
**A STUDY ON UTILIZATION OF STHREE NIDHI LOANS
BY THE SELF HELP GROUP MEMBERS
IN ANDHRA PRADESH**

Study conducted by
APMAS

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LIST OF ACRONYMS

Ag.	: Agriculture
Avg.	: Average
Amt.	: Amount
AP	: Andhra Pradesh
APL	: Above Poverty Line
APMAS	: Mahila Abhivruddhi Society, Andhra Pradesh
BC	: Backward Classes
BL	: Bank Linkage
BPL	: Below Poverty Line
CBO	: Community Based Organization
CCL	: Cash Credit Limit
CIF	: Community Investment Fund
DRDA	: District Rural Development Agency
FGD	: Focus Group Discussion
GP	: Gram Panchayat
HH	: Household
I	: Interest
IGA	: Income Generation Activity
IKP	: Indira Kranthi Patham
IVRS	: Integrated Voice Recording System
MCP	: Micro Credit Plan
MFI	: Microfinance Institution
Min	: Minorities
MMS	: Mandal Mahila Samakhya
N/No.	: Number
NA	: Not Applicable
NA	: Not Applicable/ available
NABARD	: National Bank for Agriculture and Rural Development
NTFP	: Non Timber Forest Produce
OC	: Open Category
P	: Principle
PD	: Project Director
PDS	: Public Distribution System
PoP	: Poorest of the Poor
RF	: Revolving Fund
RR	: Repayment Rate
SC	: Scheduled Caste
SERP	: Society for Elimination of Rural Poverty
SGSY	: Swarnajayanthi Gram Swarojgar Yojana
SHG	: Self Help Group
SHGBLP	: SHG Bank Linkage Programme
ST	: Scheduled Tribe
VO	: Village Organization

EXECUTIVE SUMMARY

Government of Andhra Pradesh, in partnership with the Mandal Mahila Samakhyas of SHGs, set up Sthree Nidhi as a “niche” microfinance institution to provide loans to women SHG members to meet their emergency and emergent needs, at a time when they have nowhere to go using a technology platform. Sthree Nidhi was launched in October 2011. To understand the loan utilization by SHG members and other issues related to rolling out Sthree Nidhi, a study was commissioned in January 2012 and undertaken by APMAS.

The specific objectives of the present study are i) to assess the awareness levels of SHG members on Sthree Nidhi loan terms & conditions at all levels; ii) to assess the Sthree Nidhi loan utilization patterns of SHG members; iii) to understand the fund mobilization and/or diversification with reference to Sthree Nidhi loan adequacy; iv) to assess the systems and processes followed in sanctioning loans to SHG members; v) to understand the issues and problems in accessing and repaying Sthree Nidhi loans; and vi) to come up with suggestions & recommendations. To address the above objectives data was collected from 750 SHG Sthree Nidhi loan borrowers, 66 SHGs, 33 VOs and 14 MSs.

Sthree Nidhi programme has been implemented in 559 mandals (50.9%), 3353 VOs (9.2%) and 8153 SHGs (0.8%) in 22 districts of Andhra Pradesh. As on Dec 2011, Sthree Nidhi has disbursed a loan of Rs. 33.87 crores to 26123 members with an average of Rs. 12967 per member. There are regional disparities in coverage (32 loans in Krishna district, 5335 loans in Chittoor district), and less lending focus on the districts where the microfinance crisis began. Though Sthree Nidhi was meant for all the 22 rural districts of Andhra Pradesh, Rayalaseema and Coastal districts took advantage of it initially.

Majority of the Sthree Nidhi loan borrowers are BCs (45%) & SCs (26%), literate (60%), depending on agriculture (32%) & labour (27%), owning pucca houses (45%) followed by colony houses (20%). More than half of the Sthree Nidhi borrowers were SHG leaders clearly pointing out to the lack of wider dissemination of the information about Sthree Nidhi. It is the stated objective of Sthree Nidhi to reach the poorest of the poor, however, in the initial months of Sthree Nidhi operations, the better off took advantage.

Awareness is the key for effective use of Sthree Nidhi loan products by SHG members. About 85% of sample SN loan borrowers knew or heard about Sthree Nidhi. Majority of the SN loan borrowers don't know (35-65 percent) SN loan terms & conditions, criteria for the selection members (> 20%), eligibility criteria for the selection of SHGs (> 75 %) and VOs (> 85%). Majority of the members don't know the cash credit limit of SHG (69%), VO (94%), MS (99%), compared to CCL of SHG members (39%). About 13% don't have any loan from SHGs. About 87% of SN loan borrowers have 1-4 loans from SHGs. about

80% of the members borrowed loans from SHG-BL funds followed by group (32%) and VO (24%). It shows that awareness levels among SN loan borrowers and other SHG members on terms & conditions of loans, the criteria for the selection of members, SHGs, VOs and MSs and the cash credit limit (CCL) applicable to them were low. From the study it is evident that awareness drive has not been effective and complete information has not reached all the SHG members in the State. This affected sharp increase in eligible members using Sthree Nidhi loans.

Sthree Nidhi has been created as a specialized niche financial institution to serve the needs of the SHG members in times of need, however, most of the SHG members treating it as another credit source; and it is not seen as different from other sources. At the field level, Sthree Nidhi does not have its own presence and it operates through the IKP system resulting in such a perception among the members. Though the repayment rate is satisfactory, there seems to be ambiguity about repayment procedures. Also, as the loan directly deposited in the SHG bank account from Sthree Nidhi using the electronic transfer system, neither VO nor MS feel responsible and accountable for monitoring loan utilization and 100% recovery of the loans.

The average Sthree Nidhi loan to a member is Rs. 13277. There is a difference in loan size between social categories, regions and member's position in a SHG. Majority of the loans borrowed for production (73%) followed by social needs (22%), asset creation (4%) and consumption (1%); similarly the loan amount also for production followed by social needs. Majority of the loan amount used for income generation (63%) followed by social needs (29%), asset creation (6%) and consumption (2%); however, most of the members invested loans as working capital or for inputs on household economic activities. About 30% of borrowers diverted a portion or total loan amount for other than specified purpose. The average loan repayment rate is 92%. Ill health of household members, less availability of work, repayment payment of installments of multiple loans are the reasons for genuine default; and no clarity on repayment schedule, loan repayment date not matching with SHG and VO meeting and no faith on VO leaders are the reasons for willful default.

Majority funds and loans borrowed for income generation activities but mostly used as working capital on household level economic activities. In large number of cases, the Sthree Nidhi loan is used to repay an old loan, borrowed on high interest rate, from money lenders or friends & relatives on the name of income generation activities. Though Sthree Nidhi provides loans for consumption and social needs, a portion of IGA loans diverted to consumption and social needs.

Many SHGs not following the risk reduction measures such prescribed documentation (45 to 50 percent) and monitoring by VO/MS (> 80%) on loan utilization. Practicing of risk reduction measures especially the selection of members and loan documentation procedures at SHGs, VOs and MSs Level is

less focused and incomplete because the members have a feeling that those documents are not to be submitted to Sthree Nidhi for authentication.

About 43% is the share of SN loans to the total credit disbursed by the sample SHGs to the members; on an average 3.71 loans per SHG; one-third of members in a group accessed Sthree Nidhi loan. About 53% of SN loan borrowers mobilized a total fund of Rs. 96.3 lakh from household and other external credit sources to meet the additional costs. The ratio between SN loan and additional loan/funds mobilized is 1: 0.98. About 42% of SN loan borrowers procured 322 assets (livestock, agriculture machinery, bullocks & cart, tool kits, auto/taxi/tractor and household appliances) of Rs. 96.94 lakh with an average of Rs. 30012. Sthree Nidhi provided significant portion of funds to SHGs for on lending to their members. A good number of SN loan borrowers mobilized funds from other sources on par with SN loan to meet total fund requirement for the activity.

Majority members are discontented with the loan size (59%), repayment period (32%) and rate of interest (70%) on SN loans. But pleased with timeliness of the loan (94%) and time taken and visits made to get the loan. The unhealthy practices found in other sources of loans, are also observed in Sthree Nidhi loan such as equal distribution of loan to all members, more indirect loan costs, poor loan documentation/ accounting. Most of the issues and problems related to systems and procedures are because of less awareness of members, no or less attention on capacity building at all levels and lending without appropriate systems in place. Under estimation of capacity building requirements and cost effectiveness while implementing technology based interventions with community is led to dependency on staff and high cost to the borrower as well as IVRS operator.

The study findings clearly indicate that the present system of Sthree Nidhi lending directly to SHGs is not working effectively. As the Presidents of the Village Organizations are not able to understand IVRS, the staff seems to be in control of the system. Low awareness and lack of responsibility and accountability at the level of VO/MS resulted in inadequate documentation, limited monitoring and of loan utilization and not enough attention to repayment and the loan products not serving the intended purpose.

Mandal Samakhyas have a direct stake in Sthree Nidhi and must have a clear role in the operations of the institutions. For Sthree Nidhi to monitor repayments from more than a million SHGs is a huge task. Either MS or VO must be responsible for managing Sthree Nidhi loan products at the field level. To ensure optimum awareness levels and 100% repayment, Sthree Nidhi needs to develop loan products that are most suited for the SHG members, but operate through the MS/VO.

1.1 Background of the study

To address the issues of inadequate finance and to ensure timely availability of supplementary financial services for meeting emergency and emergent needs of the SHG members, Mandal Samakhyas in the State, in association with Government of AP have promoted "Sthree Nidhi" Credit Cooperative Federation Ltd. To mobilize share capital from the Government in addition to members and leverage credit from banking sector, "Sthree Nidhi" registered as Apex Credit Cooperative Federation Ltd, under the Andhra Pradesh Cooperative Societies Act 1964.

Sthree Nidhi is operationalized from October 2011 and Rs. 22 crores lent to 23,450 SHG members from 7,455 SHGs of 3,124 VOs from 547 Mandal Samakhyas as on 15th January 2012. With the objective of reaching maximum number of groups Sthree Nidhi would like to streamline its loan process. In this context, Sthree Nidhi (through SERP) requested APMAS to conduct a study on SHG members' loan utilization.

1.2 Objectives and methodology

1.2.1 Objectives: The broad objective of the present study is to assess the utilization of Sthree Nidhi loans by the SHG members and the problems at various levels. The specific objectives of the present study are as follows.

- i) to assess the awareness levels of SHG members on Sthree Nidhi loan terms & conditions at all levels;
- ii) to assess the Sthree Nidhi loan utilization patterns of SHG members;
- iii) to understand the fund mobilization and/or diversification with reference to Sthree Nidhi loan adequacy;
- iv) to assess the systems and processes followed in sanctioning loans to SHG members;
- v) to understand the issues and problems in accessing and repaying Sthree Nidhi loans; and
- vi) To come up with suggestions & recommendations

1.2.2 Sampling design: The universe of the present study is a total of 25170 Sthree Nidhi loan borrowers of SHG members in Andhra Pradesh as on 15th January 2012. Of the total Sthree Nidhi loan borrowers, about 3 percent of the members were selected based on probability proportional to size sampling method for a detailed study. Districts were selected based on i) Sthree Nidhi operations in a district and ii) the districts having more than 500 loan borrowers. Based on i) the sample size in a district and ii) the highest number of loans & amount disbursed in a mandal, two to five mandals were selected in a district. Again, based on the presence of more number of SHGs

and loan borrower in a village, two to five villages were selected in a mandal. About four to seven members were selected from two to three SHGs in a village based on their time and availability; however, care has taken not to select more than three members to cover more number of SHGs and members in a village. Totally, the study has covered 750 Sthree Nidhi loan borrowers from 42 mandals selected from 14 districts (see appendix-1). The sampling units covered at various levels and the criteria followed are given below.

