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JAIRAM RAMESH



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कृषि भवन, नई दिल्ली-1101  
MINISTER OF RURAL DEVELOPMENT  
GOVERNMENT OF INDIA  
KRISHI BHAVAN, NEW DELHI-1101

18<sup>th</sup> March 2013


Dear Thiru Chidambaramji \_\_\_\_\_

You may be aware that the AP government was the first government set up a separate, dedicated financial institution for the support of women SHGs in the state.

I attach a detailed note on this institution which may be useful in the context of your proposal to set up a national women's bank. This new bank must link up and also support institutions like Sthree Nidhi.

With regards,

Yours sincerely

  
(Jairam Ramesh)

**Shri P. Chidambaram**  
Finance Minister  
North Block  
New Delhi

Encl: as above

# STHREE NIDHI CREDIT COOPERATIVE FEDERATION LTD,

## 1. SHGs' Federations in Andhra Pradesh

1.1. There are 10.60 lakh SHGs in the State of Andhra Pradesh which have been federated at Village level as Village Organisations (VO) and 3.00 lakh SHGs federated at Slum Level Federation (SLF). These VOs/SLFs are federated at mandal level as MandalSamakhyas (MS) and town level as Town Level Federation (TLF). While the VOs/SLFs have about 30 SHGs each, about 30-35 VOs/SLFs are federated into MS/TLF. These federations have been registered under Mutually Aided Cooperative Societies (MACS) Act'1995. There are 39000 VOs in 1098 MS and 9000 SLFs in 175 TLF functioning in the state of Andhra Pradesh.

## **1.2. MandalSamakhyas(MS)/Town Level Federation(TLF)**

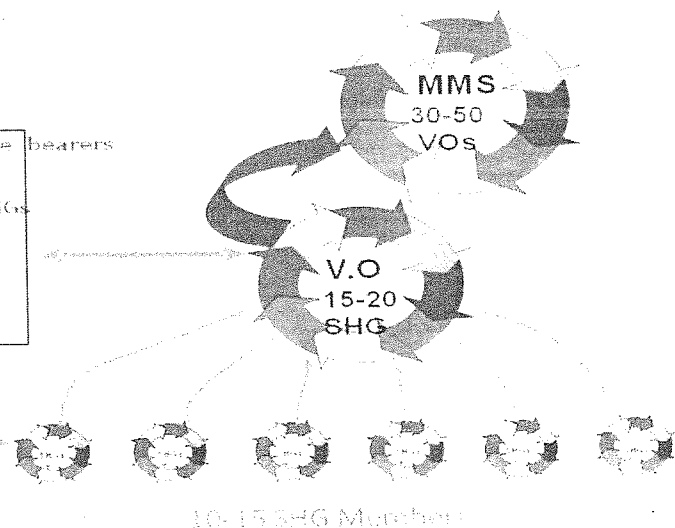
The MSs/TLFs have been providing both financial and non-financial services to the affiliated VO/SLF and SHGs. The MSs/TLFs have Community Investment Fund with them, considered as their own fund, and have been on lending the same through VOs/SLF to the SHGs for taking up livelihoods for the past five years.

## Organogram of MMS

- E.C - 1 from each V.O, 3 Office bearers
- Support to VOs
- Secure linkage with Govt. Depts. in institutions, markets
- Auditing of the groups
- Micro Finance functions

- E.C - 2 from each S.H.G, 5 Office bearers
- Strengthening of SHGs
- Arrange line of credit to the SHGs
- Social action
- Village development
- Marketing and food security
- Support activists – 3 -5

- Thrift and credit activities
- Monitoring group performance
- Micro Credit Planning
- Household inv plans



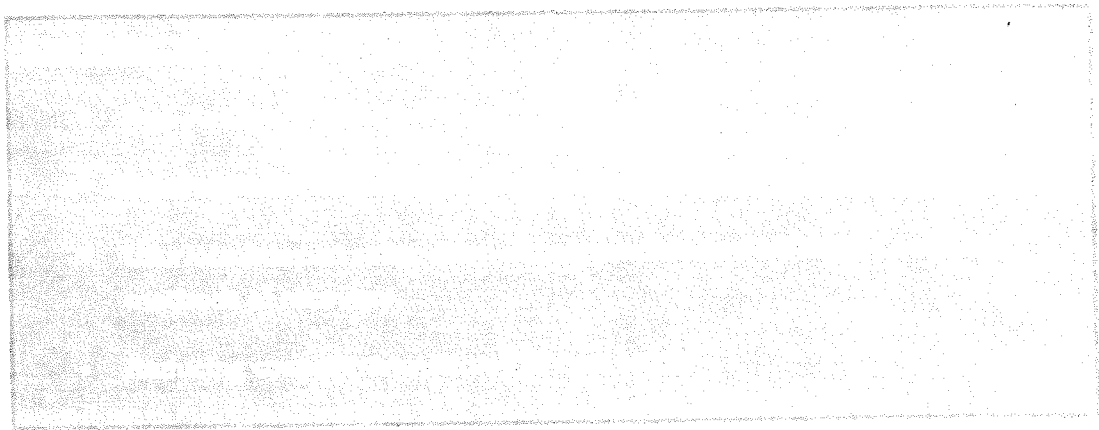
## 2. Emergence of Sthree Nidhi

### 2.1. Need for Sthree Nidhi

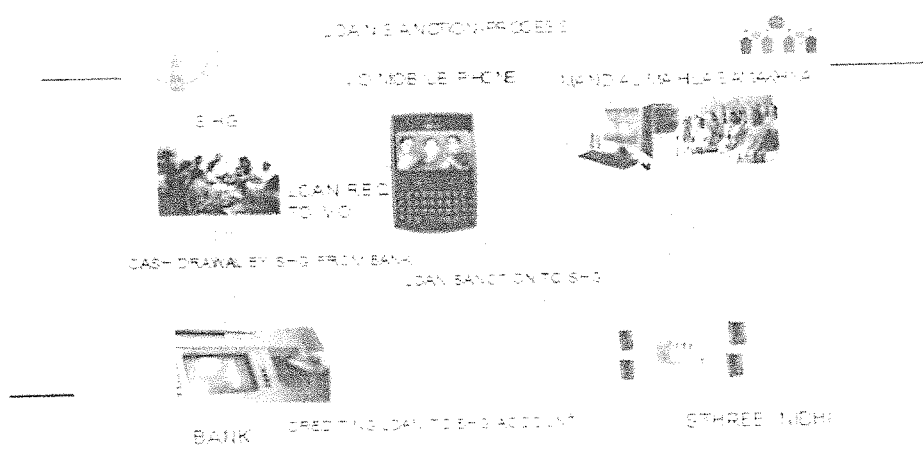
i). Growth strategies being implemented by the Government resulted in increased opportunities to the poor and this has created demand for credit for taking up production/investment activities. This demand coupled with the need to meet various consumption requirements of the poor, resulted in much higher demand for credit and at a faster pace. However, the credit flow from banking sector has not kept pace with the increase demands. As the credit flow is not adequate, the poor are increasingly resorting to high cost credit (at rates exceeding 30%) from MFIs and other money lenders.

