livelihoods

today and tomorrow

July 2011

MICROFINANCE

Happy Gurupurnima! Happy Learning! Happy Rains!

NRLM signs an agreement with World Bank for NRLP. T-action and United action hot up. T-representatives submitted their resignations. Gorkha land Territorial Authority comes into being.

Counselling for graduate admissions is in progress.

Let us hope we have enough to feed all our people in this world. Let us hope they will have their future remains decent. Let us remember that the land, water, forests, and all other natural resources were community-owned once. Let the original owners, indigenous people have say on what happens to them. Let us put our faith in our youth to lead us into a better and equitable world. Let us trust their potential and build their capacities.

Let us not allow our humanism and humanitarianism to die at any cost. Let us Let us care all our people.

Let all our people have freedom and independence.

Meeting the needs of the poor with a range of financial services either individually, in a group or a collective is the broad purpose of microfinance. It includes variedly savings, credit, insurance, remittance, equity, pension etc. While dealing with individuals is eminently plausible, microfinance, given the size of transactions, willy-nilly has been through some group of people in general and women in particular. Grameen groups, Joint Liability group, Self-help Groups, Common Interest Groups ... these are the modes of reaching out. Some take up a range of services. Some focus on an aspect. Some go beyond and take up collectivisation of purchases, processing/local value-addition and sales. Social intermediation and civic intermediation comes along. These groups may also federate at higher levels at village, block, district, state and may be national level and beyond. These services reach them through community institutions, support institutions, private companies, non-banking financial institutions etc. Some of them are borrower/member-owned and some are not.

While we see SHG movement as a way to reduce poverty, microfinance as a way forward for financial inclusion and inclusive development, microfinance plus services are emerging. The growth has been phenomenal. Some MFIs went ahead with public issues. There have been controversies of higher interest rates, duplicate funding, debt-traps, not-so-decent recovery practices, suicides etc. Government of AP has responded with an MFI Bill (later Act) to regulate this. RBI has set up Malegam Committee to study the situation and the report has been accepted. Government of India came forward with a national MFI Bill. We also see collectivisation of MFIs as MFIN. Community financial institutions were together as Sa-dhan. Alternative institutions came together as INAFI India.

In this context, 'livelihoods' has responded to bring a special edition on microfinance through the eyes of 49 students of rural development at NIRD. They have looked at the range of issues and items that broadly associated with microfinance, through discussions with people, with groups, with organisations and literature study. They have also participated in some workshops. Finally, they are presenting this special edition 'Microfinance'. Our role has been limited to broad editorial support and overseeing.

Ingrid Munro from Sweden is leading 'MF+' movement through Jamii Trust in Kenya. BIRDS and Paul Raja Rao are into poverty reduction and they offer microfinance services. Sewing (tailoring) centre is a tailoring service provider which has demand throughout the year if the stitch is good. 'Rural Finance Sector – Alternate Models', edited by Tamil Datta Choudari is a collection of articles on various players, models and policy context. Institutions that provide microfinance services in Bangladesh (Mecca of MF) are also introduced.

We agree that these promising young men and women could not dwell upon all issues in MF. Some issues are not dealt with details that one may want. Nevertheless, they have made an attempt. With the appreciation that their learning in the process and the learning they have presented here is going to definite part of the way forward, I remain thinking of ways to multiplying the responsible responsive livelihoods/development workers in large numbers across.

G Muralidhar

the 'livelihoods' team

'livelihoods' team

Guest Contributors to this special edition - Microfinance:

PGDRM -III Batch Students
National Institution for Rural Development (NIRD), Hyderabad.

For Private Circulation only

For enquiries contact:

AKSHARA Network for Development Support Services,

HIG II B-25 F-6, APHB Colony, Baghlingampally, Hyderabad - 500044

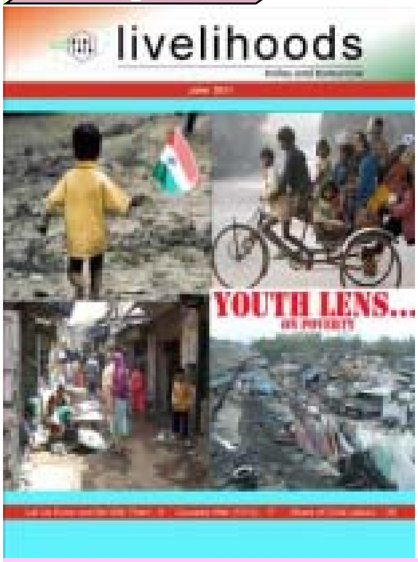
Mobile: 09951819345

www.aksharakriti.org

akshara@aksharakriti.org

Inside ...

Response



Greetings from Bhumika Women's Collective! We received livelihoods June 2011. Thanks a lot for sharing such an informative newsletter.

Regards,

Mujeeba Tarannum
Research Associate
Bhumika CSRF

This special edition **'Microfinance'** is the work of 49 students of Post Graduate Diploma in Rural Development Management PGDRDM (Batch 3) at National Institute of Rural Development (NIRD), Hyderabad. They have just completed the course and are waiting for their convocation. This edition is a presentation of their braod appreciation of microfinance based on their intense classroom discussions and rigorous long stretches of fieldwork to appreciate the field reality.

1. Abhishek Kumar
2. AG Abdella Bashir
3. Alipate Seru Naulivou
4. Amrish Kumar Joshi
5. Anuj Sharad Rao Kalpande
6. Anukriti Kaushal
7. Anwarul Azim
8. Ashok Anand
9. Aparna Bhumi
10. Benzir Ahmed
11. B Chandrakant Shetkar
12. Chandranshu
13. Dharmendar Singh
14. EAC Priyankara
15. Garima Kumari
16. Gopi Raman
17. Keshaw
18. Krishna Muraree Pandey
19. Lily Sangpui
20. Manish Kumar
21. Mansi Kaushik
22. Maren Akoht Bwani
23. Menuoneituo Chadi
24. Mukesh Kumar Jat
25. Nagularpu Jaya Simha
26. Neelamani Kumar
27. Nirmal Kumar
28. Pankaj Kumar
29. Pyndapbor Marbaniang
30. Rajesh Kumar Sahoo
31. Rajkumar
32. Ramya Boddupalli
33. Said Rashid Ali Albadi
34. Sanjay Kumar
35. Sanjeet Kumar
36. Santhosh Kumar Rena
37. Shipra Jain
38. Shweta Tekwani
39. Sinkesh Kumar
40. Siva Kumar D
41. Sujeet Kumar
42. Supriya Amirthamoney
43. Surajit Sikdar
44. Surender Kumar Regar
45. Swrang Basumatary
46. Thiha Soe
47. Vibhavini Singh
48. Vipra Verma 49.V Amareswara Reddy

World Nature Conservation Day 28 July

News

Muhammad Yunus Leaves The Grameen Bank: Muhammad Yunus has left as the head of Grameen Bank after a dispute with the Bangladeshi government. Photograph: Strdel/AFP/ Getty Images. The Nobe0l laureate, who founded the Grameen Bank, has quit as its head after a long dispute with Bangladesh's government. The announcement by Muhammad Yunus ended a protracted legal wrangle with the Bangladeshi government over control of the bank and deputy, Nurjahan Begum, has been appointed as interim managing director. Yunus was awarded the Nobel peace prize in 2006 jointly with the bank. Literally meaning "village bank", the institution offers tiny loans to would-be entrepreneurs who would otherwise be refused conventional loans, and his microcredit scheme has been replicated across the world, and has been hailed as being the most effective way of defeating poverty. The bank has nearly 9 million borrowers in Bangladesh; 97% of them are women. Control of the bank would be a considerable political asset, and a significant help in the battle for power in Bangladesh. However, its reputation came under attack in December by a Norwegian TV documentary which raised allegations of irregularities over the transfer of £40m million from the bank to another company.

RBI Allows Urban Co-operative Banks to Lend SHGs And JLGs: In a move to open an additional channel for financial inclusion, the Reserve bank of India has allowed Primary Urban Co-operative Banks (UCBs) to lend to Self Help Groups (SHGs) and Joint Liability Groups (JLGs).

In a notification sent out to all UCBs, RBI said that UCBs will be required to frame a comprehensive policy on lending to SHGs / JLGs, including the maximum amount of loan, interest rate chargeable on loans etc.

UCBs are required to lend directly to SHGs / JLGs and lending through intermediaries will not be permitted, the notification said. According to RBI's lending guidelines, loans to SHGs / JLGs for agricultural and allied activities would be considered as priority sector advance. Further, other loans to SHGs / JLGs up to Rs 50,000 would be considered as Micro Credit and hence treated as priority sector advances. Lending to SHGs, which qualify as loans to priority sector, would also be treated as part of lending to weaker sections.

Banks May Acquire Majority Stake in Microfinance Firm: Mumbai, Banks are set to take a controlling stake in a microfinance institution, or MFI, based in Andhra Pradesh by converting part of its debt into equity in a development that could set a precedent in India's ailing Rs. 22,500 crore micro lending industry. The proposal by a group of lenders led by Indian Overseas Bank is likely to be finalized at a meeting of the Corporate Debt Restructuring (CDR) cell in second week of June, according to three persons, two of whom are bankers and one is a microfinance industry official. All three declined to be named. Around 20 banks, including State Bank of India, are part of the consortium that has agreed to convert a significant portion of the outstanding debt into equity within three months from the implementation of CDR.

State Economy Slowing Down: MUMBAI: In some worrying news for development works planned in Maharashtra, the state economy has begun to show signs of sluggishness. A senior finance department official said that revenue earnings in various segments have been below estimated targets in the first quarter of the financial year. The state government had announced a revenue surplus budget for 2011-12 projecting a good rise in revenue collection. Sharp rise in income was predicted in excise (after the hike on liquor in star category hotels), stamp duty and share market transactions, and taxes on motor vehicles (estimating a substantial increase in purchase of vehicles). The official said that below par collections in stamp duty were particularly worrying, as they pointed towards another slowdown effect in the realty market. The state treasury has already taken a hit of over Rs 1,400 crore following a decision to slash various central and state taxes on diesel and kerosene.

State Seeks AIDS Funding Data From NGO: MUMBAI: If the state has its way, Avert Society will have to furnish details of its accounts to the state legislature. Avert, which works in the field of HIV/AIDS control, is funded by the American government and submits its papers to the USAIDS. In a meeting in Mantralaya on Friday, public health minister Suresh Shetty asked representatives of Avert to give details of funds received and spent by it in connection with their HIV\AIDS control programs.

Food Inflation Down to 7.78%: Food inflation dropped to one-and-a-half month to 7.78 per cent for the week ended June 18 mainly due to falling prices of items like vegetables, fruits and potatoes. Food inflation, as measured by Wholesale Price Index (WPI), stood at 9.13 per cent during the previous week. The sharp decline has been due to a significant fall in prices of potatoes that saw a decline of -3.70 per cent as compared to -0.63 per cent during the same period a year ago. While the prices of fruits fell by -0.24 per cent as against 2.88 per cent during the same period a year ago. The index for food articles group declined by 0.8 per cent due to lower prices of poultry chicken, masur, tea, condiments & spices and jowar, arhar, mutton and fish-inland. However, the prices of egg, gram, urad, ragi and fish-marine, wheat and barley moved up. The year-on-year (YoY) inflation was 20.12 per cent during the same period last year, a much higher base for the inflation rate. YoY, vegetables became cheaper over 10 per cent, while prices of pulses fell by 9.50 per cent, and potato became cheaper by 2.39 per cent.

Only 42% Students Take Midday Meals: Only around 42 per cent of the total number of enrolled students are apparently taking midday meal (MDM) in the primary and upper primary schools of Uttar Pradesh, a sample survey being carried out by the Gobind Ballabh Pant Social Science Institute (GBPSSI) has indicated. The survey, commissioned by the state-level Midday Meal Authority (MDMA) in Luck now, will cover a total of 1,000 schools in 10 districts of the state. So far, seven districts — Sitapur, Chhatrapati Sahuji Maharaj Nagar (Amethi), Kannauj, Mahoba, Aligarh, Basti and Chandauli — have been covered. The remaining three — Rampur, Lalitpur and Shrawasti — will be covered in July. The final report will be submitted to the MDMA before August 15. The GBPSSI is also one of the empanelled institutions of the Union Ministry of Human Resource Development for Sarva Shiksha Abhiyan, of which MDM is a part.

80% of Power Plants at Risk of Default Over Coal Issues: New Delhi Warning that 80% of the country's power plants face the risk of a default due to coal shortages and environmental issues, a body of power producers has petitioned the government for an expert group to review contracts awarded under through the competitive bidding route. "An institutional arrangement (possibly an EGoM or an expert group) may be set up by government to carefully evolve the principles and mechanisms to revisit the contracts, duly holding the developers accountable for aspects in their control, but finding practical ways for treating aspects that are not," Association of Power Producers Director General Ashok Khurana said in a letter to the Planning Commission.

Move to Help PACS Get Loans Directly from DCCBs: PATNA: Deputy CM Sushil Kumar Modi decided to simplify and change existing rules so that the District Central Cooperative Banks (DCCBs) are able to give loans directly to the Primary (PACS) for distribution among the PACS members, on the one hand, and to members of Self-Help Groups (SHGs) and Joint Liability Groups (JLGs), on the other. The decisions in this regard were taken at a high-level meeting convened to review the activities of the DCCBs and the PACS in the state. Modi, presiding the review meeting, directed the officials concerned of the cooperative department to take steps to simplify and revise rules governing the activities of the DCCBs and the PACS to fit in with the decisions taken on the day.