Units	Size	Sampling criteria
1. State	AP	<ul style="list-style-type: none"> • SHG members borrowed Sthree Nidhi loan • About 3% of the total Sthree Nidhi loan borrowers
2. Districts	14	<ul style="list-style-type: none"> • Sthree Nidhi operational area • Districts having more than 500 loan borrowers
3. Mandals	42	<ul style="list-style-type: none"> • 2-5 mandals if the sample size is > 30 in a district • Highest no. of loans & amount disbursed • Mandals selected in consultation with PD, DRDA
4. Villages	150	<ul style="list-style-type: none"> • More no. of SHGs and members borrowed loans • More no. of habitations
5. SHGs	300	<ul style="list-style-type: none"> • 1-3 SHGs in a village based on availability • SHGs from different habitations • Random sampling
6. Members	750	<ul style="list-style-type: none"> • 1 -3 members in a SHG based on availability • Random sampling

1.2.3 Data collection tools and techniques: The quantitative and qualitative data were collected from primary as well as secondary sources through individual interviews with SHG members, focus group discussions from SHGs, VO and MS office bearers. Secondary data, especially the district, mandal, SHG and member-wise list of SN loan borrowers were collected from Sthree Nidhi website. An interview schedule was developed and piloted before it was administered to collect data from the individual loan borrowers (see appendix-6). It mainly covered profile of loan borrowers, member awareness on Sthree Nidhi and lending norms, loan access and utilization, mobilization of additional funds in case of small amount of loans, repayment & default, assets creation, opinion on present loan, risk management measures and problems & issues. To administer focus group discussions with SHG (66), VO (33) and MS (14), a checklist was developed regarding the systems & procedures being followed and problems & issues in providing credit services under Sthree Nidhi model (see appendix-7).

1.2.4 Fieldwork and data collection: A study team of 18 members were divided into 6 small-teams headed by an APMAS staff and coordinated by

two senior staff. The fieldwork for data collection was carried out from 26th Jan to 6th Feb 2012 in all the 14 selected districts (see Appendix-2). Before going to field visit, the study team was oriented on the study design, sampling methodology, data collection tools & techniques, editing of filled in formats and the documentation of focus group discussions. The teams also oriented on how to enter the data into a computer in a prescribed data entry format for further analysis.

1.3 Limitations of the study

The study team has encountered some issues during the selection of sample mandals, villages and SHGs, and in the collection of valid information from the respondents. Some of those are as follows:

- i) The study is limited to 14 districts though Sthree Nidhi was operational in all the districts of AP.
- ii) Problems in the selection of mandals and villages in a district owing to mismatch of information provided by Sthree Nidhi / website and the information available at district level about number of loans and amount sanctioned and grounded.
- iii) Incorrect responses on loan utilization by many respondents as they suspected that the study team visited for the verification of assets purchased with the loan rather than for a study even after a good rapport and validation of information.

1.4 Data analysis

Besides the study design and data collection tools & techniques, the study teams was acquainted with the editing of filled in schedules, coding and data entry to ensure quality, avoid delay and data entry & analysis make easy. Firstly, all the filled in scheduled were coded and entered into computer in an 'excel format'. Later, it was converted into a Statistical Package for Social Sciences (SPSS) format for further analysis. Simple statistical tools like averages, deviations and ratios were computed. Simple frequencies as well as cross tables were prepared to make comparisons and to draw meaningful inferences.

1.5 Reporting

The findings of the study has broadly presented as i) introduction, ii) Sthree Nidhi and its operations in Andhra Pradesh, iii) socio-economic background of loan borrowers, iv) awareness on Sthree Nidhi lending guidelines, v) status of Sthree Nidhi loan includes loan terms and conditions, purpose, utilization and repayment, vi) risk reduction measures, vii) dynamics at SHG and household levels and viii) opinion on Sthree Nidhi loan which includes problems and issues member, SHG, VO, MS and SN levels.

STHREE NIDHI AND ITS OPERATIONS IN ANDHRA PRADESH

2.1 About Sthree Nidhi

2.1.1 Need for Sthree Nidhi: Growth strategy of the Government resulted in increased opportunities to the poor and this necessitates higher quantum of production/investment credit. Per group finance in the last year was at about Rs 1.80 lakh. As the credit flow is not adequate, the poor are increasingly resorting to high cost credit. Poor do not get credit timely compelling them to borrow from other sources. A member of SHG may not get another loan from bank during the currency of the existing loan with bank, though the needs are urgent. In order to meet their credit needs in the interregnum members of SHGs are resorting to high cost borrowing from other sources.

2.1.2 Constitution of Sthree Nidhi: In order to fill the above gap, the Mandal Mahila Samakhyas (MMS) of SHGs in association with Government of Andhra Pradesh have promoted 'Sthree Nidhi' Credit Cooperative Federation Ltd and the same was registered under Andhra Pradesh Cooperative Societies Act'1964 for financing of SHGS through Mandal Mahila Samakhya (MMS). 'Sthree Nidhi' will leverage credit from banking sector and channelize it through MMS, Village Organization, a federation of SHGs at village organization (VO) level, and to members through SHG.

2.1.3 Objectives: To address the issues of inadequate finance and to ensure timely availability of credit for meeting emergent and other needs, there is a need to supplement credit aside what is being accessed from banking sector. 'Sthree Nidhi' is specifically created to meet these needs of women with the following objectives.

- i. To supplement credit to SHG members while ensuring that SHGs will give first priority for availing of loans from banking sector and then only look at the option to avail from 'Sthree Nidhi.
- ii. 'Sthree Nidhi' will address credit needs of the SHG members to meet situations like exigencies and short term loans for business purposes as SHGs do not get another loan during the currency of the existing term loan from bank, which has tenure of 3-5 years period.
- iii. To ensure timely credit availability of loans, preferably within 48 hours from the date of request for loan
- iv. To ensure that poorest of the poor get credit to the extent of 50% of the loan disbursed.
- v. To facilitate lending to the only needy in group which will enable them to meet credit needs for IGA and consumption purposes including emergent purposes

2.2 Operational area & Volume of lending

2.2.1 *Operational area:* Sthree Nidhi has been started its operations in all the 22 districts of Andhra Pradesh. The data in table-1 shows that of the total 1099 mandals, 36353 VO's, and 10.28 lakh SHGs, the programme has been covered 559 mandals (50.9%), 3353 VO's (9.2%) and 8153 SHGs (0.8%) in the state. As on December 2011, Sthree Nidhi has disbursed a loan of Rs. 33.87 crores to 26123 members with an average of Rs. 12967 per member. For district-wise details see appendix-3.

S.No	Name of the region and district	Mandals		VOs		SHGs		Disbursement	
		Total	Covered	Total	Covered	Total (In lakhs)	Covered	Number of loans	Loan Amt Rs. in crores
1	Coastal	423 (38.5)	231 (41.3)	14101 (38.8)	1392 (41.5)	4.50 (43.8)	3220 (39.5)	8261 (31.6)	10.18 (30.0)
2	Royalaseema	233 (21.2)	141 (25.2)	7447 (20.5)	1055 (31.5)	1.85 (18.0)	2572 (31.5)	9129 (34.9)	11.94 (35.1)
3	Telangana	443 (40.3)	187 (33.5)	14805 (40.7)	906 (27.0)	3.93 (38.2)	2361 (29.0)	8733 (33.4)	11.75 (34.7)
	Total	1099 (100)	559 (100)	36353 (100)	3353 (100)	10.28 (100)	8153 (100)	26123 (100)	33.87 (100)

Note: Numbers in the parenthesis indicates percentages

2.2.2 *Volume of lending:* Of the 22 districts, the lowest number of loans and amount was disbursed in Krishna (32 loans and Rs. 3.75 lakhs) followed by Ranga Reddy (60 loans and Rs. 8.55 lakhs); and the highest was disbursed in Chittoor (5335 loans and Rs. 7.01 crores) followed by Anantapur (3089 / Rs.

No. of borrowers	Name of the Regions & Districts		
	Coastal	Royalaseema	Telangana
< 500	<ul style="list-style-type: none"> • Krishna • Srikakulam • Nellore 	<ul style="list-style-type: none"> • Kurnool 	<ul style="list-style-type: none"> • Rangareddy • Karimnagar • Mahabubnagar • Warangal
501-1000	<ul style="list-style-type: none"> • West Godavari • Vizianagaram • Guntur 	<ul style="list-style-type: none"> • Kadapa 	<ul style="list-style-type: none"> • Khammam • Adilabad • Nizambad
1001-1500	<ul style="list-style-type: none"> • Prakasam 	--	--
1501-2000	<ul style="list-style-type: none"> • East Godavari 	--	--
2001-2500	<ul style="list-style-type: none"> • Vishakapatnam 	--	<ul style="list-style-type: none"> • Medak
> 2500	--	<ul style="list-style-type: none"> • Anantapur • Chittoor 	<ul style="list-style-type: none"> • Nalgonda

4.04 crores). It could be because of two reasons. Firstly, Chittoor is the native district of the present Chief Minister, Mr. N. Kiran Kumar Reddy, and Chittoor and Anantapur are one of the UNDP and DPIP districts. Secondly, low lending in Telangana region could be agitation for a separate State. It also observed that large number of loans disbursed in 4 or 5 districts even though Sthree Nidhi claiming its operations across the state. The table- shows that out of 22, 8 districts have less than 500 loan borrowers, 7 districts have 500 to 1000 borrowers, 4 districts have 1000-2000 loan borrowers and 5 districts have more than 2000 loan borrowers.

2.2.3 Regional disparities: There are regional disparities in the disbursement of loans and the amount. Of the total loans disbursed, 34.9% was in Rayalaseema, 33.4% in Telangana and 31.6% in Coastal region; but the average no. of loans disbursed in Rayalaseema region is more than double (2282) compared to Telangana (970) and Coastal (918) regions. Likewise, the average loan amount disbursed in Rayalaseema region is more than double (Rs. 2.99 crores) compared to Telangana (Rs. 1.3 crores) and Coastal (Rs. 1.13 crores) regions. But the average loan size is high in Telangana region (Rs. 13715 compared to Rayalaseema (Rs. 12909) and Coastal (12465) regions. Similar trends are found at SHG and VO levels too. But the average loan amount disbursed to MS in the Coastal region is very low (Rs. 380480) compared to Telangana (Rs. 588821) and Rayalaseema (Rs. 625945) regions.

S. No.	Loan unit	Regions			Total
		Coastal	Rayalaseema	Telangana	
1	Member	12,465	12,909	13,715	13,057
2	SHG	31,570	42,828	46,396	39,682
3	VO	65,062	96,128	114,657	90,999
4	MS	380,480	625,945	588,821	510,341

2.5.3 Less lending focus on the districts where the microfinance crisis began: The microfinance crisis began in Krishna, Guntur, East and West Godavari and Nellore districts. But, Sthree Nidhi did not focus much on these districts.

To sum up, Sthree Nidhi has started its operations in all the districts of AP. However, there is a wide disparity in coverage between districts and regions in terms of number of SHGs, VOs, Mandals covered, and the number of loans and amount disbursed in a given district and/or region. Sthree Nidhi also had lending focus on the districts where microfinance crisis began in the year 2010 and Sthree Nidhi was in a sense reponse to the microfinance crisis.

SOCIO-ECONOMIC PROFILE OF STHREE NIDHI LOAN BORROWERS

This part of the report mainly focuses on the research questions i) who are Sthree Nidhi loan borrowers? What is their socio-economic profile? Are they vulnerable or not? ii) Did they access credit from the funds mobilized by SHGs through internal and external sources such as savings from members, and loans from banks and village organizations?

3.1 Social Status

Of all the loan borrowers, many belongs to backward classes (BC) (44.5%) followed by Scheduled Caste (SC) (26%) and Open categories (OC) (22.4%); where as the coverage of percentage of Scheduled Tribes (1.3%) and minorities (5.7%) is insignificant. It could be because of less coverage of Sthree Nidhi programme in the interior and tribal areas in the state. The educational levels of loan borrowers show that majority are literate (60.4%). However, of the literates, majority of the members were between 1st and 7th standards. Further, the percentage of illiterate members is more in Telangana region (54.3%) compared to Rayalaseema (40.4%) and Coastal (25.3%) regions. About 11% of the loan borrowers are vulnerable-widowed, separated and unmarried. More or less one half of SN loan borrowers are SHG leaders and another half is SHG members (51.7%); however, the percentage of leaders is more in Coastal region (58.9%) compared to Rayalaseema (41.2%) and Telangana (44.8%) regions.

