



Vinod Viswanath <vinod.2v@gmail.com>

Fwd: Fwd: [asha-fellows] Minutes Asha-Fellowship call 17 Mar 08

3 messages

Giri Kolanupaka <kolanupaka@gmail.com>
 Reply-To: asha-fellows@yahoogroups.com
 To: asha-fellows@yahoogroups.com
 Cc: arurao7@gmail.com, mjain1974@yahoo.com

Mon, Apr 7, 2008 at 11:02 AM

Hi Sanjeev,

Here are the questions that were raised in the telecon (based on the minutes) answered by Sanju himself. Thank you.
 Regards,

Giri

----- Forwarded message -----

From: **kumar sanju <sanju200n@yahoo.co.in>**
 Date: Apr 5, 2008 10:48 AM
 Subject: Re: Fwd: [asha-fellows] Minutes Asha-Fellowship call 17 Mar 08
 To: Giri Kolanupaka <kolanupaka@gmail.com>

Dear Sir,
 Pls find the details clarification for the quaris raised.

Q. Expenditure/cost per month

Yes, the total expenditure of SAMRUDHI is on an average Rs. 20000/- .per month.

The break up is as follows.

			Remarks
Consolidated Salary for the Loan/Community Officer	Rs.2500x3	7500/-	
Coordinator/Branch Head	Rs. 3000/-	3000/	He looks after all community level activities & in charge of the SAMRUDHI' branch office. He takes care of loan disbursement & monitors the loan officers day to day activities.
Travelling expenses to Loan Officers @ Rs.800/m. This varies from month to month	900x5 (Including Branch Head)	4500/-	Three of our loan officer owns a two wheeler & SAMRUDHI reimburse the fuel cost at Rs.1.7 per KM. Each vehicle runs on an average 400-600 KM per month. This includes weekly meeting/collection/repayment/loan appraisal/loan disbursement/community organization etc.
Office Rent	Rs.2500/month	Rs.2500/-	We pay Rs. 2500/- rent per month
Communication & Internet	Rs.1500/-pm	Rs.1500/m	

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ideas and tips
 for a green thumb.

Q-Interest Rate that SAMRUDHI charges to its beneficiaries.

We charge 15% flat which comes to 26% diminishing or decline/effective. This is pretty much lower than the interest charged by money lenders in the villages. As per our records & experience, a money lender in village charges 5-10% per month which totals to 50% to 100% & further they put interest on the interest accumulated. That means they add compound interest not only to the principal but on the interest also which would become as high as 150-250% interest per annual. Apart from this, a money lender always eye on the assets of the poor which is the only means of their livelihood, be it agricultural land, live stock assets etc. If a poor borrower do not have any assets than he will have to sell his labor in return of interest. This results in a bonded labor & these even transfers to his children.

SAMRUDHI charges interest on annual basis. Let us assume that a member has taken Rs. 1000 loan. She will have to repay in 50 equal installments that is for 50 weeks (10 months). Thus, she has to repay Rs. 20/- towards principle & Rs.3 towards interest. After 10 months or 50 weeks, she repaid Rs. 1000/- towards principal & Rs. 150 towards interest. Hence, her total repayment is Rs.1150/-. There are two reasons why we charge flat instead of declining/diminishing/effective.

- It is easy to understand the interest rate among the illiterate poor women.
- There is no need of rounding off paisas in the passbooks & accounts.
- Easy to calculate

SAMRUDHI's main source of fund is borrowed fund at an average rate of 15%. So, after charging 15% flat interest, SAMRUDHI has left with 11%. This 11% is further used to cover our operation cost, administration cost, expansion cost & other overheads. But, our operational cost can be very much reduced in the coming years provided we access more funds & cover more families, especially when we access some free funds in the form of grants. When we have reduced operational cost, we definitely think of giving at reduced rate of interest to our beneficiaries. **SAMRUDHI charges interest sufficient to cover its operational cost.**

Q-How are defaulters handled?

As on date, there is no default. This is the result of our training module that we follow before disbursement of loans. Our component of 'loan utilization check' assures us that the member used the loan for said purpose.

Beneficiaries will undergo 4 days training/capacity building program at their village/area. This training mainly focuses on why we are here? What we do? Why we do? What are our policies? Who is eligible for the loan? What they have to do with the loans? Etc.

We follow Grameen Model & use social collateral. It is also called as

Joint Liability Group (JLG). That is, if one member fails to repay her installment, other members in the group should help her to repay her loan for that week.

But as a Thumb rule, SAMRUDHI creates 2% provision towards loan loss in each financial year.

Q-Who are these Loan Officers?

The loan officers of SAMRUDHI are mainly from the same community where we serve. This is because SAMRUDHI wants to generate employment opportunities for the talented & outstanding youths from the poor families & SAMRUDHI believe that these youths understands poverty better than anyone else being from the poor community.