Mumbai Blasts: A fresh wave of terrorist attacks is launched at the heart of the Indian city of Mumbai, and immediately the finger of suspicion points towards Pakistan. And this is before Indian counter-terrorism officials have even had a chance to examine the crime scene. Indeed, it may well transpire that the three bombs that killed 17 people and injured 131 others were the work of an indigenous group of Islamists in retaliation for the recent arrests of their fellow members by the Indian authorities. Even if that proves to be the case, though, it will not prevent blame for the attack from ultimately being laid at Pakistan's door, with all the implications that will have for the country's emerging status as a one of the world's leading pariah states. The tentacles of Pakistan-based terror groups, many of whom are linked to the country's all-powerful Inter-Services Intelligence Directorate (ISI), spread far and wide, even to parts of India, where they provide training instruction to local Islamist militants.

State Begins Consultations for 12th Five-Year Plan: HYDERABAD: With the Plan coming to an end by March 2012, the state government is preparing the ground for the launch of the 12th Five-Year Plan scheduled to commence from 2012-13 through a consultative mode with civil societies and academic institutions. Planning department officials said that in order to accomplish the main theme of achieving 'faster, more inclusive and sustainable growth' during the 12th Plan, the government has been taking adequate steps to identify the growth engines pertaining to different sectors that would propel the economy and put the state on a higher growth trajectory.

Nabard Sanctions Rs 716 cr to State: HYDERABAD: The National Bank for Agriculture and Rural Development (Nabard) has sanctioned Rs 716 crore to the state under the Rural Infrastructure Development Fund for 16 minor irrigation projects, 219 rural roads, 58 bridges and 33 rural water supply projects. Chief general manager P Mohanaiah said on Wednesday that Rs 198 crore of this has been sanctioned for 33 comprehensive rural water supply projects that would supply safe drinking water to 844 habitations in Mahabubnagar, Rangareddy, Medak, Khammam, Warangal, Kadapa, Kurnool, Srikakulam, Vizianagaram, Visakhapatnam, East Godavari, West Godavari, Guntur, and Prakasam districts. ❖

The Saviour From Sweden

Ingrid Munro is the Founder and Managing Trustee of the Jamii Bora Trust, the largest Microfinance organization in Kenya. As a leader and advocate of microfinance in one of the poorest in Africa, she has provided a way out of poverty for nearly 2,50,000 people.

Ingrid Munro stands out from the crowd. Her colleagues have called her "revolutionary" and "innovative." She is of Swedish and works with some of the most destitute women and men in Kenya. Munro's unique strategies have helped Jamii Bora, which means "good families" in Kiswahili, reach some of the poorest women and men in Kenya, and helped bring them off the streets and into secure homes.

Microfinance needs to be combined with other programs to help people get out of poverty. So to implement this thinking, Jamii Bora also offers health insurance, a housing program, the "Levuka" substance rehabilitation program, and the "Tsumani" program for beggars, plantation workers, and the handicapped.

Throughout her life she has been involved in fighting inequality in many ways. During her student life in the sixties, she was involved in fighting for what was right, for the lesser privileged. And in the late sixties and early seventies, working for the government of Sweden, she was part of an international project that provided housing for the very poor. In the late seventies she engaged in funding research for planning and building houses. In 1985 she responded to a call to come to Africa for the International Year of Shelter for the Homeless, a major UN initiative that was headquartered in Nairobi. That was when she was first exposed to real poverty in Latin America, Africa, and Asia.

After working in housing research for the government in her home country, Ms. Munro became the head of the African Housing Fund. While serving this post, she had become attached to Kenya. Upon her retirement in 1999, Ms. Munro founded Jamii Bora along with 50 women beggars, loaning them twice as much as they agreed to save. Munro said she was acquainted with the women in 1988 when she and her husband, a Canadian, adopted three boys who had lived on the streets as their sons. The New Yorker quotes her as saying, "It was a small seven-year-old boy who more or less adopted us....And then we later found his two brothers and adopted them. It stands out as an example that an organization that does remarkable work would have a remarkable history but that is not the case here.

Jamii Bora, which counts beggars and former thieves among its 170,000 members, is now the largest microfinance institution in Kenya. So this proves that if people are provided with right help, it can change their life and way of living. Jamii Bora works with all sections of slums including disabled beggars, former gang members, and victims suffering from HIV/AIDS. "Mother Ingrid" as she is called by many of the people she has helped in the slum, saw an opportunity to create a community free of these problems by extending a hand to anyone who would take it. "I think one of the secrets is no normal banking rules but in Jamii Bora we love everybody." Explains Munro, "It doesn't matter where you come from it just matters where you want to go in life." She says "When people become members of Jamii Bora we give them access to a ladder. By being a member of Jamii Bora they can get access to that ladder and they should use it to climb out of poverty. But we also make it clear to them that while we provide the ladder; the climbing is to be done by themselves."

Ingrid believes that to get out of the vicious cycle of poverty, people need more than just access to credit. They also require insurance, education, healthcare, housing—all the things that can help them move up and out of this vicious cycle instead of spiraling downward.

Microfinance needs to be combined with other programs to help people get out of poverty. So to implement this thinking, Jamii Bora also offers health insurance, a housing program, the "Levuka" substance rehabilitation program, and the "Tsumani" program for beggars, plantation workers, and the handicapped. They have plans for a new town outside the slums called Kaputiei which will give 10,000 people currently living in the slums a chance to have a real home with sanitation, running water and electricity. Munro stands tall as a living example of champion of development, as an example of an individual who took up the cause of others not by circumstances but by choice. Only such legends can bring about change in the society. ❖

MFIs in Bangladesh

In the 1950s, Akhtar Hameed Khan began distributing group-oriented credit in East Pakistan. Khan used the Comilla Model, in which credit is distributed through community-based initiatives (cooperatives). This initiative was the first ever initiative of small loaning, now known as microcredit or microfinance.

Modern Microcredit: The origins of microcredit in its current manifestation can be credited to several organizations founded in Bangladesh, especially the Grameen Bank. The Grameen Bank, which is considered the first modern microcredit institution, was founded in 1976 by Muhammad Yunus. Mr. Yunus began the project in the small town of Jobra, using his own money to deliver small loans at low-interest rates to the rural poor. In 1983 it was transformed into a formal bank under a special law passed for its creation and began to be owned by the poor borrowers of the bank who are mostly women designed to work exclusively for them. Borrowers of Grameen Bank at present own 95 percent of the total equity of the bank. The remaining 5 per cent is owned by the government. The setting up of Grameen Bank was followed by the establishment of organizations such as BRAC in 1972 and ASA in 1978.

Microcredit quickly became a popular tool for economic development, with hundreds of institutions emerging throughout the developing world. Though the Grameen Bank was started out as a non-profit organization dependent upon government subsidies, it later became a corporate entity and was renamed Grameen II in 2002. Muhammad Yunus was awarded the Nobel Peace Prize in 2006 for his work providing microcredit services to the poor.

Major MFIs in Bangladesh: BRAC, originally known as the Bangladesh Rural Advancement Committee, is a finance-plus NGO established in 1972. It houses a very large range of non-financial Social programmes. It is noted that the know-how and confidence to implement large programs arose, in some cases, from the experience of scaling up programs not related to microcredit. For instance, in the case of BRAC, its first major experience with a nationwide program came when it implemented an oral rehydration program to combat diarrheal disease in which thirteen million women were trained. Over the past decade in particular, it has also developed a range of financial services to include a greater variety of savings products, and credit for small business.

More recently, in 2001 and 1997 respectively BRAC Bank and the Delta BRAC Housing Finance Corporation were established as commercial interests to meet the financial requirements of non-poor Bangladeshis. In 2001, BRAC established a university, and it started work in Afghanistan and Sri Lanka in 2002 and 2005 respectively. As of September 2005, BRAC was working in over 68,000 villages and over 4,000 urban slums in every district of Bangladesh. It claimed to have over 5 million members, mostly women, and a cumulative disbursement of over US$2.95 billion. Nearly 1 million children were enrolled in a BRAC school, and over 3 million have graduated. The NGO employed over 34,000 staff, over 62,000 community school teachers, and tens of thousands of poultry and community health and nutrition workers and volunteers.

The Grameen Bank is a finance-minimalist bank that offers a wide range of financial products, and limited organizational support. It was started as an action research project in 1976, and became a government-regulated bank through a special government ordinance in 1984. In 2001-2, all Grameen Bank branches began to operate the new, simpler and much more flexible Grameen Generalised System (also called Grameen II), which offers four types of loan products: basic, housing, higher education and struggling members (beggars) loans. There is also a facility for larger small enterprise loans, and a range of companies (commercial and not for- profit) in the Grameen family. This includes Grameen Shikka (GS), established in 1997 to promote the education of non-literate Grameen Bank members; provide financial support in the form of loans and grants for education; and use and promote new and innovative ideas and technologies for educational development.

Proshika Also established in 1976, branched out into microfinance in the 1990s. It matches member savings with credit and provides technical and marketing assistance where needed. Initially it fulfilled its social intermediation objectives through group formation and conscientisation rather than providing services, but it has moved into the provision of a wider range of social programmes. The present status of Proshika is unclear as it clashed with the government in 2002 and its registration as an NGO has been cancelled. At the end of 2004, Proshika reported over 1.5 million active borrowers, 80% of whom were among the poorest. 65% of the poorest or 0.8 million people were women.

The Association for Social Advancement, known as ASA, was established as an NGO in 1978 with a focus on raising awareness, group development and training among the rural poor. In 1991 it started its microfinance operations and recreated itself as a finance-only MFI. It is now the third largest MFI in Bangladesh, and offers a range of savings, credit and insurance facilities. Its non-financial activities are now limited to providing capacity development to small Bangladeshi NGOs and MFIs worldwide. At the end of 2004, ASA had over 2.7 million active borrowers, about 90% of whom were among the poorest. 96% of the poorest or almost 2.4 million people were women.

BURO, Tangail began as a five branch pilot project in 1989 in Tangail District, and established itself as an NGO in 1990. Today it operates in eight districts in north-central Bangladesh. BURO's savings systems in particular and financial products in general were at the forefront of the movement to make microfinance products more flexible products in the 1990s. At the end of 2004, BURO, Tangail had almost 220,000 active borrowers, of whom almost all were poor women. ❖

Hope Is in The Resilience of The Poor!

Perspectives

G Muralidhar

Happy Gurupurnima! Happy Rains!

UPA reshuffles Cabinet. Let us welcome Jairam Ramesh to lead Rural Development in the country! He signs the National Rural Livelihoods Project loan from World Bank already. NRLM is going to pick up momentum!

Some stirrings for World Population Day (11 July)! Many International Days just passed by – for instance - Doctors' Day (1 July), International Day of Cooperatives (2 July) and International Cooperative Day (7 July) and Writers' Day (8 July). Let us await International Day of the World's Indigenous People, International Youth Day and World Humanitarian Day.

Gorkhaland gets Gorkhaland Territorial Authority, with more powers. Sudan becomes two nations. More than 100 members of Parliament, Assembly and Council submit resignations in AP. AP is back with T-agitation and United-agitation. There is silence (may be before storm) on Lokpal. 2G investigations are in progress. CBI starts investigations into Jagan's wealth.

We discover more money with temples. Anantha Padmanabha emerges as the richest deity in the world, surpassing Lord Balaji. Sathya Sai's hidden wealth is still being uncovered.

Interesting times!

The streams of thought and work that dominated the month include institutions, livelihoods, vulnerable, convergence and workers. Community-managed microfinance – savings, credit, insurance, remittance, equity, pensions etc., and collectivization of the poor have also taken some significant time and energy.

As NSS Survey confirms that 50% of Indian per capita expenditure is on food, and the top 10% spend 10 times the bottom 10%, our millennium development goal chase is admittedly slow – do we bring down our poverty level to less than 20% by 2015? Can we have all our children complete schooling? Can we have no gender disparity in all levels of education? Can we have our child mortality rate below 42 per 1000 live births? Can we have our maternal mortality rate below 107 per 100000 live births? Can we halt and reverse the incidence of malaria, tuberculosis and HIV/IDS? Can we reduce biodiversity loss? Can we implement strategies for decent and productive work for all our young people? The picture is not painted well at all.

Yet, we know that we need to invest long-term so that we achieve 2015 MDGs even in 2017 or 2018 or in the ultimate stretch scenario in 2020. The hope that we would succeed, may be slightly late, comes from looking at the poor, looking at the contours of the poor. No poor would like to live in poverty and they are always ready. If they appreciate opportunities, knowledge, resources and some push towards accessing these is available, they get going. Their needs change and therefore, they outgrow facilitation faster. Their resilience is enormous – they survive where others would have died! **This resilience of the poor gives us the hope.**

But this needs two pronged approach -

* An individual needs fish first to survive, fishing skill to live on fishing and meta-fishing (beyond fishing) skill to identify the gaps and opportunities, acquire the required skills, tools and resources and tap them for better living. Harnessing one's innate potential along with life skills and vocational skills is way forward for children/youth. *Education à Employment &Entrepreneurship à Decent Livelihoods.*
* At the same time, existing livelihoods need to be strengthened with plugging knowledge, skill, tool and resource gaps, and Collectivization. Expansion and diversification in livelihoods is on the foundation of improved existing livelihoods base. Job-employment, Wage-employment, Piece-rate based employment and Self-employment - to be carefully tailored on a case-by-case basis.