Table-4: Socio-economic Status of SN Loan Borrowers Households (in %)

Particulars	Region			Total (N=750)
	Coastal (N=253)	Rayalaseema (N=267)	Telangana (N=230)	
Social category	ST	1.6	1.1	1.3
	SC	21.7	25.8	30.9
	BC	42.7	40.8	50.9
	Min	6.7	5.2	5.2
	OC	27.3	27.0	11.7
Education	Illiterate	25.3	40.4	54.3
	Class 1-7	51.8	33.3	27.0
	Class 8-10	17.0	19.1	14.8
	College	5.9	7.1	3.9
Position	Leader	57.7	39.3	36.1
	Member	41.1	58.8	55.2
	Ex-leader	1.2	1.9	8.7

3.2 Economic Status

Both the primary and subsidiary economic activities of the loan borrowers' households shows that majority members depended on agriculture, animal husbandry and both farm and non-farm labour. The primary economic activity of loan borrowers shows that many are depended on agriculture (31.7%), both farm & non farm labour (26.7%), business (18.4%) and others includes caste occupations, salaried jobs, non-timber forest produce collection etc. The data on subsidiary occupation of loan borrowers shows that many are depended on farm & non-farm labour (36.8%), petty business & small enterprise (17.7%) animal husbandry (16.7%) agriculture (14.5) and others, includes caste occupations, salaried jobs, seasonal business, non-timber forest produce (NTFP).

The type of ration cards and housing of loan borrowers show that the majority are below poverty line (BPL) category. Except 1.6%, most of the loan borrowers have white ration card (95.6%), and very few have Pink and Anthyodaya ration cards. Majority members have pucca (44.5%) and tiled houses 21.9%) followed by colony (20.3%) and thatched houses (13.3%).

S. No.	Economic activity	Primary		Secondary	
		F	%	F	%
1	Agriculture	238	31.7	109	14.5
2	Agriculture labour	123	16.4	174	23.2
3	Animal husbandry	27	3.6	125	16.7
4	Non-farm labour	77	10.3	102	13.6
5	Caste occupation	52	6.9	43	5.7
6	Seasonal business	16	2.1	13	1.7
7	Salaried jobs	66	8.8	30	4.0
8	Petty business	57	7.6	86	11.5
9	Small enterprises	65	8.7	47	6.3
10	Other	29	3.8	21	2.8
	Total	750	100.0	750	100.0

3.3 Access to SHG credit

The SHGs provide financial services to their members by on lending the funds mobilized from both internal and external sources. Loan borrowing by the SHG members also depends on the availability of funds, credit needs and the lending norms, source of credit etc. Table-6 shows the sample members' access to credit from SHG funds. Majority members borrowed multiple loans from SHGs. The sample members have a total of 1060 loans with a total loan outstanding of Rs. 1.31 crores with an average of Rs. 19,996 per member. Of the sample members, 76.6% of the members have 1-2 loans outstanding and 10.9% of members have 3-4 loans outstanding; but only 12.5% don't have any

loan outstanding other than Sthree Nidhi loan. About 80% of members borrowed loans from SHG-Bank linkage funds followed by group savings (32.4%), VO/CIF (24.4%) and other fund sources of SHGs (5.1%). Of the total loan outstanding of Rs. 1.31 crores, 68.2% is under SHG-bank linkage followed by group funds (13%), VO (9.9%) and other (9%) sources.

Credit source	Borrowers		Loan outstanding (in Rs.)		
	Number	%	Total	%	Mean
1. Group funds/savings	243	32.4	1699530	13.0	6994
2. Loan from VO/CIF	183	24.4	1299406	9.9	7101
3. SHG-BL loan	596	79.5	8944013	68.2	15007
4. Others	38	5.1	1174480	9.0	30907
Total			13117429	100.0	19996

In conclusion, majority of the SHG members selected for SN loan belong to less vulnerable social categories, primarily depend on agriculture; literate and in leadership positions. Further, majority of members having two/three loans. In other words, there is less focus on the real poor who do not have adequate access to SHG credit.

AWARENESS ON STHREE NIDHI LENDING GUIDELINES

The success of any intervention or the programme depends on the awareness levels of the target group that determines the access or utilization of those programmes. The awareness levels of SN loan borrowers on i) the terms & conditions of loans from Sthree Nidhi funds, ii) criteria for the selection of SHG members, iii) criteria for the selection of SHGs, iv) criteria for the selection of VOs, and v) cash credit limits (CCL) of members, SHGs, VOs and MSs is assessed in the current section of the report. In this regard, two/three point scale (Yes/No; know/ partially know/don't know) was developed to evaluate SN loan borrowers' awareness levels.

4.1 Awareness on Sthree Nidhi

Of the sample loan borrowers, 85.2% of the members knew/ heard about Sthree Nidhi and the remaining do not know about it. Of all the three regions, the percentage of loan borrowers aware of Sthree Nidhi is more in Coastal region compared to Rayalaseema (86.1%) and Telangana (73.9%) regions. It is because i) this programme was first started in Coastal and ii) intensively implemented in Rayalaseema districts. More percentage of BCs are not aware of Sthree Nidhi compared to all other social categories; however, all the STs are aware of it. There is a difference of awareness levels between members (79.4%) and leaders (92.5%); but, there is not much difference between members and ex-leaders.

Regarding how does the members know about Sthree Nidhi The loan borrowers knew about Sthree Nidhi from various sources such as SHG, VO, MS, IKP staff and community members. But many members knew about it from VO (44.4%) followed by SHGs (22.8%) and IKP staff (19.5%). One of the reasons for high awareness among leaders could be the SHG leaders attend VO and MS meetings, which are the platforms for information dissemination and possibility for interacting with the project staff.

4.2 Awareness on lending norms

A three point scale – know, partially know and don't know, was developed to assess awareness levels of loan borrowers on the lending norms at member, SHG, VO and MS levels.

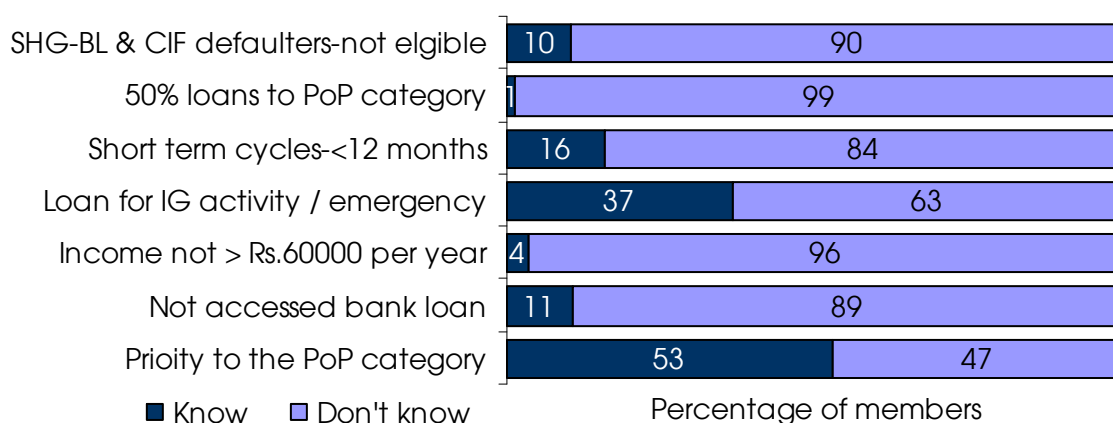
4.2.1 Loan terms & conditions: It includes loan volume, term, rate of interest, mode of repayment and purpose of loan. Majority of the members know about loan volume (66.5%) and term (67.1%); but many members don't know about the rate of interest (33.9%), mode of payment (32.8%) and purpose of loan (32.7%); and less percentage of loan borrowers partially know about the lending norms. The awareness levels of leaders is high compared to members

on loan amount and terms; however, there is not much difference in awareness levels on to rate of interest, mode of payment and purpose of loan. Majority loan borrowers in Rayalaseema region knew the loan volume, term and purpose compared to Coastal and Telangana regions. There is not much difference between social categories in the awareness levels on the lending norms.

Awareness	Loan amount	Loan term	Rate of Interest	Mode of repayment	Purpose of loan
1. Know	66.5	67.1	35.7	47.7	39.6
2. Partially know	16.5	18.4	30.4	19.5	27.7
3. Don't know	16.9	14.5	33.9	32.8	32.7
Total	100.0	100.0	100.0	100.0	100.0

4.2.2 *Awareness on the criteria for the selection of SHG members:* As per the Sthree Nidhi guidelines, the SHG should follow certain criteria while selecting members for Sthree Nidhi loan. They are i) priority to the poorest of the poor (PoP) category, ii) not accessed bank loan, iii) income not more than Rs. 60000 per year, iv) loan for income generation activity/emergency, v) short term loan (less than 12 months) vi) 50 percent of loans to PoP category and vii) members not defaulted the loans borrowed under SHG- bank linkage and community investment fund (CIF). The data in fig-1 shows that more than three quarters of the loan borrowed don't know the prescribed criteria for the selection of members to Sthree Nidhi loan; however, majority of the loan borrowers know that priority should be given to PoP category (53%) and loan for income generation and emergency (37%) purposes. The borrowers' awareness levels are not even minimal on the criteria for the selection of loan borrowers.

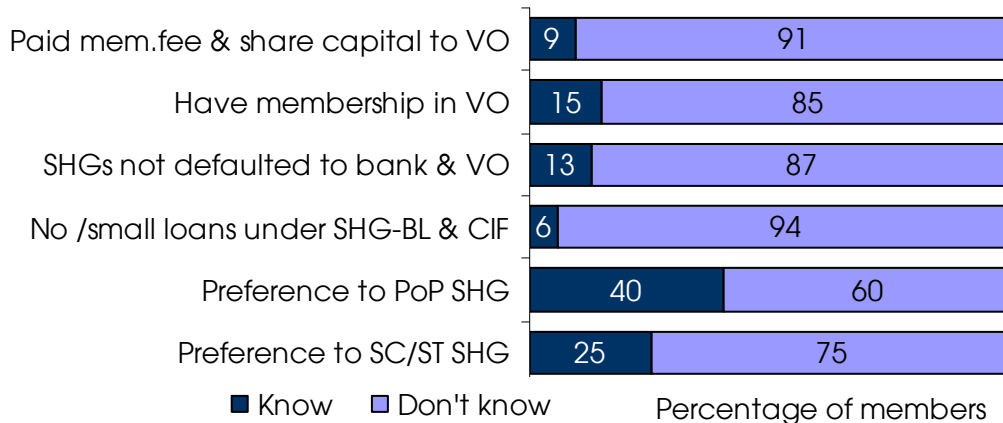
Fig-1: Awareness on the Criteria for the Selection of Members



4.2.3 *Awareness on the criteria for the selection of SHGs:* Sthree Nidhi has prescribed certain eligibility criteria for SHGs to avail loan from them. They are i) preference to SC/ST SHGs, ii) preference to PoP SHGs, iii) SHGs have no/small loans under SHG-Bank linkage and CIF, iv) SHGs not defaulted to

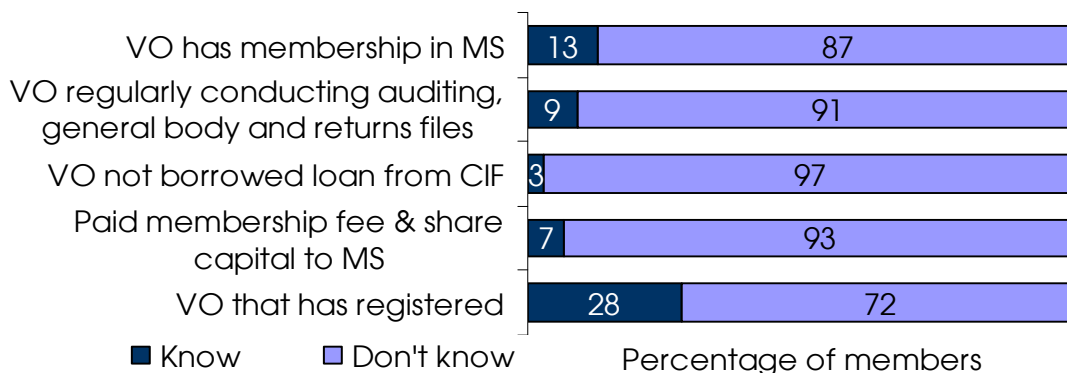
bank and VO, v) have membership in VO and vi) SHGs paid membership fee & share capital to VO. The data in fig-2 shows that most of the loan borrowers (80%) don't know the criteria for the selection of SHGs to Sthree Nidhi loan. Unlike other criteria, many members are aware of the criterion of preference to PoP SHGs (40%). The awareness of loan borrowers on eligibility and/or selection criteria of SHGs for Sthree Nidhi loans is low compared to the awareness levels on the selection criteria of members in a group.

