

ECRDA

Group Lending Scheme Research

Report:

A Critical Analysis

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March 2025

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ACKNOWLEDGEMENTS

The researcher would like to thank the ECRDA Chief Executive Officer Mr Simphiwe Somdyala for the leadership in affording me to work in the research and development space at ECRDA. In turn, the researcher would like to thank all ECRDA colleagues who participated in the collation of the data be it generated from the ECRDA Loans Management System or from their archives.

The process of identifying and meeting the existent group groups was a challenging one, and the researcher would not have achieved the intended external group's perspective, had it not been the assistance of the ECRDA colleagues such as Mr Phimpi, Mrs Nyiki, Mr Gabula, Mr Giyose, Mr Mnyatheli, Mr Qongqo, Mr Zenzile and others. The researcher has acknowledged where possible, the work which is not his by using the appropriate cited Harvard referencing style.

1. BACKGROUND

In many communities, access to credit can be a significant hurdle. Traditional lending institutions often impose stringent requirements that are difficult for individuals and small businesses to meet. This is where group loans came into existence, offering a collaborative approach to accessing financial resources. ECRDA continued with this group lending scheme which was pioneered by Mr Thozamile Doni during the time at Ciskei Agricultural Bank (CAB) in the late 1990s.

The Agency was established in terms of the Eastern Cape Rural Finance Corporation Amendment Act, No. 1 of 2012, for the purpose of promoting, supporting and facilitating rural development in the Province of the Eastern Cape. The funding of the Agency is primarily provided by DOA in addition to interest income and fees charged for work done on behalf of other entities and organisations. The lending activities of the Agency are predominantly biased towards providing developmental loan finance to rural entrepreneurs and farmers. The Agency may operate throughout the province and its activities need not be confined to rural areas.

Whereas the Agency is a developmental agency, established and mandated by an Act of the Provincial Legislature to directly and indirectly facilitate the socio-economic development of the people of the Eastern Cape, the Agency will –

- a. Entertain applications for loan finance from all qualifying individuals, legal entities or groupings of people who perform their entrepreneurial / business activities within the boundaries of the Eastern Cape Province with a bias towards historically disadvantaged individuals.
- b. Investigate the economic viability and sustainability of the entrepreneurial / business activities referred to in (1a) above.
- c. Provide loan finance to qualifying entrepreneurial / business enterprises should the requirements of (1a) and (1b) above are met and it is found that the enterprise has a reasonable chance of success.

2. INTRODUCTION

The research problem statement reads as follows, namely, we are hereby required to conduct research on the group lending scheme, analysing its successes and challenges. The outcome of the research will inform ECRDA's plans to expand the programme.

ECRDA is seeking to address the needs of a large majority of the Eastern Cape Province's labour force (especially women that are at the core of self-employed and informal labour). This programme is meant to address the problems experienced with Rural Development loans which include the following but not limited to:

- Large number of small loans
- High administration costs
- Poor outreach
- Lack of incentives
- Poor repayment

As the first phase of this research methodology, a list of ECRDA Group Loan portfolio will be generated from the ECRDA Loans Management System and analysed in such a way that we are able to find those group loans that are successful and unsuccessful.

The second phase of this research methodology will be to select a random sample of 2 to 3 group loans who were not successful and successful respectively from all the ECRDA Regions where this programme exists and interview them to solicit their understanding and experience of the reasons for success and failures and proposals for improvements.

All the question interview results will be consolidated and recommendations proposed for implementation by ECRDA.