ii). Interaction with members of SHGs and their federations viz VOs/SLFs and MSs/TLFs brought to light certain reasons which drive them to high cost borrowings from MFIs/Money lenders to meet their various needs, and these are mentioned below:

- Simple procedure in sanction of loans
- Disbursement of loan at their door step providing last mile connectivity
- Loans presently accessed from banks are not adequate and timely
- Delay in renewal of loans for period of about 3 months and the service extended to them by bank branches and to meet any needs during interregnum poor resort to high cost borrowings



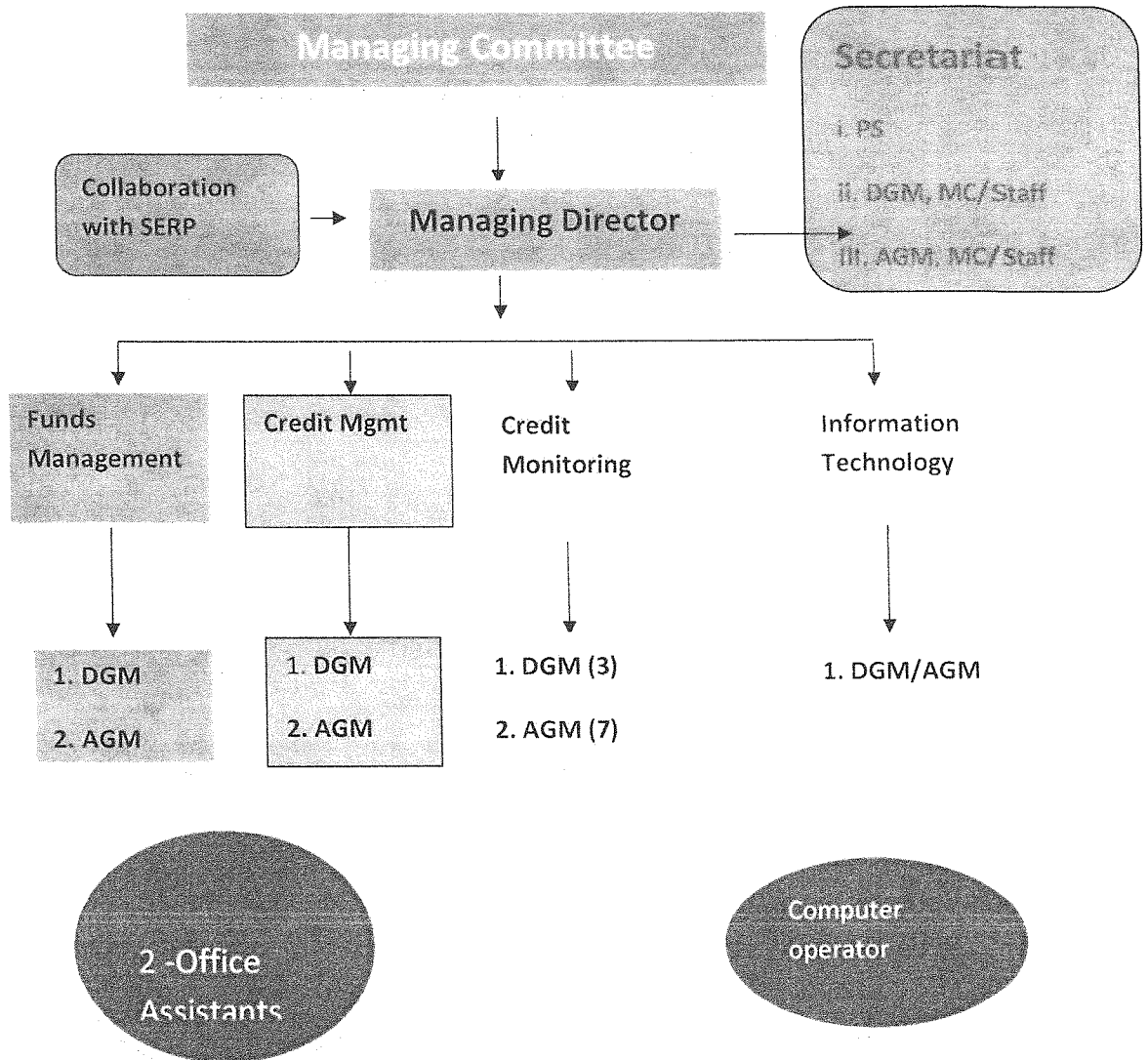
iii). A member of SHG may not get another loan from bank as an individual or as a group during the currency of the existing loan with bank, though the needs are urgent. The poor need short term loans to meet exigencies which are recurring in nature considering their economic and social status. There is a need to fill such gaps and help in supplementing credit needs for taking up IGA which have short business cycle as also for purposes like health and education.



## 2.2. Constitution of Stthree Nidhi

In order to fill the above gap, the Mandal Samakhyas (MS)/Town Level Federation (TLF) 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 MMS. '**Stthree Nidhi** 'will leverage credit from banking sector and channelize it through MS/TLF, Village Organization/SLF and to members through SHG.

## ORGANOGRAM OF STHREE NIDHI

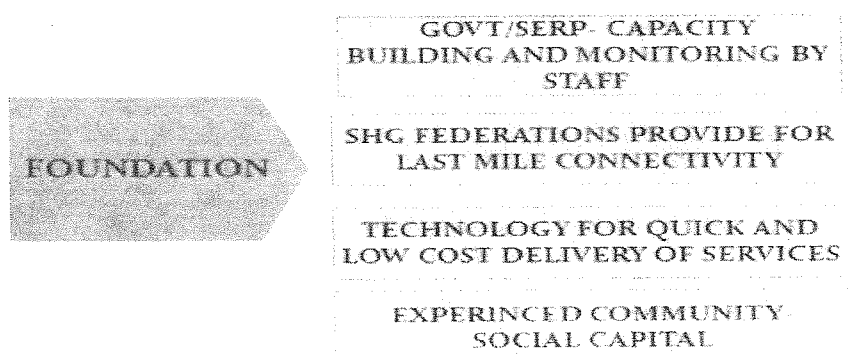


### 2.3. Managing Committee (MC)

The MC of Sthree Nidhi consists of 10 members from MS and TLF and 3 Nominees of the Government and Managing Director, an highly experienced professional appointed by the State Government. The Government Nominees are PrlSecy, Rural Development, Govt. of A.P, Secy, Institutional Finance, Govt of A.P and Registrar of Cooperative Societies, Govt of A.P.