Fig-2: Awareness on Eligibility Criteria for the Selection of SHGs



4.2.4 Awareness on the criteria for the selection of VOs: The Sthree Nidhi has prescribed some terms and conditions to VOs for borrowing loans. They are i) the VO should be registered, ii) paid membership fee and share capital to Ms, iii) not borrowed loan from CIF, iv) regularly conducting auditing, general body and returns files etc and v) membership in MS. The data in fig-3 shows most of the borrowers don't know the eligibility criteria for the selection of VOs by Sthree Nidhi. However, many people know (28%) the criterion of 'VO that has registered' compared to all other selection criteria. Further, the awareness levels of members on eligibility criteria for selection of VOs is low compared to the eligibility criteria for the selection of SHGs and SHG members.

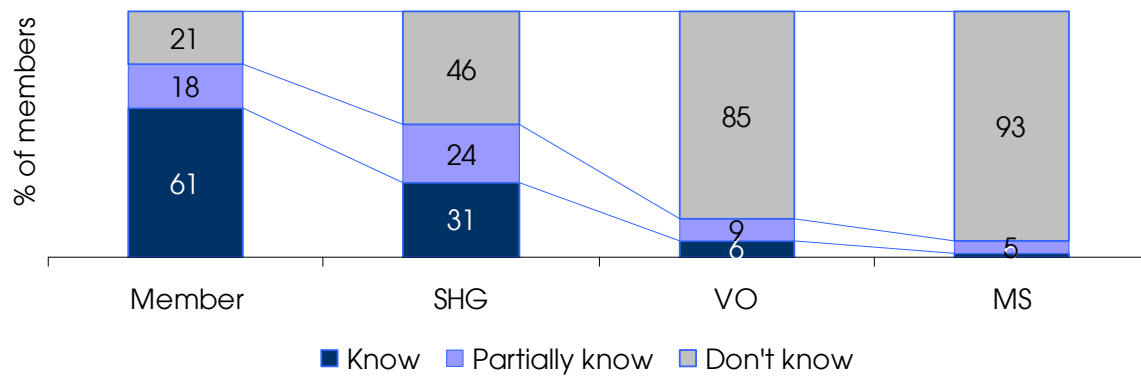
Fig-3: Awareness on Eligibility Criteria for Selection of VOs



4.3 Awareness on Cash Credit Limits (CCL)

Sthree Nidhi has fixed cash credit limits to SHG members (Rs. 15000/25000), SHGs (Rs. 90,000), VOs (Rs. 3-10 lakh) and MSs (Rs. 25-150 lakhs) based on grading and the amount of share capital paid by the MS to Sthree Nidhi. The data in fig-4 shows that majority SN loan borrowers know the loan limit of an SHG. But many members are not familiar with the cash credit limit of the SHGs; and most of the members don't know the cash credit limits of VOs and MSs. Further, it also shows that the members' awareness on cash credit limits has decreased from member to SHG to VO to MS. There is a little difference in the awareness levels of SHGs members between the regions. The awareness levels of members in Rayalaseema region on cash credit limits are high when compared to Telangana and Coastal regions. Similarly the awareness levels of leaders are high compared to SHG members.

Fig-4: Awareness on Cash Credit Limits



In brief, there are low awareness levels among SN loan borrowers on terms & conditions of loans from Sthree Nidhi funds, the criteria for the selection of members, SHGs, VOs and MSs and the cash credit limit (CCL) applicable to them, and how it would be determined.. Further, the awareness levels of members on SN loan lending norms have decreased between members and SHGs, between SHGs and VOs and between VOs and MSs.

Section-5

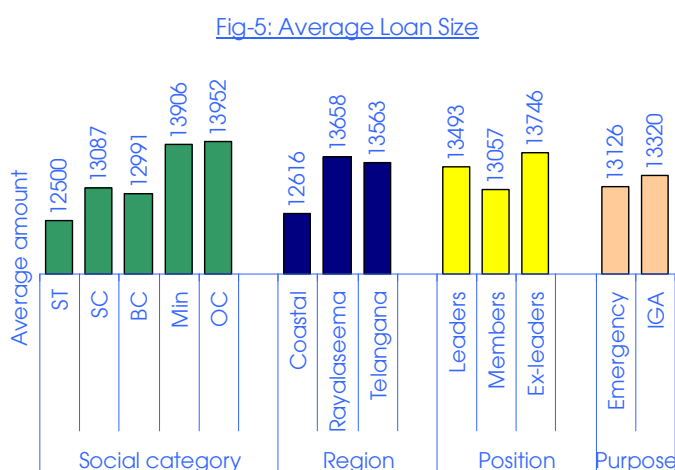
STATUS OF STHREE NIDHI LOANS

This section of the report mainly analyzed the loan terms and conditions (amount, repayment period & no. of installments) of Sthree Nidhi funds, and how it is different from other loans and of credit sources. Further, it analyzed the purpose-wise loan borrowings, utilization and diversification of funds. It also investigated whether the loan was used for the specified purpose or not, and to one or more purposes. If more than to one purpose, what are the reasons for it?

5.1 Loan Terms & Conditions

5.1.1 Loan amount: The sample members have borrowed a total loan of Rs. 99.58 lakhs with an average of Rs. 13277. Majority of the members borrowed a loan of Rs. 10000-15000 (63.3%) followed by Rs. 5000-10000. However, small number of members borrowed a loan of less than Rs. 5000 (3.6%) and more than Rs. 15,000 (3.5%).

The average loan size is small in Coastal region (Rs. 12616) compared with Telangana (Rs. 13563) and Rayalaseema (Rs. 13658) regions. There are minor differences in the average loan sizes between the leaders (Rs. 13493), members (Rs. 13057) and ex-leaders (Rs. 13746); similarly, the loan size between emergency (Rs.13126) and income generation (Rs. 13320) purposes.



However, there is a difference between social categories in their average loan sizes. The average loan size of STs is smaller with Rs. 12500 whereas it is higher among OCs with Rs. 13952 compared with all other social categories (SCs-Rs.13087, BCs-Rs. 12991, Min-Rs. 13906).

5.1.2 Loan term: As per Sthree Nidhi guidelines, the loan term should be less than 12 months. The data shows that in most of the cases the loan term is less than 12 months (98.3%); however, 13 members have a loan term of 14 - 24 months, which is against to SN loan guide lines.

5.1.3 Number of installments & amount: Monthly installments are common. During group discussions, the members said that they pay fixed amount, both principle and interest as equal monthly installment (EMI).

5.1.4 *Rate of interest:* Though most of the loan borrowers are unaware of rate of interest prescribed by Sthree Nidhi, have been paid loan installments as per the repayment schedule given by MS/ IKP staff.

5.2 Purpose of Loan

5.2.1 *Purpose:* Sthree Nidhi provides loans for two purposes – emergency which includes i) health, ii) education, and iii) marriages, and income generation activities which includes about 40 economic activities. But for the present analysis, loan purposes broadly divided into four categories – i) consumption, ii) social needs, iii) income generation and iv) asset creation. The sample members were borrowed a total loan of Rs. 99.58 lakhs with an

Purpose	Loans		Amount in Rs.		Mean in Rs.
	Frequency	%	Total	%	
1. Consumption	7	0.93	78,000	0.78	11,143
2. Social needs	164	21.87	2,154,000	21.63	13,134
3. Production	546	72.80	7,303,650	73.34	13,377
4. Asset Creation	33	4.40	422,500	4.24	12,803
Total	750	100.00	9,958,150	100.00	13,278

average of Rs. 13277. Table-8 shows that of the total 750 loans, the majority are for production or income generation (72.8%) followed by social needs (21.87) asset creation (4.4%) and consumption (0.93%). Of the total loan amount of Rs. 9,958,150, the major portion is for production/income generation activities (73.34%) followed by social needs (21.63%), asset creation (4.24%) and consumption needs (0.78%). There is no significant difference between the percentage of loans and amount borrowed for various purposes. The average amount of loan for the purpose of consumption is small (Rs. 11,143) compared to the average amount for asset creation (Rs. 12,803), social needs (Rs. 13,134) and production/IGA (Rs. 13,377).

Of the total (0.93%) consumption loans, the majority are for fairs & festival expenses (0.53%) followed by household gadgets (0.4%). Of the 72.8% of production loans, many are for milk animals (19.47%) followed by Agriculture inputs & agri-allied activities (18%), business (15.59%) and others (19.7%) includes weaving, carpentry, barber shop, laundry shop, motor winding, cycle repair shop, pan shop, etc. Among the loans for social needs (21.87%), there are loans for education (11.2%), followed by health (6.53%) marriage expenses (2.53%) and to repay high cost loans mainly to repay loans borrowed outside, at high interest rates (1.6%). Of the total 4.4% of asset creation loans, the majority are for housing (3.87%) followed by land and gold ornaments. On an average, the size of loans borrowed for marriage (Rs. 15,368) is large (see appendix-4). Further, there is not much difference between the average loan sizes of consumption, social, production and asset

creation loans. It is because of two reasons – i) Sthree Nidhi imposed a ceiling on the upper limit of loan as Rs. 15,000 for income generation activity and Rs. 25000 for emergency purposes and ii) No or low awareness levels of loan borrowers on the upper limit and the purpose of loan.

There is no significant difference between regions in the purpose of loans. However, there, is a significant difference in the purpose of loan between social categories (see table-9). The percentage of loan for emergency purposes decreases if the social category increases; whereas in case of income generation, social category increases the number of loans also increases. It means the percentage of loans for income generation and social category are positively correlated, whereas the percentage of loans for emergency purposes and social categories are negatively correlated.

Purpose of loan	Social category					Total (N=750)
	ST (N=10)	SC (N=195)	BC (N=334)	Min (N=43)	OC (N=168)	
1. Consumption	--	1.0	1.5	--	--	0.9
2. Social needs	40.0	28.7	18.6	23.3	19.0	21.9
3. Production	50.0	61.5	77.2	74.4	78.0	72.8
4. Asset creation	10.0	8.7	2.7	2.3	3.0	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

5.3 Loan Utilization

5.3.1 *Loan used for number of purposes:* Of the sample borrowers, majority of the members used the loan for one purpose (81.1%) followed by two (16%) and three (2.4%); but out of 750, 4 members not spent the loan amount, and it is with them on the day the study team was visited for data collection. It means 746 loans borrowed, used for 902 purposes with an average of 1.21. Majority of the members (68.8%) loans used for the intended purposes; however, some borrowers, partially (16.1%) or completely (15.1%) used for different purposes.

