

# Women's Thrift Cooperatives in Andhra Pradesh<sup>1</sup>

I did benefit by joining the WTC. I got a good name. People respect me. I am recognized as an elder in the village. I am invited to participate in "Panchayat" to settle community and family disputes.  
Gajjala, Board of Directors, a Thrift Cooperative in Warangal District  
(August 2001)

Gajjala is about 55 years old. Her family are landless members of the Padmashali caste of weavers, designated as a Backward Caste by the Indian government.<sup>2</sup> She is a leader in her thrift cooperative in her village. Her account of how she has benefited from membership in her Women's Thrift Cooperative (WTC) is only unusual because of the social heights it has taken her to, otherwise it is one of many inspiring stories that members of the WTCs in the Karimnagar and Warangal districts of Andhra Pradesh tell to visitors asking about their experience in the cooperatives. Behind these stories is the growth and development of an association of cooperatives since the founding of the first in 1990, and their intersection with the economic, political, and social structure of villages in rural Andhra Pradesh.

## ***Karimnagar and Warangal Districts, Andhra Pradesh***

As of the end of 1999, the Warangal and Karimnagar districts of Andhra Pradesh were home to 234 thrift cooperatives, 143 for women and 91 for men, supported by the Cooperative Development Foundation headquartered in Hyderabad. Andhra Pradesh is a state in the south-east part of India, just north of the southernmost state of Tamil Nadu, with a long coast line facing the Indian Ocean. It has a population of almost 76 million and a population density of 275 people per square kilometer. Its largest city and administrative and commercial center is Hyderabad, which has a population of about 3.7 million. Only 27% of the population live in urban areas (Exhibit 1).

The Karimnagar and Warangal districts are about 150 km north and north-west of Hyderabad, in the Telangana region of Andhra Pradesh. They have a population of about 3.5 million and 3.2 million respectively, and population densities of 294 and 252 respectively (Exhibit 2). The local dialect is Telugu. It is an area that is troubled both politically and economically. Politically, Naxalite (Maoist) guerillas operate in these districts. Economically the districts are some of the poorest in the state, and their literacy rates lag slightly behind the state average of 71% for men and 51% for women, especially for women (Exhibit 3).

---

<sup>1</sup> Guy Stuart, Lecturer in Public Policy, wrote this case with research assistance from Sandhya Kanneganti for the purposes of class discussion, rather than to illustrate either effective or ineffective handling of a management situation.

<sup>2</sup> For the purposes of its reservation (affirmative action) policies, the Indian government has designated three caste groups for which a certain number of government jobs are reserved: Other Backward Castes, Scheduled Castes, and Scheduled Tribes. The government categorizes the dominant castes in Indian society as the Forward Castes.

## ***The Cooperative Development Foundation and Cooperative Law***

The Cooperative Development Foundation (CDF) has its origins in efforts made by a group of young politicians in Andhra Pradesh to revive the flagging Primary Agricultural Cooperatives in the district of Rajendranagar, near Hyderabad. They gained inspiration from a visit in 1975 to a primary agricultural cooperative in Mulkanoor, in Karimnagar, which proved to be extremely well-functioning. Between 1975 and 1981 the group, who formed the Multipurpose Cooperatives Association (MCA) along with some existing PACs in 1977, promoted the consolidation and reorganization of PACs in their district and in Karimnagar. One among many of the lessons they learned during this time was that government involvement in cooperatives was extremely damaging because politicians used the cooperatives for political ends. In 1981 the MCA spun off the CDF and gave it part of its assets and mission – to promote cooperative societies generally. During the 1980s both MCA and CDF struggled to support cooperatives in the state, and the CDF lobbied the government to reform the state cooperative societies act, with limited success. In the early 1990s, while continuing to lobby at the state level, the CDF also caught the attention of the Union government and met with the Cabinet Secretary to discuss a national reform of cooperative law. In 1993 CDF changed course a little: instead of lobbying for a change in the existing cooperative law, it lobbied for a new, parallel law under which cooperatives could opt to be regulated. The change was due to the realization that the interests vested in the existing cooperative structure were too great and too politically powerful to allow for its reform. A parallel law was an attempt to mitigate the opposition from these interests. In 1995 the CDF succeeded in its goal, the state legislature passed the Mutually Aided Cooperative Societies Act (MacS Act). The first cooperative to convert to registration under the new act was the Mulkanoor Cooperative Rural Bank (MCRB), the cooperative that inspired the MCA and then the CDF in the first place.

## ***The CDF and the WTCs – Promoting Self-Management***

While it was campaigning to promote PACs and legal reform, CDF embarked on its efforts to form the Women's Thrift Cooperatives. Initially the CDF tried to promote the involvement of women in existing cooperatives, but found the men resistant to the idea. The only answer then was to promote new, women-only cooperatives. After some false starts working through another organization in the late 1980s, CDF decided to involve itself directly in promoting the formation of women's thrift cooperatives. It focused on the home districts of the MCA – Karimnagar and Warangal.

## **Outreach**

Much of the initial outreach work fell to D.P. Vasundhara. Her first effort to promote the cooperative idea was the result of an invitation from another organization interested in the idea, and took her on a trip to East Godavari, in Andhra Pradesh's fertile coastal region. By her own account the meeting where she presented the idea of a thrift cooperative was a failure – she talked for three hours in the face of blank stares from the women she was addressing. Nevertheless, three months later she received a copy of a

newsletter from her host organization in which she read that the women in the village she visited had started three cooperatives.

Vasundhara gradually learned to overcome her own fears in presenting the cooperative idea to women in villages in Karimnagar and Warangal. She learned to arrive early to meetings and to interact informally with people as they arrived – introducing herself to each one. She learned to make eye contact and to keep her presentations short, and to make the meetings more interactive by asking the women questions – “what do you think?” She learned that she could ask them to do some simple mathematics, which helped them to understand the ideas she was presenting better. She also learned that it was alright to tell the women she did not know the answer to a question they asked her.