3. MANDATED GRANTING LEVELS

Type of Committee	Discretionary Authority to consider
<p>Regional Office Loans Committee consisting of the Regional Director, the Regional Coordinator and Regional Funding Consultants as members.</p> <p>Regional offices without a Regional Director will escalate their loan applications to the Rural Financial Services Executive. A quorum will consist of the Regional Director plus any one other member of the Committee.</p>	<p>MAXIMUM R250 000.00</p>
<p>Loans Committee consisting of the Chief Executive Officer, the Chief Financial Officer and the Rural Financial Services Executive. CEO, CFO, RFSE.</p> <p>The Regional Director will be in attendance to represent the Regional Offices and present loan applications to the Committee. The Head Credit & Risk will also be in attendance.</p> <p>Should 5% of the Agency's annual budget for Rural Finance exceed R2 000 000, the application will be escalated, with a clear recommendation by the Loans Committee, to FINVEST for consideration.</p>	<p>MAXIMUM R2 000 000</p>
<p>FINVEST Committee will consider all applications emanating from the Loans Committee and report on the outcome of such applications to the Board.</p>	<p>MAXIMUM R3 000 000</p>
<p>The Board will consider loan applications emanating from the FINVEST Committee</p>	<p>ABOVE R 3 000 000</p>

4. TYPES AND CATEGORIES OF LOANS

Product		Maximum Redemption Period
a)	<p>Starter Business Entrepreneurial Development Program [SBEDP]</p> <p>(A group consisting of between 2 and 10 individuals - Group members will be trained and expected to jointly and severally stand surety for the group's debt. No collateral required. Savings mobilisation important.)</p> <p>The group to maintain mandatory savings from a minimum of 2% of the loan amount throughout the loan term.</p> <p>Phase 1 - Maximum loan of R10 000 per member Phase 2 - Maximum loan of R20 000 per member Phase 3 - Maximum loan of R30 000 per member</p>	<p>Up to 12 months</p> <p>Up to 24 months</p> <p>Up to 24 months</p>
b)	<p>Sole Trader Entrepreneurial Development Program [STEDP]</p> <p>Individual traders - maximum loan amount of R50 000-00.</p>	Up to 24 months
c)	<p>Advanced Trader Entrepreneurial Development Program [ATEDP]</p> <p>Individuals and legal entities - maximum loan amount of R 100 000-00.</p>	Up to 24 months
d)	<p>Agricultural - Primary production loans</p> <p>Subsistence farmers</p> <p>Seasonal input loans to groups are restricted to R100 000 in value and a maximum of 10 individuals per group. No collateral required. Members jointly and severally accept liability for the loan advanced to a cohesive group.</p> <p>The group to maintain mandatory savings from a minimum of 2% of the loan amount throughout the loan term.</p>	Loan term linked to production cycle

Product		Maximum Redemption Period
	Emerging farmers Seasonal input loans to individuals are restricted to R250 000 in value.	Loan term linked to production cycle
	Bona fide farmers. Seasonal input loans to bona fide farmers, are restricted to R500 000 in value. Unsecured subject to clause 19 (a) – (f) of the ECRDA Credit Policy.	Loan term linked to production cycle
	Seasonal input loans to bona fide farmers in excess of R500 000 in value. Collateral of 25% will be required in addition to conditions stated in clause 19 of the ECRDA Credit Policy.	Loan term linked to production cycle

5. OBJECTIVES OF THE GROUP LENDING SCHEME OR PROGRAMME

- Enhance outreach
- Lower transaction costs
- Improve repayments
- Self-sustaining process

6. PRINCIPLES OF THE PROGRAMME

- Group pressure
- Carrot and stick (reward good behaviour and/or punish bad behaviour)
- Ensure proper use of the loan
- Frequent repayments

7. GROUP FORMATION

- 2 to 10 people per group (must be matured)
- All members must be operating their small businesses
- Members must be knowing each other

- Must be able to read and write
- Group must open a savings account at a Bank
- The group to undertake a day's course
- The group to elect its Chairperson

8. GROUP OPERATION

- 10 groups form a center
- Each center to elect its own committee (Chairperson, Secretary, Treasurer and Secretary).
- Each person to present a business plan after training. This to be approved by the center.
- Once the loan has been approved the money will be deposited into the Bank account of the client.
- All repayments made direct to ECRDA's bank account and reported at the center meeting.
- Savings of 2% of the loan amount will be deposited to the group's savings account throughout the loan term and fixed at the end of the loan term to serve as collateral for the next term.
- In the first center meeting after the loan has been granted each person must account how they have used the money allocated to him/her.
- Once a group has finished a phase, further participation or movement up the ladder must be approved by the center.