Thus, reduced poverty is possible only with sustainable livelihoods and inclusive development. The Indian growth has to persist. The contexts of the poor have to become favorable by deliberate policy initiatives at national, state and local levels. The capitals of the poor need to be augmented – increased natural resources in their hands, infrastructure and physical assets that they can use, strong institutions of the poor at various levels of various hues with professional staff, and the information, knowledge and skills in the hands of the confident poor along with their own funds and access to leveraged funds. Then they act on their incomes, expenditures, employment and risks so that they are out of poverty by plugging the gaps and tapping the opportunities, in their own way. A little support but long-term, beyond loans, is the way.

MF is necessary but not sufficient. Range and depth of fair MF services have to be comprehensive and on scale. Further, MF+ is required and can be loaded on the MF platforms. Multiple players need to coexist and service the community needs fairly, efficiently and effectively in the growing Indian economy. That is the only way forward. This inclusion is led by the SHG movement that is being unleashed in the country. Various State Agencies of Poverty Reduction, Civil Society Organizations, People's Institutions and NRLM have to collectively make this a reality as soon as possible. I want to believe that this would happen. And soon enough!

Let us know the poor from inside. Let us know their fish, fishing and meta-fishing. Let us know their resilience. Let us organize them and let us keep the services that they require I their hands. Let us serve them well with care directly, through their institutions and/or through the institutions that support them. Let us be with them in their movement of resilient fight to be out of poverty for good. ❖

Microfinance

Concept, Evolution and Challenges

NABARD defines microfinance as “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas, for enabling them to raise their income levels and improve living standards”. **Microfinance** is an answer to the question as to how to provide access to financial services such as loans, money transfers and micro insurance to the poor. Microfinance is often mistaken with microcredit. Microcredit is lending very small loans to the poor against little or no collateral. It falls into the wider ambit of microfinance. However, microcredit cannot be an all-weather solution to the problem of financial exclusion of the poor. Thus, services such as savings, insurance and remittances also come under the purview of microfinance.

A notable aspect of the microfinance sector is how it prefers to lend to women rather than men. This is true across the board, no matter which model of microfinance. This practice is based on the belief that women are more inclined to invest in their families' welfare than men.

One of the first instances of microfinance through a formal institution can be traced back to 1700s' Ireland. Author and nationalist Jonathan Swift established the Irish Fund loan system with the idea of providing small, short term loans on interest. At its peak, the Irish Fund Loan system catered to about 20% of Ireland's population.

During the 19th century a variety of formal savings and credit institutions known as People's Banks, Credit Unions, and Savings and Credit Co-operatives sprung up. Indonesian People's Credit Banks or the Bank Perkreditan Rakyat opened in 1895 and soon became a major presence in the country with nearly 9,000 clients.

In the period between 1950's and 70's focus was on providing agriculture credit at subsidised interest rates. However, this proved highly unfavourable to the credit providers thanks to below-the-market interest rates; poor loan repayment discipline and also the funds rarely reached the farmers they were really meant for.

The 1970's proved to be a turning point in the sector when Prof. Younus Khan designed a means to disburse and recover loans from the poor through banks. In 1983, he established the Grameen Bank and thus the Grameen model came into existence. Since then, this model has been widely replicated. In the intermittent period two earlier doubted facts were proven true: that rural poor can repay loans regularly and also that they can afford high interest rates. This meant microfinance institutions (MFI's) could cover their costs and thus their sustainability was ensured. This enabled them to reach a large number of clients.

According to an estimate by the World Bank, only the top 25% of economically active population in developing countries have access to basic financial services through formal institutions. In an environment where access to financial services to the poor is next to absent, the poor face a major challenge in accessing basic financial services like loans, savings and insurance. The poor, like the rest, depend on financial support structures to sustain their enterprises, build assets and manage risk. In the absence of any formal institution, they resort to developing informal financial relationships which are not governed by any discernible rules. Therefore microfinance has bigger role to play in the developing country like India for its inclusive growth.

Microfinance: India

There are approximately 60 million households below the poverty line in India and only about 20% of these households have access to credit in India, Microfinance is based on the premise that credit on reasonable terms will reduce poverty significantly in the country. The annual credit usage of poor households is estimated at Rs. 45,000 crores and 80% of this is borrowed from informal sources.

The concept of microfinance pre exists in the country even before it became a global phenomenon to alleviate poverty. From the initial years the focus of providing credit to rural poor was on:

* expansion of institutional structure
* directed lending,
* Concessional or subsidized credit

The All India Rural Credit Survey of 1954 recommended the creation of an integrated rural credit scheme focussing on providing credit to farmers on low interest.

In 1975, the nationalised banks were told to open Regional Rural Banks (RRBs) to provide financial services in rural areas. The RRBs were to work with the attitude a cooperative which had the ins and outs of rural problems combined with the approach of a commercial organisation.

Also in the 1970' and 80's the SHG movement was beginning to gain ground in the country. In the 80's the SHGs began to be linked with banks for credit. Still, the vacuum of financial services to the poor wasn't filled, and the 90's saw a spurt in microfinance institutions (MFIs) which followed the Grameen model.

The microfinance sector in India today is dominated by two major models, namely the Grameen model and the Self Help Group (SHG). Though both co-exist with numerous clients present in both systems simultaneously, there is a debate as to which of the models is more feasible.

The Grameen model is inspired by Mohammad Younus Grameen Bank model which is relatively easier to implement than the SHG model. The Grameen model requires the identification and organisation of the poor-especially the women into groups. Once the groups are formed and if they satisfy the credit provider by showing signs of being able to function as a group, the credit provider gives loans. Unlike in SHGs, savings are not a priority in this model. This is partly due to regulatory considerations and also because the organisations that promote this model are credit oriented. The members of the group are to follow certain rules like attending meetings regularly, repay loans on time but do not have any decision-making or bookkeeping role.

The SHG model is a home grown experiment that has met with varying degrees of success across the country. SHGs are more like "micro cooperatives" where savings of the group is given utmost importance. The savings of the group enables the group to lend to its members after a certain point in time. SHG members are expected to play the role of leaders of the group and also are involved in the accounting role. The women are not only members of the group but also run the groups themselves. This is in contrast to the Grameen model where the members do not enjoy the ownership of their groups and the groups are managed by the organisation. SHGs receive loans by establishing bank linkages and the loans are given to the member who most needs it in the group.

Yet another key factor which differentiates the Grameen model from the SHG model is the high rates of interest and drain of wealth in the former model. Not only are high interest rates charged, the profits made by the organisation are routed to its investors and not to the community. This renders these micro finance institutions no different from any other commercial organisation. This in the recent times has shown the problem due to uncontrolled profit motive by MFI's in different states of the country and its effects on the poor.

MICROFINANCE PROVIDERS:

Microfinance providers in India involve an entire gamut of players, some who failed to fill the space they were expected to and some who evolved in the process. Post office, co-operative setup, chit funds, NBFCs, mortgage institutions are some of the microfinance providers apart from the much spoken about MFIs and banks. In many countries, cooperatives have been able to elevate its position as a powerful economic model. In some countries they are a sizeable force within the national economy.

The slow growth of co- operatives in India especially with respect to the credit sector can be attributed to various reasons including – mismanagement and manipulation: the democratic set up of co-operatives got corrupted and farmers with large holdings grew more powerful. Government interference, functional weakness in terms of lack of trained personnel, restricted coverage is some of the other reasons.

Similarly, the entire set up RRBs – established to meet the needs of the rural sector in general and the poor, in particular – has proved a colossal failure. Saddled with the burden of directed credit and a restrictive interest-rate regime, the financial position of the RRBs deteriorated quickly.

With co-operatives and RRBs unable to fill the gap between the formal and informal sources of microfinance, the percentage of money lenders grew manifold. It was during this time that micro credit and microfinance to women groups started gaining momentum. Initially NGOs started this process of providing credit through co-operative banks and then they started operating as microfinance institutions.

Basically, the MFIs in India are of three categories:

* Not for profit MFI, which include the NGOs
* Mutual Benefit MFIs, which include mutually-aided co-operative credit and

For Profit MFIs, which include the Non-Banking Financial Companies (NBFC)

NABARD refinances the Financial Institutions engaged in micro finance, to the extent of actual disbursement. NABARD, SIDBI are 'bulk financiers', who cleverly leverage resources obtained from a variety of sources (donors, government, market) for rural finance including microfinance.

Reasons for the success of MFIs are:

1. MFIs became the bridge between banks and the poor people who depended on informal sources of credit like local moneylenders.
2. For a small amount of loan from a formal institution like bank, a person had to run from pillar to post before finally getting the loan sanctioned. But in the case of MFIs the MFI employee will go to their house and give them the money.
3. Despite the high interest rates charged by the MFI, they still flourished because poor people felt it is better than the interest rates charged by the moneylender.
4. MFIs continue to make huge profits as the poor do not voluntarily want to default.
5. MFIs deal with women's groups which have a better track record of repayment than individual lending.
6. There has been no competition to this MFI model of money lending from the other formal set ups like banks.

There are three main allegations levied against the MFIS:

* They charge exorbitant amount of interest rates ranging from 24 percent to 48 percent. Further, MFIs lack the transparency with regard to their interest rate practices which is helping them to transfer various costs on the borrowers.
* MFIs are resorting to unethical ways of recovering loans.
* MFIs are aggressively poaching from government and banks to capture their borrowers. They are luring the members of the SHGs and leading to multiple loans.

But all these allegations are not the only reason for the current stir up caused in the MFI sector. Civil society organisations and governments are worried that in the name of helping poor, MFIs are becoming mainly profit making organisations.

One of the significant development in the coming years which will also become the distinguishing factor for the MFIs is the MF 'plus' services that they can render. MF plus services refers to all the services that the MFI offer in addition to the microcredit or financial services. The increasing economic uncertainty and rapidly changing external environment, compounded by increasing competition within the microfinance sector, MFIs are already being forced to innovate new service offerings in order to differentiate themselves.

This additional component helps MFIs in generating additional revenues and also provides clients with a greater variety of products and services. MFIs partner with private companies to expand their outreach and also provide an additional product or service offering to their clients. Examples of such partnerships are prevalent in all parts of the globe. A notable example is the partnership between Grameen Bank and Dannon Foods to develop low cost manufacturing units.

The collaboration between Village Financial Services (VFS) and Hindustan Unilever enable poor households to purchase HUL's Pureit water purifiers through the VFS network. The VFS credit customers can take loan at zero rate of interest to buy the purifier and the loan would be repayable weekly over a period of eight months. Such partnerships are generally cost-revenue sharing agreements between the MFI and the organization.

Here are some of the microfinance plus activities:

1. Financial literacy training (SEWA Bank in Ahmedabad).
2. Entrepreneurial / business skills training (Mann Deshi in Maharashtra).
3. Health Education.
4. Helping establish co-ops.
5. Market linkage including both backward and forward linkage.

Islamic microfinance

An estimated 72 per cent of people living in Muslim-majority countries do not use formal financial services. Even when financial services are available, some people view conventional products as incompatible with the financial principles set forth in Islamic law. In recent years, some microfinance institutions (MFIs) have stepped in to service low-income Muslim clients who demand products consistent with Islamic financial principles—leading to the emergence of Islamic microfinance as a new market niche. The basic concept apart from no interest based transactions is: Fund providers must share the business risk i.e. providers of funds are not considered creditors (who are typically guaranteed a predetermined rate of return), but rather investors (who share the rewards as well as risks associated with their investment).

The following are the most widely available types of Islamic microfinance contracts. Each can either operate individually or be combined with other contracts to create hybrid instruments.

Murabaha Sale (cost plus mark-up sale contract).Typically, the client requests a specific commodity for purchase, which the financier procures directly from the market and subsequently resells to the client, after adding a fixed "mark-up" for the service provided. . However, ownership of the commodity (and the risk inherent thereto) strictly lies with the financier until the client has fully paid the financier. The mark-up is distinct from interest because it remains fixed at the initial amount, even if the client repays past the due date.

Ijarah (leasing contract). Ijarah is a leasing contract typically used for financing equipment, such as small machinery. The ijarah contract must specify that the ownership of the asset, and responsibility for its maintenance, remains with the financier. An ijarah contract may be followed by a sale contract, in which event the ownership of the commodity is transferred to the lessee.

Musharaka and Mudaraba (profit and loss sharing). Musharaka is equity participation in a business venture, in which the parties share the profits or losses according to a predetermined ratio. Musharaka can be used for assets or for working capital. Mudaraba denotes trustee financing, in which one party acts as financier by providing the funds, while the other party provides the managerial expertise in executing the project. In mudaraba, profits are shared according to a predetermined ratio; any losses are borne entirely by the financier. If the mudaraba joint venture results in a loss, the financier loses the contributed capital and the manager loses time and effort.

Takaful (mutual insurance). The equivalent of Islamic insurance, takaful is a mutual insurance scheme. The word originates from the Arabic word "kafala," which means guaranteeing each other or joint guarantee. Each participant contributes to a fund that is used to support the group in times of need, such as death, crop loss, or accidents.