In the beginning it was hard for Vasundhara to convince women to even accept the idea of a thrift cooperative. She had no examples to show them, and no one to vouch for her own integrity. But as women formed cooperatives, and they grew in size, Vasundhara had examples to show prospective members of a new cooperative, and that made all the difference. Gaining acceptance of the idea was only half the battle. Then the questions started flowing about how the cooperative would work in practice. She, in turn, asked them “marketing” questions to get them to answer their own questions. For example, Vasundhara asked the women how much money they spent and what they spent it on, as a way to get them to start thinking about how much each member should be required to save each month to remain in good standing. As much as possible, Vasundhara tried to get the women to come up with their own ideas about how the cooperative should work. Nevertheless, she went into the meetings with a good idea of what the rules of the cooperative should be, and she often prompted the women to address an issue they had not thought of themselves.

The CDF also had to work with the existing village leadership, which could be either a hindrance or help in setting up a cooperative. As one member of a cooperative describes her experience of joining it at its inception, the CDF outreach worker got the backing of the village leader:

I joined the WTC in 1991. Sashi madam from CDF came to our village and explained the benefits of starting a Thrift Cooperative. The Village Panchayat a BC, *Golla*<sup>3</sup> person, told us that she has told everything well so join. We were 6 people who thought of joining the proposed WTC in the village. Then others followed. It was a group/collective decision to join the WTC. In our village there is a great community feeling. And our *Sarpanch*<sup>4</sup> also motivated us. We were a big group of about 70 who joined that day.

Algireddy, WTC in Warangal District (July 2001)

---

<sup>3</sup> *Golla* is the name of the caste group whose chief occupation used to be cattle rearing and milk selling.

<sup>4</sup> *Sarpanch* means the Gram (village) Panchayat President.

## **Cooperative Self-Management**

The same tension that Vasundhara and other CDF outreach workers negotiated between providing the women with a ready-made financial institution and allowing them to build their own institution according to their own ideas, permeates the relationship between the CDF and the cooperatives. The cooperatives are self-managing, and self-financing, organizations. The members of each cooperative elect a board of directors at an Annual General Body Meeting, which in turn elects a president from their number. The board members sit for three years on staggered terms, while the presidents sit for one year. Both can be reelected indefinitely. The cooperatives' presidents elect the directors and president of the association at an Annual General Body Meeting. The board of directors of each cooperative decides on loan applications from members, and, with the help of a paid accountant, trained by CDF but from the membership of the cooperative itself, manages the day-to-day activities of the organization. A lot of this work falls on the president, who takes responsibility for much of what goes right or what goes wrong.

Despite the emphasis on self-management and self-financing, CDF is heavily involved in the cooperatives in the first two years of their lives. They have a book-keeping system that they train the president and the accountant to use. They audit the books of the association every month, and audit every new cooperative in that association every three months. Once the cooperatives have matured, the CDF continues to audit the association monthly, but lets the association auditor audit the cooperatives, except for a test audit that CDF conducts once a year on each cooperative. At their most mature, cooperatives are no longer audited by CDF, but CDF continues to audit the association monthly.

However, CDF does not lose touch with any cooperative, even after it has reached financial maturity. It continues to provide training to the accountants, presidents, and cooperative directors. Beyond this direct interaction, CDF also receives monthly reports on the activities of the cooperatives through their associations, in a format similar to the one that the presidents of the cooperatives themselves receive at the monthly association meetings. In this way, CDF is able to monitor the general health of the cooperatives. Furthermore, the interaction between the CDF and the cooperatives is not one-way. The CDF and the leadership of the associations meet monthly to discuss the functioning and future of the cooperatives. These meetings run on a regular schedule, beginning in April of each year and ending in October. At that time, the leaders of the associations jointly decide on any new policies for the cooperatives to come into effect the following January. In addition, as CDF has grown it has hired women who were once members of the cooperatives. So the CDF itself is changing through its support of the cooperatives.

## ***Women managing money***

### **Thrift and Credit Basics**

The cooperatives have a total membership of about 76,000 – 45,000 women and 31,000 men. In 2000 the women's cooperatives disbursed Rs.21.5 million to 31,131 borrowers, while the men's cooperatives disbursed Rs. 25.8 million to 22,474 borrowers (Exhibit 4). The first women's cooperatives organized themselves in 1990, and there were eight (8)

by the end of the year, with a total membership of 1,422 and total savings of about Rs. 90,000 (current prices). The first men's cooperatives organized themselves in 1992. There were two (2) by the end of the year with 213 members and Rs.15,900 in savings. The growth in the savings and in loans are a product of both increasing membership and increasing balances per member. Between 1990 and the end of 1996 members saved Rs.10 per month, since then the amount has been increased to Rs.20. This payment is a compulsory requirement of membership in the cooperative, and only members who have fully paid their thrift have access to loan funds. The amount a member can borrow is limited to three times her thrift savings balance. Cooperatives charge varying rates on their loans depending on the age of the organization. New cooperatives charge 2% per month, while more established cooperatives, with a larger deposit base, charge 1.5% per month. All cooperatives pay 1% per month on the thrift amount in interest to their members. In 1999 CDF helped the cooperatives introduce three new savings products: savings accounts, recurring deposits, and fixed deposits. Members can use these savings to leverage additional credit, but only up to the amount of their savings balance.

In 1999 the cooperatives introduced a new life insurance scheme, the Debt Relief Assurance Scheme (DRAS). The scheme requires a premium payment of between Rs.500 and Rs.1000, depending on the age of the member, in return for which the survivors of the member will get Rs.10,000 when she dies. The premium can be paid in a lump sum or in installments (Exhibit 5).

### **Joining a thrift cooperative**

Women join a thrift cooperative for a multitude of reasons, in a multitude of circumstances. For many it is a momentous act on their part.