## 2.4. Staff

The staff in DGM cadre are professionals who are retired or voluntarily retired with banking experience and experience in financing SHGs. The staff in AGM cadre are professionals with experience in social mobilization and microfinance.



## 2.5. Objectives

The Sthree Nidhi is strategically positioned in such a way that the issues of inadequate finance and timely availability of credit for meeting emergent and other needs are addressed. As there is a need to supplement credit flow from banking sector under SHG-Bank linkage programme, '**Sthree Nidhi**' is specifically formed 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/members do not get another loan as and when required in case of need.
- iii. To ensure timely credit availability of loans, preferably within 48 hours from the time of request for loan
- iv. To ensure that poorest of the poor get 50% of the loan disbursed.
- v. To provide low cost credit to the poor as one of the strategies for poverty alleviation with the support of SERP/MEPMA

### **3. Deposit Services**

For any financial institution deposits are essential more particularly for cooperatives not only to supplement sources of funds but also ensure their participation as stake holders and promote ownership of the institution. It would also help in Sthree Nidhi in leveraging higher quantum of funds from banking sector these are core funds of the Sthree Nidhi. It has therefore introduced a deposit scheme for mobilization of deposits from MS/TLF @Rs 100/ per SHG which are affiliated to them a maturity period of 6 years. These deposits will be collected from all the 13.5 lakh SHGs in the state. In the first year the deposit will be a Recurring Deposit and then will be converted into fixed deposits. These deposits will have interest rates pegged to the rates paid by banks on the same maturity. The deposits collected by VO from SHGs will be transferred to a specified account of Sthree Nidhi and details of SHGs which saved with Sthree Nidhi are forwarded to Sthree Nidhi through IVRS mode.

There are two other deposit districts schemes for mobilisation of surplus funds from VOs and MS.

### **4. Loan products**

#### **4.1. Criteria for Loan eligibility- Priority sector guidelines of RBI**

Finance will be extended to the needy SHG members subject to the following criteria which conforms to the guidelines of RBI on micro credit to NBFC-MFI though Sthree Nidhi is not a NBFC. However, considering the positioning of Sthree Nidhi as major micro lender, it has put in systems to comply with the RBI guidelines since inception. The objective is to adopt the following lending norms /prudential norms from the day one as the institution will be a major financial entity in the near future.

- The aggregate borrowings of a member shall not exceed Rs 50,000/
- Priority to the poorest of poor members in a SHG.
- Those members who have not accessed bank loans
- SHGs/members who received meager loans from banks in Bank Linkage.
- No member of SHG with more than Rs 60,000/ income per annum in rural areas is eligible for the credit.
- Loans for Income Generating Activities and Consumption/emergent needs have to be in the proportion of 75: 25 at VO/SLF level.

## 4.2. Other conditions

- The SHG members who are defaulters to banks under SHG-Bank linkage programme and in respect of loans from CIF shall not be financed out of funds lent by 'Sthree Nidhi'.
- Loans amounts from 'Sthree Nidhi' cannot be availed by more than 6 members in each SHG for the present except under PoP livelihood programme where the number will dependent on number of PoP members in a SHG.
- Arrears in collection of share capital, savings and membership fee as mentioned in bye-laws of VO/SLF/MS/TLF shall be improved and this may not be more than 10% by the year end, though the above does not debar the VOs/SLF/MS/TLF from accessing credit.

## 4.3. Purpose wise loan limits from Sthree Nidhi

4.3.1. The purposes for which loans are available as also repayment period there for will be as under.

S.No	Purpose of the Loan	Max. Loan Amount	Max. Repayment period
1	Education Loan	Rs.25000/-	24 monthly installments
2	Health Loan	Rs.15000/-	24 monthly installments
3	Marriage Loan	Rs.25000/-	24 monthly installments
4	Income Generation Activity Loan	Rs. 25000/-	24 monthly installments
5	Dairy loan	Rs. 25000/-	24 monthly installments
6	Agriculture	Rs. 20000/-	24 monthly installments

- In case of marriage loan, the loan will be limited to the amount of loan given by the SHG, in which the individual is a member, for the same purpose. In other words, it will be matching loan from Sthree Nidhi and will be given only if SHG gives loan for the purpose to the member.
- Ratio of 75:25 for IGA and consumption will be maintained at VO/SLF level. SHG and VO/SLF will ascertain the need for the loans for various purposes and satisfy themselves about requirement.
- All the above loan products are subject to overall credit limits fixed to the MS/TLF and VOs/SLF.

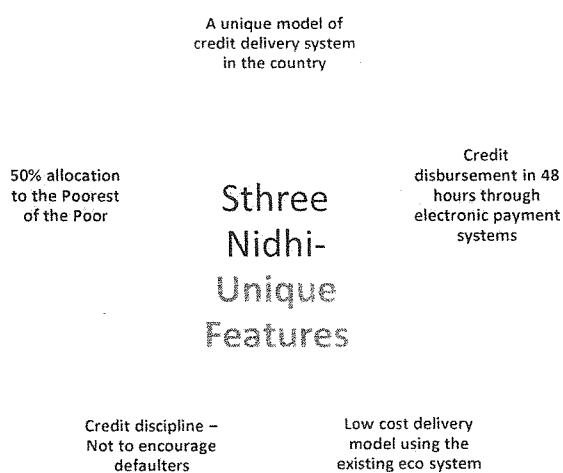


- The information on purpose wise disbursement will be maintained for all the purposes separately for agril, dairy, IGA and consumption and can be furnished to Banks.

4.3.2. The purposes for which loans can be availed of from Sthree Nidhi are indicted below. The list is illustrative and not exhaustive.

Sl. No	Purpose of loan	Si no	Purpose of loan
1	Petty Business	16	Cycle repair and rent shop
2	Vegetable Vending	17	Laundry shop
3	Purchase of Fertilizers and Pesticides	18	Tailoring
4	Kirana and General Shops	19	Chicken and Egg centre
5	Fishing Nets	20	Foot wear out let
6	Small tea stalls with snacks	21	Barber shop in Village
7	Clothes business	22	Small Tent house for Village needs
8	Sarees business	23	Children dresses, Vests and Briefs etc. in village
9	Flour mill- small	24	Sheep rearing
10	Tiffin Centre	25	Mutton shop
11	Mobile Bangle Shops	26	Pipe line
12	Pan Shop	27	Stationary business
13	Leaf Plate making	28	Agriculture and allied activities
14	Pickle and food items making and marketing	29	Health and education
15	Motor winding	30	Dairy animals

#### 4.3.2 Unique features of Sthree Nidhi



#### **4.4. Fixing credit limits at SHG/VO/SLF/MS/TLF level**

The MS/TLF, VO/SLF and SHGs will have credit limits based on grading as per the criteria mentioned in the following paragraphs. While the limit is in the nature of cash credit limit to MS/TLF and VO/SLF, it is term loan at SHG level.