Challenges:

Post the controversy that struck the microfinance sector late last year, the AP state (which was the epicentre of the

List of Microfinance Institutions (MFIs) based on SHG Model

Sl.No	Name of MFI	Head Quarter
1	Madura Micro Finance Ltd (MMFL)	Chennai, Tamil Nadu
2	Sarvodhya Nano Finance Ltd (SNFL)	Chennai, Tamil Nadu
3	BWDA Finance Ltd (BFL)	Villupuram, Tamil Nadu
4	Future Financial Services Ltd (FFSI)	Chittoor, Andhra Pradesh
5	MYRADA	Bangalore, Karnataka
6	Rasthriya Seva Samithi (RASS)	Tirupati, Andhra Pradesh
7	Sahara Utsarga Welfare Society (SUWS)	Kolkata, West Bengal
8	Hand in Hand (HH)	Kancheepuram, Tamil Nadu
9	Aadarsha Welfare Society (AWS)	Mehaboobnagar, Andhra Pradesh
10	Indur Intideepam MACS Federation Ltd (IIMF)	Nizamabad, Andhra Pradesh
11	Welfare Organisation For multipurpose Mass awareness Society (WOMEN)	Tiruchirapalli, Tamil Nadu
12	Pragathi Mutually Aided Cooperative Credit and Marketing Federation Ltd (PMACS)	Warangal, Andhra Pradesh
13	Sewa Mutually Aided Cooperative Thrift Society Federation (Sewa)	Hyderabad, Andhra Pradesh
14	Initiative for development Foundation (IDF)	Bangalore, Karnataka
15	Gandhi Smaraka Gram Sewa Kendram (GSGSK)	Alappuzha, Kerala
16	Swayamshree Micro Credit Services (SMCS)	Bhubaneshwar, Orissa
17	Janobaya Trust	Bangalore, Karnataka
18	Community Development Centre (Trust)	Genguvarapatti, Tamil Nadu
19	PWMACTS	Payakaraopeta, Andhra Pradesh

crisis) came up with an act to regulate the MFIs in the state. The Central government too is mulling over measures to check the thus far unabated growth of MFIs. In the light of such a policy environment, the going will get tough for the MFIs especially with the government thrusting banks to branch out into rural areas. If the banks do spread their presence in the rural areas, the MFIs which owe their existence to the absence of banks in the microfinance sector will lose their meaning. To find a good enough premise to continue in the field and continue to function they have so far would mean a complete rehaul of their organisation. A major challenge to the MFIs is restraining from being commercialised. Since they function in the development sector, they cannot charge as they wish.

The sector is also facing a serious human resource crunch that is innovative. Most in the sector do not have a passion for rural development nor do they feel attached to their job which impacts on their commitment to serving the clients. As MFIs stabilise and become mature players in the sector, they have to look to providing services apart from financial services. This is a key to their sustainability.

The big MFIs which dominate the sector are likely to become more prominent in the future. This would mean the scope of operation for smaller MFIs will be lessened greatly. The funding agencies too will prefer the bigger MFIs over the small ones.

Conclusion:

With more money being pumped into the sector the role of MFIs in the coming years cannot be undermined. It is now proven worldwide that multiple doses of micro credit to the poor is the way forward to help the poor come out of poverty. And financial inclusion of the poor can happen only if microfinance reaches them at the right time.

Besides, in such a set-up, it is important that the policies governing these MFIs and other such institutions are firmly in place. More importantly, an apex body which will perform the role of both regulation as well as a monitoring exclusively for microfinance could be envisaged if the country is determined to eradicate poverty from the face of India. So far, government role in offering microfinance services has been only at the state levels where each state has its own rural livelihood mission.

Following the success of such interventions in states like Andhra Pradesh and Kerala, the SHG movement is now set to go national. And with the introduction of the National Rural Livelihoods Mission (NRLM) it will further gets strengthen. The vision of NRLM is to enhance the livelihoods of rural poor by organising them into groups that will help them access credit on time. ❖

Sewing Centre

Ms. S. Nirmala, age 38 years of Budvel village, has a family of four which includes two children. Her husband is a daily wage labour earning around Rs. 150/day. Four years ago, her husband earned Rs. 100/day as wage labourer and it was not sufficient to fulfill the needs of the family.

Nirmala knew sewing but lack of money for initial investment prevented her from starting this enterprise. Then she took loan of Rs. 25000 from SPANDANA Sphoorty Financial Limited. She has also purchased two sewing machines. She bought cloth from wholesale and stitch dresses on demand. Her initial earning was Rs. 150/ for *salwar kameez*. As time passed she repaid loan and got another loan for further expansion of her business. She increased the number of machines to five now and hired four women whom she employed on the rest of the machines. She pays them Rs. 125/ day and now her net earnings is about Rs. 8,000/month.

Year	1st -year	2nd year	3rd year	4th year
Amount taken from microfinance institution	Rs. 25,000	Rs. 25,000	Rs. 25,000	Rs. 25,000
Interest	Rs.6250	Rs.6250	Rs.6250	Rs.6250
Repay in	1 year	1 year	1 year	1 year
No. of sewing machines	2	3	4	5
Fixed cost:				
Machine cost	Rs.14000	Rs.21000	Rs.28000	Rs.35000
Iron cost	Rs. 1000	-	Rs. 1500	-
Variable cost:				
Raw material cost (monthly)	Rs. 5000	Rs. 7500	Rs.10000	Rs.10000
Salary(worker)	Rs. 3000	Rs.3000	Rs.6000	Rs.9000
Miscellaneous	Rs. 1000	Rs.1000	Rs.1500	Rs.2000
Income for month	Rs. 12500	Rs. 16000	Rs. 23500	Rs.29000
Saving after all expenditure (monthly)	Rs.3500	Rs. 4500	Rs. 6000	Rs.8000
Repay loan per month	Rs. 520	Rs. 520	Rs. 520	Rs. 520
Saving per month	Rs. 2980	Rs. 3980	Rs.5580	Rs.7480
Saving per annum	Rs. 35760	Rs.47760	Rs.66960	Rs.89760

Nirmala is happy now that she and her family have stable sources of income and eats more nutritious food. Microcredit at the time of requirement changed her life. Today, she is able to provide education to her children in a recognized school. She has a cooler, colour TV, refrigerator and other luxury items apart from the basic requirements. Besides, Nirmala also has taken an insurance. ❖

Bank Should Be Flexible With The Poor...

Q: What is your name? What do you do?

A: My name is Ettamma. I am a vegetable vendor.

Q: What is your income?

A: I earn Rs. 100- 130 per day

Q: What is your expenditure? How much do you save?

A: I incur an expenditure of Rs 1800 – 2000 per month; Rs. 700 goes as interest on the loan. Savings under SHG come close to Rs. 250 per month.

Q: What did you take the loan for?

A: I took Rs.1, 00,000 loan for my daughter's marriage and 10,000 on son's education.

Q: Where did you take the loan from?

A: Initially took loan from Spandana Micro Finance, once they were shut down Money lender is our last resort as we don't have required criteria to apply for loan in bank. Recently joined SHG where and I got loan of Rs. 50,000 from SBH.

Q: What is the interest rate outside?

A: Money lender lends @ 48% per year which is very high and I found very difficult to repay. Now, my outstanding amount is Rs 50,0000.

Q: What is the method of repayment?

A: When I was part of Spandana Micro Finance, I paid Rs600 per week. I am paying now Rs.700 per week to the Money lender.

Q: What challenges do you face while repaying?

A: It was easy to repay the loan amount through MFI as we could complete the payments timely. However, it is becoming a burden to pay to money lender as vegetable prices are fluctuating and prices have increased also making saving extremely difficult.

Q: What do you prefer?

A: As we cannot access bank facility I prefer MFI over Money lender.

Q: Changes anticipated

A: Bank should be flexible with the documents part when a credit of Rs.50,000 by an individual is needed. But the current policy only drives us to money lenders who push us into the web of poverty with their high interest rates.

Q: What is your opinion about microfinance?

A: It is a viable option as long as you make timely repayments. However in the long run it is not viable. ❖

Collecting Money Is a Major Problem...

Q: What is your name? What do you do for living?

A: My name is Anitha. I am a lab worker .

Q: What is your income?

A: I earn about Rs.6,000 per month from lab work and also I am an MFI agent.

Q: What is your expenditure? How much do you save?

A: My expenditure goes in education of children. It comes close to Rs.5, 000-5,500 per month. I save around Rs.400-500 a month which is deposited in Andhra Bank Savings Account.

Q: What did you do with the loan for?

A: I took loan to start an enterprise (saree selling)

Q: From where did you take the loan?

A: I took multi loan from SKS micro finance and Spandana

Q: What is the interest rate?

A: Micro finance charged 12.5% interest rate per year.

Q: How do you repay?

A: Earning from the business of saree making, liabilities of other members are paid by the saved amount. I repay at 600 rupees/ week.

Q: What problems did you face while repaying?

A: Collecting money from members is a major problem.

Q: What do you prefer, SHG loan or MFI loan?

A: I Prefer taking loan from microfinance but don't want to be an agent, as it develops unnecessary tension and dissolves the image. If the norms to obtain loan are flexible I would prefer to take loan from bank.

Q: Changes anticipated

A: Terms which are promised should be followed. Deliberately MFIs change their terms and conditions and even though we refuse to give back Rs 25/- which they collect weekly for investing in the banks and promised to repay back after the clearance of loan. Rigidity in collection of due amount is forcing to pay them from my savings.

Q: What is your opinion about microfinance?

A: It is a good medium to get mortgage free loan easily whenever required but interest rates are very high. ❖

Microfinance

Microfinance assists people living in poverty who wouldn't usually qualify for regular banking services because they do not have any form of collaterals or formal identification which can be taken by the banks and sometime it may not be sufficient to consider as an collateral for the banks.

Microfinance includes basic financial services like loans (generally smaller in size), saving accounts, fund transfers and insurance. It also provides non-financial service such as business training etc

There are four major activities under microfinance which can be taken as its branches. These are:

* Micro Credit
* Micro Insurance
* Remittance
* Micro Saving

Micro Credit:

Micro credit has its origins in the early eras of civilization. It was out of necessity that man became aware of the benefits of lending and borrowing. Much before the advent of money and banking, the practice of lending was prevalent in kind. For example, suppose a farmer gave some seeds to another farmer with a condition of getting it back with some extra quantity. This extra quantity is known as interest or the cost of micro borrowing for borrower.

Micro credit means loans to artisans, tiny and small industries, grocers, vegetable vendors, rickshaw pullers, roadside retailers etc. It supports activities like farming, poultry, cattle rearing, piggery, fishery etc.

In India, the gap between the haves and the have-nots is always alarmingly high. Vices like superstition, illiteracy, caste system and the greed of the rich and powerful do not allow the principle of equality to set in. Consequently, India is unable to get rid of poverty and unemployment even though it is growing faster.

With more than 220 million starving people, India needs to continue to exploit the great potential of micro credit. The posh shopping malls, the multiplexes and the capital-intensive big industries can provide livelihood only to a few educated urbanites. The rest have to live on small ventures and agriculture. These segments can never survive without small loans. Micro credit creates a huge purchasing power. This, in turn, gives impetus huge consumption, to industrial growth and finally leads to a higher GDP(PPP).

Under the present directive of the RBI, the Indian central bank, the priority sectors must get a minimum of 40% share of a commercial banks' total lending. This includes 16% for the agriculture sector.

With profit not being the only motive, the nationalized banks opened branches in the remotest corners of the country. They were to implement various government schemes like the Twenty Point Program, Antodaya Program, subsidized Differentiated Rate of Interest (at 4%) loan etc which aimed at uplifting the poorest of the poor with the help of micro credit. Banks like Industrial Development Bank of India (SIDBI), Export Credit Guarantee Corporation (ECGC) and the latest Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE). The CGTMSE covers collateral-free credit up to Rs. 50 lakhs. These institutions play supportive roles to ensure uninterrupted flow of credit to small time borrowers.

Micro insurance

"Micro insurance is defined as a mechanism to protect poor people against risk (accident, illness, death in the family, natural disasters, etc.) in exchange for insurance premium/ payments tailored to their needs, income and level of risk"

Types of Micro insurance

Life Insurance:

Micro- Life Insurance is available to individuals between the age group of 18 years and 72 years. It provides coverage against death (accidental and natural). Beneficiaries receive compensation upon the death of the policyholder, who is typically the primary breadwinner. The two types of micro- life insurance are term life insurance and endowment life insurance. Term life insurance provides coverage on a fixed premium on a particular sum assured for a limited period of time. It is also called term assurance. A policyholder must renew its term, or obtain further coverage at different rates and/or conditions. Endowment life insurance provides coverage for a fixed period of time. A policyholder can redeem at its face value if he or she is alive at the end of the endowment term.

General Insurance:

Personal Accident Insurance extends protection against permanent disability or accidental death in the form of the loss of eyes, limbs or both. Compensation terms and amounts vary, depending on the extent and type of disability.

Asset Micro Insurance protects against loss of, or damage to, occupational or household assets. Low-income households typically need to insure inventory, equipment and tools, homes, livestock and personal items. Asset insurance covers damage caused by civil disturbances, riots, fire, earthquakes, hurricanes, cyclones and similar disasters. A policyholder is entitled to the amount of loss or damage, or the face value of the policy itself.

Health and Disability Micro Insurance offers coverage against the cost of medicine and hospitalization, up to a certain amount as specified in the insurance contract. All costs incurred may be paid directly to the healthcare provider or reimbursed directly to the policyholder. Disability micro insurance is an extension of health micro insurance, extending coverage to a policyholder in times of severe sickness. The two main types of disability micro insurance are temporary and permanent. Temporary disability micro insurance offers partial compensation for the loss of income during the months a policyholder is unable to work due to illness. Permanent micro insurance offers complete income replacement coverage to a policyholder.

Facts related to Micro insurance

Most insurance schemes (66%) are linked with micro finance services provided by specialized institutions or non-specialized organizations. 22% of the schemes are implemented by community-based organizations and 12% by health care providers.

