

Why Do People Not Join or Drop Out of SHGs?

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ABBREVIATIONS

AABY	Aam Aadmi Bhima Yojana
AP	Andhra Pradesh
BC	Business Correspondent
DRDA	District Rural Development Agency
FGD	Focus Group Discussion
IKP	<i>Indira Kranthi Patham</i>
ITI	Industrial Training Institute
JBY	Janshree Bima Yojana
LIC	Life Insurance Corporation
MACS	Mutual Aided Cooperative Society
MFI	Microfinance Institution
MNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MoU	Memorandum of Understanding
NABARD	National Bank for Agriculture and Rural Development
NGO	Non Government Organisation
NOC	No Objection Certificate
NRLM	National Rural Livelihood Mission
PRA	Participatory Rapid Appraisal
RPR	Relative Preference Ranking
SC	Scheduled Caste
SERP	Society for Elimination of Rural Poverty
SHG	Self-Help Group
SHPI	SHG Promoting Institution
SoS	State of the Sector
ST	Scheduled Tribe

EXECUTIVE SUMMARY

Background

Self-help groups (SHGs) are the predominant microfinance model in India. Non-Government Organisations (NGOs) initiated the SHG system in India in 1990s and later government became a major promoter of SHGs across the country along with NGOs. Self employment through organising poor into SHGs became the cornerstone of the new strategy for both government and non-governmental agencies for poverty alleviation. As per the State of Sector Report 2011, Andhra Pradesh has the highest number of SHGs (about 1.14 million SHGs) in the county, while the entire county has 7.54 million SHGs.

SHGs contribute to women's empowerment, provision of financial services (savings and credit) and livelihood support services for its members. Government also uses SHGs and SHG networks to channel various development programmes to the target clientele. However due to a variety of shortcomings in the SHG system, several eligible families do not join the SHG movement and a considerable number of SHG members dropout from the SHG movement. To understand the reasons underlying this exclusion and dropout from SHGs, *MicroSave* conducted a qualitative study in Andhra Pradesh where 90% of the poor households were organised in to groups.¹

Objectives

MicroSave conducted this study with the objective to assess the reasons for women not joining or dropping out from SHGs, and to provide recommendations to financial service providers to address the issues and concerns of clients by devising appropriate solutions.

Reasons For Not Joining SHGs

Staff did not approach: In 54% of the sessions, respondents mentioned that the SHG staff did not approach them. In some sessions they said that the concerned SHG staff in the village did not accept requests to form SHGs. They said that the staff do not want to increase their burden of forming and managing new groups.

Newlyweds: Many new brides who settle down in the groom's village do not have valid address proof (ration card, voter ID etc.) in their name. Because of the lack of valid address proofs they were not able to open bank accounts or become members of the SHG. Sometimes husband or other members of the groom's family insist that the newlywed should stay indoors and discourage them from joining the SHGs. This reason came out in 46% of the sessions.

Lack of awareness: In 38% of the sessions, respondents said that they were not able to join any SHG because they were not aware of the process. Though they were willing to join SHGs, they did not know whom to contact, or the processes to follow to join SHGs. Thus they were not able to meet the concerned SHG staff to seek his/her assistance to join SHG.

Migration: Many villagers migrate to distant areas in search of employment as construction workers, labourers etc., especially in agriculture lean season. They migrate to these places temporarily for few months and return to their villages during crop season. Because of temporary nature of their stay they are not able to join the SHGs as they would not be able to attend SHG meetings, save regularly, or come to the bank at the time of loan processing, which is essential for bank loan sanction. This reason came out in 23% of the sessions.

Existing SHG members did not agree: In 15% of sessions respondents said that they were not able to join SHGs because existing SHG members did not agree/allow them to join them in their groups as they do not want to share their benefits (loans, government subsidies etc) with new groups.

¹ <http://aajeevika.in/nrlm/PIP-NRLM.pdf> (Page No.3)

Apart from the reasons stated above, respondents said that they were unable to attend SHG meetings due to other commitments such as household work, agriculture, employment obligations etc (15% sessions) and because they were averse to taking loans (8% sessions) as they did not have any source of income to repay the loans. In cases where there are no eligible age group women (18 years to 55 years) no family member can join SHGs.

Reasons for Dropout From SHGs

Migration: In 53% of the sessions, respondents indicated that migration is one of the main reasons for dropping out of SHGs. People in rural areas migrate to nearby or distant towns or cities in search of livelihood. This phenomenon occurs more frequently during periods of prolonged drought. Women also drop out of the SHGs after marriage and migrate to their husband's village.

Default: Respondents (47%) said that they dropped out of SHGs because one or more members of the group defaulted on the loans taken from SHGs. Since SHG members are jointly liable for loans granted to them, if one member of the group defaults, the other members drop out from the SHGs to evade liability of the defaulting member.

Group conflicts: Conflicts within members of the group came out in 29% of the sessions as a reason for people leaving SHGs. Conflicts were due to partiality in disbursement of loans to select group members; improper book keeping; partiality in disbursement of government benefits etc.

No bookkeeping: In 29% of the sessions, respondents said that they dropped out of the SHGs because financial records of the group were not maintained properly. Most of the respondents (71%) are illiterate and not capable of maintaining a record of financial transactions. To overcome this, SHG federations appoint book keepers to maintain the books of SHGs. But in many cases book keepers do not maintain the books properly. Respondents said that because of improper maintenance of books, members lose track of their hard earned earnings and prefer to not save with or take loans from SHGs.

Inconvenient: In close to 29% of the sessions, respondents said that they dropped out of the SHGs because they found it very inconvenient to attend group meetings, to make repeated visits to the bank and to visit federation offices.

Other reasons that respondents cited for dropping out from SHGs include - lack of capacity to repay (24%) due to old age, prolonged illness, lack of employment or death of breadwinner in the family; death of a member of the SHG; and SHG leaders or federation staff cheating (12%) the members.

Key Attributes – Different Service Providers

Interest: Respondents opined that the SHGs charge the lowest rate of interest. They said that the government subsidises the interest rate to 0.25% per month for prompt repayments under “Pavala Vaddi” scheme. They felt that moneylenders charge the highest rate of interest at 3-5% per month depending on the urgency of requirement, familiarity with the lender and guarantees to be given.

Behaviour: Respondents gave highest rating to SHGs on this attribute. They felt that the SHG staff behave in a respectful and amicable manner with the SHG members. Even if there is any delay or default of loans, SHG staff only counsel them on benefits of timely repayment. On the other hand they felt that banks and moneylenders behave in a rude and disrespectful manner. Respondents said that bank officials often make them visit the bank repeatedly and refuse to offer any help or give any information.

Timely Loan: Respondents said that even though moneylenders charge higher rate of interest, they offer loans immediately without any delay. Loans from relatives are also timely and without any delay as there are no formalities or processes to follow. With respect to banks respondents felt that they never get timely loans. They said that they have to make repeated visits to the bank and make several requests to get the loan. There is a lot of documentation required, which also delays the entire process for disbursement of loans. Regarding loans from SHGs members said that they cannot get adequate loan from SHGs and there is a considerable delay in accessing loan in case of SHG-bank linkage programme or from the Mandal Samakhya (sub-district level federation).

Adequate Loan: Respondents opined that they get adequate or required amount of credit from moneylenders. Even if the moneylenders charge higher interest rate or higher collateral they often give the required amount of loan. They felt that the SHG loans are also not sufficient – particularly during the first two cycles as the members only get Rs.5,000 to Rd.10,000 per member. Loans from relatives are often smaller in size as compared to all other sources.

Documentation and Process: Respondents rated relatives and SHGs highest as they felt that there is hardly any documentation required for taking loans from these sources. Respondents said that the documentation requirement for availing loans from banks is huge and cumbersome. Since most of the SHG members are illiterate or semi-literate they often find it difficult and intimidating to fill documents and forms.

Recommendations

Based on the market research study banks and SHPIs need to pursue following recommendations to make eligible members join the SHG movement and ensure existing members not to leave it.

Banks: Banks should focus on faster processing, sanction and disbursal to make the loans available to SHG members on time. Banks should give loans according to the repayment capacity of the members rather than the number of loan cycles completed to avoid default/delinquency of loans. Often banks retain the group savings in the bank and do not allow the members to withdraw them for internal lending purposes. Because of this SHG members cannot access their savings whenever they want, cannot grow the corpus through internal lending, and resort to moneylenders who charge usurious interest rates for emergency requirement of funds. So banks should allow members to withdraw their savings and reduce their dependency on bank credit. To avoid forcing SHG members to visit bank to receive loans and make loan repayments banks can implement the BC (business correspondent) model for the SHG-bank linkage programme – this would also decongest the banks' branches. Banks should maintain transparency regarding the interest rates and fees they charge and also provide a copy of loan repayment schedules to the SHGs. This would help SHGs to know when they should pay the instalments and remain eligible for the government interest rate subsidy as incentive for on time loan repayment.

SHPIs - SHPIs or SHG-Federation staff needs to convince the existing SHGs to allow the new members to join their groups, and guide them to develop appropriate guidelines for admitting new members into existing groups. Many SHGs are not formed because none of group members come forward to take up SHG leadership position fearing additional responsibility and work load. SHPIs need to counsel SHG members that SHG leadership is a role that helps in women's empowerment and is not a burdensome task. In order to include migrant families in SHG network, SHPIs can convince bankers to provide exemptions from visiting the branch for loan sanctions for migrants and consider e/m-banking options for easy remittance of savings and loan repayments. Often SHG members find it very inconvenient to visit branches several times for loan sanction and also to make loan repayments. SHPI staff should visit the villages regularly to monitor the SHG operations, communicate and clarify the features of products/schemes, and ensure that the SHG programme is implemented smoothly. Proper monitoring and control mechanisms help seamless communication with SHG members and, more importantly, to resolve customer queries/grievances. SHPIs can introduce simple community level audit systems to ensure the members' savings and group retained savings are safe.

Government – The State Government should take proactive steps for timely payment of subsidies to avoid resentment amongst the beneficiaries. To avoid confusion and to set appropriate expectations among the members, government should take steps to clearly communicate to SHG members, the conditions to be met for eligibility for benefits like interest rate subsidy.

INTRODUCTION

The Self Help Group (SHG) movement, which commenced in the early nineties, has been experiencing exponential growth in the country. According to the State of the Sector (SoS) report 2011 of March 2011, there are about 7.54 million SHGs linked with the banking system. SHGs act as a platform for women to save regularly, to lend the savings internally among the members, and also to access bank credit in case the accumulated savings are not able to meet the credit requirements of the members. To overcome poverty, savings, in of itself, is an important instrument; savings help members overcome financial distress and increase credit worthiness. As of March 2011 SHGs had Rs.69.25 billion savings with banks - an increase of Rs.5.76 billion compared to previous year. Banks disbursed loans amounting Rs.14.7 billion to 1.2 million SHGs during 2011. The average loan disbursed per group during the year amounted to Rs.122,700, which is higher than the comparable levels of previous year. Andhra Pradesh topped the list of states with maximum number of groups with a share of 35% of SHG-bank linkage. Andhra Pradesh also has the highest per group loan (Rs.182,000 per group) compared to other states in the country.