##### **4.4.1. Criteria for fixing credit exposure to SHG by VO**

Of the credit limit sanctioned to a VO/SLF, maximum Credit exposure to a SHG will be restricted on the basis of Grading of SHG as indicated below, for the present.

- 'A' grade SHG - 15% of the credit limit
- 'B' grade SHGs - 10% of the credit limit
- 'C' grade SHGs - 5% of the credit limit
- 'D' grade SHGs - No loans are to be given

##### **4.4.2. Criteria for fixing credit limit for VOs/SLF by MS/TLF**

Sthree Nidhi will rate VOs/SLF based on the criteria mentioned at para 16 and will fix credit limit to VOs/SLF based on the following criteria. However, the amount varies with the no of SHGs in each VO.

- 'A' Grade VO/SLF - Rs.10.00 lakh
  - 'B' Grade VO/SLF - Rs. 7.50 lakh
  - 'C' Grade VO/SLF - Rs. 3.00 lakh
  - 'D' Grade VO/SLF -Rs. 1.00 lakh
- ✓ No limit to those VO/SLF which are in 'E' and 'F' grade. VOs/SLF which do not get even 50 marks and those with less than 60% recovery, even if they get good grades, are categorized as 'E' and 'F' respectively and are not eligible for any limit for the present except under PoP livelihood programme.
- ✓ The above limit would be restricted to the borrowing power of a VO/SLF. In any case all the limits sanctioned to a VO/SLF would not exceed debt equity ratio of 1:4 for the present.
- ✓ It needs to be ensured that though all VO/SLF are eligible for specific higher limits based on their grading as mentioned above, MSs/TLF have to allocate credit limits to all VOs/SLF within the credit limit sanctioned to it

by Sthree Nidhieven though they are eligible for higher limits, on a prorated basis.

- ✓ Likewise, in case the amount sanctioned to a MS/TLF as per its grading is more than the eligible limit of VOs/SLF for any reason, the limit to MS/TLF has to be restricted to the eligibility of MS/TLF.

#### **4.4. 3. Criteria for fixing credit limit to MSs/TLFs by 'Sthree Nidhi'**

A MS/TLF will be rated by Sthree Nidhi based on the criteria mentioned at para 15. 'Sthree Nidhi' will be fixing credit limit to the MSs/TLF for the present based on the following criteria.

- 'A' Grade MS/TLF- Rs 150 lakh
  - 'B' Grade MS/TLF - Rs 100 lakh
  - 'C' Grade MS/TLF -Rs 50 lakh
  - 'D' Grade MS/TLF - Rs 25 lakh
- ✓ No limit will be sanctioned to a MS/TLF which do not get even 50 marks and those MS/TLF with less than 60% recovery are categorized as E & F respectively category except under PoP livelihood programme.
  - ✓ The above limit would be restricted to the borrowing power of a MS/TLF as per bye-laws.
  - ✓ In any case all the limits sanctioned to a MS/TLF would not exceed debt equity ratio of 1:4 for the present.

### **5. Methodology for Loan appraisal**

#### **5.1. Loan origination-appraisal and processing at SHG level**

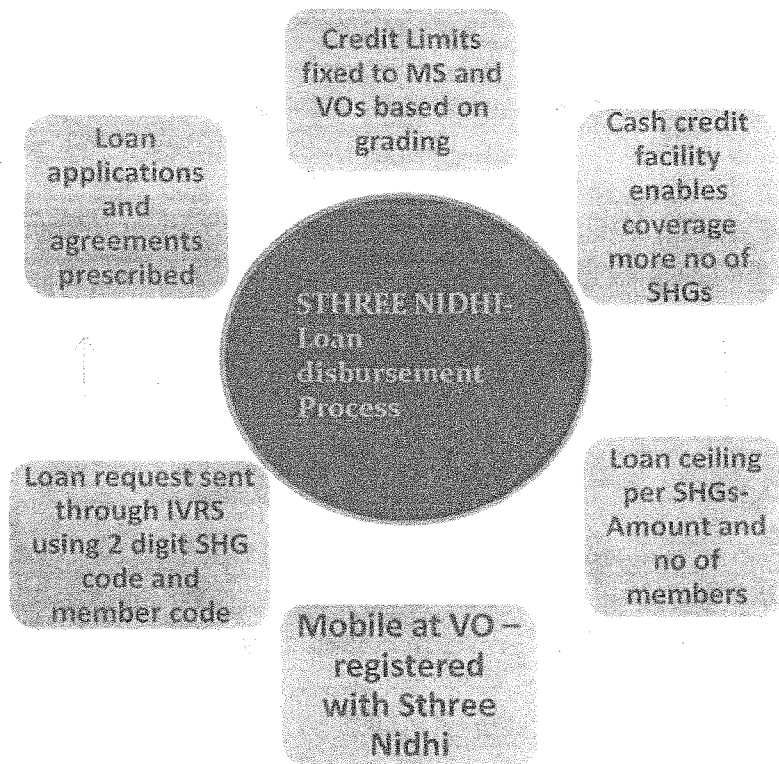
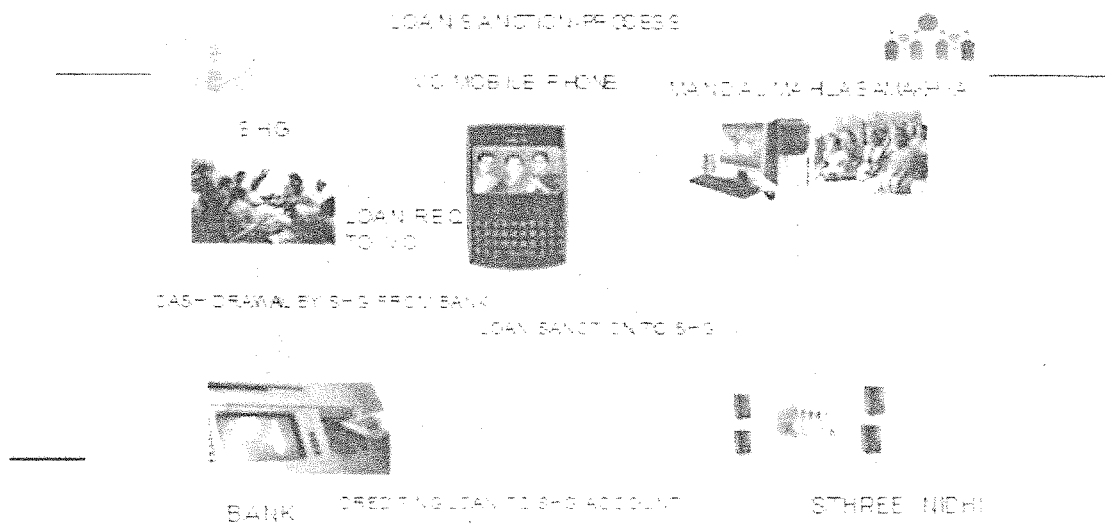
- Members who are in need of loan from SHG through Sthree Nidhi place a request for loan with respective SHGs. The SHGs will scrutinize the members' request with reference to member eligibility, activity proposed, existing income and expenditure, other sources of income, income from proposed activity, repaying capacity etc.,
- If SHGs are satisfied about the above, the concerned SHGs would submit a loan application along with MCP, in the format prescribed by Sthree Nidhi, with member wise details to VO/SLF for sanction of loan.