In the program, money is involved directly in the hands of Loan officer, SAMRUDHI ensures that no frauds takes place in the program and enters into an Indemnity Bond with the employee & his granulator legally. Apart from this, we are also designing software (Mr. Giridhar is involved in this) which gives us a real time data & avoids transaction risks considerably.

Q: How many people per loan officer? These are costs and these will also scale with the program.

Yes, we have standards that each loan officer has to manage so much of members. As per our plan, one loan officer has to handle 350-400 members. This we consider as optimal & reduce our operational cost.

Q: How are the loan officers selected? Do they undergo training?

How they are selected is work in progress since they try to get people from the communities. They do undergo training.

Since, SAMRUDHI is a small at this stage; we are using word of mouth to identify potential candidates for our program. We did same thing while selecting our existing loan officer.

But SAMRUDHI has well defined recruitment policy to handle its growth. There will be a separate department which deals with HR, recruitment & training related issues & coordinates with operational department. Our loan officers are the main advertiser for our vacancies. Whenever we need a loan officer, we pass the message to the existing loan officer & ask him to announce in the weekly meeting at the village among the member. That is how the message will be spread in the village & community.

Once, we select the candidate for Loan Officer, he/she have to under go training for two months. The existing loan officer will train them. We attach one trainee to one loan officer. After two months an internal test will be conducted & if satisfied, then he/she will be confirmed & given independent charge.

Q: How is this form of credit different from bank loans?

Commercial Banks don't lend to the poor mainly because of the risks and

transaction cost. Bank as a business entity, always consider the risk involved in the loan. These poor don't have assets that they pledge to bank to access the loans. Secondly, the poor do not need big amount. They need small loans. Because of very small loans, the cost of transaction is very high & banks as a business entity do not lend to the poor. SAMRUDHI's credit is different from bank loan. SAMRUDHI does every thing in the opposite way that what bank does while giving a loan!

? SAMRUDHI goes to people's doorstep	? People need to come to bank
? SAMRUDHI never ask for collateral	? .Bank will not loan without collateral
? SAMRUDHI targets only poor	? Bank gives loans to the non poor.
? SAMRUDHI gives small loans	? Banks don't prefer to give small loans.
? SAMRUDHI tailors its services as per the requirement of the poor	? Banks do not do so.

Q-The concept of NGOs getting loans from banks or other orgs is different from how SHGs work in Timbaktu for example. There SHGs themselves act as a savings group and give out loans, so the money also comes from the community itself and the interest rate can be lower. Is this something they plan to look into? This is also easier to scale up e..g around Timbaktu over 9000 women are covered by this scheme.

Yes, there are two concepts in Microcredit/microfinance. SGH Model & Grameen Model.

I have attached a presentation that gives more information on how these two models works.

Q: Have microfinance orgs worked on these initiatives in this location before?

SAMRUDHI is implementing its Microfinance program by using a fast track Grameen Model with local modification.

Q-A non-profit [Keva.org](http://www.keva.org) links ideas to investors for small amounts. It also has no interest. Since these people are net savy can they link up the people with these investors?

Kive was established by an Indian social entrepreneur based in the USA. They are yet to open their office in India. They again partner with NGOs in the field & rout the fund through that NGO. To know more about, visit at <http://www.kiva.org/about/how>

If you want me to send it in an attached file pls let me know. Pls find the attached PDF file formore information SHG & Grameen Model

Regards
Sanju Kumar

Giri Kolanupaka <kolanupaka@gmail.com> wrote:

Hi Sanju,

There are a few questions that were asked in the teleconference. Can you have them answered and reply to me? I will forward them to asha fellows group and discuss in the next conference call. Thank you.

Regards,

Giri

----- Forwarded message -----

From: **Sanjeev Ranganathan**

<sanjeev.ranganathan@gmail.com>

Date: Mar 17, 2008 1:14 PM

Subject: [asha-fellows] Minutes Asha-Fellowship call 17 Mar 08

To: asha-fellows@yahoogleroups.com, pwg

<asha-projects@yahoogleroups.com>, asha-blr

asha-blr@yahoogleroups.com

Attendees: Sanjeev (Bangalore), Gaurav (Austin), Arvind (Austin), Savita, Bharadwaj (Cleveland), Anita (Bangalore), Vinod (Austin), Meenakshi (U.Florida), Mohit (Austin), Santhosh (Bangalore), Melli (Boston), Murali(Austin) and Siddamma (Chennai in the later half of the call).

Note: In this conference we attempted to have call-in numbers in India and in the US and linked up both. This worked quite ok. The one limitation was that the conference in India got dropped once and we didn't get any intimation of the same.