As of February 2012, Andhra Pradesh had about 1.4 million SHGs; 38,646 village organisations; and 1098 sub-district level federations. Even though there are several government departments and NGOs involved in promotion of SHGs, SERP² (Society for Elimination of Rural Poverty) is the major promoter of SHGs in the state. SERP has come out with several programmes to support SHG members with support from government of Andhra Pradesh, such as bank loans to all eligible SHGs: grant fund to sub-district level SHG federations (on an average Rs.1 crore per federation); reimbursement of 100% interest paid by SHG members as incentive towards prompt repayment; housing programme for eligible SHG members; pension scheme (*Abhaya Hastam*); gas connections; and a life insurance programme at subsidised premium. Under *Abhaya Hastam* (*Abhaya Hastam* is a co-contributory pension cum insurance scheme) 4,870,000 SHG members enrolled and 424,000 pensions distributed up to February 2012. Under *Aam Aadmi Bhima Yojana* (AABY)³, 520,000 landless agricultural labourers and in addition 390,000 SHG women were covered under *Janshree Bima Yojana* (JBY)⁴. SERP has also enrolled 60,000 SHG women and their family members under the National Pension System-Lite “*Swavalamban*” Scheme. As part of the credit linked loan insurance scheme, SERP has entered Memorandum of Understanding with Life Insurance Corporation to provide life insurance cover to the SHG members to provide risk cover to the extent of the loan amount taken from banks, and started this scheme in three districts on pilot basis.

Despite these benefits and the huge growth in number of groups there are a considerable number of eligible families who are yet to join SHGs and also many SHG members who have dropped out of their groups, willingly or unwillingly. According to the State of the Sector report 2011, some of the major problems SHGs facing were: lack of discipline to conduct regular meetings, regular savings and record keeping; rigidity of the banks on the withdrawal of savings; erosion of mutual trust; non-rotation of leaders; disbursement of bank loans equally among the members; and lack of a long-term view. The study done by the Maharashtra Village Development Association shows that 6% of total sample groups (144 groups of total 2490 groups studied) had become defunct. Many states’ “State level SHG performance reports” prepared by NABARD Regional offices show that huge potential to promote new SHGs, and also suggest a special attention is needed to revive defunct SHGs.

² Society for Elimination of Rural Poverty (SERP) is an autonomous society of the Department of Rural Development, Government of Andhra Pradesh. The SERP is implementing Indira Kranthi Patham (IKP), a state wide community driven rural poverty reduction the project and acts primarily through SHG movement.

³ http://www.licindia.in/aam_admi_features.htm

⁴ http://www.licindia.in/social_securities_001_features.htm

This clearly shows in spite of huge support from state governments, NABARD, banks and NGOs there many people yet to join SHG movement and there are many people who have dropped out of SHG movement. To understand why many people do not join SHGs and why some people leave groups *MicroSave* conducted a qualitative research study in Andhra Pradesh during November 2011 and February 2012.

The qualitative study shows why some people did/could not to join SHG movement and why some members leave the SHGs despite of the huge support provided by SERP and government of Andhra Pradesh. The study also looked at members' opinion about SHGs and what needs to be done by the SHPIs to avoid dropouts and to attract more people to join SHG movement.



RESEARCH OBJECTIVES

This research was conducted by *MicroSave* with the objective to assess the reasons for women not joining SHGs or dropping out from SHGs.

The study aims to fulfil the following broad sub-objectives:

1. Find out who do not join SHGs and the reasons for not joining SHGs
2. Find out the reasons behind some members dropping out of SHGs
3. Understand how people manage their credit needs without being part of SHGs
4. Provide recommendations to financial service providers (including SHPIs) to provide required financial services to people who are not part of SHG movement

RESEARCH DESIGN

This section presents methodology, process, and sampling used in the market research.

Research Methodology

Following tools were used for data collection:

1. **Focus Group Discussions (FGDs):** FGDs are designed to probe around the circumstances under which members of the society do not join SHGs or drop out after joining the SHGs. The guide is helpful in gaining insights on members' perception about SHGs and the implications of not being part of any group. Please refer to [Annexure 1](#).
2. **Relative Preference Ranking (RPR):** RPR, a participatory rapid appraisal tool helped in understanding the reasons behind clients preferring one financial service provider over the other for a given feature of loan products. Please refer to [Annexure 2](#).
3. **Individual Interviews:** The team conducted individual interviews with stake holders to understand their perspectives on why certain members of the society refrained from joining SHG or dropped out from them after joining. Interviews were conducted with microfinance practitioners, and representatives from Self Help Group Promoting Institutions (SHPIs).
4. **Case studies:** Based on discussions with clients, the team developed case studies to present the ground level situation to the stake holders.

Market Research Process

Preparation for the research: July 18-22, 2011

- Tailoring of research guides.
- Coordination and planning with field partners.

Market Research: November 28 – December 2, 2011 and February 13 – 22, 2012

- Focus Group Discussions and Participatory Rapid Appraisal with members (mainly women) of the community who did not join SHGs or dropped out after joining the SHGs; individual interviews with microfinance practitioners and representatives from SHPIs

Analysis and Consolidation: March 12-16, 2012

- Consolidation and analysis of data.

Report Writing and Review: April-June, 2012

Sampling Strategy

The research was conducted in rural, semi-urban, and urban locations of the following districts on the basis of distance from state capital Hyderabad.

1. Srikakulam District – Distance of 1000 KM from Hyderabad
2. Adilabad District – Distance of 300 KM from Hyderabad
3. Nizamabad District – Distance of 200 KM from Hyderabad
4. Rangareddy District – Outskirts of Hyderabad

Sample Details

Tools	Sessions Conducted	Respondents Covered
FGD	22	201
RPR	3	
Individual Interview	2	3
Case Study	2	3

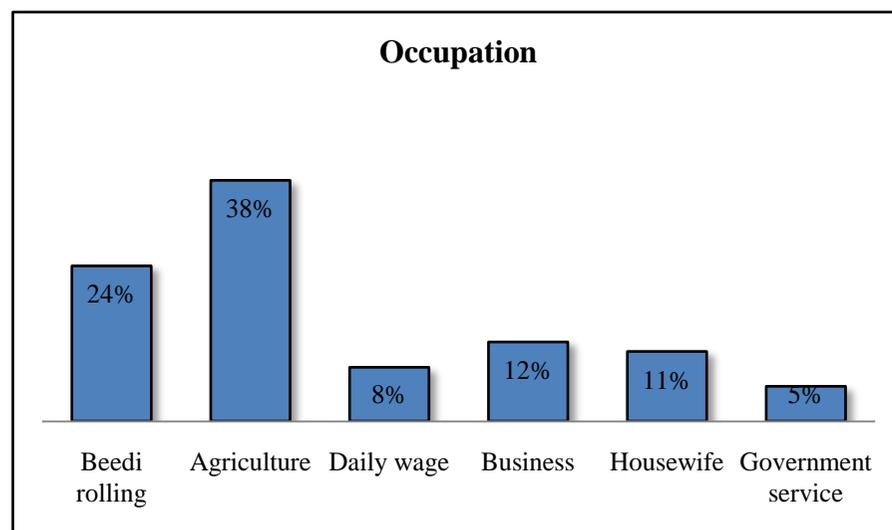
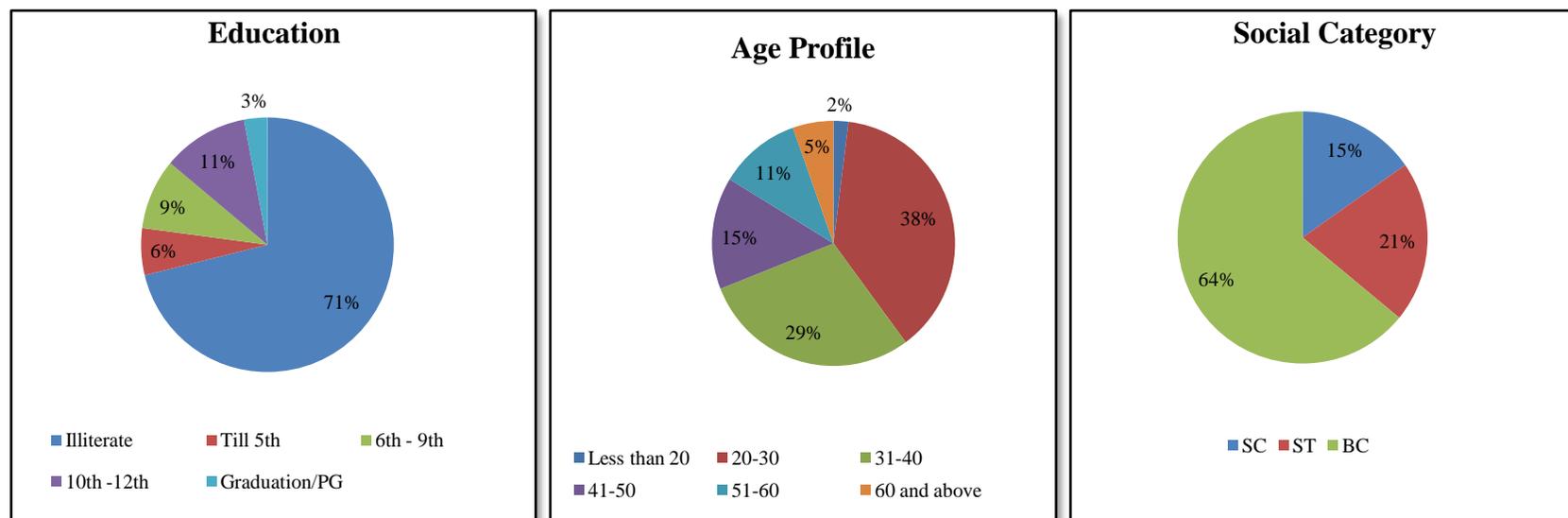
Graphic Presentation

In this study, responses to the research questions have been presented in two different ways – for some of the questions, individual responses have been captured; while in other questions, the consensus response from the group as a whole is captured. Individual responses are presented for the questions related to the respondent’s profile, such as age, occupation, education, and number of loans taken from MFIs etc. For the core research questions, the group response is presented, as during a group discussion, it is very difficult to capture individual responses on the core questions. Such responses are captured only when a majority of group members reach a consensus. While presenting the findings, we have shown the percentage of respondents for responses captured from individual respondents and percentage of sessions, when responses are captured from a group.