When Sashi Madam and Vasundhara Madam from CDF came to our village to explain about the thrift programs I was the first one to join. I also enlisted the membership of many other women in the village. Then I did not realize that it would become such a big responsibility. In the beginning my husband opposed and my sons did not approve of me associating with the CDF and other women who were promoting the idea of thrift. My husband used to get angry and even told me not to offer any seat to sit to the visitors. They even tried to scare me saying that if mistakes come in the Accounts action will be taken against me. They also told me not to trust the CDF people who came from outside the village and may take away the money collected for thrift... My co-sisters (sisters-in-law) also used to make sarcastic comments about my activities related to WTC. They disapproved my moving about freely, as I come from a conservative Muslim family. I used to ignore them or answered them back strongly. Eventually they also joined as members of the WTC. My daughters and daughters-in-law are also members of the WTC.  
Hameeda, WTC in Warangal District (July 2001)

My husband encouraged me to join saying that I will learn and become intelligent if I interact with many women, that I would be respected...  
Mardha, WTC in Warangal District (August 2001)

I joined the WTC in 1994, though it was started in 1991. One of my caste leaders encouraged me to join saying that it is beneficial. I knew quite a few members before I joined the WTC. I had not informed my husband before joining the WTC. He would not have objected anyway.  
Satraveni, WTC in Karimnagar District (August 2001)

I joined the WTC when it started about 10 years ago paying Rs.11. But my husband forcefully made me close the account a couple of years later. He wanted to use away all the money, and would not allow me to pay the thrift amount too. I wanted to continue as I have a daughter and hoped to keep some savings for her, but I could not continue the membership. After he died I rejoined the WTC in 1996-97 buying a membership someone who was moving away and withdrawing her card.  
Marripally, WTC in Karimnagar District (August 2001)

My mother in law joined and said that one member for a family is enough. Even when the Sarpanch persuaded her to pay another Rs.10 in my name my mother in law did not pay.<sup>5</sup> So I paid the first Rs.11 from the money my parents had given me. However, since then my mother in law paid the installments. After about 4 months my mother in law gave me the money and told me to go and pay the amount in the WTC. I was afraid to go to the WTC to pay the amount.  
Yeravelli, WTC in Warangal District (July 2001)

So a woman may join at the urging of her husband or another male in the household. Or she may decide to join on her own initiative and encounter resistance from a male member of her household because of the independence it grants her and the way it distracts her from her housework. She may join on her own or with other female members of the household. If she joins with others they cannot form a joint liability group – women in the same family are prohibited from doing so. But they can borrow against their thrift savings and pool the proceeds for some household use. Up until 1995 women from households that had the means would not only sign up for themselves but also for their non-adult daughters. In this way they maximized their access to funds. But the MACs Act only allows adults to be full members of cooperatives, and when the cooperatives registered under the act to gain legitimacy and legal protection they had to rescind the membership of girls. Women who have the funds, or live in a household which has accumulated the funds, can “buy the card” of a woman who has decided to leave the cooperative. By buying her card the new member automatically has access to a loan three times the size of the amount she bought – she does not have to go through the long process of accumulating the funds at the rate of Rs.20 per month.

---

<sup>5</sup> The Sarpanch is a village leader, and he was involved in persuading women to join the cooperative at its inception, which is when Yeravelli joined it.

## Joint Liability Groups

Between 1995 and 1998 the number of women defaulting on their loans as a percent of all borrowers doubled from 9% to 18%. This caused concern both among CDF staff and the women themselves. Default management became an issue that the leadership of the associations addressed in their monthly meetings with CDF. Through these conversations CDF found that the guarantees that borrowers were supposed to get for their loans were not working to prevent defaults. Borrowers were simply asking the nearest person they could find on the day loan applications were due, and disbursement took place, to sign their application as guarantors. The resulting guarantees were worthless because there was no particular bond between the borrower and the guarantor. Sometimes a woman signed as a guarantor on a large number of loans, because she was readily available to do so, without considering the amount or knowing the borrower. The only sanction the cooperative had to force the guarantor to honor their obligation was to prevent her from receiving a loan; but this sanction was not enforced.

CDF promoted the idea of JLGs based on its own research on the efficacy of such groups in other settings. Each group consists of five members who have chosen each other as members of their group. They all have to guarantee a loan application from one of their group for that application to be approved. Only one member of a group can borrow each month, and no member of the group can borrow money unless the other borrowers in the group are current on their payments. In 1998 it was agreed that all new cooperatives would have to have such groups from the outset. At one point there was even an insistence that women join as a group, though this idea has since been dropped. The real struggle was to get the membership of the existing thrifts to accept the idea of JLGs. The consultative process through which the idea of JLGs went meant that the leadership of the associations supported the idea. In addition, the leadership of the cooperatives, the presidents and directors, accepted the idea quickly because it took the burden of collecting on late payments off their shoulders.<sup>6</sup> In late 1999, the membership of the individual cooperatives voted to accept the new policy, with some reservations. One common riposte to the argument for JLGs was that the leadership and the CDF were “making us hold our hands on our own heads,” meaning that the members were being asked to take on full responsibility for each other’s behavior. In the period from January to September about 60% to 85% of the members of each cooperative formed into groups. Some of the remainder did not participate in a group because no one wanted them – they had a bad payment history. Others probably did not join because they saw no need to.

There is a strong incentive to be part of a group. Only group members can borrow up to three times their thrift amount. Individual borrowers can only borrow up to their thrift amount. It is too early to tell whether the groups are working as they are supposed to, but it is clear that, as with the previous system, the women have developed informal practices to make the groups work for them. The restriction that only one member can borrow each month has resulted in women informally disbursing loans to each other – one person borrows from the cooperative and then distributes the proceeds to the others in the group.

---

<sup>6</sup> The practice before the implementation of the JLGs was for directors to take responsibility for the loans of 50 members – they approved the loan applications but were also in charge of following up on any delinquents.

The women have also used the group system to ensure timely payment of their installments. If one member is unable to make their payment then another will make it for her, if she needs a new loan. In this way the members of the group pool their resources to ensure timely payment and access to new loans. As one woman put it:

Sometimes if one of the five members is not able to repay her installment that month and another member in the JLG needs a loan, the latter pays the installment and takes the loan. The two members settle the payments between themselves later on. Usually the defaulter repays to her JLG member once her financial position improves. Is it not fair that four others find a solution for one member's problem?