#### **5.2. Loan appraisal and processing at VO/SLF level**

i. SHG members apply for loan to SHG concerned and on scrutiny with regard to loan amount, purpose, functioning of SHG, repayment track record, repayment capability etc., a VO applies for loan using IVRS through mobile kept with the VO. The mobile has a pin number and is registered with Sthree Nidhi. In IVRS application, validations like loan limit allocated to VO, adherence to the norm of 75% of limit to income generation purpose, max loan ceiling both for amount and number of members in a SHG, purposes for which loans can be applied, denying loan access to defaulting SHGs etc., are put in place to ensure adherence to the guidelines.

ii. The loans are applied by VO using the 2 digit code given to each SHG in the VO (about 30 SHGs in each VO) and each SHG can access a maximum loan of Rs. 1.50 lakh. 2 digit codes are also given to each member of a SHG. Loans are applied for purposes like dairy, agriculture, NFS activities, weavers, health, education and marriage purposes and there is a provision to choose the purpose in IVRS. The requests are sent by VO to MS, which scrutinizes the same with reference to aspects like repayment performance of VO, share capital and deposits of the VO with it and forwards the same to Sthree Nidhi. Loan is sanctioned by Sthree Nidhi on scrutiny of the requests with reference to the loan limit sanctioned to MS and VO and utilization thereof, repayment performance etc., On sanction, loan accounts are generated in the name of MS, VO, SHG and member.

iii. All the loan requests sanctioned are aggregated bank wise at the state level and requests for disbursement are sent to banks concerned, with which Sthree Nidhi has accounts, mentioning details like names of the VOs; their SB account numbers, which have already been validated by banks; loan amount; bank and branch for crediting to the SB account of VO through INTRA/RTGS/NEFT as may be the case for quick transfer. A SMS is sent to VO mobile concerned about disbursement upon which VO gives cheque to the SHGs concerned and disburses the amount in the quickest time possible.



### 5.3. Role of MS/VO/TLF/SLF in sanction and Disbursement of Loan

#### 5.3.1. Role of MS/TLF

- Ensure that all the VOs receive SHG short codes for applying for loans
- Ensure that all the needy access loans from Sthree Nidhi
- The MS shall discuss the disbursement to VO/SLF/SHG concerned in the ensuing EC meeting and minute the same
- It has to reflect the transactions in its books of account
- MS/TLF will ensure that loan applications and agreements are prepared and executed by SHG members to SHGs, by SHGs to VOs/SLF and by VOs/SLF to MS/TLF and all the loan agreements have to be executed by loanees before disbursement of loans. In other words both loan applications and agreements have to be taken simultaneously.
- MS/TLF will confirm execution of loan documents by Office Bearers to Sthree Nidhi
- Problems, if any have to be brought to the notice of Sthree Nidhi

#### 5.3.2. At VO/SLF/SHG level

- On receipt of the alerts on its mobile a VO/SLF will alert SHG concerned about disbursement of loan
- Execution of loan documents by Office Bearers of VO/SLF and forwarding it to MS/TLF
- Verify that the loan is properly reflected in its mobile accounting against the SHGs and members concerned and its loan account with MS/TLF
- VO/SLF/SHG will arrange for disbursement of loan to members on the same day or next day
- VO/SLF would confirm the disbursement to Sthree Nidhi through IVRS.
- The VO/SLF shall discuss the disbursement to SHGs concerned in the ensuing EC meeting and minute the same.

### 6. Loan Documents and agreements

The loan application and agreement as specified below may be used by member, SHG, VO/SLF and MS/TLF for applying loan to SHG, VO/SLF, MS/TLF and Sthree Nidhi respectively.

Si no	Level	Documents to be obtained	Remarks
1	From member to SHG	Demand promissory Note	Each time when a loan is disbursed to a member of SHG.
2	SHG to VO/TLF	Loan application with details of member wise loan requirements	Each time when a loan is applied to VO/SLF by SHG

		Demand Promissory Note	For disbursement of each loan by VO/SLF to SHG
		Articles of Agreement	As and when a loan is applied to VO/SLF
		Inter-se agreement among members	One time and valid as long as there is no change in the composition of members of SHGs
3	VO to MS/TLF	Loan application with annexures including resolution by VO/SLF	Credit limit is valid for one year and therefore there is no need to take separate loan application till the credit limit validity period lapses or another credit limit is sanctioned or credit limit is renewed
		Demand Promissory Note along with details of SHG wise loan details	For disbursement of each loan by MS/TLF to VO/SLF
		Articles of agreement	Credit limit is valid for one year and therefore there is no need to take separate articles of agreement unless there is change in loan limit or credit limit is renewed
		Deed of guarantee from Office Bearers of VO/SLF	Credit limit is valid for one year and therefore there is no need to take separate guarantee unless there is change in loan limit or credit limit is renewed.
		Loan agreement	Credit limit is valid for one year and therefore there is no need to take separate loan agreement unless there is change in loan limit or credit limit is renewed
4	MS/TLF to Sthree Nidhi	Loan application with annexures including a resolution by MS/TLF	Credit limit is valid for one year and therefore there is no need to take separate loan application till the credit limit validity period lapses or another credit limit is sanctioned or credit limit is renewed
		Demand Promissory Note along with details of VO/SLF wise loan details	For disbursement of each loan by Sthree Nidhi to MS/TLF-as and when loan is disbursed
		Articles of agreement	Credit limit is valid for one year and therefore there is no need to take separate articles of agreement unless there is change in loan limit or credit limit is renewed
		Deed of guarantee from Office Bearers of MS/TLF	Credit limit is valid for one year and therefore there is no need to take separate guarantee unless there is change in loan limit or credit limit is renewed
		Loan agreement	Credit limit is valid for one year and therefore there is no need to take separate loan agreement unless there is change in loan limit or credit limit is renewed