Loan used for	Loans		Amt. Rs. in lakhs		Mean in Rs.
	No.	%	Total	%	
1. Consumption	47	5.2	2.39	2.4	5,079
2. Social needs	282	31.3	28.44	28.7	10,085
3. Production	517	57.3	62.23	62.8	12,036
4. Asset creation	56	6.2	5.96	6.0	10,634
Total	902	100.0	99.01	100.0	10,976

5.3.2 *Loan used:* The data in table-10 shows that of the total loan of Rs. 99.01 lakhs used for 902 purposes, majority loans used for production (57.3%) followed by social needs (31.3 %) asset creation (6.2%) and consumption

(5.2%). Of the 5.2% of loans used for consumption purposes, majority used for food and clothing (2.66%) followed by fairs & festivals (1.55%) and household gadgets (1%). Of the 31.3% of the loans used for social needs, majority used for to repay old loans (11.64%) and education (10.98%) followed by health (7.32%). Of the 57.32% of loans used for production, majority used for milch animals, agricultural inputs and allied activities followed by business and other self employment activities. Of the 6.21% of the loans used for asset creation, majority used for housing (4.1%) followed by gold ornaments (1.55%) (See appendix-5)

Of the total loan of Rs 99.01 lakhs, the major portion of loan used for production activities (62.8%) followed by social needs (28.7%), asset creation (6%) and consumption (2.4%) see table-10. Of the loan 28.7% used for social needs major portion is to repay old loans (11% and education (10.2%). Of the loan 62.8% used for production, major portion is to milk animals (17%), agricultural inputs and agri-allied activities (12.8%) followed by business and others. Of the loan 6% used for asset creation, major portion is for housing (4.1%). It means, though the loans borrowed on the name of emergency and production purposes, used it for consumption and asset creation; and the average amounts used for consumption purposes is low (Rs. 5,079) compared to social needs (Rs. 10,085), asset creation (Rs. 10,634) and production (Rs. 12,036). It clearly indicates that the poor always needs small loans for consumption purposes (See appendix-6)

Table-11: Percentage of Loan Used for Intended and Unintended Purposes

S. No.	Percentage of loan	Same purpose		Different Purpose	
		Number	Percentage	Number	Percentage
1	< 25	8	1.3	20	8.6
2	26 - 50	35	5.5	66	28.3
3	51 - 75	58	9.2	27	11.6
4	76 - 99	19	3.0	7	3.0
5	100	513	81.0	113	48.5
Total		633	100.0	233	100.0

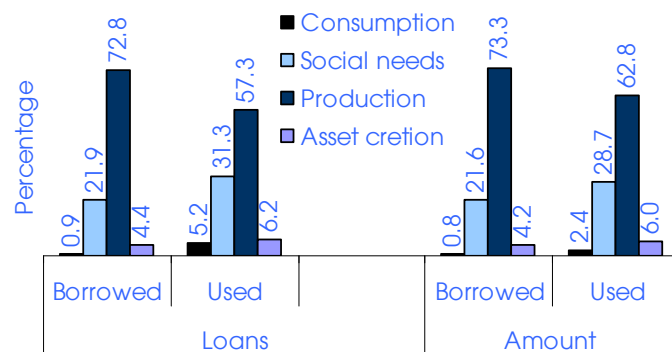
5.3.3 Loan diversification: Of the total 746 loans, majority loans (68.8%) used for the intended purposes, but 15.1% of loans for completely different purposes, and the remaining 16.1% of loans for both intended and different purposes. Of the total loan of Rs. 99.01 lakhs, more than three quarters (77.75%) used for the same purposes and the remaining 22.25% for different purposes. Table -11 shows the percentage of loan used for intended and unintended purposes. Of the 633 members used the total or a portion of loan for intended purposes, most of the members used 100% loan amount for the loan intended purpose. Of the 19% of members used a portion of loan for the same purpose, majority members (9.2%) used 51-75 percent of loan for the same purpose followed by 76-99 percent (3%) and less than 25 percent (1.3%). Of the 233 members used the total or a portion of loan for the loan

not intended purposes, 48.5% of the members used 100% of loan for not intended purposes. Of the 51.2% of the members used a portion of loan for not intended purposes, many used (28.3%) 51-75 percent of loan for unintended purposes followed by 51-75 percent (11.6%) and less than 25 percent (8.6%) and 76-99 percent (3%). There is a significant difference in the percentage of members 100 percent of loan used for intended (81%) and unintended (48.5%) purposes. This is because the percentage of loans used for multiple purposes in unintended/different purposes is more (59.2%) compared to intended/same purposes (19%).

Fig-6 shows that the percentage of loans borrowed for consumption and asset creation are low than the percentage of loans used. The percentage of loans borrowed for social needs and production are high than the percentage of loans used. About 15.5% of loans borrowed for production has diverted for social needs (9.4%), consumption (4.3%) and asset creation (1.8%).

Similarly, the percentage of loan borrowed for consumption, social needs, and asset creation are low than the percentage of loan used. About 10.5% of loan borrowed for production has used for social needs (7.1%), asset creation (1.8%) and consumption (1.6%). It means, some members borrowed loan for production

Fig-6: Loan -Purpose and Utilization



and used for unproductive/ non income generation activities such as consumption, social needs and asset creation. During individual interactions, the members reported the reasons for loan diversification as i) other pressing needs, ii) as the loan amount is small used for consumption and other lined activities, iii) loan amount is large, iv) delay in withdrawing loan from bank, and v) Sthree Nidhi funds used as subsidiary fund source of mobilizing funds for on going household activities.

In a nutshell, most of the SHG members treating Sthree Nidhi loan as another credit source; and it is not different from other sources of loan except loan term and interest rate. Repayment track record in selection of borrowers is working at all levels. Majority funds and loans borrowed for income generation activities but mostly used as working capital on household level economic activities. In large number of cases, the Sthree Nidhi loan is used to repay an old loan, borrowed on high interest rate, from money lenders or friends & relatives on the name of income generation activities. Though Sthree Nidhi provides loans for consumption and social needs, a portion of IGA loans diverted to consumption and social needs.

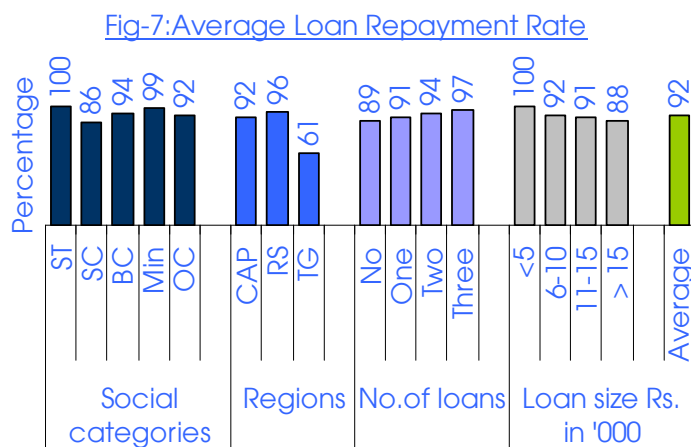
To ensure good repayment of loans, Sthree Nidhi has built-in certain measures in its 'Hand Book' to avoid or reduce the risk at all levels in the form of i) criteria for the selection of members, SHGs, VOs and MSs, ii) loan procedures and documentation, iii) monitoring of loan utilization and repayment by the sub-committees of SHG, VO and MS at all levels. To assess how far these risk reduction measures being followed by the SHGs, VOs and MSs, the study team has collected information on those risk reduction measures. Some are before loaning that is mandatory in loan documentation process that avoids risk. Some are after loaning that reduces the risk.

6.1 Loan repayment rate (RR) & default

6.1.1 Repayment Rate (RR): Repayment rate is one of the indicators to measure the financial discipline of the loan borrowers and financial sustainability of the institutions. It depends on multiple factors - members' loan absorption capacity, household credit status, lending norms etc. The loans which are more than one month old (257) are considered for the present analysis. Of the 750 loans, majority loans' repayment (65.7%) not started as the loans are less than one month old. The percentage of borrowers not started loan repayment is very high in Telangana region (94.3%) compared to Rayalaseema (63.7%) and Coastal (41.9%) regions. It means an intensive lending has been started recently in Telangana compared to the other two regions.

The loan repayment rate from members to VO is between '0' and 100 percent with an average of 91.77%. Of the total 257 loan borrowers, the repayment rate of majority members (79.8%) is 100 percent followed by between 76-99 percent (10.1%), between 51-75 percent (3.9%) and less than 50 percent (6.2%).

There are differences in the average loan repayment rates between different social categories and regions. The average loan RR of members in Telangana is low (61.23%) compared to Coastal (91.85%) and Rayalaseema (95.76%) regions. The average loan repayment rate of SCs is low (86.31%) compared to OCs (91.98%), BCs (93.9%), Min (98.75%) and STs (100%). The RR



of loans borrowed for asset creation is low (85.73%) compared to social needs (91%), production (92.3%) and consumption (100%). Interestingly, the RR and the number of loans of SN loan borrowers from SHGs are positively correlated. Number of loans increases the RR also increases. The average RR of SN loan borrowers who didn't borrowed any loan from SHGs, is low (88.86%) compared to members having one (90.52%), two (93.77%) and three (96.82%) loans from SHGs. The RR and the loan size are correlated. The loan size increases RR decreases. The RR of loan size less than Rs. 5000 is high compared to Rs. 6000-10000 (92.21%), Rs. 11000-15000 (90.74%) and more than Rs. 15000 (87.75%).

6.1.2 Reasons for delayed repayment: The members have given socio, economic and procedural reasons for the delayed repayment of loans. Those reasons are of two types - a) genuine and b) willful. The genuine reasons are: i) less availability of work, ii) ill health of household member (s), iii) decided to pay at the end and iv) multiple loans. The willful reasons are mostly related to procedures or systems such as i) no clarity on repayment schedule, ii) loan repayment date not matched with the SHG and VO meetings and iii) no faith on VO leaders.

6.2 Risk reduction strategies at SHG level

6.2.1 Before loaning/ sanctioning

a) Criteria for the selection of members to SN loan: As per SN guidelines, those members defaulted SHG-BL and CIF loans, and having loan outstanding more than Rs. 60,000 are not eligible for SN loan. But many SHGs have ignored it. About 10 SN loan borrowers have more than Rs. 60000 loan outstanding to SHGs; some members don't have good repayment track record; and many members accessed 2 to 3 loans from SHGs. This would enhance the risk in the form of low repayment or defaulting in future.

b) Fulfillment of loan pre-requisites and loan documentation: An SHG before applying for a loan to Sthree Nidhi has to select its members, minute it in meeting minute's book, should submit filled in loan application form along with member-wise micro-credit plans. But in practice, nearly one half of the members not submitted loan application and micro-credit plan; and about 30 % of SHGs not documented about Sthree Nidhi loan in meeting minutes books. It will create confusion to review or monitor the loan status at all levels.

c) Loans to members who can repay: The SHGs have followed their own risk reduction methods than the ways designed by Sthree Nidhi. Most SHGs have selected its members to SN loan those who can repay than the member's loan purpose. Like SHG-BL loans, some SHGs have distributed loan amount to all the group members to avoid competition. In few SHGs, those have already borrowed large volume of SHG-BL loan and good at repayment, have borrowed maximum amount of loan eligible as per Sthree Nidhi lending norms and disbursed to two/three members who can repay. The IKP staff also

encouraged these practices to avoid default or ensure good repayment as the IKF staff at mandal level made accountable to default and repayment.

6.2.2 After loaning/grounding the loan

a) *Promissory Note*: About one half of loan borrowers provided security to SHGs in the form of promissory note, and some SHGs mentioned in meeting minute's books. However, SN loan details are not documented in any form by many SHGs. It would create a mystification among the members in future.

b) *Reviewing and monitoring of apex bodies*: The apex bodies includes i) SHG-BL Recovery Committee at VO and MS levels, and ii) SHPI visits related to loan utilization. The data in table-12 shows that about 18% of cases, the VO sub-committee members visited SN loan borrowers; and 1.1% of cases MS sub-committee members visited the loan borrowers. Further, IKP staff visited 12% of loan borrowers to explain SN loan repayment norms.