1) Sanju Kumar fellowship (Arvind)

Provide small loans to rural women to help with income generation schemes. This is being done through a newly created organization Samrudhi. In addition to acting as a bank, doorstep banking is provided which enables families to pay back small amounts weekly rather than larger amounts monthly/yearly when it becomes difficult for people to repay.

E.g. 15% loan would be returned as à Rs.20+Rs.3 on Rs.1000 per month.

They hope that over time Samrudhi can become self sufficient by handling the overheads through the loan itself.

Sanjeev pointed out that % as per [Asha-Hyd minutes](#) was 15%. Arvind, felt that the 15% is the interest rate is what Samrudhi is receiving the principle @ from another organization and the rate of interest needed to be closer to 25-26% to sustain the effort. This rate of interest is still much lower than the local money lenders.

AI: Arvind to confirm the interest rate.

Presently they are working with 3 villages and some 285 families with 4 loan officers. These officers coordinate the loans/returns/requests. Given time Samurithi will account for all their incomes through interest itself. Giri – Asha-Hyd is writing software so they can track the transactions for everyone who has been leant money to.

From [asha-hyd minutes](#) there are

4 loan officers = 3*Rs.2500+Rs.3000 (coordinator)
=Rs.10,000/month

The total cost is quoted as Rs.20,000/month.

Q: What is the remaining amount for? Who is the coordinator who receives Rs.3000?

Q: How are defaulters handled?

A small default rate is accounted for in their model. But, the rate has been quite low.

Q: Who are these loan officers?

A: There is a huge chance for fraud with the loan officers (if they do not maintain accounts properly). They have a bond with a government employee that is known to them that if they do anything will be responsible for their actions. These individuals are usually from the community so they understand the requirements of the community well.

Q: How many people per loan officer? These are costs and these will also scale with the program.

A: There is no specific rate now.

Q: How are the loan officers selected? Do they undergo training?

How they are selected is work in progress since they try to get people from the communities. They do undergo training.

AI: More details about selection and training.

Q: How is this form of credit different from bank loans?

A: Access to credit from banks require

1. Salaried job and credit from bank (2.5x yearly income)
2. Property that can act as collateral for loan

Rural poor do not have either of the above to be able to claim loan.

Sahukar loans the issue is interest rate which can easily be in the 100s%.

Additionally, the requirements are always lumpsome which does not suit a daily/weekly laborer lifestyle well.

Q: The concept of NGOs getting loans from banks or other orgs is different from how SHGs work in Timbaktu for example. There SHGs themselves act as a savings group and give out loans, so the money also comes from the community itself and the interest rate can be lower. Is this something they plan to look into? This is also easier to scale up e.g around Timbaktu over 9000 women are covered by this scheme.

Q: Have microfinance orgs worked on these initiatives in this location before?

A: It appears to be a new concept.

Q: A non-profit [Keava.org](#) links ideas to investors for small amounts. It also has no interest. Since these people are not savvy can they link up the people with these investors?

(~35 minutes)

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SAMRUDHI Micro Fin Society-Presentation.pdf

487K

Sanjeev Ranganathan <sanjeev.ranganathan@gmail.com>

Tue, Apr 8, 2008 at 12:33 AM

Reply-To: asha-fellows@yahoogroups.com

To: asha-fellows@yahoogroups.com

Cc: arurao7@gmail.com, mjain1974@yahoo.com

Hi Giri,

I had raised questions before the call. Can these also be addressed.

Thanks.

warm regards,
Sanjeev

[Quoted text hidden]

> Property that can act as collateral for loan Rural poor do not have either of
> the above to be able to claim loan.

>

> Sahukar loans the issue is interest rate which can easily be in the 100s%.

> Additionally, the requirements are always lumpsome which does not suit a

- > daily/weekly laborer lifestyle well.
- > Q: The concept of NGOs getting loans from banks or other orgs is different
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- > savings group and give out loans, so the money also comes from the community
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- > look into? This is also easier to scale up e..g around Timbaktu over 9000
- > women are covered by this scheme.
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- > before?
- > A: It appears to be a new concept.
- > Q: A non-profit Keva.org links ideas to investors for small amounts. It also
- > has no interest. Since these people are net savy can they link up the people
- > with these investors?
- > (~35 minutes)
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<http://www.ashanet.org/bangalore/marathon/runners/anitaNsanjeev.html>

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Giri Kolanupaka <kolanupaka@gmail.com>

Wed, Apr 9, 2008 at 9:57 AM

Reply-To: asha-fellows@yahoogroups.com

To: asha-fellows@yahoogroups.com

Cc: arurao7@gmail.com, mjain1974@yahoo.com, sanju200n@yahoo.co.in

Hi Sanjeev,

I am ccing Sanju also in this email.

Sanju, you can add details and response to the questions.

Thanks,

Giri

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