9. LITERATURE REVIEW

A Group Lending Scheme is a lending mechanism which allows a group of individuals - often called a solidarity group to provide collateral or loan guarantee through a group repayment pledge. The incentive to repay the loan is based on peer pressure, if one group member defaults, the other group members make up the payment amount.

Although in this research study, we are not comparing the Group Loans with Individual Loans, Attanasio, Augsburg, De Haas, Fitzsimons, and Harmgart, 2011 clarifies succinctly the importance and the superior benefit of Group Loans over Individual Loans, when they state that although microfinance institutions across the world are moving from group lending towards individual lending, this strategic shift is not substantiated by sufficient

empirical evidence on the impact of both types of lending on borrowers. They find a positive impact of access to group loans on food consumption and entrepreneurship.

Much remains unclear about whether or not Group Lending Organisations such as ECRDA can help the poor to improve their lives. Under joint liability, small groups of borrowers are responsible for the repayment of each other's loans. All group members are treated as being in default when at least one of them in the group does not repay and all members are denied subsequent loans (or next phase of group loan).

The researcher agrees with Thea Teinema (2013) that globally, microcredit has risen to prominence at a rapid speed after its large-scale success in the 1970s in Bangladesh with Grameen Bank. Its central idea is that traditional banks find the poor too costly to serve due to their lack of steady income and collateral. Small amounts of affordable credit provided by microfinance institutions such as ECRDA are assumed to give the poor an opportunity to develop small businesses and lift themselves out of poverty. Thea Teinema (2013) continues to say that Microfinance is largely directed at women borrowers, due to both social and financial considerations. Namely, poor women are generally the most disadvantaged social group in the context of credit availability. Also, they direct more of their income towards improving life for their whole family compared to men, which translates into stronger overall social impact. This is the main objective of the ECRDA Group Lending Scheme.

10. RESEARCH METHODOLOGY

As the first phase of this research methodology, a list of ECRDA Group Loans portfolio will be generated from the ECRDA Loans Management System and analysed in such a way that we are able to find those group loans that are successful and unsuccessful. This will be an internal ECRDA process. In addition to it, relevant ECRDA officials (Mr Qongqo, Mr Mnyatheli, Mr Zenzile, Mrs Nyiki, Mr Phimpi, Ms Mkapeni, Mrs Hosolo, Mr Gabula, Ms Jojiyasi, Ms Jadezweni, Mr Nelani) will be interviewed to solicit their understanding of the reasons for success and failures and suggestions for improvements.

The second phase of this research methodology will be to select a random sample of 2 to 3 group loans who were not successful and successful respectively from all the relevant ECRDA Regions where this programme exists and interview them to solicit their understanding of the reasons for success and failures and suggestions for improvements.

There will be standardised questions which will be the same to all respondents (that is, internal ECRDA staff members and external Group Loanees from all the regions. The questions will require the respondents to narrate their experiences or perspectives as to what are their reasons for success or failure and what are their proposals for success improvements or failure resolutions. The researcher will ultimately consolidate all the reasons for success or failure and proposals and draw recommendations out of them.

11. GROUP LOANS PERFORMANCE AS AT JANUARY 2025

Table 1: Starter Business Entrepreneurial Development Programme (SBEDP) Loans Performance as at January 2025 (ECRDA,2025)