Disclaimer

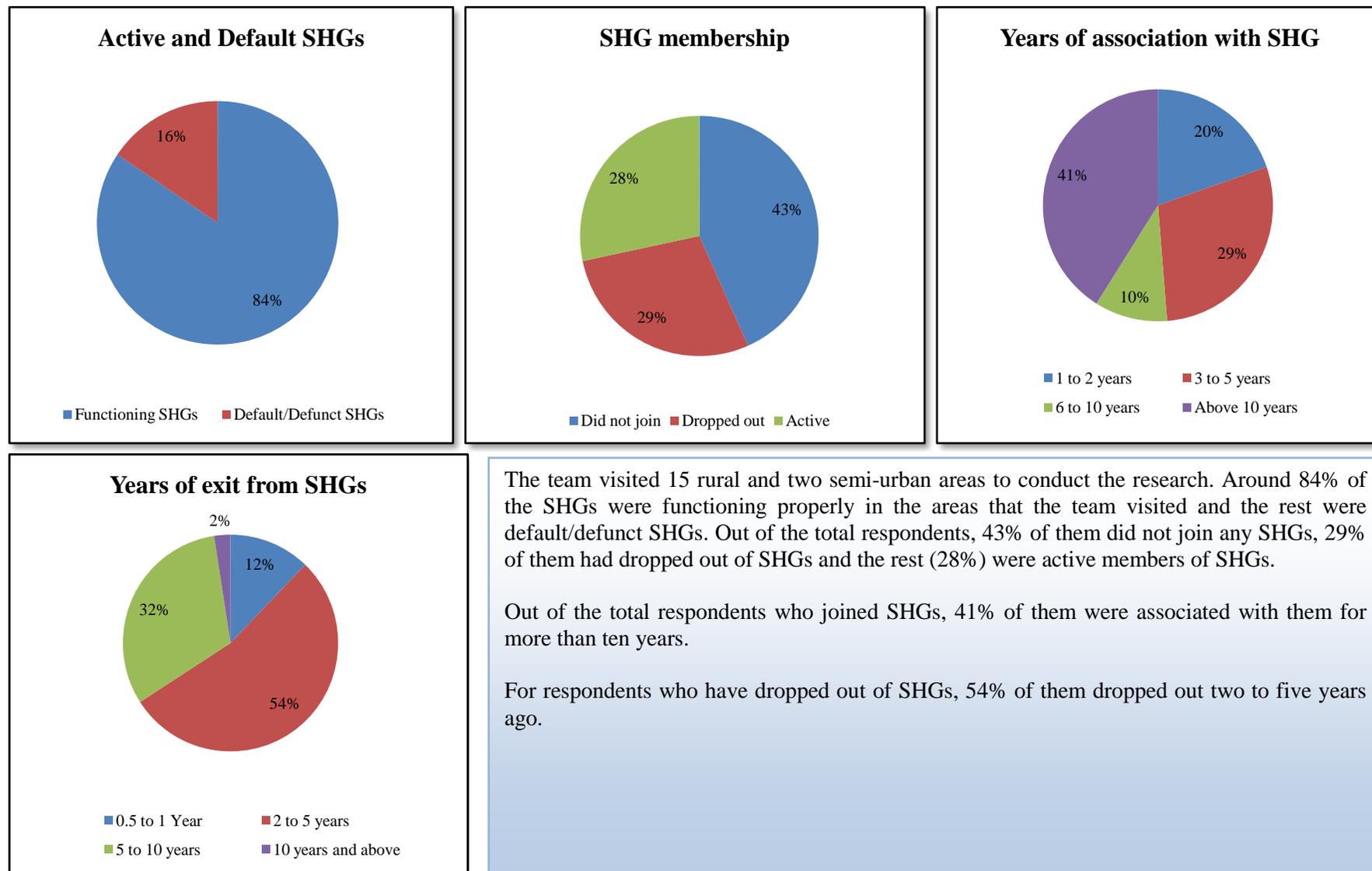
Qualitative research is designed to look beyond the percentages to gain an understanding of the customer's beliefs, impressions, and viewpoints. Gaining such insight into the hearts and minds of the customer is best acquired through tools like FGDs and PRAs with smaller, highly targeted samples. Qualitative research is not statistically representative, but is much more appropriate for research that seeks to understand complex human financial behaviour.

PROFILE OF RESPONDENTS

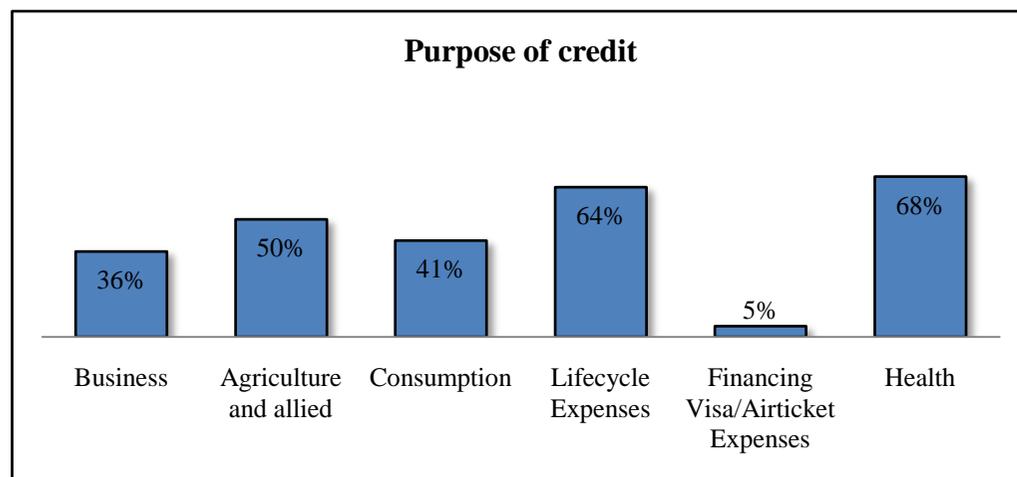


All the respondents in the study were women, and the majority (71%) of them were illiterate. Sixty four per cent of the respondents belonged to Backward Caste and the rest belonged to Scheduled Caste (SC) and Scheduled Tribe (ST). Out of all the respondents, 38% were in the age group of 20 to 30 years and 29% were in the age group of 31 to 40 years.

In terms of occupation, 38% of the respondents were involved agricultural activities. *Beedi* rolling also came out as a major (24%) occupation for women. Respondents have taken up (Mahatma Gandhi National Rural Employment Guarantee Scheme) MNREGS work (8%) such as construction of roads, water sheds, civic amenities etc especially during non-crop season.



PURPOSE OF CREDIT



Reduction of unwanted expenditure -
“Ee microfinance sansthalu vellipoyina tharuvaatha maaku ee anavasaramaina kharchulu kooda taggayi” (Unnecessary expenditure has come down after the exit of MFIs)

Productive use of credit -
Pandaga mundu bayata nundi appu techukoni gorrelu konukkuntaam. Pandagappudu ivi amместam (We buy sheep before the festival (Bakrid) and sell it during the festival season)

Health: Members of the community spend the most on health related expenses. In 71% of the sessions respondents said that they took credit to meet health expenses. Health expenses related to pregnancy, accident and illness involves huge cash outflow, which is mainly met through internal savings and loans.

Lifecycle expenses: In 67% of the sessions, respondents mentioned that they took loans to meet lifecycle events such as marriage, birth, death, construction etc.

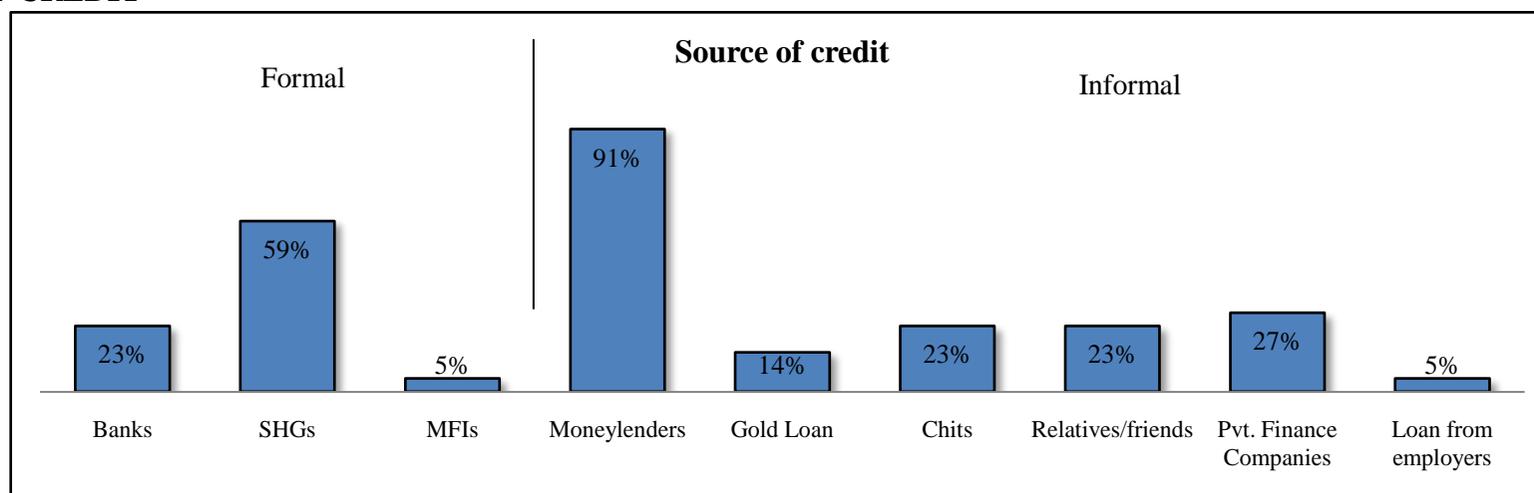
Consumption: Respondents (43%) took loans to buy groceries; consumer durables such as TV set, mixers; telephones etc. Respondents mentioned that they have lowered consumption expenditure especially after easy credit from MFIs dried up.

Agriculture and allied activities: In 52% of the sessions, respondents said that they took loans to buy agriculture inputs such as seeds and fertilisers. Respondents also took loans to buy cattle, goats, sheep etc. They took loans to purchase sheep before festivals such as Bakrid, which is a festival of animal sacrifice and sell it during the festive season.

Business: In 38% of the sessions, respondents said that they took loans to set up their own business or to buy inventory for running existing businesses. Respondents had their own business such as *kirana* store, *tiffin* centre, mobile accessories shop, cycle repair shop, tailoring centre etc.

Financing visa/air ticket expenses: Respondents said that they took loans to finance their family members’ travel abroad. Many rural youth travel to middle- eastern countries to work in construction industry or as semi skilled labourers such as carpenters, plumbers etc. Expenditure for travel abroad mainly involves commission to the agent, visa expenses and air ticket expenses.

SOURCE OF CREDIT



The graph indicates the various sources of formal and informal sources of credit that were accessible to the respondents. Informal sources of credit are still prevalent and respondents resorted to borrowing from informal sources of credit such as moneylenders (91%), private finance companies (27%), informal chits (23%), relatives and friends (23%).

In 91% of the sessions, respondents took loans from moneylenders. Moneylenders are the primary source of credit for members outside the SHG network. Even SHG members take loans from moneylenders as the credit from SHGs is often not enough to meet their requirements.

SHGs are also a very important source of credit to the members of the community. In close to 60% of the sessions, respondents said that people in their community took loans from SHGs to meet their credit requirements. Members of SHG take credit in the form of internal loans from their savings' pool, through village federations or SHG-bank linkage loans.

