
A Study on Utilization of Sthree Nidhi Loans by the SHG Members

**Study conducted by
APMAS**



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Study Objectives

- **To assess the awareness levels of SHG members on SN loan terms & conditions at all levels**
 - **To assess the SN loan utilization patterns of SHG members**
 - **To understand the fund mobilization and/or diversification with reference to SN loan adequacy**
 - **To assess the systems and processes followed in sanctioning loans to SHG members**
 - **To understand the issues and problems in accessing and repaying SN loans**
 - **To come up with suggestions & recommendations**
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Sampling Design

Sampling:

- Selected only those Districts that have More than 500 SN loan borrowers as on 26th January 2012
- Mandals – Having highest no. of SN loan borrowers
- Villages- Having highest no. of SN loan borrowers & SHGs
- SHGs- 1 to 4 SHGs at random and availability
- Members- 1 to 3 at random and availability

Data collection techniques

- Individual interviews & Focus group discussions (FGDs)

Nature of data- primary & secondary

- SN loan borrowers, SHGs, VO, MS

Period of data collection: 27th Jan to 10th Feb 2012



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District-wise Sampling

S. No	Name of the Districts	No. of borrowers	Sample proposed	Sample covered
1	Adilabad	933	28	Yet to collect
2	Anantapur	3113	93	30
3	Chittoor	5359	161	73
4	East Godavari	1805	54	Yet to collect
5	Guntur	878	26	28
6	Kadapa	588	18	18
7	Khammam	760	23	Yet to collect
8	Medak	2472	74	Yet to collect
9	Nalgonda	2724	82	Yet to collect
10	Nizamabad	920	28	Yet to collect
11	Prakasam	1302	39	16
12	Visakhapatnam	2347	70	68
13	Vizianagaram	839	25	12
14	West Godavari	822	25	26
Total		24862	746	271



Profile of SN Loan Borrowers

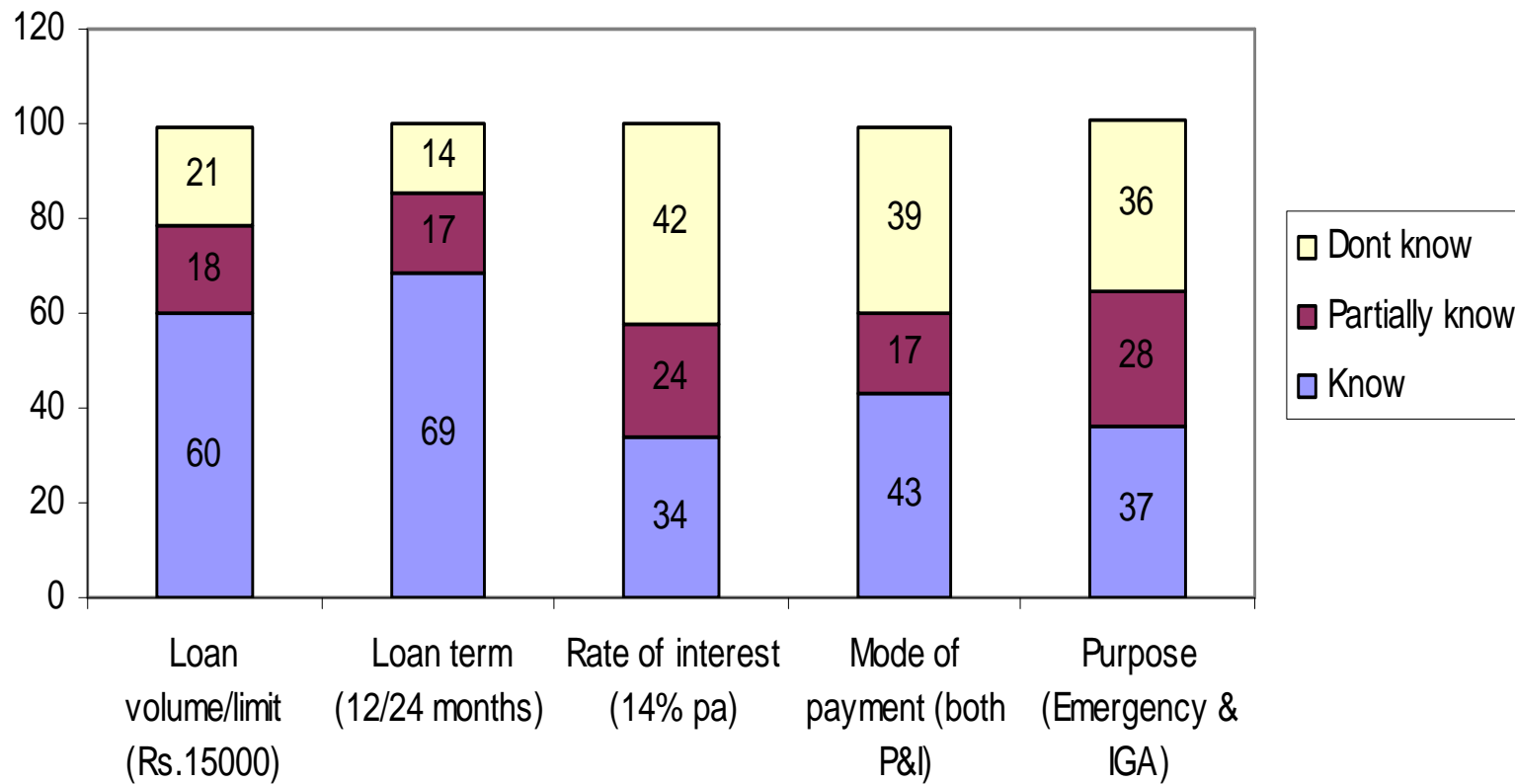
Majority of the Sthree Nidhi loan borrowers are:

- **52%** - leaders at SHG level
 - **64%** - literate
 - **88%** - married
 - **39%** - BCs followed by SCs - **23%**
 - **31%** - agriculture followed by labour -**27%**
 - **96%** - white card holders
 - **54%** - pucca houses followed by colony houses - **21%**
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Awareness on SN loan Terms & Conditions

Awariness on Sthree Nidhi Loan terms & conditions





Awareness on Criteria for the Selection of Members

Criteria	Yes	No
1 Priority to the POP category	49	51
2 Not accessed bank loan	11	89
3 Income not > Rs.60,000 per year	4	96
4 Loan for IG activity / emergency	37	63
5 Short term loans <12 months	17	83
6 50% loans to POP category	1	99
7 SHG-BL & CIF defaulters-not eligible	4	96



Awareness on Criteria for the Selection of SHGs

Criteria	Yes	No
1 Preference to SC/ST SHGs	21	79
2 Preference to PoP SHG	33	67
3 No /small loans under BL & CIF	6	94
4 SHGs not defaulted to bank & VO	15	85
5 Have membership in VO	14	86
6 Paid membership fee & share capital to VO	9	91

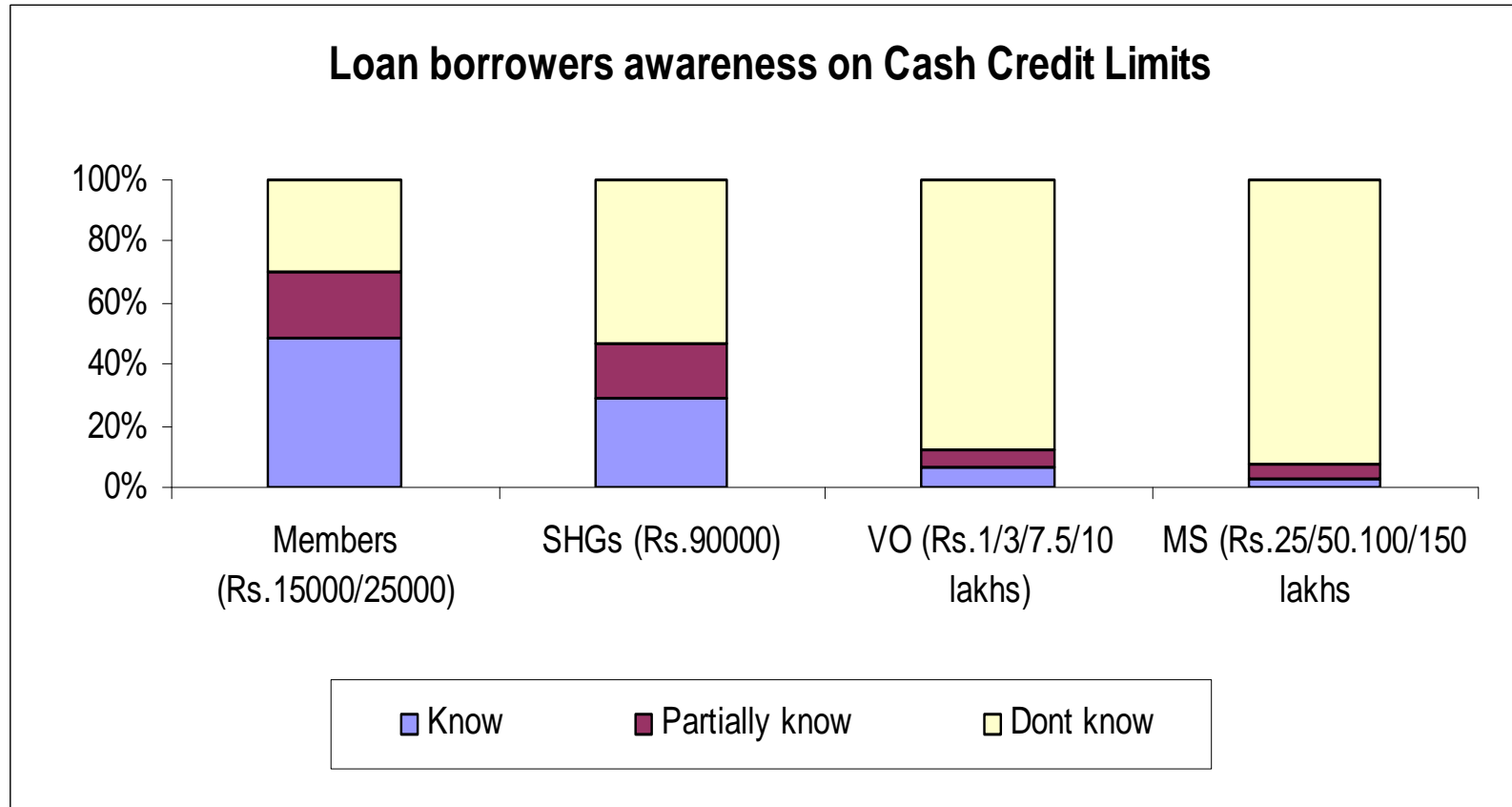


Awareness on Criteria for the Selection of Village Organization

Criteria	Yes	No
1 VO that has registered	26	74
2 Paid mem. fee & share capital to MS	95	5
3 VO not borrowed loan from CIF	4	96
4 VO regularly conducting auditing, general body and returns files	4	96
5 VO has membership in MS	11	89



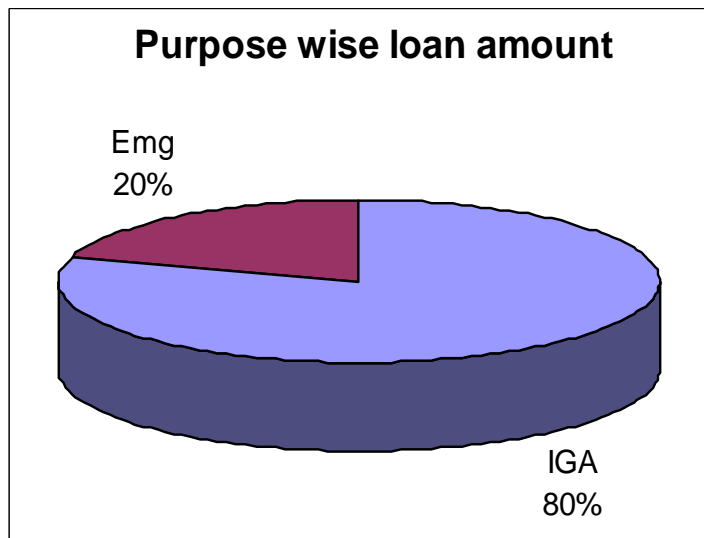
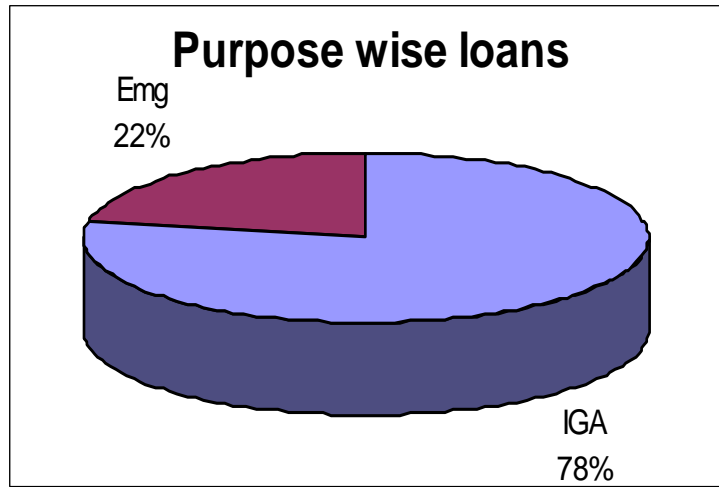
Awareness of SN Borrowers on Cash Credit Limit