ECRDA Region	Number of Accs	Application Amount	Instalment Amount	Balance Outstanding	Arrears Amount	Arrears Number (days)	Success or Failure
Northern - Karoo	10	863,707.30	954,444.50	776,263.66	31.77	0	Success
Northern - Chris Hani	57	1,361,863.00	1,465,174	1,046,865.96	1,046,865.96	120+	Failure
Southern - Amathole	10	680,000.00	35,903.95	330,674.65	3,229.72	0	Success
Southern - Amathole	5	216,500.00	11,888.10	181,502.26	11,258.30	30	Success
Southern - Amathole	1	60,000.00	1,930.37	61,136.11	3,860.75	60	Success
Southern - Amathole	2	160,000.00	7,415.31	72,603.18	23,481.24	90	Success
Southern - Amathole	4	125,000.00	13,928.87	14,643.33	14,643.33	120	Failure
Southern - Amathole	14	930,890.00	51,030.55	411,481.16	382,871.67	120+	Failure
Southern - NMBM	7	153,500.00	11,653.99	86,799.45	86,799.46	120+	Failure
Eastern - Alfred Nzo	9	780,200.00	68,3953.70	443,414.34	164.81	0	Success
Eastern - Alfred Nzo	99	9,460,159.30	10,009,133.30	10,168,180.06	10,168,180.00	120+	Failure
Eastern - OR Tambo	25	2,374,600	2,527,263.60	2,428,546.97	0.00	0	Success
Eastern - OR Tambo	1	78,000.00	82,293.83	83,819.20	83,819.20	30	Success
Eastern - OR Tambo	1	8,700.00	2,305.93	9,902.43	9,902.43	120	Failure
Eastern - OR Tambo	111	3,500,424.00	3,404,696.00	2502622.243	2,502,622.29	120+	Failure
TOTALS	356	20753543.6	19263016	18618455	14337730.93		

REFLECTIONS ON TABLE 1

- The generated list from the ECRDA computer system was exported into Excel for the purposes of summarizing it and selecting the relevant fields for the current research study purposes
- The loan types selected were SBEDP and Production Input Loans. All Production Input Loans were captured in the same manner as the SBEDP Loans and these related to both Eastern (Alfred Nzo and Mthatha) and Northern (Karoo and Chris Hani Regions).
- Group loans for Production Inputs in the Eastern Region, even though they are not managed as the SBEDP the condition of approval of the loans is the same in that group members sign joint and severally for the loans and they also have mandatory savings of 2%.
- It was also noted that the loan type generated by the computer system appeared as 'Manufacturing' instead of 'SBEDP' because the limits were never amended in the system despite numerous requests, and as such in order to process the loans they had to be captured using manufacturing loan type.
- The Group Loans portfolio computer generated had other defects such as invalid Identity Document numbers and inability to display group members' details.

12. GROUP LOANS FAILURES AND SUCCESSES: ECRDA PERSPECTIVE

In this section, the information was solicited from those ECRDA officials from all the regions who are working closely with the group loans. Their perspective of the group lending scheme is based on the information generated by the ECRDA Loans Management System and their interactions with the group loan members. The ECRDA officials who responded to the question interviews were, namely, Mr Giyose, Mr Zenzile, Mr Qongqo, Mr Mnyatheli, Ms Mkapeni, Mrs Hosolo, Mr Phimpi, Ms Somtsora, Mr Gabula and Mrs Nyiki.

12.1 GROUP LOANS FAILURES: ECRDA PERSPECTIVE (INTERNAL)

No	Reasons or Factors that have led to Failures	Proposals of how to Resolve
1	Group attrition: While there is no shortage of people wanting to receive a loan, there is a very high attrition rate as people decide they no longer want loans anymore. This usually stems from an unwillingness to attend weekly meetings, the above-mentioned unsatisfaction with paying for others, etc.	Provide frequent group meetings and continue to review their administration activities such holding periodical group elections.
2	Lack of leadership and cohesiveness in the group.	Provide continual leadership training to both group members and ECRDA officials
3	Lack of Monitoring and Evaluation by the ECRDA officials	Strengthen Monitoring and Evaluation by ECRDA officials
4	Lack of village banks closer to where the groups reside. The fact that groups have to utilise the little savings they have to travel long distances to areas where the banks are discourages them greatly.	Revive the village banks concept or forge relations with a financial institution that has strong rural development footprint or appetite.
5	Lack of a computer system flexible enough to manage the group membership information,	Acquire a more resilient computer system that will be flexible enough to manage the group membership information.
6	The lack of adhering to program objectives: the program was designed to transform informal traders into formal traders with proven business track records, there are measures in place to ensure to that	Officials to revisit the objectives of the program, those who understand the program should share information with others.