Life and health are the two most popular risks for which insurance is demanded; 59% of schemes provide life insurance and 57% of them provide health insurance.

Most schemes (74%) operate in the four southern States of India: Andhra Pradesh (27%), Tamil Nadu (23%), Karnataka (17%) and Kerala (8%). The two western States: Maharashtra (12%) and Gujarat (6%) account for 18% of the schemes.

Remittances:-

Micro insurance services is a young and in its nascent stage, albeit rapidly growing in India. Domestic money transfer services are still in their infancy, in India as elsewhere however they would appear to have tremendous scope. The focus of the growing attention on money transfer services as a potential opportunity for MFIs has been on cross-border remittances. Internal labour migration has a long history in India, and is probably increasing with differential rates of growth in different states and pockets within states. Except for short distance or short term migrants, migrants need a fast, low cost, convenient, safe, and widely accessible money transfer service to send their earnings back to their families and dependents for vital consumption needs, including lean season support and sudden medical emergencies, as well as for important investment requirements.

At present options available to a poor migrant are limited. The postal money order charge of 5 percent means parting with a full day's wages about once a month, to send one's meager savings home. This is unacceptable in this day of modern electronic communications.

The Power and Potential of Remittance:

Al Najib Milli Mutual Benefit Ltd. was incorporated in April 1990 as a Mutual Benefit Company under the Indian Companies Act, 1956. It is delivering financial services through 45 branches spread across four states in India (Uttar Pradesh, Delhi, Maharashtra and Gujarat). Al Najib plays an important role in the communities it serves, and is respected, trusted and valued by its customers. Al Najib offers a remittance product in two variants – one based on a money transfer order that can be encashed in any Al Najib branch; and another, faster, version that involves sending a fax to the branch where the money will be withdrawn. Al Najib has 6 branches across various suburbs of Mumbai from where they serve many migrant clients, predominantly from the state of Uttar Pradesh. In spite of the overall rising trend of remitting through core banking services in Mumbai, the remittance products of Al Najib remain popular. Andheri, one of Mumbai branches visited by *MicroSave*, remits over Rs. 3 crores annually.

A second option is bank drafts, which are cheaper, but most recipients do not have access to the banks to encash drafts easily.

A third option is sending money in cash through returning friends and relatives, but this means waiting till someone who can be trusted enough is returning home, and even then there is the risk of theft.

One requirement for an MFI to meet the need for a money transfer or remittance service is a critical minimum number of migrants in the place of destination from a particular place of origin, which will almost invariably be a rural area. At least a dozen larger cities in India are likely to meet this condition, each of them for several groups of migrants from different parts of the country. An MFI from the originating area can establish a base in the city or area of migration destination or it can tie up with an existing MFI or bank or money transfer company there. The same arrangements are possible in reverse.

The second requirement for an MFI to provide money transfer services viably is that it should be willing to charge a cost-recovering service charge the service charge is likely to be higher than that charged by the banks which enjoy greater economies of scale and scope. However, until the banks become a real alternative to most remitters there is appears to be enough headroom for MFIs to charge a service fee that achieves viability.

Micro Savings:

A branch of microfinance, consisting of a small deposit account offered to lower income families or individuals as an incentive to store funds for future use. Micro savings accounts work similar to a normal savings account, however, are designed around smaller amounts of money. The minimum balance requirements are often waived or very low, allowing users to save small amounts of money and not be charged for the service.

After financial literacy, one could argue that savings is the next most important aspect of an overall microfinance strategy. Learning to save, or building a savings culture, is critical to one's economic self-reliance over a lifetime.

It is hard for people in the rich world to imagine what it is like to live on $2 a day. But for those who do, the problem is often not just a low income, but an unpredictable one. Living on $2 a day frequently means living for ten days on $20 earned on a single day. The task of smoothing consumption is made more complicated if there is nowhere to store money safely. In an emergency, richer people might choose between dipping into their savings and borrowing. The choice for the great mass of the unbanked in the developing world is limited to whom to borrow from, often at great cost. That they can borrow at all is partly due to the rapid growth of microfinance, which specializes in lending small amounts to poor people. Several big MFIs also offer savings accounts. ❖

International Cooperative Day (First Saturday in July)

The Seven Cooperative Principles:

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting

members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers,

and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders—about the nature and benefits of cooperation.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members. The Cooperative Values Self-help; self-responsibility; democracy; equality; equity; solidarity; honesty; openness; social responsibility; and caring for others. ❖

NRLM: A Critical Review

The National Rural Livelihood Mission (NRLM) launched on 3rd June 2011, the (NRLM) is an ambitious scheme from the government to alleviate poverty. Its focus is "to reduce poverty by enabling poor households to access gainful employment and skilled wage employment… through building grassroots institutions…" The guiding force of the mission is to create grassroots institutions by the way of SHGs and build upon them a federation that is of the people, by the people and for the people.

The document which we critiqued is the framework within which NRLM is to be implemented through State Rural Livelihoods Missions (SRLM) across the country. A positive aspect about NRLM is the emphasis it lays upon decentralization of the planning process and thus justifying the tenor of the framework which gives a broad outline as to how the project should ideally be run. Within these broad guidelines, the states will formulate their own plans outlining their activities over the next seven years.

The implementation of the NRLM depends entirely upon the State Rural Livelihoods Missions (SRLM). The beauty of NRLM is that it is too futuristic a programme for the current mind set in our country. It is a major step forward in decentralising the planning process. The centre is simply handing over the reins to plan the intricacies to the states so they can adapt this framework to the realities of their state.

This paper will try to bring out the loopholes of NRLM via various socio-economic factors:

* NRLM believes that livelihood security to the poor is best achieved by providing platforms to the poor where they can voice their concerns. For such a platform to be effective, it necessary that all the section of the poor should feel included and involved in the community they reside in.
* It is estimated that there exist about 7 million SHG's under various projects and CSO's in the country. Some of the CSO's may want to continue with their business without interference from NRLM. In such a case, funds and areas can be clearly demarcated where these CSO's can intervene without any NRLM presence there.
* All SHGs should be graded on the basis of *Panchsutra* and should be categorised into three grades namely A, B and C. (A-Excellent, B- Good, C-Poor).The poor SHGs (acting as NPA in the SHG system) should be imparted financial training to bring them back in the main stream of financial inclusion.NPA can be recovered by making proper linkages with the supply chain and other mechanism that play a beneficial role in enterprise development. Some incentives should be given to SHG who are performing proper MIP & saving to create healthy peer competition among them.
* Continuous skill training and specialised RSETIs (skill enhancement) should be the crux of the RSETIs framework. This framework can also include value added training and support for the existing enterprises (which are not generating the required output). MOBILE RSETIs can also be an economic and effective option.
* Various type of partnership of NRLM with financial institutions, insurance companies will build platform for Public-Private-Community in agriculture, livestock and non-farm sectors. Artisans and wage labourers brought into mainstream such that they are also benefitted by this partnership With number of partnerships from strategy to implementation, it is a necessity to maintain core values and beliefs for developing sustainable livelihood for rural poor such that this mission fulfils its mission.
* The convergence of PRI with SHG is a good intervention provided a strong structure exits. The convergence model speaks is much relevant in state like Kerala where there is strong Community structure. This structure is not observed in the other states. More over convergence of PRIs with SHG might have a political bias.
* One of the reasons why SGSY was not successful enough was the lack of development professionals. Hence if there is one thing we can learn, there should be concrete channel for supply of professionals rather than its total dependence on open market. There is mention of collaboration with training and professional institutes, but there is no mention of immediate relief.
* The powers of a SHG Federation showing good performance at a regular basis should be increased i.e. that SHG Federation should be able to interact with the State Government directly. This will reduce the time taken in the implementation of a particular programme and also will curb down corruption due to money changing several hands. ❖

Achieving The MDGs

"We must not fail the billions who look to the international community to fulfill the promise of the Millennium Declaration for a better world. Let us keep the promise."

— UN Secretary-General Ban Ki-moon

The Millennium Declaration in 2000 was a milestone in international cooperation, inspiring development efforts that have had mixed success in improving the lives of hundreds of millions of people around the world. The goal reflects concrete strategies and actions to meet the eight Millennium Development Goals by 2015. The goals are: 1. Eradicate extreme hunger and poverty, Goal 2: Achieve universal primary education, Goal 3: Promote gender equality and empower women, Goal 4: Reduce child mortality rate, Goal 5: Improve maternal health, Goal 6: Combat HIV/AIDs, malaria, and other diseases, Goal 7: Ensure environmental sustainability and Goal 8: Develop a global partnership for development

In the National Conference on Microfinance and Millennium Development Goals (Chennai on 22 August, 2009), Deputy Director Mr. Minar Pimple addressed to the MFIs: In advancing the MDGs' progress MFIs have a greater role to play. It can mobilize the society by building community institutions and helping them in prioritizing the development initiatives by extending the service areas. MFIs also can promote enterprise development through generating new livelihood ideas by initiating knowledge sharing activities where natural resource management taken into the consideration. More importantly MFIs can play an active role in promoting the right to access public information at the sub-national level to enhance governance and accountability.

MFIs create diversified livelihood opportunities to poor people & give them space, to plan their unanticipated & future expenses, by providing alternative mechanism for poverty reduction. It also facilitates growth in family income, leads to enhance opportunities for children education especially girls & also restricts school drop-outs.

To promote gender equality, enhancement of women's access, control and ownership on the resource is an important issue can be covered under MFIs arena. Increasing women's participation able to contribute excess income towards the society and generate savings as well as it helps to enhance social and political strengthening of the women.

To improve basic healthcare with particular attention to child and maternal mortality, increase income through sustainable livelihood opportunity can address health issues exacerbated by poverty. Some MFIs are also facilitating accessibility to healthcare insurance and protection by protecting child and maternal health. Financial support also brings poor under the lights of the education which preventing the vital diseases like HIV/ AIDS, malaria and other infectious diseases which considered under MDG.

To ensure environmental sustainability MFIs give ideas like establishing rural enterprises by using Non-timber Forest Produce (NTFPs). Accessibility of the alternative inputs like Natural Pesticide Management (NPM) are also contributing eco-restoration and conserving bio-diversity.

The sources of fund are diversified through the involvement of wide range of the investors national as well as international, who are helping poor by contributing their money in the MFIs. It reflects public contribution in the development sector.

Millennium Development Goals :-

- Eradicate extreme hunger and poverty
- Achieve universal primary education
- Promote gender equality and empower women,
- Reduce child mortality rate
- Improve maternal health
- Combat HIV/AIDs, malaria, and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

However Microfinance is much more than an income generation tool. It acts as development factors to accelerate and sustain MDG progress. It gives greater focus on equity and inclusion. By providing a chance to work together, MFIs are helping developing countries to achieve the MDG and advancing towards more sustainable, inclusive empower and prosperous futures for all. ❖

Elders for Elders' Foundation

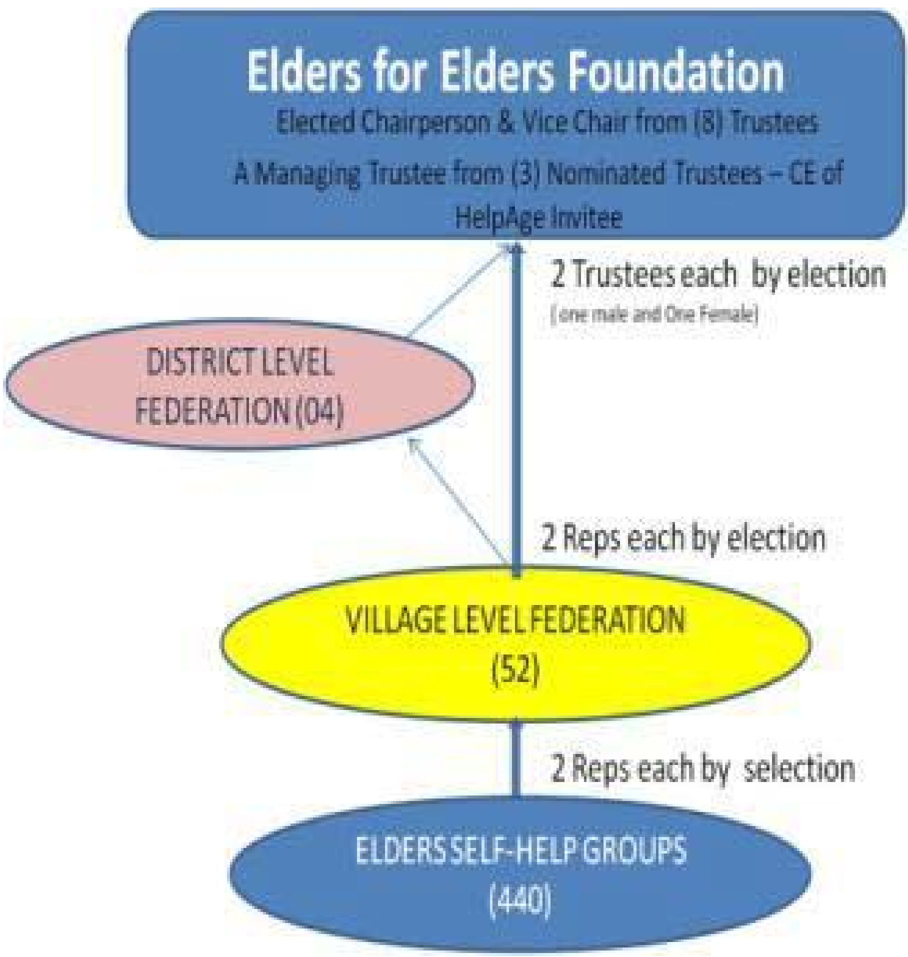
Immediately after tsunami struck Indian coast in 2004, HelpAge India (HI), the lead development organization in the country working for the cause of older people, undertook emergency relief operations in the worst-affected coastal villages of southern India in Tamil Nadu and Kerala. Loss of family members, homes and livelihoods have left the poor, particularly the elderly worse-off. The quality of life of the elders suffered a severe setback on all fronts.

