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Putting Research Knowledge into Action: An Evaluation of SHGs

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"Toward Vibrant, Prosperous and Happy Rural Communities"

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Putting Research Knowledge into Action: An Evaluation of SHGs Credit Utilization and Cash Flows of the SHG members - Andhra Pradesh State Women welfare Programme

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The growth of SHG bank-linkage in the state of Andhra Pradesh is phenomenal. AP state stood in first position in the country with 30% of National share with 99.83% recovery under SHG Bank Linkage programme with yearly bank linkage disbursement of around Rs.35,000 Crores in both Rural and urban areas.

Since 2019-20 to 2023-24, the Government of Andhra Pradesh has spent Rs. 1,58,761.45 crores (on average every year Rs.31,752 crores) by covering on an average more than 6 lakhs SHGs every year SHG Bank Linkage programme to improve the self-sustainable livelihood options at rural and urban areas of the state.

The study assessed and evaluated the entire programme implementation process of 'SHG credit Utilization and Cash Flows of the SHG members" in the state of Andhra Pradesh considering real time experiences of the stakeholders like SHGs groups, individual beneficiaries, department and banking officials to cover the following *key study objectives* are:

- To review the complete implementation process of 'SHG credit Utilization and Cash Flows to the SHGs in the state of Andhra Pradesh.
- Obtaining SHG Groups feedback on access, process, usage, leakages, outputs, successfulness, extent of improved livelihood options and their satisfaction of SHGs' credit Utilization and Cash Flows
- Obtaining Induvial beneficiaries feedback about 'SHG credit Utilization and Cash Flows' in terms of on access, process, usage, leakages, outputs, successfulness, extent of improved livelihood options and satisfaction
- To provide policy recommendations on 'SHG credit Utilization and Cash Flows' based on stakeholders' responses
- To suggest measures to improve the initiatives in the direction of achieving the goal of 'SHG credit Utilization and Cash Flows'

Methodology & Sample Size: Study covered 1488 sample size at different categories. The study covered 1208 individual SHG members and 122 SHGs (Groups responses) from the selected six districts using simple systematic

Major Findings:

Increased income & Expenditure trend among the SHGs: Almost more than three forth (75.90%) of SHG members annual income is above two lakhs which is a good sign of increased income levels of SHG members because of active SHG income generation activities of the members. On an average each SHG beneficiary's family is spending Rs. 10,000 every month towards their household expenses, this also indicates an increased expenditure pattern on family needs by the SHG members for the same income generated through SHG activities.

Improved individual savings by the group members: On an average, each member is saving Rs. 100/- monthly with the group. It's a progressive positive sign of saving pattern by the SHG members from Rs.30/- to 200/- Rs per month.

Increased financial management capabilities of the SHGs: Half of the Self-help groups has taken credit loan worth of 6-10 lakhs, 20.4.% has taken 11-15 lakhs worth credit loans and almost 12% of groups has taken 20 lakhs worth credit loans, which resembles the increased /strengthened financial capacity of SHG members' activities and also implies timely repayment capacity of credit loan based on return on investment on their entrepreneurships.

Return on Investment: On an average, Rs.90,000/- spent on establishment as an investment. Out of this, total monthly income generated is Rs. 9000/-, in which, getting net earnings/profit is Rs.5000/-, with this amount members can repay monthly loan timely.

Low awareness loan repayment and Rate of Interest: On an average, more than 80% of the SHG members are not aware about the rate of interest charged by the banks, which needs to be addressed immediately by the bankers by mandatory explaining to every SHG member about interest rates against credit loans.

SHGs loans in support of Tenant farmers: More than two third of the SHG members (68.9%) reported that they are using SHG loan amount to utilise 'agriculture tenant purpose and 94% reported that SHG loan amount is more helpful to tenant farmers.

Low access to savings of SHGs: Only one third of groups (33.6%) are able take loans from their SHG savings. This needs to be avoided, need to regulate and allowed to take loans from SHG's savings.

Availing state government welfare schemes benefits: Almost all (99.6%) beneficiaries reported that their family is availed and benefitted from different state government welfare programmes, and more than half of the SHGs members are using these amounts for timely repay of SHG banking loans.

Improved changes in lifestyle after joining the SHG: All interviewed SHG members (100%) opined that there is improvement in socio economic status after joining the SHG. The key observed positive socio-economic status changes are self-confidence (95%), Self-respect (63.4%), recognition (17.9%), mobility (17.9%), increased family income (10.6%) and skill (3.6%) etc.

Department Support to officials: All interviewed officials reported that they have provided with the necessary infrastructure and have enough employees to perform the functions assigned to them for effective implementation of SHG banking linkages at all levels.

Incentives to be charged from bankers: 60% officials are accepted to propose to charge some percentage (between 5 to 8 percent) of financial incentives to SERP for their support, trust, monitoring, and safeguard of 99.83% of loan recovery (without any collateral) from bankers. Same, one fourth of the bankers (26.7%) are also agreed that this can be done with proper approval of regional or head officers of the respective bank's competent authorities.

No prevalence of Micro finances' (Fin Cap) institutions: All most all SHGs beneficiaries, SHGs and officials reported that all most all the SHG beneficiaries availed any financial loans from ''Micro finances' (Fin Cap) institutions neither for SHGs activities nor to repay the monthly instalments.

Cent percent overall complete satisfaction: Overall, no member had any major issues with regard to SHG credit utilization and cash flow, all the interviewed individual beneficiaries and groups showed their complete satisfaction (100%) across the districts and state as whole.

Policy Inferences:

With all the stakeholders' consultations, study findings witnessed that SHG credit linkages and cash flow programme is reaching as per the designed objectives especially getting out from poverty by the poor women, made changes in their lives and lifestyles with successfulness of the SHGs movement in the state of Andhra Pradesh. Finally, based on findings, recommending few additional inputs for further betterment and effective reach out of the programme as follows

- Need to organise and plan regular & timely monitoring and capacity building trainings to SHGs for further sensitise the knowledge of SHGs objective, loan taking process, interest rate charged by the banks, establishing the units as per HLP plan, working as team etc.
- Need to bring out a new mandatory policy decision that the bankers must bring to notice of SHGs about 'Applicable or Chargeable' and 'Rate of Interest charged' to SHGs at the time of issuing and closing time of the credit loans through oral and written communications without fail.

- Need to make sure of SHGs entrepreneurship/business needs to support by good marketing and additional credit linkage facilities, which is lacking at ground level.

- Need to give proper directions and regulations to the banks in allowing SHGs to avail internal loans from their own savings amount on priority basis

- Additional processing charges by banks on credit loans needs to be streamlined.