S. No	Means	SHGs	VOs	MSs
A	Before loaning/grounding			
1	Loan application and MCP	51.1	51.5	45.5
2	Resolution in SHG meeting	69.7	69.7	45.5
3	Inter-se agreement	--	45.5	30.3
4	Articles of agreement	--	36.4	30.3
B	After loaning/grounding			
1	Demand promissory note	50.5	51.5	36.4
2	VO-sub committee	17.9	--	--
3	MS-Representative	1.1	--	--
4	IKP Staff	11.6	--	--

6.2.3 Risk reduction strategies at VO and MS levels

a) *Risk reduction strategies at VO and MS levels*: The various risk reduction systems designed by Sthree Nidhi are not fully followed by the VOs and MSs. The data shows that of the 33 VOs, 52% have collected loan application and individual micro-credit plans; collected resolutions passed in SHG meetings from 69.7% of SHGs; about 45.5% have submitted inter-se-agreement and articles of agreement (36.4%); and another 51.5% of VOs collected promissory note as loan security. Further, majority of the VOs not submitted mandatory loan documents to be submitted to MSs. About 45.6% of VOs submitted loan application and resolution to MS; about 30.3% of VOs submitted inter-se-agreement and articles of loan agreements; and 36.4% of VOs given demand promissory note MSs. It shows that many VOs and MSs are not followed loan procedures prescribed by the Sthree Nidhi.

b) *Factors mounting risk*: During discussions, the VO and MS office bearers have reported the reasons for it as i) no knowledge on procedures, ii) non-availability of prescribed loan application and related formats and iii) SN

sanctions loans based on IVRS message but not on loan documentation. In other words, an SHG member can get loan by IVRS message without any documentation. Hence, many VOs, MS and the IKP staff have neglected loan documentation procedures. Further, as most of the VO/MS office bearers who are the signatories, are unaware of procedures and systems, and more dependency on IKP staff, there is a possibility of influencing the office bearers in decision making by the project staff. This would lead to misuse of Sthree Nidhi loans by VO/MS office bearers and IKP staff joining hands with each other.

In summary, majority loans repayment is yet to start as most of the loans are less than one month old. Repayment rate is good. However, willful default/delay in loan repayment is found because of low awareness among the members and systemic problems related to repayment of loan installments at SHG, VO and bank levels. Practicing of risk reduction measures especially the selection of members and loan documentation procedures at SHGs, VOs and MSs levels is less focused and incomplete because the members have a feeling that those documents are not to be submitted to Sthree Nidhi for authentication.

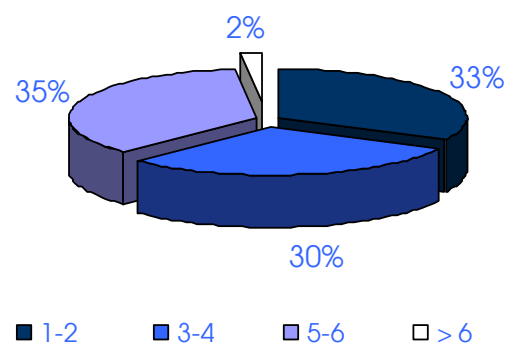
DYNAMICS AT SHG AND HOUSEHOLD LEVELS

This part of the report examined, as a result of Sthree Nidhi pilot, what is the progress in members' access to credit at SHG level. If the loan is inadequate, how many members, how much of additional funds mobilized from whom? And the kind of assets created with full or partial support of SN loan.

7.1 SHG Members' Access to Sthree Nidhi Loans

As we discussed in the sampling methodology, the present sample of 750 loan borrowers are members of 492 SHGs. The sample SHGs has disbursed 1826 loans to their members with an average of 3.71 loans per SHG. If we assume 12 as average group size, it seems that nearly one-third of SHG members accessed Sthree Nidhi loans. In many sample SHGs, 4-6 members borrowed SN loan (35.4%) followed by 1-2 (32.7%) and 3-4 (29.9%) members; but only in 10 (2%) SHGs more than six more members availed loan which is against to the lending norms

Fig-8: Number of Members in a Group Accessed SN Loans



prescribed to SHGs by Sthree Nidhi is mostly found in Chittoor district (7) and one each in Anantapur, Kadapa and Medak. Further, the ratio of leaders and members accessed Sthree Nidhi loans is high (1:3) compared to the ratio of leaders and members in a group (1:6). In case of SHGs selected one member for SN loans, majority of them are leaders (60.9%). It means more no. of leaders in a group accessed Sthree Nidhi loans. Majority SHGs (70.5%) have selected both leaders and members for Sthree Nidhi loans; however, some SHGs have selected either members (15.2%) or leaders (14.2%) for the loan.

7.2 Mobilization of Additional Funds

The study team has collected information on source-wise volume of funds mobilized by the members, as if the Sthree Nidhi loan is small to take up the activity.

7.2.1 Number of members mobilized additional funds: Of the 750 sample members, majority of the members (52.7%) mobilized funds from multiple sources - one to three; however, most of the members mobilized funds from only one source. There is a little difference between regions in the percentage of members' mobilized additional funds. It is high in Coastal

region (58.1%) compared to Rayalaseema (50.6%) and Telangana (49.1%) regions.

Table-13: Source-wise Mobilization of Additional Funds by SN Loan Borrowers

Fund source	Borrowers		Loan outstanding (in Rs.)		
	Number	%	Total	%	Mean
A. Within household					
1. Family income	136	34.4	2344000	24.3	17235
2. Savings/chits	55	13.9	1942600	20.2	35320
B. Outside household					
1. SHG savings	13	3.3	152000	1.6	11692
2. Relatives & Friends	101	25.6	1900500	19.7	18817
3. Banks	23	5.8	655500	6.8	28500
4. Money lenders	104	26.3	2001000	20.8	19240
5. Others	22	5.6	634000	6.6	28818
Total			9629600	100.0	24379

7.2.2 Sources for additional fund mobilization: The sources of additional funds can be broadly categorized into two- household sources includes family income, and savings where there is no interest burden on loan borrowers; and ii) Other than household sources includes loan from SHG, friends & relatives, banks, money lenders and others wherein there is an interest burden. Of the total funds mobilized Rs. 96.3 lakh, major portion of funds are from external sources (55.5%); however, substantial amount of funds are from internal sources (44.5%). Of the HH sources, 24.3% is from household earnings and the remaining 20.2% from savings/chits. Of the outside household sources of funds, major portion of funds are from money lenders (20.8%) and relatives & friends (19.7%) followed by banks (6.8%), others (6.6%) and SHG loan (1.6%). It confirms that still rural households depending on informal/traditional credit sources.

7.2.3 Share of additional funds to Sthree Nidhi loan: As discussed earlier, majority members mobilized additional funds apart from Sthree Nidhi loan. About 24.4% of the members mobilized funds more than the amount of Sthree Nidhi loan followed by less (20.4%) and equal (7.9%). The ratio between average loan amount from Sthree Nidhi and the additional funds mobilized by a member is almost equal (1: 0.98; Rs. 13278: Rs. 12839). This could be one of the reasons why the members have reported that the present loan amount is small / inadequate, and suggested large ideal loan size.

7.2.4 Share of Sthree Nidhi to SHG Credit: The sample members have borrowed a total loan of Rs. 2.31 crores from the SHG funds. Of the total loan outstanding of sample members, major portion is to Sthree Nidhi (43.2%) followed by SHG-BL (38.8%) and others (18.1%) such as group savings, CIF and housing loans. It is because of preference given to those SHGs that have no

and /or small loans from VOs and SHG-Bank linkage while selecting members and SHGs.

7.3 Asset Creation

7.3.1 *Type of assets:* Out of 750, 318 SHG members procured 322 assets of Rs. 96.64 lakh with an average of Rs. 30,012. This could be as majority of the members borrowed and used loans for consumption and social needs rather than income generation activities which provide an opportunity of asset procurement; further, many members invested the loan as working capital on old activity.

7.3.2 *Type of assets & value:* The kind of assets procured by the loan borrowers can be broadly categorized into i) permanent assets such as land, house and ornaments, ii) productive assets such as livestock, agriculture machinery, bullock cart & bulls, tool kits, auto/taxi/tractor, machinery and iii) household appliance such as kitchen equipment and furniture (table-). Of the total assets, majority of the assets are productive (68.3%) followed by permanent (12.4%) and household appliances (6.6%). Of the productive assets, majority are milch animals (36%) followed by agriculture machinery and equipment (10.3%). Of the household appliances, major asset is furniture (5%). Of the permanent assets, major asset is house (8.1%). It shows that milk animals, agriculture machinery, furniture and house are the major assets procured by the Sthree Nidhi loan borrowers. Of the total assets value of Rs. 96.64 lakhs, major portion is for milk animals (31.9%) followed by housing (23.6%) and auto/taxi/tractor (11.2%).

Table-14: Details of Assets Created by SN Loan Borrowers

Assets	Name of the asset	Assets		Asset Value in Rs.		
		F	%	Amount	%	Average
Productive assets	1. Milk animals	116	36.0	3083800	31.9	26584
	2. Sheep/goat	8	2.5	185500	1.9	23188
	3. Bore-well	5	1.6	160000	1.7	32000
	4. Bullocks/Cart	16	5.0	448000	4.6	28000
	5. Ag Machinery	17	5.3	238000	2.5	13937
	6. Machinery	26	8.1	517000	5.3	19885
	7. Tool kits	13	4.0	174000	1.8	13385
	8. Taxi/tractor	19	5.9	1082500	11.2	56974
HH appliance	1. HH gadgets	5	1.6	45000	0.5	9000
	2. Furniture	16	5.0	282000	2.9	17625
Permanent assets	1. Land	2	0.6	60500	0.6	30250
	2. House	26	8.1	2283500	23.6	87827
	3. Ornaments	12	3.7	167500	1.7	13958
Others	1. Others	41	12.7	936500	9.7	22841
Total		322	100.0	9663800	100.0	30012

7.3.3 Present status of the assets: Of the 322 assets procured by 318 SHG members, most of the assets are present; however, 4.5% of the assets are absent. During individual interactions, some members have reported that they were disposed assets as they got good margin of profits.

In summary, the intervention of Sthree Nidhi provided significant portion of funds to SHGs for on lending to their members. A good number of SN loan borrowers mobilized funds from other sources on par with SN loan to meet total fund requirement for the activity. Regarding asset creation, not many members have procured productive or permanent assets as majority of the members have used the loan to purchase inputs or as working capital on household economic activity, and for consumption and social needs.

Section-8

OPINION ON STHREE NIDHI LOANS

The issues and problems in accessing and repaying Sthree Nidhi loans at SHG, VO and MS levels are explained in the present section of the report. To understand the issues and problems both at micro and macro levels, the study team has interacted with not only the individual SN loan borrowers but also VO and MS 'Executive Committee' members. The data was analyzed and presented as i) problems at SHG level especially relating to lending norms, ii) problems at VO and MS levels related to systems and procedures and loan sanction, disbursement and repayment.

8.1 Problems at SHG level

8.1.1 Inadequate quantum of loan: According to Sthree Nidhi guidelines, the upper limit of loan amount for income generation and emergency purposes is Rs. 15,000 and Rs. 25,000 respectively. Majority of the members reported that the present loan amount is inadequate (59.1%). The social category of loan borrowers and the loan inadequacy are positively correlated. More percentage of borrowers reported loan inadequacy in Coastal region (68.8%) compared to Rayalaseema (58.8%) and Telangana (48.7%) regions. Between members and leaders, high percentage of leaders (63.5%) reported loan inadequacy compared to members (55.7%) and ex leaders (53.6%). The above discussion shows that the percentage borrowers reported loan inadequacy is associated with region, social category and member's position in a group.

During individual discussions the members have reported the average ideal loan size for income generation activity as Rs. 29,000 and for emergency purposes as Rs. 35,879. However, majority of the members suggested ideal loan amount between Rs. 15,000 and 30,000 for both income generation (64.3%) and for emergency (59.5%) purposes.

8.1.2 Less loan repayment period / short loan term: Sthree Nidhi has designed short term loan with a repayment period of 12 months. The data in table-4 show that majority of the members, irrespective of social categories, regions and member's position in a group, have reported the loan repayment period as 'reasonable' (54.5%). However, more or less one-third of members reported as 'less'. This could be as many members compared it with the loan repayment period of SHG-Bank linkage programme.

8.1.3 Timely loans: One of the intension of Sthree Nidhi is to reduce SHG members' dependency on MFIs and traditional money lenders by providing timely loans at door steps. Most of the SN loan borrowers irrespective of social categories, region and member's position in a group have reported that the loan was sanctioned timely (93.7%). However, few members have reported

as untimely due to delay in passing the information from VO to SHG and SHGs to members.