As the initial need for relief started tapering off, HI transitioned to rehabilitation phase and initiated Tsunami Disaster/Extended Response Project to undertake long term measures to restore the livelihoods of the elderly, to build elderly organizations and work for sustainable and responsible social protection of elders and to empower elderly to fight for enhancing their quality of life. In the course of the project, elders were organized into Elders Self-help Groups (ESHGs). Further these ESHGs were federated in to village level federation to take care of the destitute elderly and function as nodal organisation at the village level.

By 2007, the elders' organization grew in strength and Elders for Elders' Foundation (EfEF) was formed at the apex level with 4 District-Level Federations – Cuddalore, Nagapattinam and Vedaranyam in Tamil Nadu and Kollam in Kerala.

S. No	Project Location	No of Groups	Male	Female
1	Cuddalore	99	620	868
2	Nagapattinam	112	432	1189
3	Vedharanyam	130	993	1103
4	Kollam	99	352	1336
	Total	**440**	**2397**	**4496**

EfEF has come into being to function as an independent non-profit foundation for the welfare of the aged in India. Currently, it operates in two States, viz., Kollam and Alleppy (Alappuzha) districts in Kerala and Cuddalore and Nagapattinam districts in Tamil Nadu. EfEF's main areas of intervention has been in promoting savings as a habit for the elderly, provide necessary credit for improving their economic earnings, organize the elderly for the cause of the aged including advocacy efforts for national and state level commission for the aged, old age pension for all destitute elders, work with district and local government for facilitating quality medical care for the aged in government run health facilities, etc.



EfEF has been able to successfully demonstrate the concept of productive ageing. It has amply proved that the elders have immense potential to be productive, can be collectivized, and require credit to pursue livelihood activities. They need some instruments to cope with their risks. EfEF has also demonstrated that the elders are better taken care of by themselves and their immediate families and social security measures have to be geared to cement this bonding rather than making the elders dependent solely on pension or other relief assistance measures. ❖

Elongo— HelpAge India (HI)

Bharati Integrated Rural Development Society

Bharati Integrated Rural Development Society (Birds) Is A Non Governmental Organization (Ngo) Established In 1991 At Nandyal, In Kurnool District Of Andhra Pradesh, India. It is registered under Society Registration Act 21 of 1860, in the year 1991. Its registration number is 262/91, dated 28.11.1991. It is also registered under Foreign Contribution Regulation Act (FCRA), 1976, on 16 May 1994. It has Income Tax (IT) exemption under Sections 12 A..

Founded and directed by Paul Raja Rao, BIRDS has grown in the past years from a humble grassroots attempt to empower the Dalits and provide a few microfinance loans to groups of women attempting to form cooperative business ventures, to a major NGO non-profit, touching the lives of tens of thousands of untouchables each year.

BIRDS works with Dalits, women, children and farmers on several issues like untouchability, social discrimination, human rights, women issues, gender rights, women's empowerment process, health issues, child labor, bonded labor, farmer suicidal issues, organic agriculture practice, ground water management programs, farmer field schools, malnourishment and HIV prevention programs.

It has reached a new milestone in empowering dalits, tribals, women, children and small and marginal farmers which is clearly evident in the impact generated as a result of BIRDS intervention in building their capacities. Dreams to support the farmers of the district by providing training and demonstration facilities at stone-throw distance have been realized through construction of BIRDS Training Centre and Organic Farm was conceptualized.

The Vision Statement of BIRDS states “a world where all its inhabitants live in complete harmony with each other to maintain and benefit from balanced eco-systems.”

It proposes to achieve this by creating a “platform for people from all walks of life” and enable to take necessary measures to ensure ecological stability, safeguarding human rights, eradicating poverty, ensuring minimum standard of living, and bringing in social justice (on account of differences based on gender, disability, social and economical marginalization and displacement).

Guiding Principles of BIRDS are:

- Will not work only for furtherance of its vision, mission and objectives.

- Recognize that it is only a part of a bigger movement to ensure environmental stability and in the fight against poverty. Therefore, it thrives to establish linkages at the organization and community levels with different strategic developmental players (governmental and non-governmental).

- Believe that it stands accountable to public, government and for agencies providing financial support as well as for the people the support is intended. Through its transparent administration and accounting systems BIRDSIN will register itself as an honest and humble change agent.

- Work culture will be that of mutual respect, equality and justice, where everyone irrespective of sex, sexual orientation, age, race, color, class, religion, ethnicity, and location are treated equally.

- Will work with courage, creativity, innovativeness, in pursuit of its vision, mission and objectives, without fearing anybody.

Will have a bias for poor and marginalized people because of the fact that their mainstreaming can only result in realization of its larger goal.

Objectives: To educate the rural poor through non-formal education

To act as liaison organization between government rural poor and to inform the rural poor about various governmental programs intended to help them

To provide opportunities for the development of village artisans

To undertake land-based projects for the benefit of small and marginal farmers

To establish homes for the aged, child labour, widows and disabled

To undertake women welfare programs

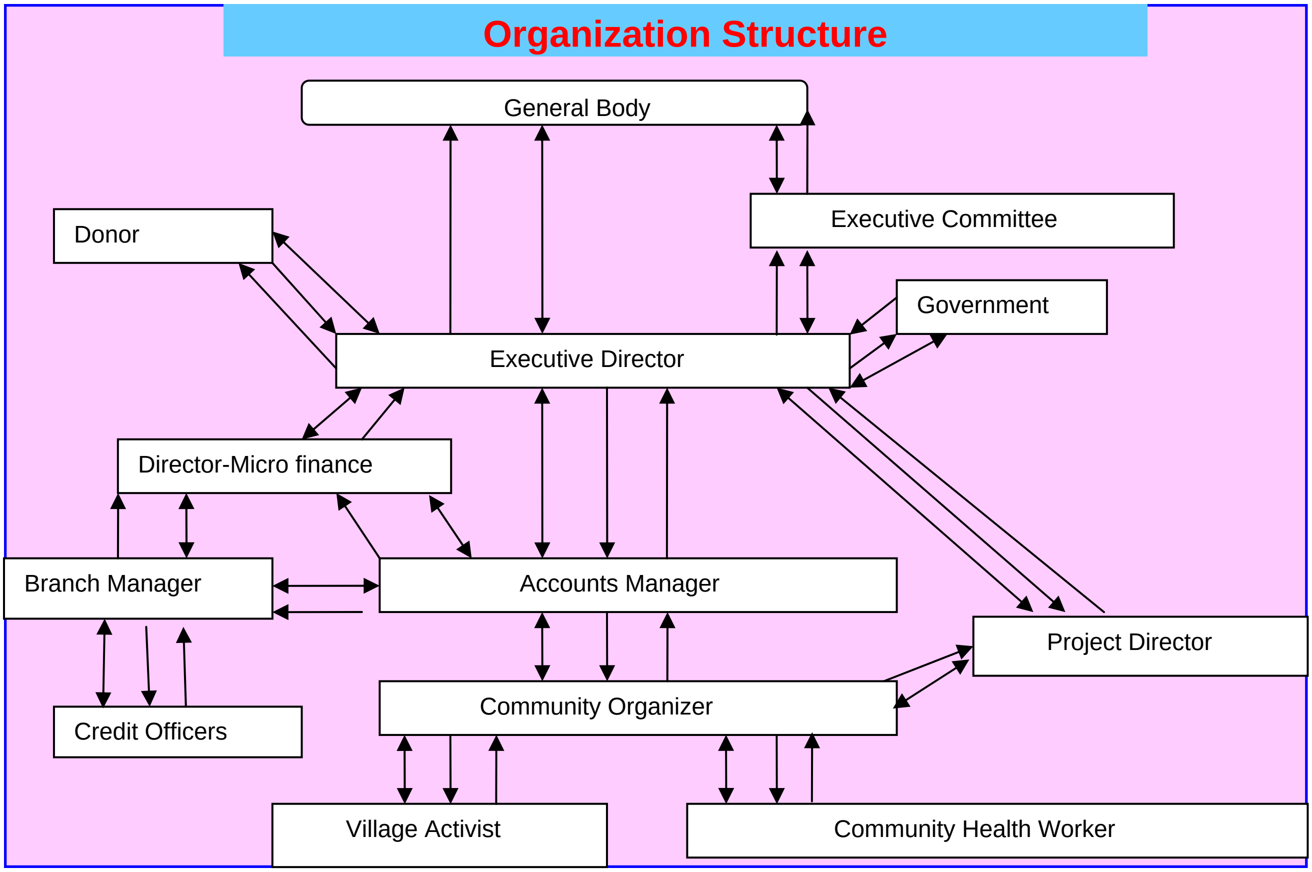
To organize self help groups for poor women for economic independence

To improve health conditions of rural poor

Low cost housing programme for the poor

To preserve environment of the target areas

To promote sustainable agriculture programs and organic farming systems

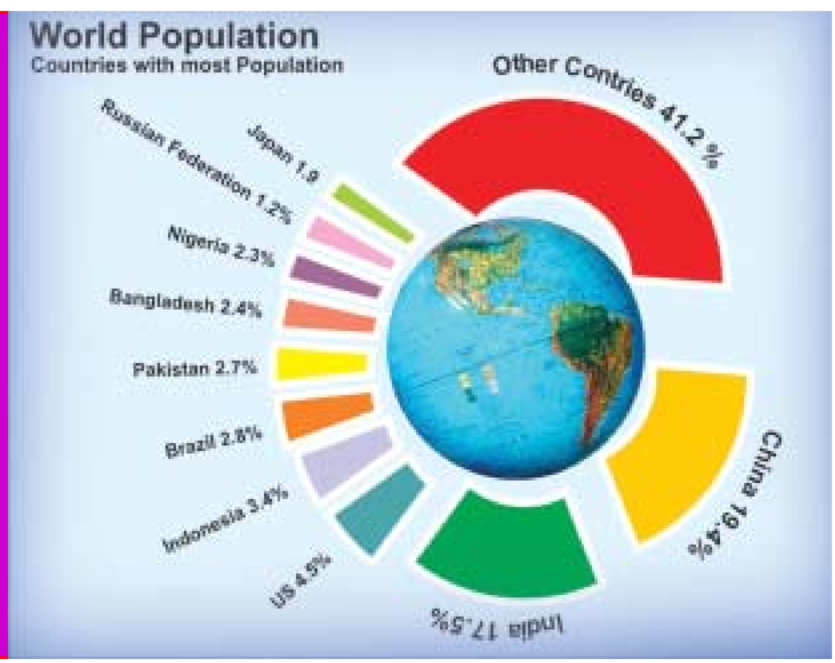


Interaction Fund flow Reporting

Activities of birds:

Apart from its major function as Microfinance Institution, it also provides the following listed services to the poor:, People's empowerment, Environment/ APFAMGS, CHETANA network: Campaign on Land Rights and Livelihood programs, Health Facilities/Community Health Program, Care and Support: Children's Education, Old age Pensions , PLHIV, Microfinance, Community-Staff Capacity Building, BIRDS International Learning Centre, International and National Solidarity Mission, International Projects and National Projects. ❖

World Population Day 11 July 2011



Time to Reflect and Reaffirm

Microfinance India Summit 2010: "Mission of Microfinance: Time to Reflect and Reaffirm"

The microfinance industry gathered to talk about the way ahead from the current crisis (Andhra Pradesh) at the Seventh Microfinance India Summit on November 15-17, 2010 in New Delhi, India. Various stakeholders talked about how the industry could course correct, tweak practices, to manage the political climate and perceptions. It was an occasion to reaffirm their mission and stay on course.

U.C. Sarangi, Chairman, NABARD, said that while Return on Assets (RoAs) had been low till around 2008 after that things changed. Since then, while the global norm for RoAs is around 1.5% for Indian MFIs this could be between 1.5-5%. Lowering RoAs would allow MFIs to lower interest rates as well. "You have to think of your mission now," he said.

The microfinance industry gathered to talk about the way ahead from the current crisis (Andhra Pradesh) at the Seventh Microfinance India Summit on November 15-17, 2010 in New Delhi, India.

C.S. Reddy of APMAS presented his study report that there are one million SHGs waiting for bank accounts and two million SHGs with no active loans. Other speakers stressed on the need to increase per capita size of SHG loans, which is currently lower than that of MFIs.

Financial Inclusion:

They talked about the need to make a range of financial services and products available to the poor, including savings, insurance, pension and remittances. They also talked about reaching out to communities that are particularly excluded from the financial system, including migrants. MFIs play a particularly important role in financial inclusion because current criteria for the bankable exclude a substantial number of people. For instance, NSSO data shows that 45.9 million farmer households do not have formal credit. Just 27% farmers have loans from the formal sector. So, banks, SHGs and MFIs need to be more sensitive to the needs of farmers and provide advice MFIs also need to be more transparent on interest rates and ensure that they follow sensible collection practices and do not do multiple lending.