Afzar, WTC in Karimnagar District (August 2001)

### **Applying for a loan and loan use**

The loan application process is simple. The applicant fills out a two-page form that requires her to identify the amount, purpose, term, and interest rate of the loan. She must secure the signatures the four other members of her JLG and then submit it to the accountant before their monthly meeting. The accountant verifies that all the other members of the JLG are in good standing and brings the applications to the monthly board meeting where the directors decide on the applications. They review the payment history of the applicant -- whether she has caused trouble in the past in repaying, whether she has been delinquent. They also look to see whether the applicant's JLG is in good standing. If the loan is approved the proceeds are paid out on the same day by the accountant who makes a record of it in the borrower's pass book and on a payment voucher. The accountant later transfers this information to the payment scroll, the cash book, and, eventually, the general ledger. On the same day the accountant receives the thrift and other savings deposits from the members. She makes a record of it in the member's pass book and on a cash receipt. Later she transfers this information into the receipt scroll, the cash book, and eventually the general ledger.<sup>7</sup>

There are no rules in the cooperatives about how a woman uses her loan.<sup>8</sup> Ask a borrower how she has used her loans and she will give you a list of answers: for house repairs or furnishings, for school fees for the children, to buy fertilizer for the growing season, to buy a buffalo, for medical expenses, for a daughter's wedding (including the dowry), to buy gold, and so on. The list is as varied as the uses that are available. One WTC president has tried to discourage borrowers from using their loans for their daughter's wedding, because she sees this as an unproductive use of the loan proceeds. But she has given up trying because the women simply told her that they were going to use the loan for another purpose and ended up using it for the wedding anyway.

---

<sup>7</sup> The CDF helped the women introduce a computerized accounting system in the early 1990's. This was housed at each of the association buildings, which were, at that time, the hub of the activities of the cooperatives. But the MACS Act requires that each cooperative report its own accounts to the regulator, so the responsibility for the accounting returned to the cooperatives, where a computerized accounting system is unfeasible.

<sup>8</sup> A 1996 study sampled 110 loan application forms and found that half of them did not state the purpose for which the loan would be used.

## **The impact of WTCs on the lives of their members**

Anyone attending a WTC meeting, whether at the village or association level, comes away with the impression that these financial cooperatives have allowed women in rural Andhra Pradesh to take control over part of their lives. The women present at those meetings are managing their own and their fellow members' savings – savings that are officially in their name. And they are not doing this within the confines of their own home, but in a building that their thrift cooperative often owns. There is no doubt that at the leadership level the cooperatives have provided women with an institution that has taught them new skills and changed the very pattern of their everyday existence.<sup>9</sup> A director of one thrift describes her experience in the following way:

Ten years back my life was very limited. I went to fields, worked, cooked, ate and slept. My life has changed a great deal since I joined the WTC. Now I manage issues, travel and meet different people. I feel I have become more intelligent. I also do not fear anything. And feel good about the whole thing.  
Palle, WTC in Karimnagar District (August 2001)

The president of another WTC, and of an AWTC, acknowledges the stress that her position put her under but, nevertheless, feels it has been worth it:

I was WTC President since 1993 for 8 years. I have been AWTC President for the last 7 years, since its inception in 1994. Directors reposed confidence in me. For the first time in 2000 there was another Director who contested against me. But she lost.

As my responsibilities increased I had no time for housework. My husband used to get quite irritated. When he shouted in anger, I used to keep silent. My children used to miss me at home and feel upset. My daughter used to help me till she got married in 1998. Once we found an accountant to take care of the accounts I felt a great relief. Managing the accounts gave a lot of headache. I used to fear that some thing may go wrong and used to get quite exercised. Seeing that my husband used to get very upset and sought me to give up the whole thing. But I stuck on. And am happy I did so.”

However, I feel I lost full control of my household since about two years. I do not really regret. I barely manage cooking at home, rest of the jobs my husband takes care. Especially since 2000 my husband has come to accept my WTC and AWTC preoccupations gradually. Though he shouts sometimes, the next day he encourages me to go to the office and take care of the AWTC business. He helps me in planning and executing the logistics for annual meetings and other issues. He drops me off and picks

---

<sup>9</sup> As of the end of 1999 there were 143 WTCs, meaning that, potentially, there were 1,716 leadership positions.

me up on his vehicle when I need to go to neighbouring villages when required. He even helps me in depositing amounts in the bank, helped supervising the AWTC building construction, and arrange for labour etc. My son in law, however, continues to discourage...Once I come to the A/WTC office I forget the house duties completely. Here people respect me and recognize me. When I go home I feel like reducing my role in the WTC/AWTC. But once I come to office I get fully involved in their development. I must say that I would not have been able to do all this if I did not have the support of my family.

Kasala, WTC in Warangal (July and August 2001)

There is also a clear financial advantage of being a member of a WTC: before women either had to ask their husbands for money or borrow from a moneylender at 36% or more, with pledged collateral; now they have access to funds through the cooperative at reasonable rates.

But how far down the social scale are these benefits reaching? A study of one WTC in the village of Gurijala shows that in 2000 (up to November 30) Scheduled Caste members constituted 10% of the membership of the WTC and received 10% of the loans. But there is no Scheduled Caste member on the Board of Directors, while 40% of non-members living in the village are from the Scheduled Castes. In other words, though members of the lowest caste get access to loans once a member of a WTC, they are underrepresented in the membership and they are underrepresented even more so in the leadership. Data from two sets of WTCs comprising two AWTCs shows the same pattern with regard to the extent of representation of Scheduled Castes in the membership of the WTCs and in the leadership (Exhibit 6).

## **Delinquencies and Collections**

The loan terms are usually for 10 months and require repayment on a monthly installment basis. The cooperatives accept partial payments, so long as they are above a minimum monthly amount usually Rs.50 or Rs.100, because of the flexibility it provides the borrower. The incomes of many of the households are seasonal. In Karimnagar the largest crop in terms of area planted is rice, while in Warangal it is cotton. Cotton farmers in the region sell their harvest in November and so are able to repay their loans in full then; paddy farmers sell their harvest in December. A household that borrows in May or June for school fees for their children's education, or in July and August for agricultural inputs, can make the minimum payment until November or December and then pay off the loan. If the borrower fails to pay the minimum amount not only is she classified as delinquent and assessed a late payment fee of Rs.20, but the cooperative also refuses to accept her thrift contribution. This latter sanction is an important one because it slows down the woman's thrift accumulation thus lessening her ability to borrow in the future.