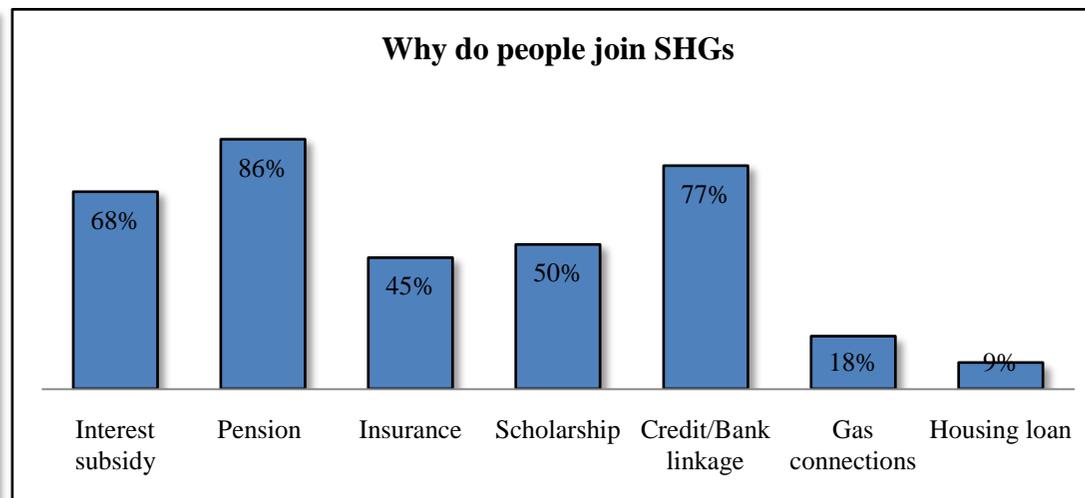
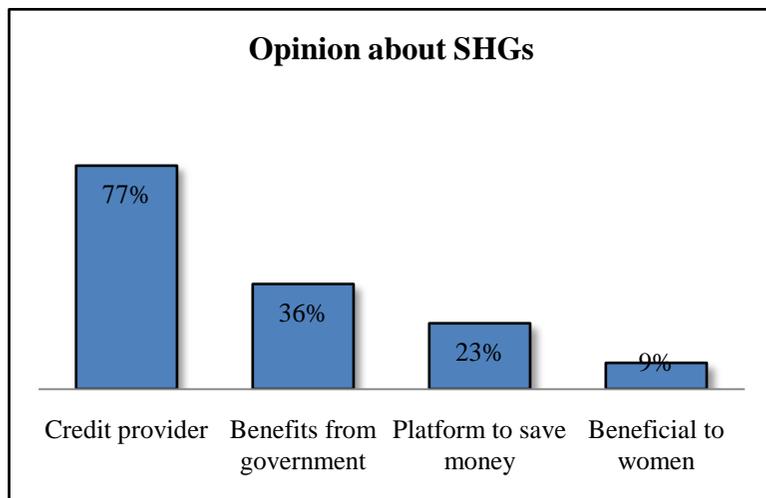
What is interesting to note is the drastic downfall in MFIs as a source of credit. Respondents mentioned MFIs as a source of credit in only 5% of the sessions. Two years ago, microfinance institutions were the primary source of credit for members of the community. But after the AP MFI ordinance, MFI operations dwindled and came to a standstill.

Moneylenders for higher loan requirement -

Mast dabbulu kaavaalante kaapolla daggara velatham (If we require high amount of loan we go to moneylenders)

“Nenu bayata nunchi 1.5 lakshalu techukunna naa bidida Dubai poineeki” (I took a loan of Rs. 1.5 lakh to send my son to Dubai)

OPINION ABOUT SHGs



In 77% of the sessions, respondents opined that SHGs provide credit to women for employment and livelihood generation. They said that the SHG network is a vehicle for delivering the various schemes of the government to rural masses. They said that (36% sessions) there are various benefits that government provides exclusively for members of SHGs. Many respondents (23% of the sessions) also said that SHGs are a platform to save money and inter-lend it among the members of the SHG. Women save money without the knowledge of their family members so that they can use the savings during emergency, to meet children’s education expenses, health expenses etc. Some respondents (9%) also opined that SHGs are beneficial to women as they provide a platform for women to discuss about various issues such as health, cleanliness, sanitation, education, domestic abuse etc.

Credit provider -

“Loanla kosam groupullo cheruthaam sir” (We join SHGs to avail credit)

“Pellillunte maaku biyyam, noone, pappu istaaru.

Maaku vaalle pelli chesi pettinattundundi. Idi maaku

chala upayoga paduthundu.

“ (SHGs provide loans during marriage for buying rice, oil, lentils etc. The loans are so useful that we feel as if the SHGs conduct marriages themselves)



MicroSave – Market-led solutions for financial services

Pension: Pension is the single largest reason for people to join SHGs in the past 4-5 years. The government of AP's ambitious "Abhaya Hastam" scheme¹ requires the beneficiary to pay Rs.365 and an equal amount of contribution is given by the government. Depending on the age of subscription to the scheme the beneficiary gets minimum pension of Rs.500 to Rs.3,500 per month on crossing 60 years of age. The scheme also provides insurance against death or disability of the beneficiary (Rs.37,500 for natural death and Rs.75,000 for accidental death). In 86% of the sessions, respondents said that they joined SHG to avail the benefits of this pension, which they find very useful and valuable.

Credit/ Bank Linkage: In 77% of the sessions, respondents said that they join SHGs to avail the credit facility. Respondents said that the credit through bank linkage is what attracts them the most as they loan amount is higher, and also because it is not linked to savings of the group members. Respondents also cited that the size of the loan grows bigger with every consequent cycle, and also there is interest subsidy on loans to SHG members (see below), which makes them attractive.

Interest Subsidy: The government of AP provides interest subsidy to the bank linkage loans provided to the SHGs. Under the scheme named "Pavala Vaddi",² SHGs which pay regular monthly instalments are eligible for the subsidy which is a nominal rate of 0.25% per month. Starting January 2012, the government has totally waived interest for loans up to Rs.500,000 per group if they are repaid on time. In 68% of the sessions, respondents said that they join SHGs to avail the interest subsidy, as interest on loans from alternative sources of credit are higher ranging from 2% to 5% per month.

Scholarship: In 50% of the sessions, respondents said that they join SHGs because the eligible members of the group get scholarships for their children's education. They said that they get scholarships for their children (only two children for family) for their education (9th, 10th class, intermediate and ITI).

Insurance: Government of AP in collaboration with LIC of India is offering an insurance scheme called "Janashree Bima Yojana"³ exclusively targeting the SHG members. Under the scheme SHG members pay a premium of 0.5% of the loan outstanding of up to Rs.30,000 and the government subsidises 50% of the premium amount. The sums assured are: Rs.37,500 for natural death; Rs.75,000 for death due to accident or permanent total disablement; and Rs.35,700 for partial disablement. The respondents said that the insurance policy is very beneficial for them as they get good coverage for a very small amount.

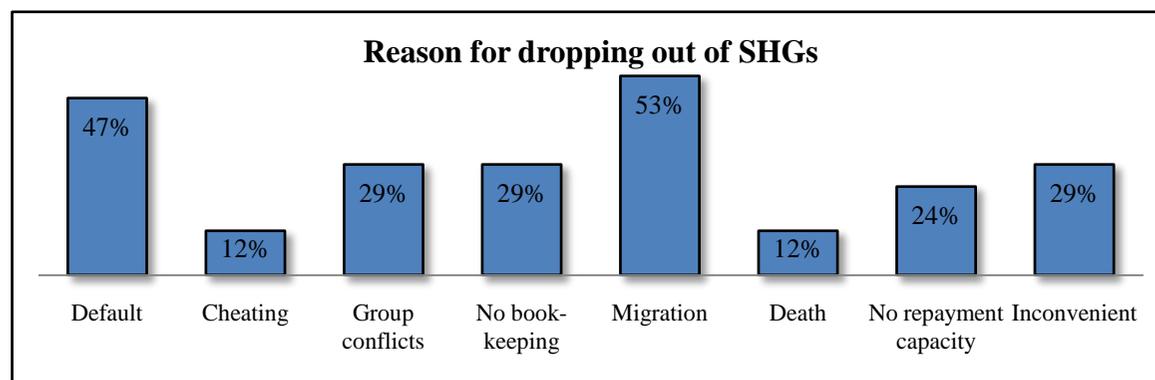
In addition to the above reasons, the respondents also said that they join SHGs because of the benefits such as gas connections (18%) and housing loan schemes (8%).

Pension as the key benefit

"Musalollaku pani undadu, unna cheyaleka potharu. Groupullo unte musalollaku pension vastundi kada (Old women do not find work and are not capable of doing work if they find any. SHG members will get pension during old age)

Gas connections

"Groupullo mast laabham undi. Maa ammake gas cylinder vachindi, bank loanlu vachinavi" (There are lot of benefits in joining SHGs. My mother got a gas connection, she also got a bank loan)

REASON FOR DROPPING OUT OF SHGs**Difficult to attend meetings**

Meetingulaku evaru pothaamu antaaru. (Migrant workers say that it is difficult to attend meetings)

Politics of loan default

“Annapurna maaku election gelichindante appu maafi chestaamani cheppindi. Andukani chala mandi kantulu kattadam maanesaru (Annapurna – CV (Community Volunteer who monitors SHGs in a cluster of villages) – stood for local elections and said that loans will be written off if she wins. So many people stopped repaying)

The graph indicates the reasons that respondents gave for dropping out of SHGs.

Migration: In 53% of the sessions, respondents indicated that migration is one of the main reasons for dropping out of SHGs. People in rural areas migrate to nearby towns or cities in search of livelihood. This phenomenon occurs more frequently during periods of prolonged drought. Women also drop out of the SHGs after marriage as they migrate to their husbands’ villages.

Default: Many respondents (47%) said that they dropped out of SHGs because one or more members of the group defaulted on the loans taken from SHGs. Members take loans under joint liability and if one member defaults then other members are held liable and are pressurised to make repayments. So if one member of the group defaults, the other members drop out from the SHGs to avoid incurring the liability of the defaulting member.

