

## **SWAYAM KRISHI SANGHAM (SKS) Hyderabad, India**

Electronic Passbooks and Hand-Held Computers for micro-finance

### ***Description of case Study***

Swayam Krishi Sangam (SKS), which means 'Self-help union' in the local language of Telugu, is an ngo based in Hyderabad, Andhra Pradesh, specialising in microfinance for poor women. Set up in June 1998, they are in the process of establishing themselves on a formal commercial basis as a regulated Non-Bank Financial Company (NBFC).

Their approach is based on the established Grameen Bank model. They currently operate four branches in Medak district, AP, offering a range of credit and savings services to the poorest women. This incorporates 293 centres in 144 villages – representing some 8,400 clients. They aim to reach 100,000 clients by 2006, and ultimately to cover the 100 poorest districts of India, reaching 2.5 million people.

SKS aims to provide access to credit to the poorest women, who would never get loans from a bank. 'Poor people cannot access credit from formal institutions because they do not have fixed assets to give as collateral,' says Kambali Nirmala. 'Formal institutions don't trust the poor, but we do.' At present there is enormous government support for women's savings groups in general.

### ***Aim of Project***

To reduce poverty through the provision of financial services to the poor in an efficient and sustainable manner.

### ***Role of ICTS***

Computerised Management Information System Replacing their existing manual record-keeping with a centralised computerised MIS has reduced staff administration costs at their four branch offices and head office in Hyderabad, reduced the time spent checking for errors, and improved management reporting and monitoring. The MIS covers both accounting and portfolio tracking. It allows branches to transmit summary reports to head office each week; and allows senior management to access a comprehensive set of standard reports at will.

Handheld Computers for data Entry SKS has developed its own software to allow remote data collection using a Palm III handheld computer (purchased in the USA), which uses the proprietary Palm OS (operating system). One Palm PDA (Personal Digital Assistant) has been used on a pilot basis in ten groups. The handheld is operated by bank staff at the group meetings to record transaction data via touchscreen; with the entered data being uploaded to PC and the centralised MIS back at the SKS branch office, where client account information is automatically updated. The trial so far shows that it reduces staff time and the margin for error.

Electronic Passbooks the idea here is that by adding a small plug-in smart card reader/writer to the Palm PDA, SKS branch office staff can write customer transactions to a plastic smart card, which is held by the group. This has the future potential for acting as an 'electronic passbook', that records all transactions (loans and repayments) by individual members. To date SKS have tested smart cards at the group level only, rather than with individual customers, for reasons of cost, and acknowledge that at this stage the cards are of limited benefit to customers, since they have no means of reading the cards locally.

### ***Sources of Funding***

#### Main funding sources

- Grant of \$50,000 from the [CGAP Pro-Poor](#) Innovation Challenge award for the passbooks
- The Ravi & Pratibha Reddy Foundation
- The Echoing Green Foundation

- The i2 Foundation
- The Maharashtra Foundation
- The Sarode Foundation
- The India Development Service
- Additional funding comes from private donors.

At present SKS has achieved its aim of a 99 per cent repayment rate from clients. This, in turn, ensures that SKS can continue to access commercial sources of capital and to expand their banking activities – which they plan to do on a franchise model. Since their inception in June 1998, SKS has made loans totalling 60 million rupees (\$1.2 million). They are confident of breaking-even by the end of 2002.

## **Target Group**

They only work with women, who they say are much better at savings and money management than men. The majority of women in the groups are illiterate landless labourers, largely from the untouchable (*Dalit*) caste, who will typically earn no more than 30 rupees (60 cents) a day. Since work in the region is seasonal, and dependent on rain-fed agriculture, they usually have only 150-200 days of paid work a year.

## **Project process**

Like the Grameen Bank in Bangladesh, SKS makes it tough for women to join a savings and borrowing group. Potential group members are initially screened by SKS staff, to ensure they are some of the poorest in their communities. Then they have to attend meetings for a week which explain SKS's approach (collective peer lending) – and the responsibilities of all group members. At the end of the training period, the group joins the village banking collective or *sangam* (in the local language of Telugu).

Each group (*gumpu*) is made up of five women of their own choice. This is because they must agree together to act as guarantors of one another: if one member fails to make a weekly loan repayment, her peers make the payment for her. Members must know each other, live close together and not be related. Ideally, they should come from a similar social and economic background, and be of a similar age. They each agree to save at least five rupees a week, and attend group meetings for one hour once a week in the morning.

*Sangam* meetings are the main point of contact between women and SKS bank staff, which are held in a public location, such as school or *Gram Panchayat* (village council office). This is where savings payments are collected, and personal loans disbursed. Everything is done publicly in the group, for mutual transparency and accountability. Each member of the *sangam* recites the group pledge (*padam*) at the start and end of each meeting: an oral contract between the members and the credit programme.

Once members have begun regular savings, they can access loans at 15 per cent interest. This rate is comparable to local banks (who would not be interested in lending small amounts to poor women without assets), and much better than the excessive rates charged by local moneylenders (up to 70 per cent interest). In an emergency (e.g. pregnancy, funeral or hospitalisation) SKS will advance an interest-free loan of 1500 rupees (\$30).

## **Points of Interest**

If the trials of this ICT continue to show a positive result then it could potentially prove a very viable alternative to traditional banking provision. This could prove invaluable as rural banking services continue to decrease in the face of privatisation.

At present the electronic trials show a reduction in the costs associated with handling large numbers of small transactions. This is achieved through saving time in data entry and report production. If this continues the impact of this to both the quality and cost of the service to customers could be significant.

It is interesting to note the apparent improved management of the monetary flow and service. Seen particularly in the ability of the devices to limit data entry mistakes , improve tracking and quickly produce reports.

Women's groups develop confidence and save assets. However, at present there is no quantitative data on socio-economic benefits.

**Stake holders included** : District Manager Chakravarthi Revanur; also Kambali Nirmala, manager of the SKS branch office at Sadashivpet. Finance Manager Gautam Ivatury.