Table-15: Opinion of SHG Members on Sthree Nidhi Loan

Particulars	Loan amount		Timeliness		Repayment period		
	Ade-quate	Inade-quate	Timely	Un-timely	Less	Reaso-nable	More
A. Social Category							
1. ST	50.0	50.0	100.0	0.0	60.0	30.0	10.0
2. SC	41.5	58.5	93.8	6.2	32.3	56.4	11.3
3. BC	44.0	56.0	94.0	6.0	30.5	54.2	15.3
4. Min	39.5	60.5	90.7	9.3	34.9	53.5	11.6
5. OC	33.9	66.1	93.5	6.5	31.0	54.8	14.3
B. Region							
1. Coastal	31.2	68.8	96.4	3.6	33.6	46.6	19.8
2. Rayalaseema	41.2	58.8	95.9	4.1	30.7	59.2	10.1
3. Telangana	51.3	48.7	88.3	11.7	30.9	57.8	13.7
C. Position							
1. Leader	36.5	63.5	93.1	6.9	33.2	50.6	16.2
2. Member	44.3	55.7	94.8	5.2	29.1	59.0	11.9
3. Ex-members	46.4	53.6	85.7	14.3	50.0	39.3	10.7

8.1.4 Delay at bank and VO: Majority of the members has reported the time taken to get SN loan as 1-5 days (72.3%) followed by 6-10 (18.4%) and more than 10 days (9.3%). The data shows that about 80% of the members were visited VO less than two times and the remaining were visited between 3 and 6 times. During discussions with SHGs and VOs, the members have reported the reasons for delay as i) due to delay in bank and ii) passing information from VO to SHGs and members.

8.1.5 High rate of interest & Unawareness on applicability of pavalavaddi: As per Sthree Nidhi, the rate of interest on loans to SHG, VO and MS are 14%, 13% and 12% respectively. As members are unaware about the applicability of pavalavaddi to SN loans, many borrowers have reported the interest rate as 'high' and 'burdensome' compared to other loans of SHGs such as loan form SHG funds, CIF from VO and SHG- bank linkage programme.

8.1.6 Equal distribution of SN loan to all SHG members: In few SHGs whatever the amount of loan received by the SHG on the name of five or six members in a group, is equally distributed to all the members in a group. During discussions the group members have given the reason as they though off SN programme also like SHG-bank linkage programme. Unlike equal distribution, in few SHGs, loan borrowed on the name of six members, but given to two / three members as the SN loan is small and demand for larger loans from the members. Both the above are unhealthy practices.

8.2 Problems/issues at VO and MS levels

8.2.1 Problems related to systems and procedures

a) Problems related to IVRS: During discussions, the borrowers have reported many problems related IVRS. They are: i) IVRS not activated, ii) Not included many important purposes in the loan list of IVRS (for instance goat rearing), iii) many members don't know how to operate IVRS; iv) unable to understand the SMS messages those are in English. Hence there is an increased dependency on staff; v) unable to cancel the request message sent by CA for testing, vi) expend the amount Rs.10 to Rs.20/- per message, vii) delay in recharging the phone, viii) not allowing prepayment of SN loan.

b) Wrong entry of SHG account numbers: As the VO leaders wrongly entered the SHG savings account number in IVRS, loan deposited in some other SHG saving account; similarly, in the case of loan repayment.

c) Undue delay by the bankers: some of the bank branches asking SHG resolution; some are not allowing withdrawal of loan amount; few have mentioned about the failure of computers in the bank. Therefore, there is a delay of 10 to 20 days at the bank.

d) Busy schedule and/or unavailability of SHG leaders: As the leaders are not available and busy with agriculture operations have caused delay in withdrawal of loan amount from bank and repayment of loan installments. Some times it caused delay.

e) Payments to community activists (CA) for MCP preparation: MCP is one of the pre-requisites to be fulfilled by the members to get SN loan. The CAs collected Rs. 400/500 from the loan borrowers as fee for MCP preparation. This increases the cost of the loan which is a burden on loan borrowers.

f) Meager facilitation from IKP staff: Many borrowers have reported that the IKP staff not facilitated SHGs/VOs much on loan repayment procedures. Further, they have created a kind of fear rather than facilitating SHG/VOs on loan procedures.

g) Division of VO and the repayment issue: Dividing of large VOs into small VOs has been caused inconvenience in repaying loan installments due to delay in opening new VO SB account.

h) More demand for SN loans from SHGs: During discussions with VOs and MSs, the Executive Committee members have expressed their concern about the pressure from the SHG members irrespective of quality and eligibility of SHGs and VO as per SN guidelines.

8.2.2 Problems related to loan sanctioning, disbursement and repayment

a) No clarity on loan repayment schedule: The delay in providing repayment schedule to individual borrowers and lack of clarity on procedures at all levels led to confusion among the members on how to pay, when to pay and whom to pay the loan, and it different from other SHG loans. Hence, some have stopped/delayed repayment of loan; some have paid to SHG account

instead of VO account; some SHGs have deposited to VO general account; and some SHG members directly paid loan installment to VO account.

b) Depositing of loan installment to SHG/VO accounts: Loan installment deposited into SHG/VO accounts instead of to Sthree Nidhi loan account.

c) Monitoring of repayments: During discussions members expressed that the monitoring of member wise loan repayment at VO level is taking more time and difficult. Sometimes it becomes more difficult when demand and payments are not matching.

d) No payment voucher from VO: VO not giving any payment voucher or loan pass books to borrowers as a proof. Thus, many members have expressed doubt on VO & the leaders whether the amount deposited to the loan account or not. In this context, members quoted their past experience related to the misuse of SHG funds (member's monthly savings and loan installment) by the leaders.

e) More miscellaneous expenditure and expensive: Some SHGs have the practice of collecting all kinds of expenditure related to SN loan from the borrowers. The members have reported SN loan expenditure as i) xerox expenditure of all set of documents, ii) cell-phones charges- a) SMS charges (Rs. 20) , b) IVR charges (Rs. 60), iii) travel expenses and daily wage to leaders to attend the bank for withdrawing loan amount. Thus many members have the feeling that the SN loan is expensive.

In brief, majority members are discontented with the loan size, repayment period and rate of interest on SN loans. But pleased with timeliness of the loan and time taken and visits made to get the loan. The unhealthy practices found in other sources of loans, are also observed in Sthree Nidhi loan such as equal distribution of loan to all members, more indirect loan costs, poor loan documentation/accounting. Most of the issues and problems related to systems and procedures are because of less awareness of members, no or less attention on capacity building at all levels and lending without appropriate systems in place. Under estimation of capacity building requirements and cost effectiveness while implementing technology based interventions with community is led to dependency on staff and high cost to the borrower as well as IVRS operator.

APPENDICIES

Appendix-1: District-wise Coverage of Sampling Units

S. No.	Name of the Region & District	Sampling Units			
		Members	SHGs	VOs	MSs
A Coastal					
1	East Godavari	58	4	2	1
2	Guntur	29	2	2	1
3	Prakasam	43	2	2	1
4	Visakhapatnam	69	2	2	1
5	Vizianagaram	26	4	2	1
6	West Godavari	28	4	2	1
Sub total		253	18	12	6
B Rayalaseema					
7	Anantapur	90	6	4	1
8	Chittoor	158	12	5	1
9	Kadapa	19	5	2	1
Sub-total		267	23	11	3
C Telangana					
10	Adilabad	28	4	2	1
11	Khammam	20	2	2	1
12	Medak	74	11	2	1
12	Nalgonda	80	4	2	1
14	Nizamabad	28	4	2	1
Sub-total		230	25	10	5
Total		750	66	33	14

Appendix-2: The Study Team & Fieldwork Plan

S. No.	No. of Teams & Members	Name of the district	Period of data collection	
			From	To
A	Supervision & Coordination			
1	Dr. K. Raja Reddy			
2	Ms. Ramalaskhmi			
B	Fieldwork			
	Team-1			
1	Mr. Siddi Srinivas	Visakhapatnam	27-01-2012	31-01-2012
2	Mr. Vamsidhar Reddy	Vizianagaram	31-01-2012	02-02-2012
3	Mr. Venkat	Nizamabad	04-02-2012	06-02-2012
	Team -2			
4	Dr. S. Prahallad	Chittoor	27-01-2012	02-02-2012
5	Mr. Hemadri Naidu	Nalgonda	04-02-2012	06-02-2012
6	Mr. Manikya Rao			
	Team-3			
7	Ms. Geethanjali	Kadapa	27-01-2012	29-01-2012
8	Ms. Venkataramana	Chittoor	30-01-2012	03-02-2012
9	Mr. Ramanjulu	Medak	04-02-2012	06-02-2012
	Team-4			
10	Mr. Naveen Kumar	West Godavari	27-01-2012	30-01-2012
11	Mr. Sreenivas Reddy	East Godavari	31-01-2012	02-02-2012
12	Mr. Muralikumar	Adilabad	04-02-2012	06-02-2012
	Team-5			
13	Mr. Kalicharan	Guntur	27-01-2012	29-01-2012
14	Venkateswarulu	Prakasam	30-01-2012	01-02-2012
15	Mr. Koteswar Rao	Khammam	04-02-2012	06-02-2012
	Team-6			
16	Mr. Venkateswarulu	Anantapur	27-01-2012	02-02-2012
17	Mr. Chandrasekhar	Medak	04-02-2012	06-02-2012
18	Mr. Ganga Prasad			

Appendix-3: District-wise Details of Sthree Nidhi Lending

S.No	Name of the region and district	Mandals		VOs		SHGs		Disbursement	
		Total	Covered	Total	Covered	Total	Covered	Number of loans	Loan Amount in Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
A	Coastal								
1	Krishna	49	7	1780	10	54168	15	32	374500
2	Srikakulam	38	15	1161	27	38981	34	96	1284012
3	Nellore	46	15	1345	40	35017	61	164	2054500
4	West Godavari	46	15	1766	123	60119	419	820	10442900
5	Vizianagaram	34	25	1240	204	32285	522	839	9703536
6	Guntur	57	33	1473	144	55385	298	878	11131301
7	Prakasam	56	41	1763	210	50275	503	1291	17385500
8	East Godavari	58	48	1840	287	80943	652	1798	23359080
9	Visakhapatnam	39	32	1733	347	42604	716	2343	26109601
	Sub total	423	231	14101	1392	449777	3220	8261	101844930
B	Royalaseema								
1	Kurnool	54	7	1571	19	44263	41	117	1497500
2	Kadapa	50	25	1314	102	32442	175	588	7420000
3	Anantapur	63	45	2514	378	51433	1085	3089	40387598
4	Chittoor	66	64	2048	556	57320	1271	5335	70115145
	Sub-total	233	141	7447	1055	185458	2572	9129	119420243
C	Telangana								
1	Ranga Reddy	33	14	1082	21	32036	33	60	854500
2	Karimnagar	57	20	1866	60	51644	105	318	4548000
3	Mahabubnagar	64	12	2027	63	46901	178	440	5701400
4	Warangal	50	7	1937	46	52397	119	441	6337000
5	Khammam	46	24	2143	74	46591	160	621	8794500
6	Adilabad	52	19	1562	79	32388	190	896	12222000
7	Nizamabad	36	17	1022	102	35047	332	902	11900300
8	Medak	46	45	1399	258	39110	624	2395	32126000
9	Nalgonda	59	29	1767	203	56635	620	2660	35000700
	Sub-total	443	187	14805	906	392749	2361	8733	117484400
	Total	1099	559	36353	3353	1027984	8153	26123	338749573