**Note:**

- The DPN may be obtained from each member of a SHG requiring loan at the time of disbursement of loan
- The SHG may prepare all the loan documents including agreements and submit to VO /SLF
- The VO/SLF may prepare all the documents to be submitted to MS/TLF including agreements before loan request made through IVRS and forward the same to MS/TLF
- The MS/TLF may prepare all the loan documents including agreements and send it to Sthree Nidhi for the credit limit sanctioned to it

## 7. Interest Rate on loans

The loans pass through a federal structure of cooperatives and each has a role to play in sanctioning, monitoring loan portfolio and recovery as these institutions

provide last mile connectivity. Therefore, margin is loaded at each level to meet their operational cost to some extent as the existing network and staff will be used in loan appraisal, delivery and recovery. The interest rate regime for the above loans at various levels will be as indicated below for the present.

Si no	Rate Charged by	Interest rate
1	Sthree Nidhi to MS/TLF	12%
2	MS to VO/SLF	13%
3	VO/SLF to SHG	14%
4	SHG to member	14%

Sthree Nidhi charges 12% interest to MS and gives 1% each to MS and VO as service charges for monitoring loan portfolio. The SHGs thus pay 14% to Sthree Nidhi and Sthree Nidhi pays back the service charges to MS and VO subsequently. The loans extended by Sthree Nidhi are eligible for interest subvention from the Govt. of Andhra Pradesh.

## 8. Repayment of Loans

8.1. Sthree Nidhi will extend loans to MS/TLF, which is cash credit in nature. The loans from MS/TLF to VOs/SLF are also cash credit in nature. However, the loans to SHGs are repayable in 24 months and SHG to members will have the same repayment period. Fixation of repayment period not exceeding 24 months enables coverage of more members/ SHG due to recycling of loans. SHG/VO/SLF/MS/TLF shall ensure 100% repayment of Sthree Nidhi loans. SMSAlert will be sent to MS/TLF/VO/SLF/SHG one week prior to the due date for payment of instalment. If not paid a SMS alert will be sent to MS/TLF/VO/SLF/SHG and other SERP/MEPMA staff viz. APM/CC-BL and AC.

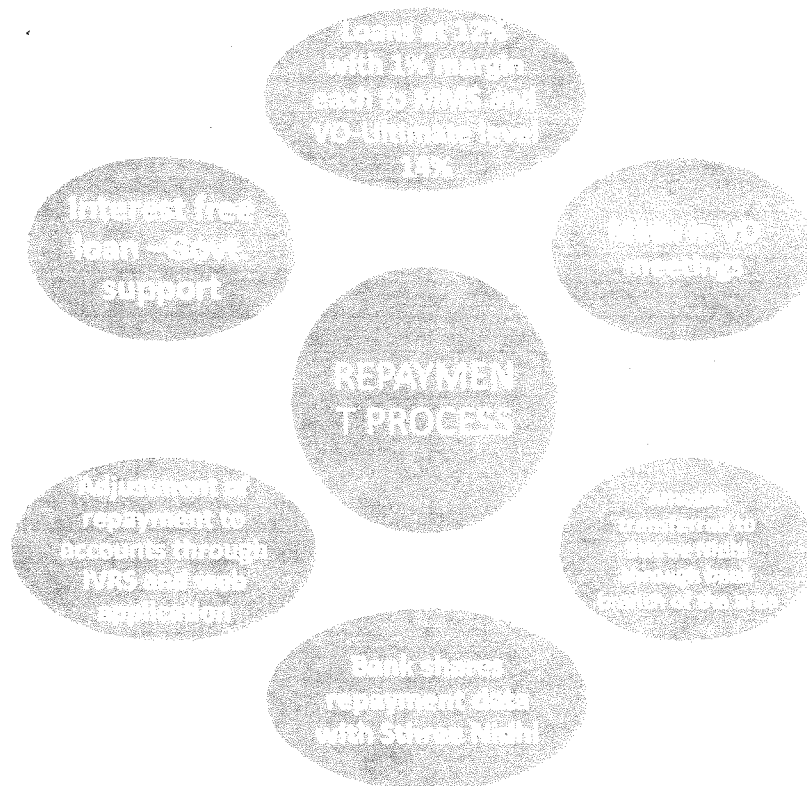
### 8. 2. Repayment Process

- Members will repay and in turn SHG will repay amount to VO/SLF at monthly intervals, in EC meetings of VO/SLF. There will be two EC meetings at VO/SLF level every month.
- The VO/SLF collects monthly instalments from SHGs concerned loan account wise/member wise and SHG wise and will enter the details of amount paid member wise, SHG wise in repayment entry sheet prescribed for the purpose. The VO/SLF and SHG will also record the details in minutes' book and concerned loan ledgers and issue receipt to the SHGs concerned.
- VO/SLF will repay the amount collected from SHGs to Sthree Nidhi account on the same day or by the next day through Intra Bank/ NEFT/RTGS from its SB account, which is registered with Sthree Nidhi. The account number



of VO/SLF from which the amount is transferred is received will identify the VO/SLF as this number is registered with Sthree Nidhi.

- Then VO/SLF will read out the entry sheet through IVRS or enter the details in mobile application for mapping the same with the amount transferred to Sthree Nidhi account. On receipt of information from bank, with which Sthree Nidhi has account, in respect of amounts credited by VOs, the same would be matched with the details of members/SHGs, who repaid, received through IVRS or mobile application. After matching, all the accounts viz. MS/TLF, VOs/SLFs and SHG loan accounts get credited. The above information can also be sent through web based application in the mobile.
- Sthree Nidhi will then send an acknowledgement to MS/TLF/VO/SLF about the repayment and interest will be calculated upto the date of credit in account of Sthree Nidhi.
- Sthree Nidhi/MS/TLF/VO/SLF can log in to MS/TLF web and can see the repayment details credited to MS/TLF loan account, VO/SLF loan account, SHG loan account and member loan account.