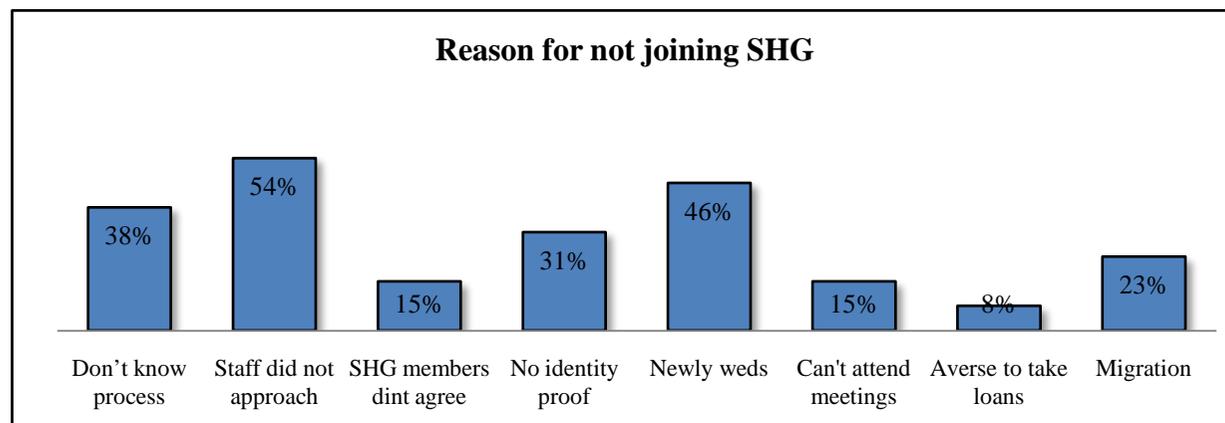
Group conflicts: Conflicts within members’ of the group for dropping out of SHGs came out in 29% of the sessions. The reasons for internal group conflict were either financial or non-financial in nature. Conflicts of financial nature related to partiality in disbursement of loans to select group members; improper book keeping; partiality in disbursement of government benefits etc. Conflicts of non-financial nature related to groupings or cliques within the group making other members feel isolated and left out, bias on the basis of caste etc.

No bookkeeping: In 29% of the sessions, respondents said that they dropped out of the SHGs because the financial records of the group were not maintained properly. Most of the respondents (71%) are illiterate and not capable of maintaining a record of financial transactions (both saving and loan). To overcome this, SHG federations appoint educated youth in the village as book keepers to maintain the books of SHGs. But in many cases SHG federations did not appoint book keepers or the appointed book keepers do not maintain the books properly. Respondents said that because of improper maintenance of books, members lose track of their hard earned earnings and prefer to not save or take loan from SHGs.

Inconvenient: In close to 29% of the sessions, respondents said that they dropped out of the SHGs because they found it very inconvenient to attend group meetings, to make repeated visits to the bank and to visit federation offices. Those members who found it difficult to carry out activities such as tending to children, livelihood activities or domestic chores dropped out from SHGs.

Other reasons that respondents cited for dropping out from SHGs include - lack of capacity to repay (24%) due to old age, prolonged illness, lack of employment or death of breadwinner in the family; death of a member of the SHG; and SHG leaders or federation staff cheating (12%) the members by overcharging interest, charging commission for disbursing loan, disbursing lesser than the amount granted etc.

REASON FOR NOT JOINING SHGs



Newlyweds stay indoors

“Kotha pellikooturlaku valla attollu bytaku pampeyaru. Intlo undi pani nerchuko antaru. (Mothers-in-law don't allow the newlyweds to go out of the house. They ask them to learn household chores.)”

The graph above indicates reasons for not joining SHGs.

Staff did not approach: In 54% of the sessions, respondents mentioned that the SHG staff did not approach them. In some sessions they said that the concerned SHG staff in the village did not accept requests for formation of SHGs. They said that the staff does not want to increase their burden of forming and managing new groups and that formation of new groups will not earn any incentive for them.

Newlyweds: Many new brides who settle down in their husband's village do not have valid address proof (ration card, voter ID etc.) in their name. Because of the lack of valid address proofs they were not able to open bank accounts or become members of the SHG. Sometimes husband or other members of the groom's family also discourage them from joining the SHGs claiming that they are newlywed and should stay indoors. This reason came out in 46% of the sessions.

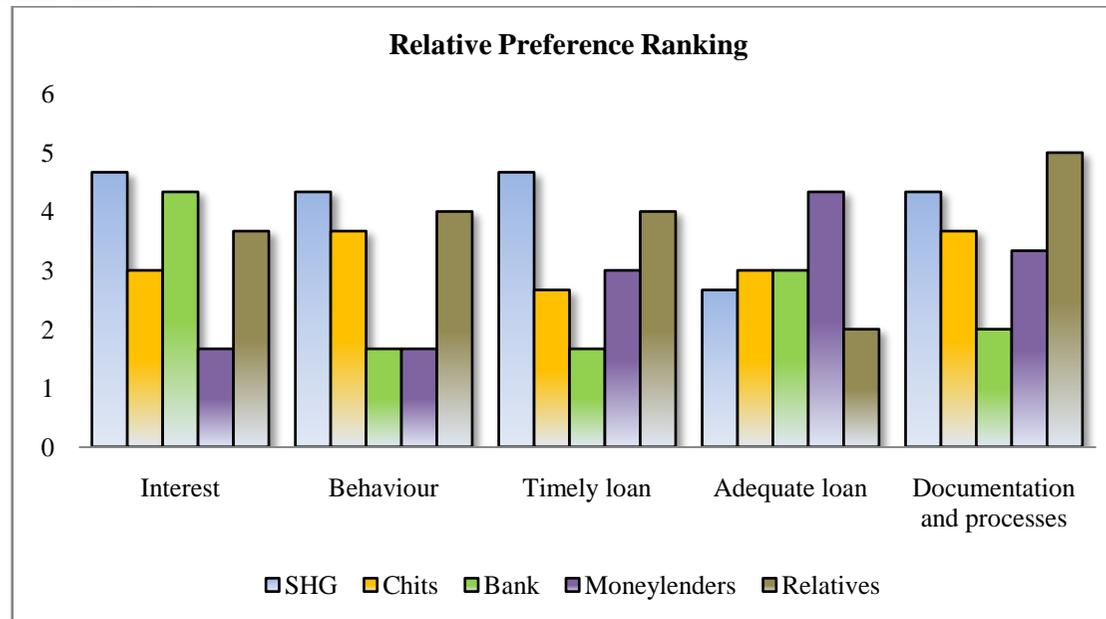
Lack of awareness: In 38% of the sessions, respondents said that they were not able join any SHG because they were not aware of the process. Though they were willing to join SHGs, they did not know whom to contact, or the processes to undertake to join SHGs. Because of this, they were not able to meet the concerned SHG staff to seek his/her assistance to join SHG.

Migration: Many villagers go to the nearby towns/cities/villages in search of employment as construction workers, labourers etc. (especially in agriculture lean season). They migrate to these places temporarily for a few months and return to their villages during crop season. Because of temporary nature of their stay they were not able to join the SHGs as they would not be able to attend SHG meetings, save regularly etc. Members of the SHGs who do not migrate discourage women who frequently migrate to join SHGs, as all the members need to attend at the time of bank loan. This reason came out in 23% of the sessions.

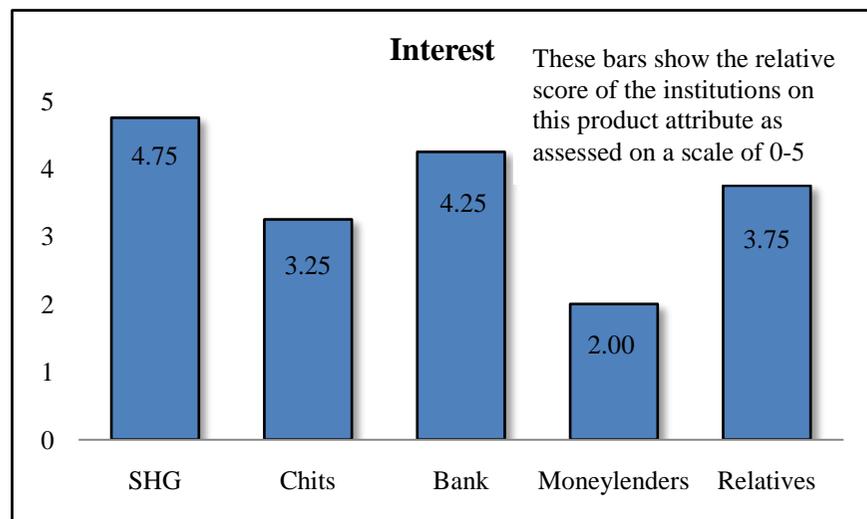
Existing SHG members did not agree: Some respondents said that they were not able to join SHGs because existing SHG members did not agree/allow them (15% sessions) to join them in their groups. Women who could not join SHGs in the initial days often want to join existing SHGs that are in their neighbourhood, as it is easy for them to attend the meeting to perform the transactions, but existing SHGs did not allow them to join their SHGs as they do not want to share their benefits with new groups.

Apart from the reasons stated above, respondents said that they were unable to attend SHG meetings due to other commitments such as household work, agriculture, employment obligations etc (15% sessions) and because they were averse to take loans (8% sessions) as they did not have any source of income to repay the loans.

RELATIVE PREFERENCE RANKING

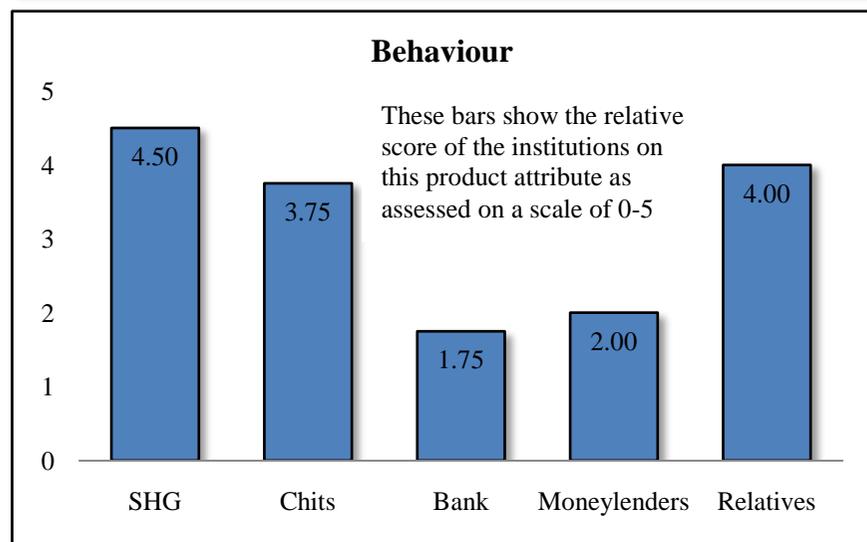


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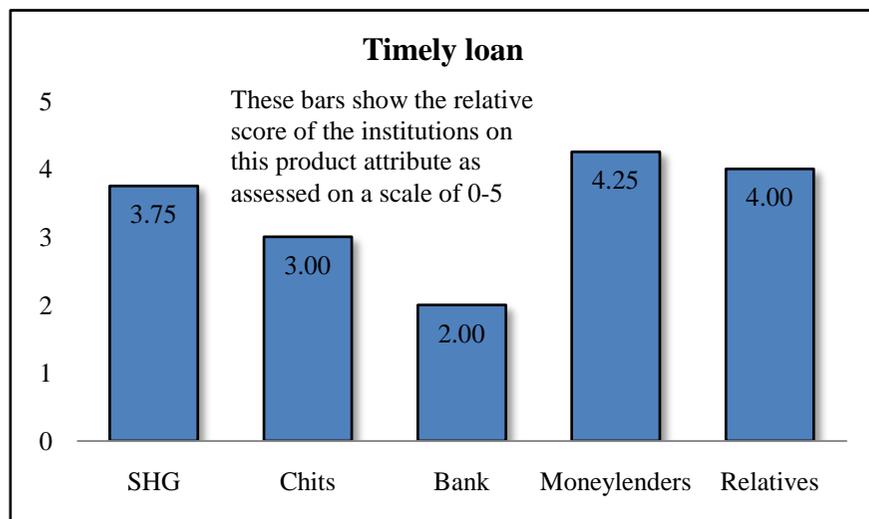


Interest: Respondents noted that they get loans from SHGs through bank linkage at the lowest interest rate. The Government of AP has a scheme called “*Pavala Vaddi*” under which it subsidises the interest rate to 0.25% per month for bank linkage loans with prompt repayments. In January 2012, Government came out with a new scheme under which interest is totally waived if the repayments happen promptly.