In addition to these financial penalties there the thrift members exert social pressure on each other to repay. Many thrifts post a list of delinquent borrowers in a place where all the other members of the cooperative can see it (Exhibit 7). Beyond this the women exert more personal pressure on delinquent borrowers. In the past, the board of directors had the primary responsibility for collecting defaulted loans. With the JLG's in place there is an additional line of defense, but still the women sometimes have to exert social pressure on a delinquent borrower. For example, one woman described her collection activities in the following way:

The members of my JLG are all Mudiraj's, BCs as they all live in the same neighborhood. We all pay regularly and hence decided to team up. There is a social fear that if you do not pay up on time the other group mates may ask you to and that it will be embarrassing. However, this JLG system is good. It develops cooperation between the five of us. It is a good arrangement to reduce defaults...

When we go for collections, each person will scold the defaulter. And some defaulters pay up after being scolded. We say things like:

Is it enough if you take the amounts, don't you need to pay up timely?

If your husband did not give you the amount for repayment, it is your responsibility to pay up, so you should make the arrangement. We will take away the TV or costly utensils from your home if you do not pay.

Don't you have shame; don't you eat food?

And similar harsh and insulting words are also spoken to the defaulter.

Since the formation of the JLGs Directors are not visiting the defaulters' homes much.

Satravanti, WTC in Karimnagar District (August 2001)

Another woman described another, direct way of collecting on a delinquent loan:

Some times members in certain group are not able to pay. Then some one else on whose fields this defaulter works pays for her and deducts the amount from the labor she puts on her fields. The defaulters lose face. Of course we try to help each other. Apart from losing face, there is also the fear that we will not get loan next time when we need it.

Algireddy, WTC in Warangal (July 2001)

Women seeking to put pressure on a delinquent borrower may go so far as to take an item from the home, such as a water jug, as collateral, or take off the front doors of the home – a severe social sanction because it deprives the family of privacy and all the village can see that they have been socially punished.

## **Managing a high village delinquency rate**

Though the women manage their loan portfolios at the village level, major problems in a village soon come to the attention of other cooperatives through the reports each village submits to the AWTC. This is what happened at one AWTC meeting I attended in August 2001. The meeting followed its usual routine, beginning with a statement of welcome from the president of the AWTC, followed by a song, the reading of the previous meeting's minutes, and a review of the receipts and payments made by the AWTC. The next item on the agenda was a review of the delinquency rate of each cooperative in the association. Everyone in the room had a list of the delinquency rates of all the cooperatives, and the attention of the meeting quickly focused on one cooperative, from Village 11, with a 30% delinquency rate. A particularly vocal woman at the meeting, who had contested the election for President of the association and lost narrowly after resort to a secret ballot, asked the president of the WTC to explain the high rate. She responded that the problem lay with borrowers from the Scheduled Caste in her village, who were not making their payments. When asked what she planned to do to address the situation she prevaricated, and got up to leave the meeting. She crossed the room to the door, but was called back by the same woman, who asked her why she was leaving. The president of Village 11 WTC responded that she needed to get back to her village in time to pay the laborers building her WTC's new building. She was asked to rejoin the meeting and she did.

Other women in the meeting then gave her advice on how to handle the delinquencies, such as rescinding the membership of the delinquent borrowers and applying the balance of their savings to the loan amount. The president of the association described how each director of her cooperative was responsible for 50 members -- approving their loan applications and collecting their payments if they fall behind. Throughout this process the president of the delinquent cooperative sat impassively -- obviously enduring a humiliating experience as best she could. The meeting decided to give the president one month to address the problem in her cooperative. If she failed to make an impact on the delinquency rate, the other presidents would take matters into their own hands. During this whole process the field officer from the Cooperative Development Foundation, whose job it is to observe the proceedings of the cooperatives and associations, sat quietly -- he volunteered nothing, and no one asked him his opinion.

The AWTC met again a month later, in September 2001.<sup>10</sup> The meeting followed its usual course and eventually turned its attention to the high delinquency rate in village 11. The president reported that she had reduced the number of delinquent borrowers by 50: "We are dying making collections. We are going repeatedly to defaulters' homes. We are just stopping short of touching defaulters' feet (the ultimate way of pleading). There is some response and some payments are coming in." But, she noted, none of the scheduled caste members were repaying. When the meeting moved to the audit report the spotlight again turned to village 11. The auditor reported that the cooperative had been making loans to individuals from groups with existing delinquent members. Why this was

---

<sup>10</sup> Sandhya Kanneganti attended this meeting and made a record of its proceedings.

happening was made clear by the president of the association who had recently attended the monthly meeting of the cooperative:

When I attended the last WTC meeting at [Village 11] I noticed that loan applications have not been received by the time of the meeting. In Jilugula and Rangayapalli WTC, which I attended, the proceedings were conducted so well. The applications were discussed thoroughly before a decision was taken to give or not to give the requested amount. But [Village 11] is granting loans even if the applications are not received by the WTC meeting date. This should not be done. If you receive the applications early, it is possible to verify whether there are defaults in the respective JLGs.

A subsequent review of the loan and delinquency data showed that the cooperative president was correct in her depiction of where the main problem lay. Borrowers from the Scheduled Castes and Tribes in the village made up 18% of the borrowers, roughly equivalent to their share of the membership, but 45% of the defaulters and 57% of the months that the loans had been in default.