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Purpose of Loan



- Rs.12,584 average loan size
- Not much variation in avg. loan size based on purpose of loan or position in the group
- However, smaller loan size to STs
- Of the IG loans, many for dairy, agriculture & allied activities and business
- Of the Emergency loans, many are for education, health and housing



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Member Access to SHG Loans

- Majority SN borrowers have one or two loans from their SHG (80%)
 - 10/271 borrowers have Rs. >60000 loan O/S to SHGs
 - 25 / 271 have only SN loan
 - 37% - Share of SN loans to the total credit disbursed by 171 SHGs to 271 sample members
 - 177 SHGs disbursed loans to 597 members with an average of 3 members per SHG
 - 233 / 579 borrowers are leaders (39%)
 - 25% of SHGs disbursed SN loans only to leaders; 10% only to members, 65% to both
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Mobilization of External Funds

- **52% of the borrowers mobilized additional funds of Rs.37.71 lakhs**
- **159 borrowers mobilized funds other than household credit sources**
- **Funds mobilized from external sources**
 - **26% from HH income & savings**
 - **74% from external source**
 - **Money lenders**
 - **Banks**
 - **Relatives & Friends**



Loan Utilization

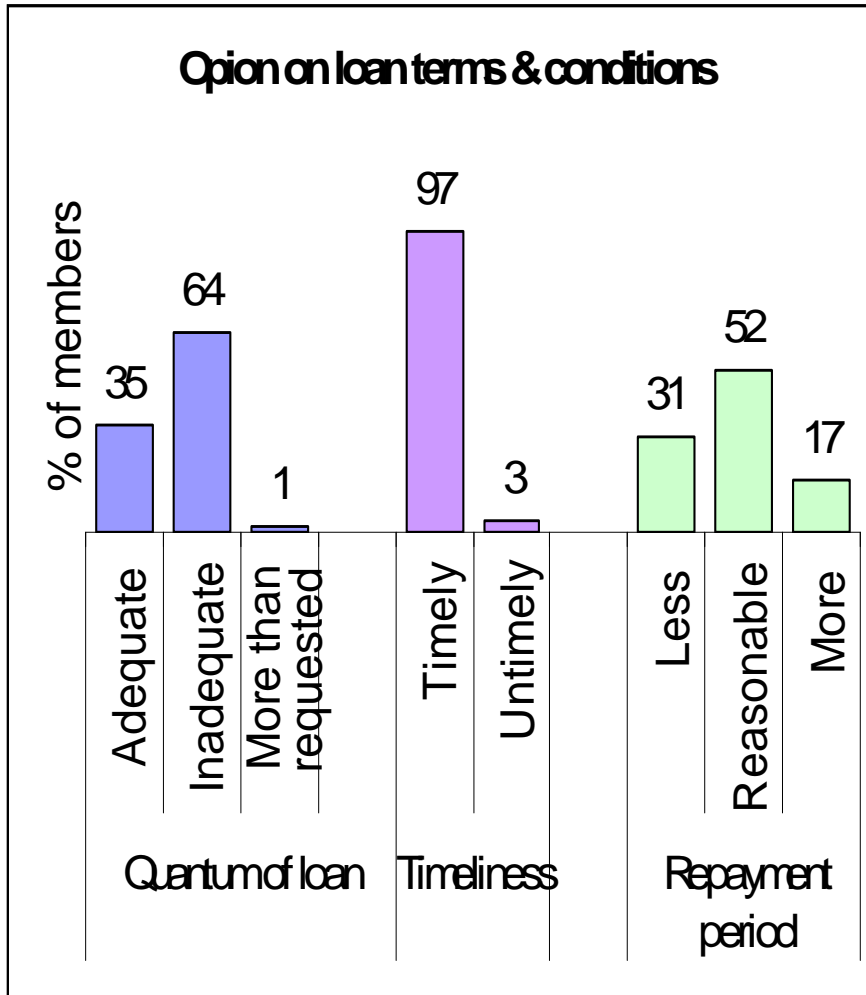
- **Majority of the members used loans for one purpose (86%)**
 - **Percentage of loans utilization:**
 - **80% specified purpose**
 - **13% a portion of loan**
 - **7% other than specified purpose**
 - **Of the total loan amount of Rs. 34.41 lakh, 68% is used for IGA and 32% is for emergency purposes**
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Risk Mitigation Measures