The State of the Sector: The Crests and Troughs:

The State of the Sector 2010 indicates abated growth compared to previous years. The sector grew at 18% in 2009- 10. For instance, the report found that there are enough MFI loans in Andhra Pradesh so that each poor family could have nearly 10 loans. Or that even large villages have 4- 5 MFIs operating there. MFIs need to link credit with livelihood programmes and offer a range of financial services to clients. That is the reason state governments have come up with ad hoc regulations to deal with the meteoric growth of the industry.

Rethinking Development and Microfinance: Changing Paradigms:

According to Roodman credit is not necessarily better because borrowers may take it irrespective of whether they can pay back or not. This can lead to over indebtedness. That is why credit is not like any other product where increased supply would lead to a reduction in prices. So, there has not really been a reduction in rates though the number of microfinance players has increased.

The State and the Sector: Locating the Fault Lines:

On October 15, 2010, the Andhra Pradesh Government passed an ordinance saying MFIs need to be registered with a government agency, which can revoke their registration in case of a complaint. They have to specify their area of operation and interest rate, which cannot exceed the principal amount. Loan recoveries can only be made by staff members with identity cards in public places. Second loans cannot be given without the first being repaid. This ordinance came in the light of several alleged incidents of suicides by borrowers because of forced recoveries. This led to increased non repayment to MFIs in Andhra.

Growth and Governance: Pulls and Pressures:

Good governance is not limited to the board of directors, but should be implemented at every level within the organization, such as, the investors, shareholders, lenders and industry associations. Transparency is the key to good governance I Good governance is a constant balancing act between social outreach and financial sustainability

Risks in Microfinance: Current Environment and Mitigation Strategies:

Chandrashekhar Ghosh, CEO of Bandhan, said that MFIs need to build capacity of the staff, teach them soft skills to deal with crises. "Risk is a part of life that you cannot avoid. You have to deal with it at the ground level," he said. Also, while MFIs grow they should not lose their focus on the borrower. He said that when Bandhan moved from non profit to for profit they created a structure to ensure that 5% profits went to the non profit, where they are used for welfare programs. ❖

Microfinance And Inclusive Development

Declarations: An Alternative summit on Microfinance focusing on Inclusive Development has been organized by National Rural Livelihoods Mission , Ministry of Rural Development , Government of India, SERP and Government of Andhra Pradesh from 21-23, 2011 . The International conference was attended by delegates from India, Bangladesh , Srilanka , Nepal, Afghanistan , Philippines and China.

With primacy on social capital, development outcome and savings- led microfinance services, the summit had deliberated upon the multi dimensional aspects of development covering livelihoods, health, MDGs, social security, gender empowerment and main streaming across the development spectrum. A host of operational and policy leads in many of the topical issues. Synthesizing these issues and policy leads / recommendations, the summit resolved to commend the following declarations to the world of microfinance including the practitioners, Government, regulators and policy makers.

1. The purpose of microfinance being poverty reduction , development outcome connecting with Millennium Development Goals , ensuring social security and entitlements should be guiding the provision of microfinance services.

2. The Institutions delivering micro- credit shall be recognized as MCIs i.e. Micro credit institutions and not as MFIs as it gives rise to misleading expectations and undue advantages. The summit recognizes the need to develop appropriate nomenclature for microfinance with inclusive development.

3. The social capital model of microfinance shall focus on building institutions founded on mutuality and solidarity, specifically federations of SHGs and specialized institutions on health, livelihood and for technical support to SHGs.

The Community Resolution on The Issues of MFIs

We, the women representatives of SHGs in Andhra Pradesh met in the summit and deliberated upon the issues of MFIs and resolved to condemn the exploitative practices of MFIs, who is charging exorbitant rates of interest and often violating human rights at the time recovery with coercive methods. We are proud to claim that the SHG model of microfinance spearheaded by the poor women is appropriate to our needs and it would help tackle the issues of poverty.

4. Microfinance shall go beyond credit and shall include 'savings-first' with differentiated savings products for livelihood , health , education and life cycle needs: insurance and micro pension for social security , remittance services for migrants , micro justice for conflict resolution.

5. Holistic development approach with social and financial intermediation , livelihoods / enterprise promotion , integration with mainstream for civic intermediation with proper sequencing, graduation , context and member specific interventions shall guide the microfinance programs.

6. Microfinance interventions shall be integrated into sub-sector economic development process such as agriculture, farming, dairy, fisheries, etc.

7. Capacity of building of the enabling and demand stream is a crucial component of microfinance. Interventions and needs continuous public investment.

8. Self regulation process shall be a part of the microfinance programs, which would promote growth with quality. The SHG federations shall draw a road map and set standards for governance, financial and social development aspects according to their age and contexts and evolve action plans for implementation.

9. In building livelihoods systems, community ownership in the form of producer and marketing companies with professional management shall be promoted with innovative and appropriate credit products. Creation of value and supply chain needs public investment for establishing infrastructure like gold chain, transport and processing.

10. Gender empowerment and mainstreaming shall remain the core of the microfinance programs.

11. Highly vulnerable groups including Destitute, aged, physically and mentally challenged shall be organized with help of microfinance exclusively with higher degree of sensitivity and innovation.

12. Main streaming microfinance through linkages with the banking system shall promote financial inclusion to provide access with affordability for the poor. The banking system shall respond to the microfinance clients to the microfinance clients with timely credit and appropriate financial products. ❖

Microfinance

'Where the mind without fear and the head is held high; Where knowledge is free;

Where the world has not been broken up, Into fragments by narrow domestic walls;

Where words come out from the depth of truth;, Where tireless striving stretches its arms towards perfection;

Where the clear stream of reason, Has not lost its way into the dreary desert sand of dead habit;

Where the mind is led forward by thee into ever-widening thought and action…, Into that heaven of freedom, my Father, let my country awake.' - Nobel laureate Shri Rabindranath Tagore,

Micro finance has been playing a stellar role in realizing the dream of Late Rabindranath Tagore, in fact, micro finance in the form of money lenders, cooperative institutions, chit funds has been in operation since time immemorial. **However, the arrival of SHGs and microfinance institutions in the last two decades has really empowered the rural folk and made them to hold their heads high.** I do realize that there are some issues created by some micro finance institutions specially with regard to high interest rates and forced lending. As a person dealing with poor people for decades I suggest that the MFIs should realize their social responsibilities and act carefully while working with poor people. They must take time to build the capacity of the borrower, give him flexible credit and recover in small installments over a flexible period so that the poor man is not burdened. For instance SKDRDP encourages its members to go in for multiple activities to enable them to repay the loan in weekly installments. The overriding philosophy of the MFIs should be social service and not profit maximization.

The state government should create a conducive atmosphere for MFIs to flourish. We cannot expect everything to be done by the government only. NGOs and MFIs have a major role to play in financial emancipation of the poor people. We can also play an important role in financial inclusion. However, presently the commercial banks are deploying technology service providers in the process of financial inclusion. I think the government and the banks should use the extensive networks created by the NGOs and the MFIs in making the process of financial inclusion more effective.

The media and the government should study the positive impacts of microfinance institutions in a given area. Stray cases of failure, misfortunes, and individual incidences should not be generalized. We must understand that MFIs have made poor people residing in remote rural villages and slums of cities creditworthy. The MFIs have brought radiating smiles on the faces of the people struck with poverty.

I suggest that if the government can give interest subsidy to the micro loans, the MFIs are ready to pass it to the ultimate borrower. I can cite the successful example of the self employment loans given by the **Devaraj Urs Backward Classes Development Corporation (DBCDC) in Karnataka.** In this case DBCDC has offered low interest loans up to Rs. 25,000/- at 5% to SKDRDP which have been onward lent to the backward classes community for taking up self employment. SKDRDP has given these loans at 9% on daily reducing scales. Rs. 25.00 crores has been lent in this manner with 100% recovery. As a result the board is able to use the money recovered to lend to others. Thus I feel the MFIs and the government must have closer coordination.

The poverty situation in the subcontinent however is fast changing. The introduction of the **Mahatma Gandhi Rural Employment Generation Programme (MREGP)** has affected the working class in the rural areas. It has also affected the farming. It has in abroad sense also affected the micro finance initiatives. The growing opportunities in the service sector in the urban and per urban areas have also had an adverse impact on farming in the rural areas. For youngsters it is more attractive to work as security staff, drivers, salespersons in malls rather than toiling in the fields. The situation that I saw in China three years back where I was informed by a senior citizen that people aged below sixteen and above sixty only reside in villages is now being replicated in India too. The ever increasing migration of labour to the nonfarm sector is delivering a body blow to the farm sector. The RUDSET movement in this context which motivates youngsters to remain in villages is thus an important initiative in the alternative sector. Inspite of all the progress it is the food security that matters most in a populous economy like India.

Therefore credit alone is not sufficient, it is the ability of an individual family to make the best use of the financial sector which matters most in creating a just society. The works of the partners of INAFI and the participants sitting here therefore will count much more than those who just provide credit.

I conclude with a quote from the famous novel **"King Solomon the wise" which has been quoted by Mahatma Gandhiji as he wrote in Harijan, on August 6, 1938.**

Quote " Better is little with fear of Lord than great Treasure and trouble there with" "Better is little with righteousness than great revenues without right" "Better is a dry morsel and quietness therewith than a house full of good cheer with strife"

I thank one and all for this opportunity. **May Lord Manjunatha swamy bless you all.** ❖

Dr. D. Veerandra Heggade

Context

Malegam Committee Report

Microfinance has been in the headlines in the recent past. The sector is growing at a rate of 20-25% annually defying all conventional wisdom of financing poor, while maintaining financial viability. So what is it that has created such an amount of hype?

Microfinance which was meant to give poor people access to credit facilities has turned out to be a business model generating huge amount of funds for the stakeholders. Quoting the case of SKS finance which issued its public offering in financial year 2010-11giving its stakeholder a revenue to the tune of 200 crore. Talking about its impact on the poor, it has been linked to farmer suicides in Andhra Pradesh on one hand and helped people move out of poverty on the other. The question whether MFIs are institutions for the poor or institutions for profit is continuously debated.

Malegam Report: A sub-committee was formed by RBI to study the issues and concerns regarding the MFI. This committee was to review microfinance and microfinance institutions (MFIs) for the purpose of regulating Non-Banking Finance Companies (NBFCs). Microfinance in India has been defined differently by different players and there is no regulatory body which can channelize them through a common path. So Malegam report is an extension of these issues in the form of recommendations.

Under this report, NBFC-MFI has been stressed upon as a different category of microfinance institution. The committee recommends that effective interest rates charged by microfinance institutions be subject to a floating ceiling of 10 to 12% over cost of funds, and a fixed ceiling of 24%. Transparency in the operation of the MFI has been brought under the fold through processing fee (1%), interest rate (24%) and insurance charge. Monitoring of these institutions will be done by MFI themselves, industry associations, RBI and banks. The report raised serious questions on the act which envisages NABARD as the regulatory body.

Andhra Pradesh Microfinance Act: Andhra Pradesh passed on an ordinance on 14th December 2010 in lieu to the growing questions about the viability of the MFI model towards meeting the goal of poverty alleviation and also in wake of the series of suicide cases. The act requires all the microfinance institutions to register themselves with the registering authority of the district and also to extend its services without collateral to only those which hold a single SHG membership. The MFIs need to be transparent in their operations by displaying the interest rates in their premises, issuing acknowledgement of the transactions made by the borrower and also by submitting monthly reports to the registering authority. The act also puts a restriction on the loans extended by the MFIs by the need to get approval before sanctioning the loans. For putting a check on the increasing use of coercive methods on loan recovery, the act restricts MFIs from using any agents in the process. Experts are more or less consistent with the act with few changes here and there. In Andhra Pradesh particularly, this has created a political unrest seeking for government's intervention.

RBI's Stand on The Issue: RBI has publically supported the microfinance sector with few apprehensions. It fears the working of the NBFCs without a regulation which can have a huge impact on the rural poor which forms the bulk of Indian population. So it presses the point of interest cap on these MFIs to a level that neither does it undermine the sustainability of the MFIs nor does it let to exploit the poor. However RBI restrains itself from pushing in a fixed interest rate but only keeps a cap on it. It has even advised the banks to stop their priority sector lending with the MFIs in case they fail to follow the recommendations.

Government's stand on The Issue: Central government intends to pass a bill on the recommendation of the Malegam Committee Report which will override all state government regulations. Further it is futuristic in its view about the contributions made by this sector in poverty alleviation and is strongly supporting its growth.

The Way Forward: The MFIs can network into Self Regulatory Organizations (SRO) comprising of all the MFIs. Those under the fold need to follow the guidelines set up under the network. This will be a credibility check on all the MFIs as institutions where as MFI's not in the network will lose their reputation

New MFI Bill: In this context The government on 06-07-2011 released the draft Micro Financial Sector (Development and Regulation) Bill, 2011, which seeks to make it mandatory for all microfinance institutions to be registered with the Reserve Bank, making it the sector regulator. The Bill in its earlier form had proposed that the National Bank for Agriculture and Rural Development (NABARD) will be the regulator of the sector.

The latest draft Bill proposes that a micro finance institution has to be registered with the Reserve Bank with the minimum net owned fund of Rs 5 lakh. Besides, a Micro Finance Development Council will be set up to advise the government on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the sector and micro finance institutions, to promote financial inclusion.

