Fund	54	33.54	549,500	0.42	10,176
13. Fines	57	35.40	27,336	0.02	480
14. Exposure fee	4	2.48	2,216	0.00	554
15. Interest from Bank SB A/c	157	97.52	66,676	0.05	425
16. pavala vaddi	43	26.71	257,296	0.19	5,984
17. Fixed Deposit	10	6.21	213,069	0.16	21,307
18. Others	70	43.48	253,337	0.19	3,619
19. IBL	51	31.68	2,790,360	2.11	54,713
20. Advance with leaders	1	0.62	5,000	0.00	5,000
21. Abhayahastham	1	0.62	9,613	0.01	9,613
Total (Rs.)	161	100.00	132,063,393	100.00	820,270
					Continued...

b. Payments	SHGs	% of SHGs	Sum	% of Amount	Mean
1. Loans to members	158	98.14	82,190,790	62.05	520,195
2. Saving loan	3	1.86	286,965	0.22	95,655
3. Bank loan	3	1.86	1,138,000	0.86	379,333
4. VO loan	4	2.48	298,000	0.22	74,500
5. Bank loan	156	96.89	32,998,629	24.91	211,530
6. VO loan	123	76.40	5,335,698	4.03	43,380
7. Fixed deposit	38	23.60	879,500	0.66	23,145
8. Savings at VO	159	98.76	555,799	0.42	3,496
9. Share capital at VO	123	76.40	25,208	0.02	205
10. Interest on VO loan	122	75.78	673,549	0.51	5,521
11. Interest on Bank loan	143	88.82	4,540,159	3.43	31,749
12. Stationary	129	80.12	99,726	0.08	773
13. Book keeper wages	137	85.09	228,617	0.17	1,669
14. Meeting expenses	9	5.59	18,411	0.01	2,046
15. Traveling expenses	129	80.12	98,162	0.07	761
16. Membership at VO	72	44.72	5,629	0.00	78
17. Audit fee	2	1.24	419	0.00	210
18. Fines & Penalties	19	11.80	2,725	0.00	143
19. Pavalavaddi (distributed)	39	24.22	240,184	0.18	6,159
20. Others	70	43.48	168,111	0.13	2,402
21. VO service charges	6	3.73	2,550	0.00	425
22. Bank expenses	32	19.88	86,133	0.07	2,692
23. IBL	51	31.68	1,283,812	0.97	25,173
24. Cash in hand	28	17.39	45,628	0.03	1,630
25. Cash at bank	160	99.38	1,123,188	0.85	7,020
26. Abhayastham	4	2.48	23,863	0.02	5,966
27. Corpus distributed	1	0.62	100,000	0.08	100,000
Total (Rs.)	161	100.00	132,449,455	100.00	822,667