In effect SHG members get interest free or low interest loans. Banks also provide loans at a competitive interest of 7% for crop loans and around 12-13% for other loans. Respondents said that moneylenders charge high interest rates as compared to other service providers. The rates vary from 3-5% depending on the urgency of requirement, familiarity with the lender and the guarantees to be given.

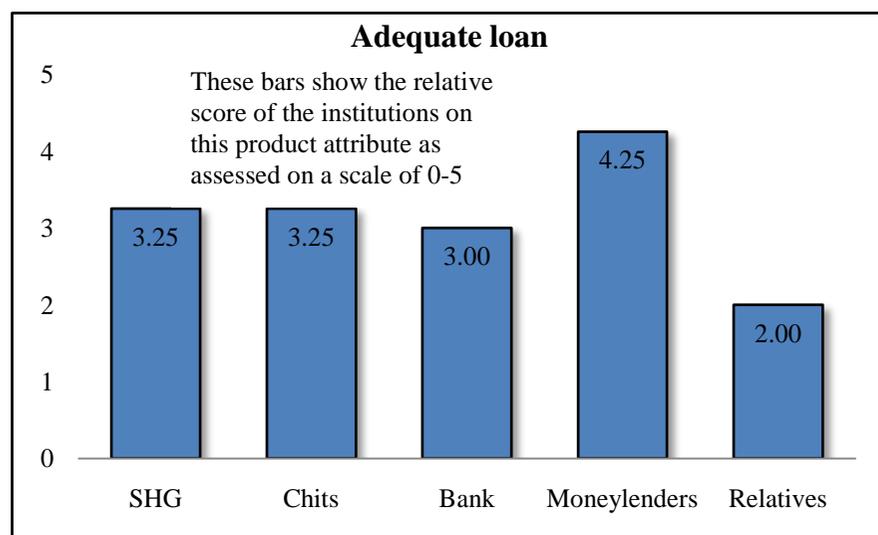


Behaviour: Respondents related behaviour to the overall demeanour of the credit service provider during various stages/aspects of lending i.e. application, loan processing, repayment and especially delay or default of loans. Respondents felt that the SHG staff behave in a respectful manner with the members. Even if there is a delay in repayment, the staff requests them to pay only interest and postpone the principal repayment. The staff only counsels them about the benefits of timely repayment. Respondents said that they are comfortable taking loan from relatives as they know the purpose for borrowing. Also if in case they are not able to repay the loans on time, relatives let them repay at a later date. Respondents said that since they mutually help each other during times of need for credit, the system works well. Respondents opined that bank staff and moneylenders do not behave well with them. They said that the bank staff is often indifferent and behave in a rude manner. They felt that moneylenders have a high handed behaviour and make them visit repeatedly before disbursing loans.

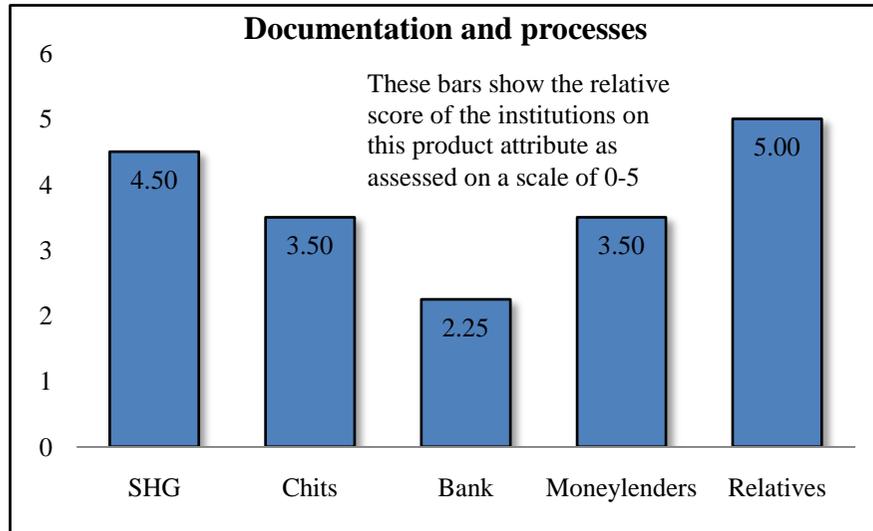


Timely loan: Many people take loans to meet expenses related to health, emergency etc., for which immediate access to cash is essential. Respondents noted that they get immediate loans from the moneylenders even if it means paying higher interest. Moneylenders charge interest according to the amount required and urgency of requirement. Loans from relatives are also timely and without any delay as there are no formalities or processes to follow.

Respondents said that they can take loans through internal lending from SHGs without any delay, but complained that the amount is smaller. With respect to banks respondents felt that they never get timely loans. They said that they have to make repeated visits to the bank and make several requests to get the loan. There is a lot of documentation required, which also delays the entire process for disbursement of loans

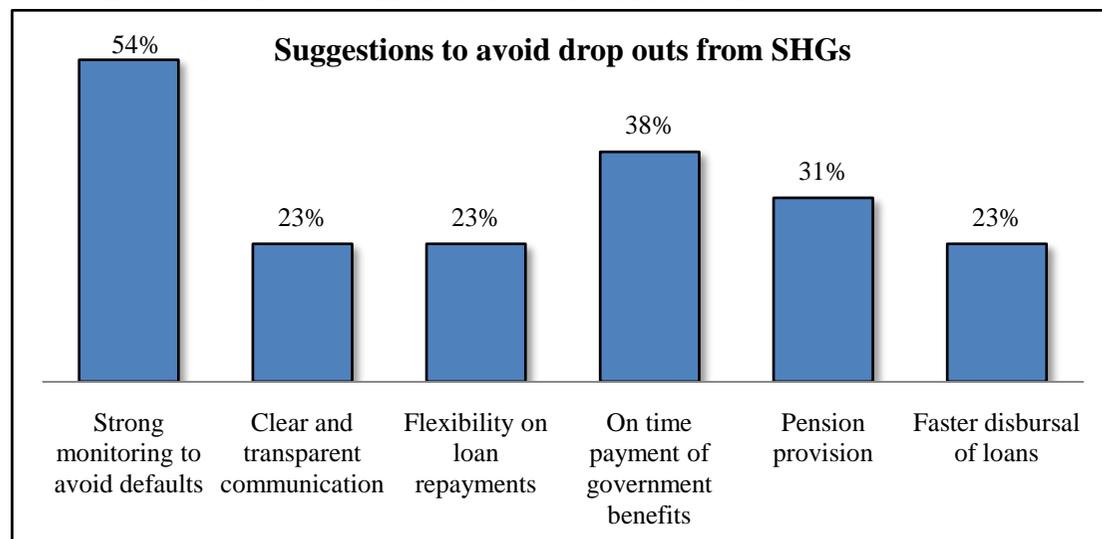


Adequate loan: Respondents said that they get adequate or the required amount of loan from moneylenders. Even if the moneylenders charge higher interest rate or higher collateral, they often give the full amount requested. Respondents found it helpful to avail loans from moneylenders, especially when there is higher requirement of cash for events such as marriages, functions etc. They said that they get smaller loans from chits as the monthly contributions are smaller in size varying between Rs.250 to Rs. 500. Even the SHGs loans through internal lending are smaller in size varying from Rs.2,000 to Rs. 5,000. Bank linkage loans for first and second loan cycle for entire group are Rs.50,000 and Rs.100,000 respectively which translate to Rs.5,000 to Rs.10,000 per member for a 10 member group. They do not get any fresh loan till the time all the members of the group repay the loan. Loans from relatives are often smaller in size as compared to other sources.



Documentation and process: Customers, of course prefer less documentation and process. Most of the customers in the rural areas are illiterate and not well versed in banking processes, so complex documentation and processes represent real barriers. Respondents opined that taking loans from relatives is the easiest as there is no documentation involved. At the most they give a guarantee in bond paper to the lender. Respondents felt that loans taken from SHGs, especially internal loans, do not involve lengthy documentation and processes. SHG members make a resolution and record minutes of the meeting before disbursement of loan. Respondents said that moneylenders ask for documents such as property documents, guarantee paper, loan agreement etc. when the loan amount is high. Members must submit a group photo, photo identity proof, address proof (all the members have to be residents of the same locality), loan agreement documents etc. to avail loan from bank. Respondents found it very cumbersome to submit all these documents.

SUGGESTIONS TO AVOID DROP OUTS FROM SHGs



Stay away from the stubborn
“Mondi vaallaku groupulo cherchuko kudadu Mondi manushulu unte vaari valana groupulu vidipothayi (SHGs should not include adamant/stubborn people. They often pick fights and because of them groups dissolve.)”

Regular visits by higher officials
Maaku pedda saar vaalu vachi choostoo unte baaguntundi. Ikka ee animator sariga pani cheyaka pothe pedda saarki cheptam (It will be good if higher officials come to our village regularly. If there is any issue with the animator, we can report to them on their visit)”

Strong monitoring to avoid defaults: In 54% of the sessions, respondents said that SHG staff (staff recruited and paid by SHGs and SHG-Federations at both village and Mandal (sub-district) level should have strong monitoring and control mechanisms to avoid defaults. They opined that there is a very good chance that members may default and drop out of the SHGs if there are no monitoring mechanisms. To avoid this SHG staff should visit the villages regularly, monitor the functioning of SHGs, and ensure proper record keeping and documentation.

On time payment of government benefits: Respondents complained that there is always a delay in receiving government benefits especially the interest subsidy amount. Because of this members feel cheated and start delaying/defaulting the payments and eventually drop out of the SHGs. In 54% of the sessions, respondents suggested that the government benefits should reach the beneficiaries on the promised date without any delay.

Pension Provision: In 31% of the sessions, respondents said that all the members should be provided government pension scheme “*Abhaya Hastam*”. In many villages fresh enrolment of members has stopped and only members from SC/ST community are allowed to enrol for the scheme. Because of this members from other sections of the community felt disheartened and dropped out of SHGs. So respondents felt that the benefits of the



Clear and transparent communication: Respondents said that many of them are not aware of the exact rate of interest charged by the banks. They said that most of SHG members were not aware about various important issues such as conditions for availing subsidised interest rates; benefits of the pension schemes floated by the government; and the process of availing various government schemes for SHG members (gas connection, widow pension, old age pension, housing schemes etc.). In 23% of the sessions, respondents said that the SHG staff should take steps to communicate various schemes and features in a clear and transparent manner.