	<p>this objective is realised. Despite the emphasis on savings mobilisation from phase 2 of the program this is not monitored and encouraged.</p>	<p>Introduce cards where funds will be loaded for borrowers to buy at designated stores that sell their trading stock. This will track and monitor that purchases are for things that will generate money for the business.</p>
7	<p>Lack of security – the savings mobilisation was to ensure that business growth can be measured and monitored. The group is to save 2% of the loan amount from phase 2, and the savings are to be used as security for phase 3, and the cumulative savings for phase 2 and 3 will be used as security for phase 4 and if the group continues borrowing money the cumulative savings from phase 2 to phase 4 will be used as security for further phases.</p>	<p>Strengthen oversight on implementation of policy to ensure that the program is managed efficiently and effectively.</p>
8	<p>Poor documentation and lack of improvement: Laxness in accepting poor quality documentation for loan processing does not encourage the group members to improve and this leads to poor record keeping and business management and eventually that leads to business failure and default</p>	<p>Offer training and workshops to group members on financial management, business planning, and business growth strategies. Do not compromise of quality.</p>
9	<p>Over-lending – group members are often granted loans that are more than their business requirements, the money is not disbursed to suppliers but direct to the members with no guarantee that it is used for intended business purposes leading to default. e.g. you find groups</p>	<p>Introduce a more rigorous financial need assessment process to ensure loans are tailored to actual business needs</p>

	that struggle to even afford the first instalment after the loans is granted.	
10	The repayments are always late as they sell on credit to their customers, get the money late and they make their payments late and that results to their accounts to be in arrears.	Timeous repayments will alleviate bad arrear situation which attracts unnecessary interest charges.
11	<p>Joint liability in group lending penalises good credit risk customers, constituting a form of "collective punishment" that can ultimately discourage future borrowing by individuals.</p> <p>Group composition. This emanates from groups being formed to access finance instead of sharing responsibilities and working towards a common goal. On many occasions you would realise that members of groups were not self-selecting themselves was perhaps done politically.</p>	Monitoring and evaluation of the group loans performance should be done regularly and provide feedback to group members.

12.2 GROUP LOANS SUCCESSES: ECRDA PERSPECTIVE (INTERNAL)

No	Reasons or Factors that have led to Successes	Proposals of how to Improve these Successes Further
1	Helping financially: By having a group lending model, the group is able to pay for the loan of someone who is undergoing severe financial strains due to illness, unemployment, or numerous other factors.	Strengthen the group leadership and keep the group cohesive.
2	Leveraging on the opportunity to make use of a 2% savings which comes through handy during difficult times.	Reinvest the 2% savings and progressively increase it as and when the need the conditions permit.
3	Helping their businesses: By meeting with a large group of small business owners each week, there are often instances when one business owner shares some business knowledge or gives a suggestion to another owner about how to improve their businesses. This is often beneficial for the whole group, as they are able to greatly learn from each other.	Encourage strong collaboration with bigger groups and transfer of skills.
4	Women's Empowerment: Many of the clients receiving loans are women, and therefore it is an opportunity for these women to meet out of the house and make an income that allows them to not be completely reliant on their husbands.	Recruit more women to participate and offer more incentives by way of rebates.
5	Monitoring and Evaluation of these groups by the ECRDA officials keeps the group members' loan performance up to date (After-Care service)	Strengthen capacity training on Monitoring and Evaluation

6	Development of a good rapport by ECRDA official with the Group members.	Strengthen capacity training on Stakeholder Management and Social Facilitation
7	Some group members demonstrate good repayment habits, but this however cannot be attributed to business growth, more still need to be done to ensure that the objective of the program is realised and not just focus on the fact that the money is paid back.	<p>Conduct a thorough program review, by following up on the clients who received money under this program to testify on the impact that the program has on their businesses and livelihoods.</p> <p>Establish mentorship programs, where successful group members, can mentor newer members, promoting knowledge sharing and best practices.</p>