### **Other sources of funds**

According to the All-India Debt and Investment Survey (1991-2) over 17% of the cash due by rural households to credit institutions was owed to moneylenders (Exhibit 8). It is unlikely that the situation in Karimnagar and Warangal is any different. One of the benefits that the cooperatives have brought to the women is that they no longer have to go to the moneylenders for capital. This not only saves them money, because the interest rates are lower, but also time and anxiety. The moneylenders operate in such a way that the interest rate is set by the level of desperation of the borrower. A woman looking for a loan will go to the moneylender and ask for a loan at a certain rate, say Rs.3 per Rs.100. The moneylender may say nothing or refuse to lend at that rate, and the woman will go away, only to come back later with a higher offer. The moneylender will wait to see how high the borrower is willing to go before extending the loan. In contrast, the women know they can easily get a loan for an amount up to three times their thrift amount through a simple application to the cooperative. Even so, moneylenders do still serve a purpose in the villages where cooperatives operate – they do not limit the amount a person can borrow in the way the cooperative does.

Moneylenders are not the only credit alternative in the villages. There are at least two other institutions that compete directly with the cooperatives, and are, on the surface, organized in the same way. One is informal rotating savings and credit associations known as *chitti*, and many of the women are members of these informal groups. The other is a national and state government scheme to promote women's self-help groups (SHGs), known in Andhra Pradesh as DWCRA groups after the Development of Women and Children in Rural Areas program which initially promoted the SHGs. The DWCRA groups are composed of about 15 women each who contribute a fixed amount each month into a savings account. Out of the amount saved the women lend to each other, and also

become eligible for matching funds from the state and other forms of grant and subsidy. According to statistics from the state government, there are 21,829 groups in Karimnagar with a membership of 305,606 women and 14,397 groups in Warangal with a membership of 207,678. Statewide there are over 330,000 groups with a total membership of just under 4.6 million women. The groups have total savings of Rs.5.5 billion and they have received almost Rs.5 billion in government assistance. Many of the women who are members of the cooperatives are also members of a DWCRA group. Others decided not to join because they felt that the benefits were not worth it, either because the government subsidies were counterproductive to a self-help scheme or because the grants available for such things as gas cooking stoves were not viable in the long run.

### ***Challenges of growth***

In their first 10 years of existence the WTCs have multiplied in number and grown in size. The most important challenges the women face are: getting the WTCs to become engines of economic development; improving the WTCs' delinquency and default management; and finding a way to address the political aspirations of many WTC leaders.

### **WTCs as engines of economic development**

Without the income from the interest on the loans the cooperatives will not be able to continue to cover their operating expenses and pay the members interest on their deposits. Since their inception the cooperatives have made good use of their funds, but in recent years the fund utilization has fallen and remained between 80% and 90% (Exhibit 4). Worried by this fund utilization rate, the CDF and the cooperative leadership worked to identify a development project that would allow the women to invest in income-generating activities. They worked with the National Dairy Development Board (NDDB) to determine the feasibility of a dairy cooperative in the region near Warangal. Based on a market survey of the potential demand for milk in that city they chose to site a cooperative dairy plant in the village Mulukanoor and offer women living in the 72 villages within a 25km radius the opportunity to participate in the dairy cooperative.

### **Delinquency management**

The partial payment policy causes some accounting difficulties for the thrifts, and only works because the demand for loans is well under the supply of funds. The accountants only record a loan as delinquent if the borrower fails to make the partial payment. In cases where this happens, the accountant only records the minimum payment amount as being delinquent, not the full payment amount. As a result, the cooperatives continuously underreport the amounts that are delinquent. There is little financial pressure to report the delinquent amounts correctly because the cooperatives either have surplus funds or can easily borrow from other cooperatives with surplus funds. This means they do not need to collect the loan payments on a timely basis simply to meet new demands for loans from other members. In fact, the outstanding balances on delinquent accounts

accrue interest at the regular loan rate, creating an easy way for the cooperatives to earn interest income without extending new loans. This is especially the case where the cooperatives are confident that delinquencies will not result in default.

If you ask the leaders of a cooperative how many loans have never been repaid, the answer comes back that it is very few. The women will tell you about how they always find a way to get the borrower or other members of her household to pay. Though the women believe they are effective in collecting on defaulted loans, there is little information in the accounting system to tell how successful they really are and whether a labor-intensive, aggressive collections policy is sustainable in the long run. As the president of the CDF, Mr. Rama Reddy, notes:

There has not been a single instance of 100% repayment in the long history of banking/money lending, anywhere in the world. Irrecoverable loans, in several instances, can be attributed to dishonest dealings, jointly or individually, among the lenders and borrowers. Even in the cases where honest lendings and borrowings take place, there will be inevitable instances of irrecoverable loans or (in banking terminology) non-performing assets. The CDF has, so far, not made a serious attempt at educating the TC members in general and the board members in particular in respect of acknowledging that there will be irrecoverable loans and the system must find a way to deal with the issue. At this moment, the CDF does not know how to go about doing this unpleasant and unavoidable job. The stories of 100% repayments in micro-finance institutions (MFIs) are a big fraud. One may tend to take these stories as a big joke; since the consequences are serious we should not allow such tendencies to spread.

## **Women and politics**

One of the strictest rules on which the CDF insists is the rule prohibiting cooperative leaders from running for political office. Any leader that chooses to run must first relinquish her seat, whether she is president or simply a director. This prohibition has caused tension within the cooperatives because of the increasing importance of women in electoral politics, especially at the local level. Under the 73<sup>rd</sup> Amendment to the Indian constitution, passed in 1992 not less than one-third of the seats on the *gram panchayat* (the village council) are reserved for women. The political parties are keen to recruit women who are leaders of the cooperatives, most likely because they assume they can deliver the votes of the members of the cooperatives to their party. And at least some of the women are interested in participating in electoral politics because they have demonstrated to themselves through their leadership of the cooperatives that they can operate effectively in the public sphere. The CDF's insistence on keeping the cooperatives insulated from political involvement is the product of India's long history of politically hijacked and corrupt cooperatives. As of now it has resisted the women who want to get involved in politics, and those who have gone ahead and run for office have had to give up their leadership positions for five years, whether they won the election or lost.