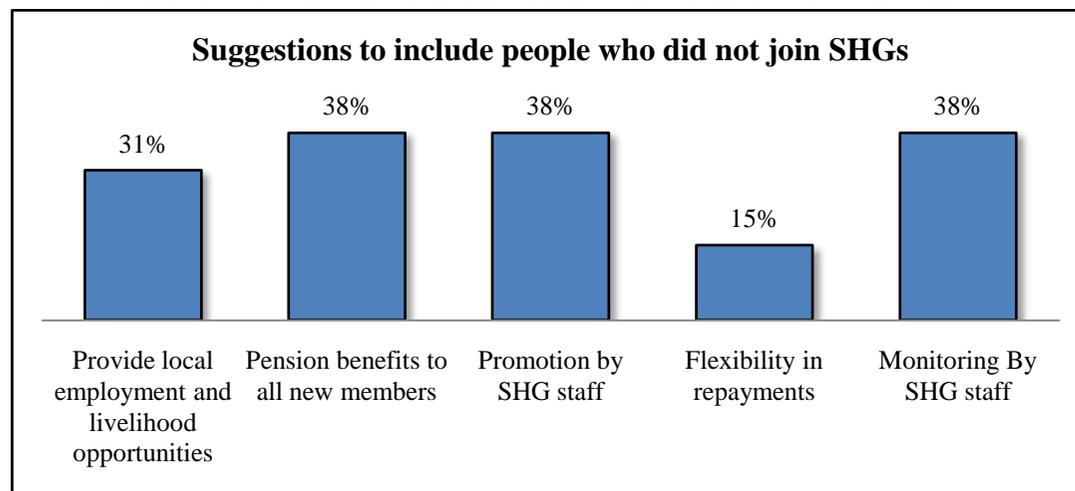
Flexibility of repayments: In 23% of the sessions, respondents said that there should be flexibility in the repayment of loans. At present for the loans taken through bank-linkage, members have to pay on monthly basis. However they felt that certain members find it difficult to pay on monthly basis as they do not receive monthly cash inflow. As a result they delay the repayments, and even if they repay the loan amount, they are not eligible to access interest rate subsidy, which fuels the frustration and members eventually become defaulters and leave the group. They said that if repayments are modified according to the cash inflows of the members, the default rate will reduce significantly and many members can utilise government interstate subsidy.

Faster disbursal of loans: In 23% of the sessions, respondents said that SHPI/SHG-Federation staff should facilitate faster disbursal of loans. They claim that sometimes the SHPI/SHG-Federation staff is lackadaisical in their approach causing inordinate delays in disbursal of loans. Respondents also experienced delay in bank linkage loans when bank manager decides to stop lending to the entire village if one or two groups in the village delay repayments. Many members borrow from other sources at a higher rate of interest and inflexible repayment terms because of delay in disbursal of loans through SHG bank linkage.



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SUGGESTIONS TO INCLUDE PEOPLE WHO DID NOT JOIN SHGs



Awareness campaigns by SHG staff
“Saarlma ooriki vachi maaku ee groupula gurinchi chepthe baaguntundi. (It will be very good if the officials from SHPI visit the village and tell us about SHGs.)”

Monitoring by SHG staff: In 38% of the sessions respondents said that SHG staff should constantly monitor SHGs to ensure the SHG operations are running smoothly, all the financial and non-financial activities and recorded, and the transactions are conducted in an open, clear and transparent manner. They felt that SHG staff should also monitor enrolment of new members and make sure that all the eligible women are enrolled in the SHG network.

Promotion by SHG staff: Often eligible members do not join SHGs because of their ignorance, lack of understanding of how SHGs operate and certain negative pre conceived notions. In 38% of the sessions, respondents felt that the SHG staff should conduct promotional and enrolment activities in the village and create awareness among all the members of the community about the virtues of joining SHGs.

Pension benefit to all new members: In 38% of the sessions, respondents said that all new members who join SHGs should be provided pension benefits. They said that the government has stopped its pension scheme “*Abhaya Hastam*” from 2010 and this has led to many women in the village not joining the SHGs.

Provide local employment and livelihood opportunities: In 31% of the sessions, respondents felt that the SHG staff should initiate to livelihood and employment generation activities for SHG members. Training the SHG members on these activities will help them contribute towards family income and also help make more productive use of SHG loans. More and more women will be interested in joining the SHGs if they are provided with value added services such as training on employment and livelihood generation activities.

Flexibility in repayment: Respondents (in 15% of the sessions) felt that the loan repayment should match the cash inflow of the borrowers. Members whose occupation is agriculture, handicrafts etc. find it difficult to pay monthly instalments. If the repayments match the cash inflows of the borrowers, then there will not be delay or default in loans

RECOMMENDATIONS

SHPIs

Allow new members to join existing SHGs in their neighbourhood: Existing SHG members do not encourage new members to join their SHGs, even though the new members live in the same neighbourhood, fearing that they will have to share their benefits for e.g. loan access under SHG-bank linkage programme, share in retained earnings. But many of the potential new members are not interested in joining SHGs far away from their houses because it is difficult for them to attend SHG meetings. As a result many of the eligible women did not join SHGs even though they are well aware of the benefits of joining SHGs. SHPI or SHG-Federation staff could counsel the existing SHG members to include women from the same neighbourhood. SHPIs can have regular enrolment drives to ensure that all women from the community/neighbourhood become SHG members.

Appropriate arrangement to allow migrant families to join SHGs: The study reveals that many of the families (especially who do not have assets in the village) who temporarily migrate to other places do not join SHGs. The migrant women are often unable to visit bank for loan sanction/disbursal or attend the group meetings to deposit compulsory savings and loan repayments. To overcome this hurdle, SHPIs can try to convince bankers to provide exemptions to migrant members from being present at the time of loan sanction and SHPIs can think about e/m-banking options for easy remittances of savings and loan repayments.

SHG –Audit - SHPIs can introduce simple community level audit systems to ensure the members' savings and group retained savings are safe. This would enhance members' trust in the SHGs. Please see [India Focus Note 54: SHG Audit – A Field Balance Sheet Approach](#)⁵ for more information on SHG-Audit.

Repayment schedule for SHGs: SHG members are eligible for interest rate subsidy only if they pay the instalment amount on time. As a result many of the SHGs are unable to receive interest rate subsidy, as they do not know the exact repayment dates and implications of not repaying instalment as per the schedule. Members feel frustrated when they do not receive the interest rate subsidy and eventually leave SHGs. To avoid this situation banks and SHPIs need to develop repayment schedule based on the cash flow of the SHG members, inform them the repayment schedule and hand over a printed copy of the repayment schedule. Bank and SHPI staff should also clearly communicate implications in case SHG members do not pay the instalment amount as per the schedule.

Close monitoring by SHPIs: SHPI staff should visit the villages regularly to monitor the SHG operations, communicate and clarify the features of products/schemes, and ensure that the SHG programme is implemented smoothly. Proper monitoring and control mechanism helps in seamless communication with the SHG members, and more importantly for resolving customer queries/grievances. In one of the villages almost all SHGs started taking loan from an Odisha based MFI and stopped taking loans from the bank because they felt that the bank was charging higher interest rate. The SHPI staff did not visit the village for several months and did not appraise the members about the bank interest rates.

SHG-Leadership should not be seen as burden: In some of the villages SHGs are formed, but no bank account has been opened as none of the members wanted to become group leaders. Members said that leadership role is huge burden for them as they have to collect savings and loan instalments from door to door, visit the bank for withdrawal and deposits, attend federation meetings, accompany SHPIs staff when they visit village for monitoring etc. The SHPI needs to ensure that leadership does not become burden on the people by conducting member level training programmes so that group leadership and responsibility is shared among all members. SHPIs should project SHG leadership roles a step towards women's empowerment.

⁵ <http://www.microsave.net/category/tags/shg-rating>

Introduction of BC model: One of the major issues that eligible members face is difficulty in visiting bank several times for loan sanction and disbursement. To avoid this issue, SHPIs can introduce Business Correspondent (BC) model so that members need not go to the bank to receive loan and to remit loan repayments. There are many SHPIs and MFIs who facilitate loan disbursement and repayments through branchless banking models as this is beneficial to both customers as well as the banks.⁶

Banks

Banks need to increase their loan size based on the number of the members: Banks offer loans group wise and not on the basis on number of members in an SHG. As a result, smaller groups get higher loans per member and vice versa. Because of this, some existing members discourage new members to join their SHG or try to eject existing members from the SHG to avail higher per capita loan. To avoid this problem, banks should also consider the size of the group as part of the appraisal process before disbursement of the loan.

Banks should not block SHG savings: During discussions members said that bankers do not allow to withdraw their group savings for internal lending until their loan is repaid. Because of this members take loans from moneylenders or private finance companies to meet any additional or emergency credit need. Many groups complained that they are not able to rotate the savings amount to generate additional returns and increase the corpus. They feel that their savings are lying idle in the bank accounts. As a result many of them reduce the compulsory savings to nominal amount. Because of this situation many of the SHGs have shifted from a savings model to bank-led credit model. With increased dependency on the banks for credit, SHG members may feel disheartened or frustrated if they do not get loans on time, or insufficient loans amounts, and may drop out of SHG to access alternative sources of credit.

Rapid processing of the loan sanction: Banks should speed up their loan sanctioning process to avoid frustration amongst the group members. At present sanction and disbursement of bank loans takes from 1 week up to 3 months' time. Members said that loan sanction and disbursement depends up on the manager, and there is no standardised system or defined time for processing, sanctioning and disbursement of loans. This situation discouraged new members to join SHGs.

Loan should be given as per the credit needs of the members: In the present system, groups are given higher loans for every subsequent cycle. The system gives merit to number of years of association with SHG, rather than the repayment capacity of the members. As a result just by virtue of being associated with SHG for longer duration of time, members get higher loan amounts even if they don't have the capacity to repay. For e.g. fish vending requires a maximum investment of Rs.3,000 but members take loan up to Rs.20,000 as bank loan is available. Some of the members used Rs.20,000 for investing in expansion of their business while some of them used the amount for unproductive purposes like purchase of TV, marriages . When members with no repayment capacity avail higher loans and utilise it for unproductive purposes, there is a higher chance of delay or default leading to higher rate of drop outs.

State Government

On time payment of government benefits: Respondents complained that there is always a delay in receiving government benefits especially the interest subsidy rebates. Because of this members feel cheated and start delaying/defaulting the payments and eventually drop out of the SHGs. In 54% of the sessions, respondents suggested that the government benefits should reach the beneficiaries on the promised date, without any delay.

⁶ For further details refer to *MicroSave* research on [Are Banks and Microfinance Institutions Natural Partners in Financial Inclusion?](#)

Pension Provision: the “*Abhaya Hastam*” State Governments flagship pension programme is aimed at benefiting SHG members in Andhra Pradesh. But as of April 2012,⁷ only 4.9 million SHG members have been enrolled out of a total of more 10 million members. Because of this members who did have not got the benefit of the scheme feel indignant and request for immediate enrolment to the scheme. Government should take adequate measures to enrol all the SHG members under this scheme to avoid resentment of SHG members. This was corroborated in the research with respondents in 31% of the sessions claiming that they should be provided government pension scheme.