13. GROUP LOANS FAILURES AND SUCCESSES: EXTERNAL PERSPECTIVE

In this section, the information was solicited from those GROUP loans Members from all the regions and from the selected Group Loans Portfolio chosen by the ECRDA officials. Their perspective of the group lending scheme outlined below is based on the experiences of the group loan members with ECRDA officials and the use of ECRDA's resources for the benefit of their businesses. The Group Loan Centers visited comprised of Ngxabangu Center in Cofimvaba (with 1 group), Imizamoyethu Center in Adelaide (with 7 groups), Msobomvu Center in Alice (with 5 groups), Maqwabeni Maize Project in Mthatha (with 1 groups) and Bedford Center (with 6 groups).

13.1 GROUP LOANS FAILURES: EXTERNAL PERSPECTIVE

No	Center	Reasons or Factors that have led to Failures	Proposals of how to Resolve
1	N G X A B A N G U Center Cofimvaba	Climate change phenomenon is a reality in the area of Cofimvaba - because what has happened in 2025 has never happened before. The rain has been raining non-stop and has damaged our crops such as cabbages, onions, etc.	Climate Change information should be up to date
2		Lack of appropriate group loan amount	Group loan amounts should be according to the group needs
3		Lack of market (i.e. Ngxabangu)	ECRDA to assist in the creation of the market for the group's harvest
4		Late planting in December which is as a result of late harvesting	Increase the number of contractors
5		Lack of cohesion within the ECRDA stakeholders (ECRDA, DoA,	Regular meetings with stakeholders.
6		Lack of Fencing	Source fence funding or DoA should provide fencing
7		Tractors must be in good condition	The DoA must not bring faulty tractors. Tractors take longer to do their job. (Rip disc not going dipper)

8		Unavailability of group members during the contractor's planting and harvesting operations	All group members should be present during planting and harvesting - cooperation
9	Imizamoyethu Center Adelaide	Repayments of the group loan depends on SASSA grant beneficiaries or those customers who bought the group members' products on credit. This leads to the group loan account falling into arrears and attracting interest.	ECRDA loan accounts should be structured flexibly so that no unnecessary costs are added to the loan account.
10		Not holding meetings regularly	Meetings MUST be held regularly
11		Employed group members lack the necessary discipline of the group.	Selection of group members should be carefully made so that all group members have the common interest, passion and goal.
12		Lack of understanding the social economic situation of the area that the group is operating at.	Group members must be aware of the social economic factors affecting them. Increased awareness of this is critical.
13	Msobomvu Center	Businesses not doing well because there are many similar business products very close with each other (thus making competition very tight)	ECRDA should increase capacity building in terms of business positioning and product diversity.
14		Businesses dependent on customers who received credit from the group's products	Same as 9 above.

15	Dikeni	Group members who are solely dependent on the business for their livelihood	Group members should be disciplined with group loan money. They are encouraged to save a portion of their loan.
16		Lack of understanding the loans phenomenon	Capacity building is very essential (e.g. business management, financial management, etc.)
17		Stiff competition from the foreign business people (e.g. different prices from stocking)	ECRDA must influence government to protect South Africans from foreign business people.
18		No warehouse owned by South African within the area - they are owned by the foreigners. The current warehouse owners provide credit to their own foreigners thus having a competitive advantage to the indigenous people of South Africa	ECRDA must influence government to protect South Africans from foreign business people.
19	Maqwambeni Maize Project - Mthatha	Lack of agricultural implements or late arrival of these implements sometimes results in poor harvests.	Request ECRDA to facilitate stakeholder management forums wherein bottlenecks of this kind could be fast-tracked.