## ***Conclusion***

All three challenges strike at the heart of the relationship between CDF and the WTCs and at the heart of the integrity of the WTCs as financial institutions. Should the CDF continue to look for new development opportunities for the women? How will the WTCs manage the delinquencies in the future? How will the political aspirations of the women be accommodated? These are questions that the CDF leadership and staff, and the leadership and membership of the WTCs are going to have to answer over the next few years.

## **Exhibit 2**

### **Population Density per sq km Based on 2001 Census**

India	324
Andhra Pradesh	275
Karimnagar	294
Warangal	252
UK	240
France	107
US	29

**Exhibit 3****State/District Statistical Profile**

<b>State/District</b>	<b>Population in Millions</b>			<b>Literacy in %</b>			<b>Sex Ratio</b>
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	
Andhra Pradesh	38.3	37.4	75.7	70.85	51.17	61.11	933
Karimnagar	1.73	1.73	3.47	67.86	44.19	56	1000
Warangal	1.63	1.59	3.23	70.01	46.54	58.41	973

**Exhibit 4**  
**Summary Data on Performance of WTCs and MTCs, 1990 to 2000**  
**Price Adjusted, Base = 100 1986-7 (July 1986 to June 1987)**

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Women's loan amounts	Rs	147,430	259,271	1,123,869	3,867,204	7,180,437	5,007,897	8,142,127	11,271,045	12,671,501	16,503,297	21,469,242
Women's loan numbers	No	1,045	1,947	6,278	9,838	11,244	11,343	14,364	21,788	22,406	25,395	31,131
Women's avg loan amount	Rs	141	133	179	393	639	441	567	517	566	650	690
Women's Loans Outstanding	Rs	63,090	100,851	518,495	1,406,701	2,245,076	3,648,140	4,838,608	7,118,481	10,182,514	13,398,167	17,532,919
Women's Funds Use Rate	%	93%	98%	92%	84%	82%	87%	86%	83%	89%	90%	81%
Men's loan amounts	Rs	-	-	5,501	297,601	924,219	2,789,765	5,083,027	11,174,476	13,413,770	17,320,278	25,837,666
Men's loan numbers	No			18	480	1,505	2,321	7,145	11,660	11,439	14,288	22,474
Men's Avg Loan Amount	Rs			306	620	614	1,202	711	958	1,173	1,212	1,150
Men's Loans Outstanding	Rs	-	-	4,279	131,986	443,763	885,972	2,039,326	4,221,120	7,482,082	10,954,635	15,352,951
Men's Funds Use Rate	%			48%	56%	73%	68%	79%	80%	78%	80%	77%
		<b>31-Dec-90</b>	<b>31-Dec-91</b>	<b>31-Dec-92</b>	<b>31-Dec-93</b>	<b>31-Dec-94</b>	<b>31-Dec-95</b>	<b>31-Dec-96</b>	<b>31-Dec-97</b>	<b>31-Dec-98</b>	<b>31-Dec-99</b>	<b>31-Dec-00</b>
Women Regular Thrift	Rs	61,796	95,107	501,233	1,414,312	2,262,560	3,123,134	4,485,369	6,458,156	8,923,963	11,367,869	14,402,579
Women Members	No	1,422	2,312	7,317	11,416	12,012	13,830	17,928	27,974	31,271	38,187	45,605
Women's Avg Thrift Amount	Rs	43	41	69	124	188	226	250	231	285	298	316
Women's Total Funds	Rs	68,197	103,272	563,286	1,666,000	2,748,529	4,174,270	5,609,384	8,534,162	11,428,295	14,860,177	21,678,605
Men Regular Thrift	Rs			8,894	86,174	349,238	709,112	1,743,124	3,680,212	6,792,167	9,965,595	14,477,987
Men Members	No			213	921	1,977	3,319	6,799	15,605	18,036	20,477	31,011
Men's Avg Thrift Amount	Rs			42	94	177	214	256	236	377	487	467
Men's Total Funds	Rs	-	-	9,006	237,710	604,497	1,294,033	2,594,190	5,245,656	9,560,716	13,725,597	19,926,477
		<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
% defaults, # Women		0%	4%	15%	9%	10%	9%	12%	14%	18%	11%	15%
% defaults, Rs. Women		0%	8%	8%	6%	2%	1%	2%	2%	3%	1%	2%
% defaults, # Men				0%	16%	11%	13%	11%	9%	17%	13%	14%
% defaults, Rs. Men				0%	7%	3%	3%	2%	2%	3%	2%	2%

**Exhibit 4 (continued)**

**Cooperative Development Foundation Expenditures on WTC's and MTC's**

		<b>1990-91</b>	<b>1991-92</b>	<b>1992-93</b>	<b>1993-94</b>	<b>1994-95</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>	<b>2000-01</b>
CDF Total Expenditure	Rs	65,946	178,576	207,091	202,537	152,575	129,656	258,746	401,010	406,891	542,400	783,967
Expense per Member	Rs.	46.38	77.24	27.50	16.42	10.91	7.56	10.46	9.20	8.25	9.25	10.23
Expense per Thrift Rupee	Rs.	1.07	1.88	0.41	0.13	0.06	0.03	0.04	0.04	0.03	0.03	0.03
Expense per Loan Rupee	Rs.	0.45	0.69	0.18	0.05	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Expense per Borrower	Rs.	63.11	91.72	32.89	19.63	11.97	9.49	12.03	11.99	12.02	13.67	14.62

- Notes: 1. The financial year of thrift cooperatives (TCs) is from 1 Jan to 31 Dec. Therefore, the annual financial statements and progress reports on TCs are for that period. The end of the year figures relating to TCs are as on 31 Dec.
2. The financial year of Cooperative Development Foundation (CDF) is from 1 Apr to 31 Mar. Therefore, the annual financial statements of CDF are for that period. The end of the year figures relating to CDF are as on 31 Mar.
3. The Thrift Cooperatives Network Development (TCND) Team was doing audit of TCs upto 1997-98. The Cooperative Audit Service (CAS) Team was set up in 1998-99.