Appendix-4: Purpose-wise Number of Loans and Amount

Purpose of loan		Loans		Amount in Rs.		Mean in Rs.
		No.	%	Total	%	
Consumption	Fairs & festivals	4	0.53	45,000	0.45	11,250
	HH gadgets	3	0.40	33,000	0.33	11,000
	Sub-total	7	0.93	78,000	0.78	11,143
Social needs	Education	84	11.20	1087500	10.92	12,946
	Health	49	6.53	624,500	6.27	12,745
	Marriage	19	2.53	292,000	2.93	15,368
	To repay old loans	12	1.60	150,000	1.51	12,500
	Sub-total	164	21.87	2,154,000	21.63	13,134
Production/ Income generation activities	Milk animals	146	19.47	1,977,000	19.85	13,541
	Ag. Inputs	77	10.27	1,066,500	10.71	13,851
	Ag. Allied activities	58	7.73	723,000	7.26	12,466
	Kirana shop	45	6.00	606,250	6.09	13,472
	Auto/taxi/tractor	27	3.60	362,500	3.64	13,426
	Saree business	25	3.33	324,900	3.26	12,996
	Weaving	19	2.53	227,500	2.28	11,974
	Seasonal business	16	2.13	215,000	2.16	13,438
	Tailoring	16	2.13	212,000	2.13	13,250
	Cloth business	15	2.00	210,000	2.11	14,000
	Tiffin Center	15	2.00	210,000	2.11	14,000
	Carpentry	11	1.47	120,000	1.21	10,909
	Sheep/Goat/Poultry	10	1.33	135,000	1.36	13,500
	Machinery	8	1.07	110,000	1.10	13,750
	Bore well	6	0.80	82,500	0.83	13,750
	Vegetable vending	6	0.80	62,000	0.62	10,333
	Flour mill	6	0.80	89,000	0.89	14,833
	Laundry shop	5	0.67	75,000	0.75	15,000
	Tea stall	4	0.53	50,000	0.50	12,500
	Tent house	4	0.53	60,000	0.60	15,000
	Stationary shop	4	0.53	60,000	0.60	15,000
	Bullock carts	3	0.40	40,500	0.41	13,500
	Foot Wear shop	3	0.40	40,000	0.40	13,333
	Pickle making	3	0.40	45,000	0.45	15,000
	Pipe line	2	0.27	30,000	0.30	15,000
	Fishing nets	2	0.27	30,000	0.30	15,000
	Barbershop	2	0.27	30,000	0.30	15,000
	Mobile bangle shop	2	0.27	20,000	0.20	10,000
	Motor winding	2	0.27	30,000	0.30	15,000
	Cycle repair shop	2	0.27	30,000	0.30	15,000
	Children clothes	1	0.13	15,000	0.15	15,000
	Pan shop	1	0.13	15,000	0.15	15,000
Sub-total	546	72.80	7,303,650	73.34	13,377	
Asset creation	House/new/repair	29	3.87	377,500	3.79	13,017
	Land development	2	0.27	22,500	0.23	11,250
	Ornaments	2	0.27	22,500	0.23	11,250
	Sub-total	33	4.40	422,500	4.24	12,803
Total		750	100.00	9,958,150	100.00	13,278

Appendix-5: Purpose-wise Utilization of Loan Amount

Loan Used/purpose		Loans		Amt. Rs. in lakhs		Mean in Rs.
		No.	%	Total	%	
Con- sumption	Food/clothing	24	3.7	0.98	1.0	4096
	Fairs & Festivals	14	2.2	0.96	1.0	6886
	HH gadgets	9	1.4	0.44	0.4	4889
	Sub-total	47	7.3	2.39	2.4	5,079
Social needs	To repay old loans	105	16.3	10.93	11.0	10405
	Education	99	15.3	10.06	10.2	10161
	Health	66	10.2	5.75	5.8	8705
	Marriage	12	1.9	1.71	1.7	14250
	Sub-total	282	43.7	28.44	28.7	10085
Production/ Income generation activity	Milk animals	128	19.8	17.24	17.4	13467
	Ag. Inputs	61	9.4	7.15	7.2	11720
	Ag. Allied	56	8.7	5.58	5.6	9955
	Kirana shop	44	6.8	5.43	5.5	12330
	Auto/taxi/tractor	29	4.5	3.41	3.4	11741
	Saree business	23	3.6	2.84	2.9	12365
	Clothes business	17	2.6	2.35	2.4	13824
	Tiffin center	16	2.5	1.77	1.8	11063
	Weaving	16	2.5	1.75	1.8	10906
	Tailoring	14	2.2	1.44	1.4	10250
	Sheep/Goat/	13	2.0	1.42	1.4	10885
	Seasonal business	13	2.0	1.59	1.6	12231
	Carpentry	11	1.7	1.20	1.2	10909
	Machinery	10	1.5	1.21	1.2	12100
	Veg. vending	6	0.9	0.46	0.5	7667
	Laundry shop	6	0.9	0.62	0.6	10400
	Flour mill	6	0.9	0.82	0.8	13667
	Cycle repair shop	6	0.9	0.55	0.6	9167
	Bore-well drilling	5	0.8	0.73	0.7	14500
	Tent house	5	0.8	0.65	0.7	13000
	Pipeline	4	0.6	0.39	0.4	9750
	Stationary shop	4	0.6	0.57	0.6	14250
	Bullock-cart	3	0.5	0.41	0.4	13500
	Fishing nets	3	0.5	0.45	0.5	15000
	Tea stall	3	0.5	0.30	0.3	10000
	Cloths business	3	0.5	0.33	0.3	11000
	Pickle making	3	0.5	0.40	0.4	13333
	Barber shop	2	0.3	0.25	0.3	12500
	Foot wear shop	2	0.3	0.30	0.3	15000
	Mob. Bangle shop	2	0.3	0.20	0.2	10000
	Motor winding	2	0.3	0.30	0.3	15000
	Pan shop	1	0.2	0.15	0.2	15000
Sub-total	517	80.0	62.23	62.8	12036	
Asset creation	House new/repair	37	5.7	4.04	4.1	10905
	Ornaments	14	2.2	1.35	1.4	9607
	Land	5	0.8	0.58	0.6	11500
	Sub-total	56	8.7	5.96	6.0	10634
Total		902	140.2	99.01	100.0	10976

A Study on Utilization of Sthree Nidhi Loans by SHG Members

Study sponsored by STHREE NIDHI

- A. Identification details** Schedule No _____
1. Respondent _____ 2. Name of SHG _____
3. Village _____ 4. Mandal _____ 5. District _____
- B. Profile of the respondent**
1. Position in SHG : 1-Leader 2-Member 3-Ex Leader
2. Educational level : 1-Illiterate 2-Class 1-7 3- Class 8-10 4-College
3. Marital status : 1- Married 2-Unmarried 3-Widowed 4- Separated
4. Social category : 1-ST 2. SC 3-BC 4-Min 5-OC
5. Occupational details of SHG member's HH (Enter code from the list below)
5.1. Primary: _____ 5.2. Secondary: _____
1. Agriculture 2. Agriculture labour 3. Animal Husbandry
4. Non-farm labour 5. Caste Occupation 6. NTFP collection
7. Seasonal business 8. Salaried jobs 9. Petty Business
10. Small enterprise 11. Other (specify) _____
6. Type of ration card : 1-White 2-Pink 3-Other 4-No card
7. Type of house : 1-Colony house 2-Thatched 3-Tiled 4-Pucca
- C Awareness on Sthree Nidhi and lending norms**
- 1 Do you know about Sthree Nidhi? 1- Yes 2-No
2 How do you know about it : 1-SHG 2-VO 3-MS 4- IKP staff 5-Other__
3 Awareness on Sthree Nidhi loan terms and conditions
3.1 Loan volume/limit (Rs. 15000) : 1-Know 2- Partially 3-Don't know
3.2 Loan term (12/24 months) : 1-Know 2- Partially 3-Don't know
3.3 Rate of interest (14% pa) : 1-Know 2- Partially 3-Don't know
3.4 Mode of payment (both P&I) : 1-Know 2- Partially 3-Don't know
3.5 Purpose (Emergency & IGA) : 1-Know 2- Partially 3-Don't know
4 What are the criteria for the selection of members to Sthree Nidhi loans?
(If the respondent knows the criteria given below, then only tick answers)
4.1 Priority to the PoP category 4.2 Not accessed bank loan
4.3 Income not > Rs. 60000 per year 4.4 Loan for IG activity /emergency
4.5 Short term cycles- < 12 months 4.6 50% loans to PoP category
4.7 SHG-BL & CIF defaulters-not eligible

Appendix-7: Format for Due Diligence of VO/MS

A Study on Utilization of Sthree Nidhi Loans by SHG Members

A. Identification details

1. Name of the VO/Ms_____
2. Registration No_____
3. Village_____
4. Mandal _____
5. District_____
6. No. of SHGs in the VO/MS _____
7. No. of SHGs availed loans from SN _____
8. No. of members availed loan from SN _____
9. Amount of loans availed Rs. _____
10. Grade of the VO_____
11. Eligible amount _____
12. SN A/c No. (open by VO)_____

B. Awareness on Sthree Nidhi and lending norms

- 1 Do you know about Sthree Nidhi? 1- Yes 2-No
- 2 How do you know about it : 1-MS 2- IKP 3-Others
- 3 Awareness on loan terms and conditions
 - 3.1 Loan volume/limit :
1-Majority members know 2- few member know 3-only leaders know
 - 3.2 Loan term :
1-Majority members know 2- few member know 3-only leaders know
 - 3.3 Rate of interest :
1-Majority members know 2- few member know 3-only leaders know
 - 3.4 Mode of payment :
1-Majority members know 2- few member know 3-only leaders know
 - 3.5 Purpose of loan :
1-Majority members know 2- few member know 3-only leaders know
 - 3.6 Eligibility criteria-SHG :
1-Majority members know 2- few member know 3-only leaders know
 - 3.7 Eligibility criteria-VO :
1-Majority members know 2- few member know 3-only leaders know

C. Due diligence of VO

1. Criteria followed in selection of the member SHG (Criteria as per Sthree Nidhi: No / less loan from CIF, Paid membership fee, share capital & savings to VO, No default to Bank /CIF)
 - 1.1 Criteria followed by the VO in selection of the member SHG
 - 1.2 Evidence: a. Minutes book b. MCP c. Others d. No evidence

2. Criteria followed by the MS in selection of the VO (Criteria as per Sthree Nidhi: No / less loan from CIF, no CIF default, Paid membership fee, share capital & savings to MS, Registered VO, Regular legal compliances (Audit, GB, Returns filing)

2.1 Criteria followed by the MS in selection of the VO

2.2 Evidence: a. Minutes book b. MCP c. Others d. No evidence

3. EC knowledge on loan appraisal and processing at VO level

3.1 Eligibility criteria-SHG :

1-Majority members know 2- few member know 3-only leaders know

3.2 Loan application :

1-Majority members know 2- few member know 3-only leaders know

3.3 Loan sanctioning :

1-Majority members know 2- few member know 3-only leaders know

3.4 Loan amount

1-Majority members know 2- few member know 3-only leaders know

3.5 Loan repayment :

1-Majority members know 2- few member know 3-only leaders know

4. Knowledge on loan appraisal and processing at MS level

1-Majority members know 2- few member know 3-only leaders know

5. Knowledge on loan appraisal and processing at Sthree Nidhi level

1-Majority members know 2- few member know 3-only leaders know

6. Loan monitoring (Collection of DCB, Review during the VO meetings, recording of transactions in the books of accounts etc)

1-Majority members know 2- few member know 3-only leaders know

7. Loan utilisation checking

a. SHG themselves b. VO-sub committee c. MS- Representatives

d. Com. Coordinator e. Other (specify)_____

8. Documents obtained from SHGs

a. Loan application along with resolution b. Member wise MCP

c. Inter-se- agreement among members d. Articles of Agreement

e. Demand Promissory Note

9. Status of documentation
 - a. Authentication of documents _____
 - b. Recording of amounts collected in the books of accounts _____
 - c. Storage and Safekeeping of documents _____
10. Documents submitted to MS
 - a. Loan application with VO resolution
 - b. Demand Promissory note along with details of SHG wise loan details
 - c. Articles of Agreement
 - d. Deed of guarantee from Office Bearers of VO
 - e. Loan agreement
11. Management of IVRS (pl mentioned designations only)
 - a. Who received training :
 - b. Who has cell phone/Chip :
 - c. Whom to approach for any clarification / problem solving :
12. Usage of IVRS for loan repayment
 - a. Generating DCB by MS
 - b. Adjustment of repayment of SHG member with VO meeting date
 - c. SMS alert
 - d. enter repayment details SHG wise and IVRS loan code wise
 - e. Intra Bank/ NEFT/RGTS/transfer mode
 - d. process after confirmation
13. Management of repayment to Sthree Nidhi
 - a. Time lag between collection of amount from SHG & Remittances to SN

 - b. Reasons for delay _____
14. Opinion of the VO on lending procedures / practices
15. Problems in repayment of the members
16. Opinion of the VO on IVRS
17. Problems in management of IVRS
18. Suggestions of the VO
19. Researcher observations

Signature of the researcher