## **10. Loan Monitoring**

i. Sthree Nidhi has a system to review the loan portfolio on a regular basis through web based MIS and DCB statement and has a loan monitoring team for regular monitoring purposes.

ii. The strength of Sthree Nidhi is community network in the form of SHGs, VOs/SLF, MS/TLF and ZS supported by staff employed by IKP/SERP/MEPMA. At field level various arrangements are put in place to facilitate proper review and monitoring loan portfolio at MS/TLF, VO/SLF and SHG level periodically.

iii. Sthree Nidhi monitors the loan portfolio on line on a regular basis and follows up for recovery of overdues, if any. It has three tier monitoring system for monitoring loan portfolio in the field viz. Community Activist at VO, Two Sub-Committee members at MS and staff at MS level in addition to the Sthree Nidhi staff at district and state level.

## **11. Systems and Controls**

### **i. SHG level**

- Due diligence and scrutiny of applicants with reference to loan eligibility conditions and other criteria prescribed by Sthree Nidhi
- Ensure that all the loan documents are properly filled in and signed by authorized signatories of the sanctioned amount
- Receive alerts from VO/SLF regarding sanction of the loan and avail the same as quickly as possible and disbursing the amount to the borrowers concerned.
- Enter the details of such disbursement in SHG books of account
- Discuss the particulars of the same in the ensuing SHG meeting and record the member wise particulars who have availed of the loans in the minutes of the meeting
- Ensure loan utilization for the purposes meant for
- Keep track of the repayment of EMIs timely and take receipt from VO/SLF for having paid the installment
- Ensure prompt repayment of loans by members as per the schedule in VO/SLF meetings only
- Any delay in repayment to VO/SLF and Sthree Nidhi would attract interest on EMI for the delayed period
- Checks the loans outstanding in respect of the loans borrowed from VO/SLF and ensure that the amount reflected in SHG accounts and VO/SLF accounts tally. Otherwise find out the reasons for differences and rectify the same.
- Verify the interest collected particulars in case of delayed payments.

- Improve the grading by improving the functioning of SHG

## **ii. At VO/SLF level**

- Collect SHG short codes from MS
- A VO/SLF would verify the loan requests received from SHGs as per the eligibility guidelines circulated by Sthree Nidhi
- Discuss all the loan disbursements in VO/SLF meetings and record the same in minutes
- Ensure that all the loan documents of SHGs are properly filled in and signed by authorized signatories
- Collect the DCB statements from MS
- Collect the repayments only in VO/SLF meetings and issue receipts.
- Ensure 100% repayment of loan
- Ensure that all the SHG repay their installments in time as otherwise they will not be eligible for PV if not repaid within 7 days from the due date.
- Any short fall in recovery would be adjusted out of funds payable to the VO/SLF/MS/TLF
- In case any SHG does not repay for any reason adjust the amounts using Surplus funds at the disposal of VO/SLF for repayment as this only would ensure continuous availability of loan to VO/SLF
- Collect interest for any delay in repayment of EMI.
- Ensure that the details of repayments are entered in IVRS entry sheet first member wise and SHG wise and the enter in the minutes book and loan ledgers
- Ensure transfer of the amount collected to Sthree Nidhi on the same day or at the maximum on next day to the account designated by Sthree Nidhi using intra bank transfer/RTGS/NEFT facility and keep the UTR/Journal number as given by bank
- Ensure that the amount collected and amount transferred tallies as otherwise it is to be treated as misutilisation of the funds by VO/SLF which is punishable.
- Read out entry sheet particulars in IVRS using the mobile on the same day for quick adjustment of the repayment
- Ensure proper functioning of VO/SLF to maintain/improve the grading to be eligible for credit limits
- Check the loans outstanding in respect of the loan borrowed from MS/TLF and ensure that the amount reflected in MS/TLF accounts and VO/SLF accounts tally. Otherwise find out the reasons for differences and rectify the same.
- Ensure connectivity to mobile and not share the PIN of the mobile
- Mobile to be made available all the time

### iii. At MS/TLF level

- Ensure mobile connectivity. For new PIN members requests must come from MS concerned
- Ensure loading of information in MS login and correctness of the SB accounts of VO as also mobile number.
- Give SHG short code statement to all the eligible VOs
- The MS would scrutinize the loan proposals received from VOs/SLFs on its system as per the guidelines circulated by Sthree Nidhi.
- MS/TLF will send its approval to Sthree Nidhi within 4 hours from the time the request is received otherwise it would be deemed as automatic approval and would be processed by Sthree Nidhi.
- Ensure that all the loan documents of VOs/SLFs are properly filled in and signed by authorized signatories
- Discuss all the loan disbursements in MS/TLF meetings and record the same in minutes
- Give a print out of the statement of loan outstanding, DCB account wise for proper monitoring of loan portfolio at VO/SLF level
- Monitor the loan portfolio regularly and ensure repayment of loans as per the schedule. Ensure 100% collection of the repayments only in VO/SLF meetings.
- Ensure that all the SHGs/VOs/SLF repay their installments in time as otherwise they will not be eligible for PV if not repaid within 7 days from the due date.
- In case any VO/SLF does not repay EMI fully for any reason adjust the amounts using Surplus funds at the disposal of MS/TLF for repayment as this only would ensure continuous availability of loan to MS/TLF/VO/SLF.
- Any short fall in recovery would be adjusted out of funds payable to the VO/SLF/MS/TLF
- Check the loans outstanding in respect of the loan borrowed from Sthree Nidhi and ensure that the amount reflected in MS accounts and Sthree Nidhi accounts tally. Otherwise find out the reasons for differences and rectify the same.
- Ensure proper functioning of MS/TLF to maintain/improve the grading to be eligible for credit limits
- Ensure proper loan monitoring on a regular basis in EC meetings and by the Sub-Committees of MS/TLF

- Disseminate information and guidelines to VOs as and when new guidelines are circulated by Sthree Nidhi.

## **12. Internal Controls and MIS at MS/TLF level**

### **12.1. Management Information System**

Sthree Nidhi has developed proper MIS for monitoring the loan portfolio and has good accounting system. A report on SHG functioning, VO/SLF functioning and MS /TLF functioning on a monthly basis will be generated using quantifiable parameters and rating of SHGs, VOs/SLFs and MSs/TLFs. These reports can be discussed at VO/SLF level, MS/TLF level and Sthree Nidhi level in EC/MC meetings for improving their functioning.

### **12.2. Other Controls**

- i. The cheque books will be kept under custody of authorized representatives of VO/SLF and MS/TLF.
- ii. The EC/MC of VO/SLF/MS/TLF shall exercise proper supervision over the staff and ensure that they play proper role in recovery of loans wherever required through periodical reviews and wherever necessary disciplinary action is taken.
- iii. Sthree Nidhi will function subject to the provisions of the bye-laws and AP Cooperative Societies Act'1964.