## **Exhibit 5**

### **Women' Thrift Cooperative Insurance Scheme**

#### **DRAS**

Age of insured	Premium
18 – 35	Rs.500
36 – 50	Rs.700
51 – 55	Rs.1,000

## Exhibit 6

### Caste Distribution of Voters and WTC Members and Directors

	Voters				Members				Directors			
	Total	OCs	BCs	SC/ST	Total	OCs	BCs	SC/ST	Total	OC	BC	SC/ST
All WTC's in Sample	N/A	N/A	N/A	N/A	21,787	17%	66%	17%	624	22%	69%	10%
Selected WTC's	27,507	15%	61%	24%	6,720	16%	68%	16%	131	28%	61%	11%

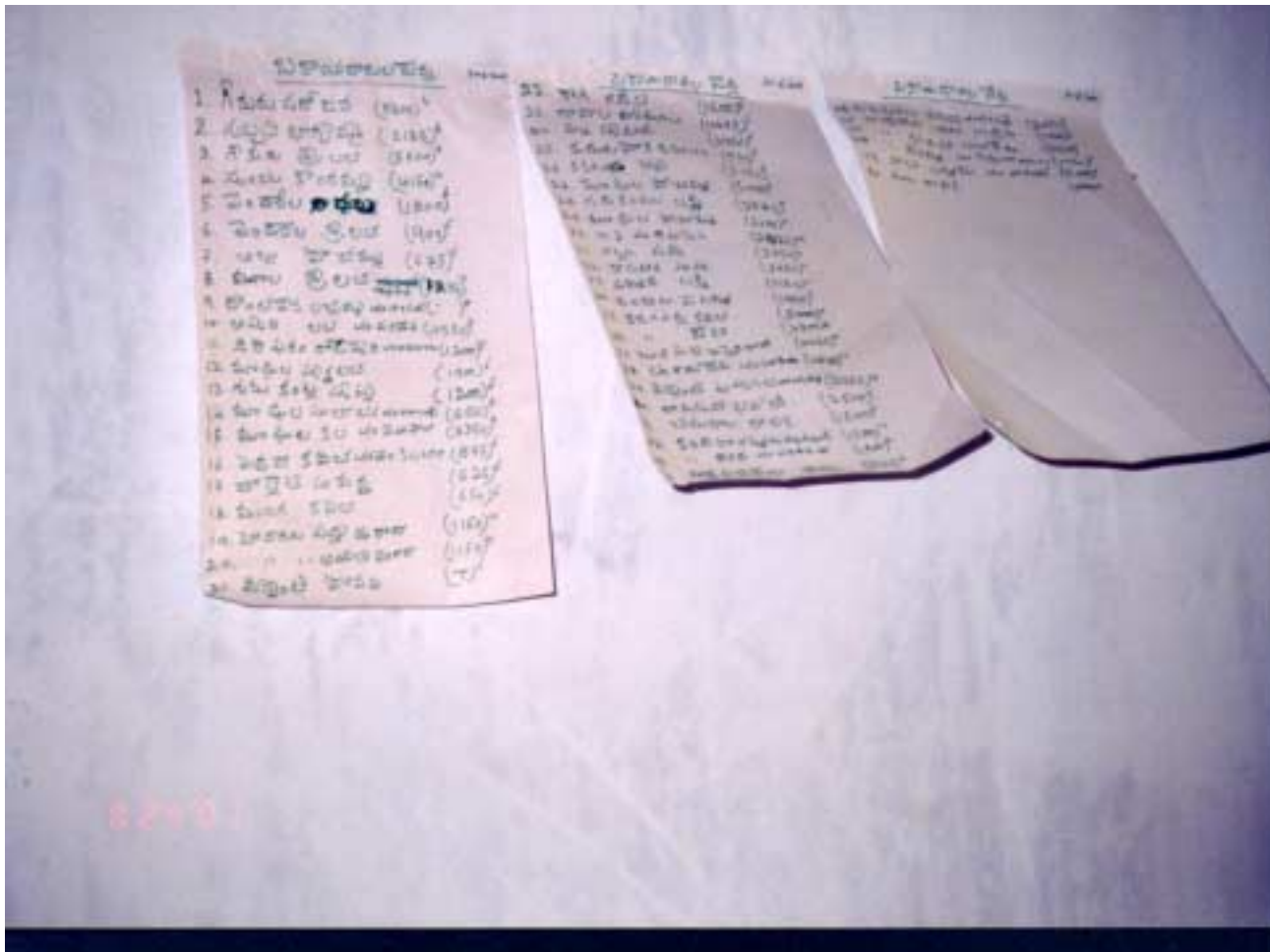
OC = Other Castes, most likely to be Forward Castes

BC = Backward Castes

SC/ST= Scheduled Castes and Scheduled Tribes



# Mulukanoor Defaulters' List



മുലുകാനൂർ  
1. മുഹമ്മദ് ഹുസൈൻ (1987)  
2. മുഹമ്മദ് ഹുസൈൻ (1987)  
3. മുഹമ്മദ് ഹുസൈൻ (1987)  
4. മുഹമ്മദ് ഹുസൈൻ (1987)  
5. മുഹമ്മദ് ഹുസൈൻ (1987)  
6. മുഹമ്മദ് ഹുസൈൻ (1987)  
7. മുഹമ്മദ് ഹുസൈൻ (1987)  
8. മുഹമ്മദ് ഹുസൈൻ (1987)  
9. മുഹമ്മദ് ഹുസൈൻ (1987)  
10. മുഹമ്മദ് ഹുസൈൻ (1987)  
11. മുഹമ്മദ് ഹുസൈൻ (1987)  
12. മുഹമ്മദ് ഹുസൈൻ (1987)  
13. മുഹമ്മദ് ഹുസൈൻ (1987)  
14. മുഹമ്മദ് ഹുസൈൻ (1987)  
15. മുഹമ്മദ് ഹുസൈൻ (1987)  
16. മുഹമ്മദ് ഹുസൈൻ (1987)  
17. മുഹമ്മദ് ഹുസൈൻ (1987)  
18. മുഹമ്മദ് ഹുസൈൻ (1987)  
19. മുഹമ്മദ് ഹുസൈൻ (1987)  
20. മുഹമ്മദ് ഹുസൈൻ (1987)