20	Bedford Center	The group's customers pay less instalment or sometimes don't pay - especially that during December and January every year they don't pay	
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13.2 GROUP LOANS SUCCESSES: EXTERNAL PERSPECTIVE

No	Center	Reasons or Factors that have led to Successes	Proposals of how to Improve these Successes Further
1	Ngxabangu Center	Meetings started in January and members have been encouraged to meet regularly as from January	Continue meeting well on time and regularly.
2	Cofimvaba	Cohesion of the group	Lack of transport for the harvest to the market
3	Imizamoyethu Center	Passionate and strong leadership by the ECRDA official who has a very good rapport with the group members	Continue to have passionate and strong ECRDA officials.
4		Diligent and strict monitoring of the group's financial statements and general administration matters. Thus ensuring that the group continues to grow their savings and in turn service their group loans.	Continue with diligent and strict monitoring of the group's financial and general administration matters.
5		Regular meetings wherein the ECRDA official addresses previously stated challenges and enquire about new	Continue with the regular meetings.

		challenges that the groups have experienced since the previous meeting.	
6		Having a convenient Group Center meeting place is encouraging (group members have a sense of ownership)	Building contribution by ECRDA for the Group's Center meeting place - much appreciated. ECRDA is urged to continue with that assistance.
7	Msobomvu Center Dikeni	ECRDA official taking leading and active roles in groups activities. E.g. financial monitoring, Group Loans reviews	Same as 3 above.
8		Encouragement of the groups to save at least 2% of the earnings	Encouragement of groups to increase the 2% saving.
9		Group members encourage, motivate and assist each other. Networking among the groups and regular meetings. Trust among the group members.	Continue with the group cohesion.
10		Group structure is very important (chairperson, secretary, etc.)	Continue to stick to the group formation imperatives.
11		Assertive leadership and assisting each other.	Continue to stick to the group formation imperatives and members' attributes
12	Maqwambeni Maize Project - Mthatha	Excellent cooperation among the group members that has led to producing good harvests and in turn able to service the group loan.	Continue with the excellent work of keeping the group intact and in harmony.
13	Bedford Center	The group do not use the whole loan amount at once to buy stock. They save a portion that will be used to buy stock and	Encouragement of groups to increase the 2% saving.

		service the group loan when their customers are unable to pay them.	
14		Other groups sell the products on cash basis only and therefore have no challenges of non-payment by their customers	Groups should continue to frequently assess their own selling options and make decisions accordingly.

14. RECOMMENDATIONS

See proposals from section 12 and 13 above.

15. CONCLUSION

The group lending scheme is a great foundation for a rural finance organization such as ECRDA to use, but it does have significant drawbacks, like anything that involves a large group of people. It is typically made for groups of people who share a common purpose. The group lending scheme will remain to be an effective way of overcoming the challenges of lending to the poor and thus the unbankable.

Involvement in a group forces members to set savings goals and meet them each month. The negative repercussions (both economic and social) associated with failing to meet these goals create significant incentive to meet the monthly commitment. Maintaining this level of discipline is much more difficult as an individual, thus making group membership more appealing.

Although the Group Lending Scheme was NOT utilised uniformly throughout the ECRDA regions, it was gratifying to observe the enthusiasm, passion and the positive energy of the group members who were supported by ECRDA. Incidentally, all respondents urged ECRDA NOT to discontinue the Group Lending Scheme. It should be noted that the ECRDA Southern Region mainly utilised the Group Lending Scheme for hawking, bakery, sewing, and many non-agricultural products, whereas the ECRDA Northern and Eastern Regions utilised the Group Lending Scheme for agricultural inputs. In all ECRDA Regions there pockets of successes and failures.

For this scheme to flourish, ECRDA needs to go back to the drawing board and review the scheme with the purpose of relearning its fundamental principles. All Group Loan products should be offered to all ECRDA Regions. Much time should be invested in the formation of these groups and the time should be linked to providing support, training, continuous monitoring and evaluation to sufficient stable levels. In pursuing the continuous learning process, ECRDA should be mindful of external risks posed by the hostile business environment created by the foreign nationals whom our clients are crying for "business protection".

Perhaps a group of ECRDA champions need to be sent to Asia or Tzaneen (Limpopo) and learn more about this scheme, as this was where this concept originally pioneered.

16. REFERENCES

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