	Particulars	Yes	No
A	Documents		
1	Promissory Note	55	45
2	MCP	58	42
3	SHG Meeting Minutes	68	32
4	Member pass book	20	80
B	Monitoring		
1	VO Sub-Committee	28	72
2	MS-Representative	3	97
3	IKP staff	15	85

Opinion of Borrowers on SN loan



- **Ideal loan size (Avg)**
 - Rs.29,000 for IG
 - Rs.39,000 for Emergency
- **Time taken (Avg)**
 - 5 days at SHG
 - 4 days at VO
 - 3 days at SN
- **Visits made (Avg)**
 - 2.12 visits made to VO
- **Amount paid**
 - 239 / 271 SHG
 - About 66% paid Rs.50 & above



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Problems & Issues

- **Lending norms**
 - High interest rate compared to other loans from SHGs
 - large loan instalment amount
 - Selection of unregistered VO
 - Lending norms modified according to the availability of funds at all levels-vizianagaram
 - Poor not coming forward due to loan term and EMI
- **Loan disbursement & repayment**
 - Inordinate delay in case of RRBs 5 to 7 days
 - Deposited in other SHG accounts
 - Delay in passing information between VO-SHG-Mem
 - SHGs are much concern about transfer of funds from VO to SN
 - Communication gap between Borrowers-SHG-VO-MS regarding loan repayment schedule
 - Loan sanctions without the approval of MS
 - Mismatch of data provided in SN Website with the district and MS levels relating to loan disbursement-Kammam



Problems & Issues

- **Loan utilization**
 - Diversification of IG loans to consumption & social needs
 - Loan disbursed to more than 6 members in 6 SHGs
 - **Documentation & monitoring**
 - No entries in books of accounts at SHG & VO level
 - Less focus on adequate, timely and quality documentation
 - Monitoring is limited to loan disbursement than utilization
 - Custody of document is an issue
 - Staff understanding on documentation is limited
 - **Members**
 - Language problem in case of IVRS messages
 - More documentation and travel charges
 - Cell phone charges towards IVRS messages
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Learning

- SN provided significant portion of funds to SHGs for on-lending to members
- Members also mobilized funds from other sources on par with SN loan to meet total loan requirement for the activity
- Major loans & amount are for income generation; however, mostly invested on lineal activities of the HHs
- Loan used for multiple activities; however a portion of IGA funds diverted for consumption & social needs
- In a large number of cases, the SN loan is utilized to repay an old loan from money lenders or friends & relatives.
- Low cost loans compared to other sources of SHG loans



Learning...

- **Low awareness among borrowers on the selection/eligibility criteria of members, SHGs, VOs and MSs for SN loans**
- **Treating SN loan as another credit source; not different from other sources of loan except in loan repayment term**
- **Repayment track record in selection of borrowers is working at all levels**
- **Less importance to loan procedures at all levels**
- **Less focus on risk mitigation measures**
- **Managed and controlled by project**
- **Finally, moving toward providing supplement and timely credit to the SHG members**



Way forward

- **Much greater efforts needed for awareness generation at member level and on capacity building of CBOs & staff at all levels**
- **There is considerable risk in the present system. focus on putting systems & procedures in place**
- **Avoid SN loans to those members' who already have several loans from SHGs**
- **Need to ensure risk mitigation measures before and after lending**

Open for discussion... & Thank you

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