### **12.3. Audit of MS/VOs/SLF/TLF**

- i. The Village Organizations/SLF and the MandalSamakhyas/TLF are registered Cooperative Federations and their accounts are annually audited by Chartered Accountants engaged by them. The Audits will be done in time and Reports will be placed in the general body meetings for approval.
- ii. The VO/MS/SLF/TLF have to ensure that all requirements as per bye-laws are complied with at VO and MS level.
- iii. The SERP/MEPMA staff have to attend meetings at MS /VO/SLF/TLF level and report any major deficiencies to SERP/MEPMA and Sthree Nidhi in functioning for taking necessary remedial measures.
- iv. Auditors appointed by SERP will also visit the MandalSamakhyas/TLF and randomly VOs/SLFs and verify the accounts. MS/TLF and VO/SLF have to take necessary action on audit remarks if any and report the same to Sthree Nidhi and SERP/MEPMA.

v. A quarterly audit of the MS/VOs/SLF/TLF is being put in place for verification of the loan utilization, financial position, loan documentation and recovery as also ensure for proper functioning of VO/SLF.

#### 14. Resources of Sthree Nidhi

The resources of Sthree Nidhi include share capital from MS/TLF and Government, deposits from member MS/TLF, and borrowings from Banks /financial institutions.

It is estimated that SthreeNeedhi would need aboutRs. 1500 crore during the year 2012-13 to meet credit needs of SHGs. There is a huge demand for credit and exit of MFIs has created credit gap and Sthree Nidhi would position itself to fill the gap.

##### 14.1. Equity and deposits

The equity from MS/TLF and the Government is Rs90crore and Rs.155 crore respectively during the current financial year totaling to Rs 245crore.Sthree Nidhi expects to mobilize deposits from members during the current year. These are core funds as they with Sthree Nidhi for a period of 6 years and thereafter a cycle of mobilization and refund will ensure the funds collected from members in the form of deposits would remain with Sthree Nidhi perpetually.

##### 14.2. Borrowings from banks

Sthree Nidhi's borrowing will be about Rs 1000.0 crore and the remaining disbursement needs will be met out of recycled funds as the borrowing is in the nature of cash credit limit. The loan is expected in the form of cash credit/OD. Sthree Nidhi may also avail term loan wherever required.

#### 15. Rating criteria for MS

Si no	Parameter	Criteria and marks				Marks
1	Own Funds of MS as on 31.03.2012(Owned funds include share capital, savings, accumulated profit, CIF, other funds available for on lending)	>75 lakh (20 marks)	51-75 lakh (15 marks)	40-50 lakh (10 marks)	<40 lakhs (5 marks)	20
2	CIF recovery in % for the last 3 years (average of 3 years i.e from 2009-10 to 2011-12)	>90%(20 marks)	85-90%(15 marks)	81-85%(10 marks)	61-80% (5 marks) No marks for below 60%	20
3	Attendance of EC members in % (average of the last 6 months)	>90% (15 marks)	80-90%(12 marks)	71-80%(8 marks)	50-70 %(5 marks)Below 50% no marks	15
4	<b>Legal Compliance</b> Whether audit was done by auditor as on 31.03.2012 Indicate date of annual general body meeting for the year 2011-12(If not yet due	All in time (10 marks)	If any two in time (8 marks)	If any one in time (5 marks)	if not complied with all (No marks)	10

	for the year 2011-12 indicate for 2010-11) Date of filing of annual returns for the year 2011-12 to DRC (If not yet due for the year 2011-12 indicate for 2010-11)					
5	Net profit of MMS for the last 3 years i.e from 2009-10 to 2011-12 (excluding accumulated profit)	All three years in profit (20 marks)	Profit in any two years (15 marks)	Profit in 2010-11 (10 marks)	Loss in all three years (no marks)	20
6	Idle funds in the CIF S.B account as on date	<Rs 2 lakh (5 marks)	Rs 2-5 lakh (3 marks)	Rs >5-10 lakh (2 marks)	>Rs 10 lakh (no marks)	5
7	Total no. of VOs and SHGs as on June 2012 (or the latest available information and in such a case mention the date) a. With 'A' grade b. With 'B' grade c. With 'C' grade	>80% in A grade (10 marks)	71-80% in A grade (8 marks)	61-70% in A grade (5 marks)	51-60% in A Grade (2 marks) Below 50% no marks	10

#### Criteria for Categorisation:

- 'A' grade: >80 marks  
'B' grade: 71-80 marks  
'C' grade: 61-70 marks  
'D' grade: 51-60 marks

Those with less than 60% recovery under CIF are categorized as 'F' and those MS which get less than 51 marks are categorized as 'E'.

#### 16. Rating criteria for VO

Si No.	Parameter	Criteria and marks				Marks
1	Own Funds of VO as on 31.03.2012 (Owned funds include share capital, savings, accumulated profit, and other funds available for on lending)	>1 lakh (20 marks)	0.50-1.0 Lakh (15 marks)	0.25-0.50 lakh (10 marks)	<0.10-0.25 lakh (5 marks) Below 0.10 lakh no marks	20
2	CIF recovery in % for the last 3 years (average of the last 3 years i.e from 2009-10 to 2011-12)	>90% (20 marks)	85-90% (15 marks)	81-85% (10 marks)	61-80% (5 marks) No marks for below 60%	20
3	Attendance of EC members in % (average of the last 6 months)	>90% (15 marks)	80-90% (12 marks)	71-80% (8 marks)	50-70 % (5 marks) Below 50% no marks	15
4	<b>Legal Compliance</b> Whether audit was done by auditor as on 31.03.2012 Indicate date of annual general body meeting for the year 2011-12 (If not yet due for the year 2011-12 indicate for 2010-11) Date of filing of annual returns for the year 2011-12 to DRC (If not yet due for the year 2011-12 indicate for 2010-11)	All in time (10 marks)	If any two in time (8 marks)	If any one time (5 marks)	if not complied with all (No marks)	10
5	Net profit of VO for the last 3 years i.e from 2009-10 to 2011-12 (excluding accumulated profit)	All three years in profit (20 marks)	Profit in any two years (15 marks)	Profit in 2010-11 (10 marks)	Loss in all three years (no marks)	20
6	<b>Total no. of SHGs</b> (a) With 'A' grade (b) With 'B' grade (c) With 'C' grade	>80% in A grade (15 marks)	71-80% in A grade (10 marks)	61-70% in A grade (5 marks)	51-60% in A Grade (2 marks) Below 50% no marks	15

**Criteria for Categorization:**

'A' grade: > 80 marks

'B' grade: 71-80 marks

'C' grade: 61-70 marks

'D' grade: 51-60 marks

Those with less than 60% recovery under CIF are categorized as 'F' and those MS which get less than 51 marks are categorized as 'E'.