⁷ [Indira Kranthi Patham - Society for Elimination of Rural Poverty - Progress Report for the Month of April 2012](#)

Case Study I: Sayamma – Paying Price for Others' Mistakes

Sayamma lives in Raipurkandli village in Adilabad district of AP. Sayamma's main occupation is *beedi* rolling. She rolls close to 1,000 *beedis* in a day and earns Rs. 110 for the work. Sayamma has been a member of an SHG for more than ten years. She took a loan of Rs. 25,000 from the SHG and was paying the instalments diligently on a monthly basis.

About a year back one member of the SHG met with a sudden accident and died on her way to the hospital. Two months later another member of the SHG left the village after a bitter dispute with her husband. Because of this, within two months two members of the SHG defaulted on the loan taken. The SHG staff asked the other members of the SHG to repay the loan of the defaulting members, as they are jointly liable for defaults by other members of the group. The SHG staff threatened to take the money from the internal savings of the members if they did not clear the dues of the default members of the group. Sayamma along with other members of the group decided to drop out of the SHG in order to protect their savings amount from being seized by the SHG staff.

Sayamma did not want to drop out from the SHG because she was able to save money in the SHG and was able to meet education expenses of her children using the SHG loans. She feels that it is very unfortunate that she has to drop out because of others. Even though she dropped out of the SHG network, she still pays the loan instalments regularly without any delay. She requested the SHG staff several times to include her in a new group, but the staff declined to include her till the time their old group repaid the loans of the defaulters.

Right now Sayamma is planning to avail credit from local moneylenders to buy seeds and fertilisers for her husband's sugarcane crop.



Case Study II: One Woman's Struggle to Become an SHG Member

Chukka Devi is a daily wage earner in Badsee village in Nizamabad district. Chukka Devi's husband is an auto driver. Chukka Devi moved to Raipurkandli six years back in search of livelihood and settled in the village.

Chukka Devi initially became a member of SHG promoted by a Mutually Aided Cooperative Society (MACS). She availed loan from the SHG to purchase an auto for her husband and also successfully cleared the loan two years back. But she was not able to avail any fresh loan as the MACS closed down its operations because of the AP microfinance crisis. The MACS staff suggested its members to join the SHGs promoted by the government to avail credit at subsidised interest rate.

Chukka Devi along with other members of her group visited the SHG staff of government promoted SHGs and requested them to form their group. But SHG staff were reluctant and said that they will form the SHG only if Chukka Devi and her group gets a No Objection Certificate (NOC) from the promoter of MACS, bank and the *Panchayat* president stating that all the dues have been cleared and they are no longer associated with MACS and are free to form their group with other SHG promoting institutions.

She was able to get the NOC after making several rounds to the bank and facing lot of inconvenience. However even after six months of submitting the NOC Chukka Devi is unable to join any group because of the inordinate delays caused by the SHG staff. She claims that the concerned SHG staff in the village said that groups are not being formed presently and will be formed at a later date.

Chukka Devi has done all the formalities on her part such as collection of members to form a group, group photo, photo copy of the KYC documents of all group members but is still awaiting formation of groups.



Case – III: Communication Gap Leads to Break up of an SHG

Shri Rama SHG was formed in 2002 in one of the backward districts of Andhra Pradesh. The group was promoted by SERP under its IKP (Indira Kranthi Patham) Programme. During 2010 with the support from its federation staff Shri Rama SHG has applied for bank loan under SHG-bank linkage programme and the bank approved loan amount of Rs.180,000 to the group. But at the time of loan disbursement group rejected the loan as they were told by the group leader's husband (who supports the group for bookkeeping) that the bank charges higher interest rate compared to the moneylenders in their village. Later after few months, the group leader sent group account pass book to the bank for updating the transactions. The group was surprised to see Rs.1,80,000 loan amount recorded in their pass book. After thorough verifications of the books of accounts the group members understood that the bank sanctioned loan to the group on 26th February 2010 and transferred the loan to the group account on the same date, despite the fact that the group leaders declined the bank loan. On 20th October 2011 at the time of updating the pass book, bank has deducted Rs.10,000 from group savings towards interest for the loan amount they sanctioned. Group members were shocked at this development and immediately approached the bank manager for clarification and requested him for reimbursement of their savings amount. But the bank manager did not accept their request and emphasised that the group has to pay the interest amount for the entire period whether the group uses the loan amount or not. Group members suggested the group leaders to bear the interest amount as they never knew about the sanctioning of loan amount. Finally the group dissolved as the group leaders did not accept to bear the interest amount levied by the bank.



During discussions with the group members it was understood that the major reasons for this situation were:

1. The members left entire group functioning responsibility on the group leaders.
2. Federation staff do not monitor the group.
3. The bank did not give loan repayment schedule to the group, and did not send any communication to the group about the sanctioning and disbursement of the loan.

ANNEXURES

Annexure I: FGD guide for clients

Why people do not join SHGs/dropping out from SHGs?

(Draft)

Date –	Location –	No. of Participants -
Moderator –	Assistant Moderator –	Rural/Urban/Semi Urban -

Group Profiling

Gender	Female	
No. of respondents:	Who did not join SHGs	Dropped out of SHGs
Total SHGs in the village		
Total SHGs functioning in the village		
Total no. of MFIs operating in that area		
Locality within the village		

Individual Profiling

				Dropped out SHG member			
Respondent Name	Education	Age	Occupation	When did you join SHG?	When did you leave the SHG?	Since when are SHGs functioning in your village?	Social Category – FC/BC/SC/ST/Minorities

FGD Details

Issues	Observations	Scope & Recommendation	Relevant Quotes
Sources of credit and purpose that it served	<p>a. What are the different sources of credit?</p> <p>b. What are some of the purposes that credit from such institutions serve?</p> <ul style="list-style-type: none"> • Give them an example of a productive and a non-productive purpose and pose a hypothetical question i.e. if I needed loan for business/agriculture which institution would best serve me? • What do you know about SHGs (probe around who are the target clientele for SHG, who are promoters)? • Was there any difference in the purpose for which an SHG loan was used when compared to credit accessed from other sources? 		
Problems in accessing credit from various sources	<p>a. What are the challenges faced in accessing credit from various sources?</p> <p>b. Since you have experience in dealing with different set of institutions what are your likes and dislikes (pain points) for these institutions/channels</p> <ul style="list-style-type: none"> • Probe around 8Ps for each such institution. Try to bring out both pros and cons (banks, MFIs, SHGs, moneylenders, friends/relatives) 		
Membership in SHG – but dropped out	<p>a. Why did you join SHG? (probe around expectations to join SHGs)</p> <p>b. What are the reasons you have dropped out from SHG (probe for domino effect)?</p> <p>c. Were you satisfied to drop out from SHGs? – if yes what made you decide not to be part of an SHG</p> <p>d. Are you not satisfied to drop out from SHGs? - if yes what made you to feel dissatisfied not to be part of an SHG? (probe around the advantages she missed due to dropout from SHG)</p> <p>e. Are you willing to rejoin SHGs? (probe around their concerns about rejoining SHG, at what conditions they want to come back to SHG and alternatives they</p>		

	<p><i>have in case they do not want to rejoin SHGs)</i></p> <p>f. <i>In your opinion who are those people in this village/town who have dropped out of SHGs and why?</i></p>		
<p><i>Membership in SHG – who did not join</i></p>	<p>a. <i>Why did you not join SHG? (probe around reasons/constraints for not joining SHGs)</i></p> <p>b. <i>Are you satisfied not to join an SHG? – if yes, why did you chose not to be part of SHGs? Or were you stopped from joining?</i></p> <p>c. <i>Are you dissatisfied because you have not or cannot join an SHG? - if yes what makes you to dissatisfied with not being part of an SHG?(probe around advantages and opportunities they miss)</i></p> <p>d. <i>Would you be willing to join an SHG if it had the right terms and conditions? (probe around their concerns about joining SHG ,at what conditions they want to join SHG and alternatives they have in case they do not want to join SHGs)</i></p> <p>a. <i>In your opinion who are those people in this village/town that have not joined SHGs and why?</i></p>		
<p>Opinion of the respondents about SHGs</p>	<p>b. <i>What is your opinion about SHGs?</i></p> <p>c. <i>Why do people join SHGs?</i></p>		
<p><i>Changes that people would like to envisage</i></p>	<p><i>For Dropouts</i></p> <p>a. <i>What are the changes that you would like to see in the SHGs so that people like you do not dropout from SHGs?</i></p> <p>b. <i>Do you have any suggestions to SHPIs to avoid drop outs from SHGs?</i></p>		
	<p><i>For members who did not join</i></p> <p>a. <i>What are the changes you would like to see in the SHGs so that people like you join SHG?</i></p> <p>b. <i>Do you have any suggestions to SHPIs to included people like you to join the SHG fold?</i></p>		

Annexure II: Relative Preference Ranking (RPR)

Purpose: Relative Preference Ranking allows us to see how clients and potential clients perceive the loan providers and components of the services they provide. It also helps challenge pre-conceived notions about poor people’s attitudes towards loan service providers, what matters to them, and why they have those preferences.

Procedure:

1. Find people who are interested and willing to try.
2. Get participants to list all loan providers in the area (Both formal and informal loan providers) Probe to ensure that you have a complete list and try to ensure that the participants have a reasonable level of knowledge of the services they provide. Follow up with points of interest and encourage participation by different people.
3. Put this list along the top of the relative preference-ranking matrix.
4. Get the participants to list the most important elements of a loan product/service that are being ranked. Probe for further criteria/components. Follow up with points of interest and encourage participation by different people.
5. Get participants to list all the criteria/components generated in this way on the left hand side of the matrix. Remember to make negative ones positive/neutral (e.g. "high costs" becomes "cost" or “low trust with the provider” becomes “trust with the provider”).
6. Ask participants to rank the loan providers for each component of the loan product feature they provide by putting bottle-tops/stones/seeds in each box.
7. Probe - ask participants questions like the following:
 - a) Why is this feature better at meeting this component/criteria?
 - b) Why is this better than that one? etc.
8. Listen and learn from the participants – particularly as they discuss the merits of each loan provider/criteria.
9. You should then finish with a table that looks something like:

Loan Product/Services

Service Providers	SHG	Chits	Bank	Moneylenders	Relatives
Attributes					
Interest	4.75	3.25	4.25	2.00	3.75
Behaviour	4.50	3.75	1.75	2.00	4.00
Timely loan	3.75	3.00	2.00	4.25	4.00
Adequate loan	3.25	3.25	3.00	4.25	2.00
Documentation and processes	4.50	3.50	2.25	3.50	5.00

Note: The totals of these columns are of little value unless each score is given a weighted value according to the relative importance of each of the components/criteria.

PITFALLS:

Sometimes PRA participants do not know enough about the loan product/services in an area to complete the exercise. The moderator should be sure when recruiting clients for the group, that she has selected clients with an understanding of the various loan providers used by the community.