

**A brief note on
Study of impounding of SHG Savings in
Banks**

**Conducted By:
Centre for microFinance**

Study on Impounding of SHG Savings in Banks for Credit Linkage

Background and Rationale: Many SHGs and SHG promoting organisations have raised the issue of ‘banks impounding¹ the savings of SHGs’ while providing them the credit. Impounding is disadvantageous to the SHGs as they pay higher interest rates even when their own savings are lying idle in banks. Besides the basic idea of meeting the credit needs of members from their savings get defeated if the savings are held by banks.

Following the deliberations on this issue in the 96th meeting of the SLBC, it was decided that CmF would conduct a study to understand the trend and the extent to which SHG savings are impounded by banks.

Study Design: Across the state 52 bank branches of 15 banks (SCBs, RRBs and Cooperative Banks) were randomly chosen as sample for the study. Bank Branches were requested to provide data on the following five aspects:

- Nos. of SHGs having account in the branch
- Nos. of SHGs taken loan from the branch
- Total savings of all SHGs in the branch (Rs.)
- Total credit outstanding to all SHGs from branch (Rs.)
- Total savings of only those SHGs that have taken loan from the branch (Rs.)

Districts covered: Banswara, Dungarpur, Chittorgarh, Bharatpur, Jodhpur, Sirohi, Dausa, Tonk and Dholpur.

Bank branches: Total 25 bank branches (of 8 banks- Bank of Baroda, SBBJ , Union Bank and six RRBs spread over 8 districts) sent the data.

Data was not received from Punjab National Bank, UCO Bank, Bank of Rajasthan, State Bank of India and Jaipur-Thar Gramin Bank. Interestingly, no bank from Jodhpur sent the data.

Observations, Analysis and Inferences

Fact Sheet (as per data obtained)

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| • Nos. of SHGs having accounts in 25 branches: | 2558 |
| • Nos. of SHGs that have been provided credit: | 1512 |
| • Total savings of all SHGs in the bank: | Rs. 2, 01, 83,194/- |
| • The average saving of a SHG in the bank branch: | Rs 7890/- |
| • Total savings of only credit linked SHGs in the banks: | Rs. 1, 62, 98,121/- |
| • Average saving of credit linked SHG in the bank is | Rs 10,779/- |
| • Total Savings of non credit linked SHGs | Rs. 38,85,073/- |

¹ Impounding of savings refer to the practice in which bank branches impound the saving of SHGs as collateral in order to give credit.

- Average saving of non credit linked SHGs in the bank Rs 3714
- Total credit outstanding to all SHGs from Bank Rs. 8, 01, 78,062/-
- The Average credit outstanding to a SHG: Rs 53,027/-

Thus about 59% of SHGs with savings bank account are credit linked. An amount equivalent to about 25% of the outstanding credit is already with banks in form of SHG savings deposited/ impounded.

Main observations of the study

- **Substantial amount of SHG savings are lying idle in the bank while they have taken credit from the banks.**
- **Though** it would be interesting to find out the total savings (in bank + with SHG) of the groups studied and the percentage of it which is lying idle in the bank but as per information from SHG promoters, the average saving of a SHG in Rajasthan is about Rs 9500/-². More than 80% of the total savings of the SHGs especially in the case of credit linked SHGs is deposited in the banks
- The average savings of SHGs **in banks** is Rs 7890/-. Further, it is Rs 3714/- and Rs 10,779/- of the SHGs that are not credit linked and credit linked respectively. It shows that SHGs who are taking credit from banks also deposit higher amounts in the bank. This indicates the **impounding of SHG savings** by Banks.
- Though the credit linked SHGs are 59%, their share of total SHG deposits in the bank is 80%. It clearly illustrates that SHGs which are credit linked have to deposit more savings with banks.
- The SHG savings in banks are equivalent to 25% of the total loan outstanding from bank, which is acting as collateral.
- The bank wise data gives clear indication that **Impounding of SHG savings is a practice across banks**. In all the banks the savings of credit linked SHGs in banks were found to be more than that of non credit linked SHGs.
- Out of the nine districts for which the data was requested from banks, interestingly cutting across banks the data for Jodhpur was not given. It is also well known that SHG impounding is a major problem in western Rajasthan.
- The data from the other 8 districts are varied. In Banswara, a tribal dominated district only 32% of the SHGs are credit linked whereas in Bharatpur it is 90%. Even impounding of SHG savings is very high in Banswara with 71% of the total SHG savings in the bank being of 32% credit linked SHGs and moreover an astonishing 60% of outstanding is already there as deposits in the bank. In districts like Bharatpur and Dholpur the intensity of impounding of SHG savings is much below the state average.

Conclusion

² The average saving of all DWCD groups is Rs 5837, this also includes groups that are very new and do not have bank accounts yet. However, the average saving of groups with bank account is estimated to be much higher.

From the district wise data **it is evident that impounding of SHG savings is a state wide problem**, though the intensity of the problem varies from one district to another.

If this status of SHG savings in Banks is used to extrapolate at state level (average of Rs. 7890 of each SHG in bank) then the total savings of all SHGs (1.75 lakh) in banks is Rs. 138 crores. About 80% of this savings in banks are from SHGs who have taken loan from banks. As per the basic rules of SHG programme, this amount should have been with SHG members rather than with banks.

What needs to be done?

Banks should instruct their branch managers that they should not keep the savings of the SHGs seeking credit from banks. Banks must encourage withdrawal of savings by SHGs and its use as inter loan among members.