The council will comprise of members not below the rank of Executive Director from NABARD, National Housing Bank, RBI and SIDBI. Besides, Joint Secretaries from Ministry of Finance and the Ministry of Rural Development will also be members. It also proposes that any micro finance institution which is not a company registered under the Companies Act, 1956 and which becomes systemically important micro finance institution shall convert its institution into a company registered under the Companies Act, 1956 with or without a licence under section 25 of the Companies Act, 1956. ❖

Out of Poverty

Proper Planning is Key to Management

Mahipal Reddy is a marginal farmer from Nednur village of Kandukur Mandal in Rangareddy district. He has studied up to his intermediate. He is married and has two children with whom he lives in a rented house. On his 3 acres of land, Mahipal usually grows maize for one season of a year since it's a rain fed crop. Due to poor quality of the soil, crops often fail to yield returns as expected. Generally, he sells the produce to the local poultry. In spite of fluctuating yields, Mahipal takes crop loans every year for buying agriculture inputs from Syndicate Bank in that village to the tune of Rs.30000/- at the interest of around Rs 10/- per year.

Devoid of any livestock, Mahipal occasionally goes for labour work in order to supplement the family income. On average, the monthly income of the family is 4000/-. This amount is barely sufficient to meet their expenses. In the midst of all these uncertainties, Mahipal had another constant worry about his children's education once they get old enough to attend school. However, better days soon followed as Mahipal's his wife was introduced to the concept of SHG, which she joined and thus began the journey towards a changed life. As luck would have it, the family benefited from a loan waiver scheme provided by state government to an extent of Rs.5000/- in year 2007-08

In the meantime, through SHG, the family availed a loan of Rs.50000/- at 25 paise interest per month. Through that, they were able to repay their previous crop loans successfully. Today, the family is convinced that getting loan from SHG is easier, costs less interest, and is readily available even in emergency. The husband and wife owe their improved conditions to SHG and continue to hold to the faith that their lives is more secured and valued with the savings they maintain in the SHG. Like everywhere else, Mahipal admits that commissions have to be paid to officials for loan processing and has therefore decided not to take loan this year. The good news is that the family has enough savings and they are confident of being able to stand on their own feet. From their experiences, the couple testified that SHG is one best way for a determined family to come out of poverty like them.

Looking ahead, the family is busy making plans to buy cattle within a year. Mahipal is also paying Rs.3000 per year for insurance, which was a luxury until the recent past. The family is even planning to build a new house. Thanks to the leverage from SHG, Mahipal and his family are respected among his friends and relatives. ❖

Biased Feelings Spoil Life

Broken Lives

Venkateswarlu belongs to Paipad village, Waddepally mandal and Mahaboobnagar district. He aged 38Years. He Studied up to 10th class. He got married. He has three daughters and one son. His son is studding Intermediate and younger daughter is studying 7th Class. Presently he does not do any work because he does not Interested in doing agriculture works .He has one acre. He sold it for his elder daughter marriage.

His wife goes to agriculture work daily. He depends on his wife Income. His daughters also went to agriculture works. He needs money because he wants to do his 2nd Daughter marriage. So he decided to do some work. He was worked as a security guard in a beer company at Jogipet in Medak district.

He deposited some Amount for his daughter marriage .He took Rs.1lakh with interest from his relatives .He came to his native place because to do his daughter marriage.

He spent more days in the village and he does not interest to go to Jogipet. He wants to stay in his own village. He plans to do business. He observed that one person was coming to his village to sale tea and coffee packets. He thought to do this type of Business. He decided to begin the Business. But he has not money for Business. He told business plan to his mother. She is living with her second son. Earlier also she helped to him in sometimes. She made her son to borrow some money from her friends.

He started tea and coffee business helping to his mother. She told to him that, this last chance to him. He wants to purchase TVS moped for his business expansion. He spent Forty Thousand rupees for TVS moped, tea and coffee items. He went to daily one village for sale tea and coffee packets to village.

He went to nearest villages one week after stopped tea and coffee business because he has relatives in those villages. He thinks that his relatives may feel bad. He feels selling tea and coffee packets is not suitable for him. He stopped his business and sold TVS moped to Rs 8 Thousands loss to his friends. Remaining tea and coffee packets are wasted.

He did not pay his loans which obtained from his relatives. His mother is bothering with her son attitude. Because him her relations got strained with her friends. Presently Venkateshwarlu wants to go Jogipet because to do the old job but it is not sure if he gets that job or not. ❖

Failed in SSC - Passed in Life

Q. What is your name? Age?

A. Macharam Aruna, and I am 29 years old.

Q. What is your native place?

A. Shankarpalli, it is 27 km away from Hyderabad.

Q. where do you stay in Hyderabad?

A Hafeezpet, Miyapur.

Q. What did you study? Where do you work?

A. I studied SSC in 1999. Greater Hyderabad Municipal Corporation.

Q. What is your work profile there?

A. I work as a Community Resource Person (CRP). It goes around grouping the women, encouraging them, strengthening them, trainings, helping for their livelihood etc.

Q. How many members are the in your family?

A. Me, my husband, my mother in law and two children altogether 5 members. I have a boy, he is studying 2^{nd} standard and a girl, studying 4^{th} standard in nearby school.

Q. Is there any other person from your family working?

A. Yes, my husband is there. He works in Paper Product Limited (PPL) as machine operator.

Q. Can we have the details of monthly income of your family?

A. I, myself earn up to Rs.1500 per month by book keeping and other works. My husband earns up to Rs.7000 per month.

Q. When did you join in SHG?

A. I have joined 6 years ago in the group and now I am a leader for a group since 3 years.

Q. Have you done any work before?

A.No. I joined this in order to help my family out of some financial problems.

B.**Q**. What do you feel about the work?

A. I am very much satisfied with what I am doing I can enjoy more in my work than the other means of enjoyment.

Q. what are the problems you face while discharging duties?

A. initially many people did not even allow us into their homes and we made different ways to convince them and join the groups. Some kind of difficulty occurs in collection of money for the repayment. And we face some kind of political pressure in handling the work.

Q. What will be your routine?

A. I will be engaged in my family work till my husband and children goes out and from then I will go the field for the regular duties till 3PM and I will be back to home. Sometimes I may stay till 6Pm in the evening for the external work if necessary.

Q. Have you taken any loans? Can we have their details?

A. Yes, I had taken the sum of Rs. 15000 towards the treatment for my husband when he met with an accident. I repaid it in 10 months. Another time I had taken the sum of Rs.15000 toward my son's treatment 3 years back and I repaid it in 15 months. All the loans I had taken are from the linkages only.

Q. what is you progress in the work?

A. We had applied for the formation of the Slum Level Federation (SLF) by grouping 25 groups together, which is yet to be registered. If it was done then we can be benefited more from the government.

Q. what is your role in the group? And can we have the details of the group?

A. I am the leader of the group and my group name is Navajyothi Self Help Group. And in the new Federation which was proposed I will act as a resource person and I will be dealing with 25 groups.

Q. Is there any problem from the family while working?

A. No. my husband gives his total support in doing my work. Without his support I can't do all these things and I will be remaining as a woman just confined to kitchen. But some kind of problems will be occurring because of my child as he is still younger.

Q. As a member of the family what do you feel about it?

A. I feel very proud my family I have a very good husband who is very cooperative, two lovely children and very good mother in law. And what else I wish other than this?

Q. How much do spend toward your children's education?

A. we will spend around 12,000 on both of them annually.

Q. What will be your monthly savings?

A. we had not saved anything till now. We are having the loan of Rs.50000 outside which we had taken at the time of my husband's accident. I expect that can be repaid in a course of 2 years.

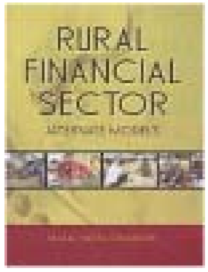
Q. Would like to share anything else with us and our readers?

A. Yes. I want every woman to stay independent helping their family in every way possible, courageous, stubborn and able to handle the situations arose. I request the government to concentrate more on the self employment groups and give them support needed. ❖

Books

Book Summary

Name of the Book: Rural Financial Sector Alternate Models



Editor: Tamil Datta Chaudari

Publisher: Icfai University Press, Hyderabad

The book is a volume of 16 articles on various thematic areas related to Micro-Finance in the Country. It is divided into two parts the first examining the various institutions involved in rural financial sector development and their performance. The second part discusses possible strategies that could be adopted for improved credit delivery.

The editor *Chaudari Tamil Datta* begins with an overview of the performance of various players involved in rural financial sector development including Commercial Banks, Regional Rural Banks, Cooperative Rural Credit Institutions, NABARD, SHG's and MFI's. The second article by *Y.V. Reddy* points to the view that any plan for growth in the agricultural credit has to address the four deficits namely public investment and credit deficit, infrastructure deficit, market economy deficit and knowledge deficit.

Mr *A.K. Bandyopadhyay* then discusses the Rural Development process and the role of leadership, innovative ideas, and people friendly means in hastening the process of development.

The fourth article by *Mr V.Vipin.Sharma* advocates that overall Micro-finance empowers the most marginalised among the poor. There is then a discussion by *Mr Rajaram Dasgupta* about the Agriculture Micro-credit, Weaker Section Micro-credit and SHG Micro-Credit.

Mr Francis Sinha discusses three models of microfinance – SHG'S, Grameen and Individuals and points out that although micro-finance has increased the borrowing options of poor clients, it has not significantly affected the terms and conditions of different informal credit providers. The seventh article by *Mahendra .Varman.P* concludes that microfinance SHG's have inculcated the habit of banking especially among women.

Mr Subrata Kumar Roy then discusses how Institutional Credit made an impact agricultural production through change in cropping pattern in West Bengal. The ninth and final article in Section One by *S.D. Mishra* paper highlights the difference in the productivity of Kisan Credi cardholders and non-card holders. Section Two of the book starts with an article by the editor *Chaudari Tamil Datta* about efficient financial intervention through a mix of market forces and social intervention. *Mr A. Ramanathan* then argues that the principles upon which microfinance works are well suited for credit delivery to the poor.

The twelfth article in part two by *Paramita Raut* paper shows that the SHG bank linkage model has grown in a skewed fashion in India with some states like Andhra Pradesh being ahead of others. The paper analyses in detail the merits and demerits of the SHG bank linkage program and makes suggestion for further improvement.

Mr *Janardhan .G. Naik* then presents a piece on how Regional Rural Banks can become vibrant rural financial intuitions capable of meeting the growing requirements of rural india.

The next article in the series is presented by Mr *K.Ramkrishnan* who discusses possible attractive strategies to be employed by the Small and Medium Enterprise Sector (SME) branches, also highlights opportunities for joint financing of SME projects with SIDBI and other financial institutions

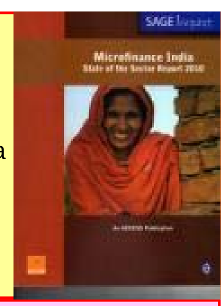
Mr *Prasun.Kumar Das* then presents a piece on risk mitigation including government initiatives like minimum support price, farm income insurance schemes , revamping agro-marketing , development of commodities' market and weather insurance. He concludes with emerging tools for risk mitigation like rainfall index insurance. The final piece in the book is written by *Mr Shymala Gopinath* who argues that financial inclusion is a continuous process.

The book suitable as a background reading for individuals who need to be brought up to date on the various players in the Micro-Finance Sector in the country's rural areas and a stock take of the policies adopted. ❖

New Book

Name of the Book: Microfinance India Sate of the Sector Report 2010

Publication: An ACCESS Publication



Resources

Resources of Microfinance : 1. Microfinance Gateway: www.microfinancegateway.com 2. Consultative Group to Assist the Poor (CGAP) www.cgap.org 3.Microfinance Information eXchange (MIX) http://www.themix.org 4. Sa-Dhan: Association of Community Development Finance Institutions http://www.sa-dhan.net 5. National Bank for Agriculture and Rural Development (NABARD): http://www.nabard.org 6. Unitus: http://www.unitus.com/, Grameen Bank: http://www.grameen.org, 7.Forbes magazine: http://www.forbes.com/2007/12/20/microfinance-philanthropy-credit-biz-cz_ms_1220microfinance_table.html, 8. Microfinance association: http://www.microfinanceassociation.org/, World Bank - Micro-finance Events, International Development Information Centre (Cida), Microcredit Summit Homepage, The Informal Credit Homepage

Gopal And His Bat

There was a boy named Gopal who was extremely lazy. Once, he badly wanted a cricket bat but had no money to buy one. So like every kid, he went to his father and asked for the money but was refused saying that he will have to earn the money and that nothing comes for free in the world.

Lazy as he was, Gopal did not like the idea of putting in effort to earn the money. Therefore he went to the sports shop with whose owner he was acquainted with. Gopal then said he wanted a cricket bat but he could only pay at a later date. The shopkeeper who was short on staff offered his customer two options: that Gopal could take the bat and repay later with interest or pay by lending a hand to running the shop. Again, Gopal's laziness got the better of him and he opted for the first option.

Gopal revelled in his new possession and forgot all about his deal with shopkeeper for a few days. He even bragged to his few friends how he could get a new bat without paying even a single penny. However his short stint of fame came to an end one day when walking down the street, he met the angry shopkeeper who threatened him that the interest rate will be increased. Now, Gopal is faced with the pain of paying almost double of what the bat really cost.

This shook Gopal and he went to his father again. His father agreed to give money with the same condition that that he will have to earn the money. As desperate as he was, Gopal was equally arrogant and turned down the offer and instead approached his friend Krishna to borrow a part of the money. His friend said he could borrow the money but should repay the money with interest on time.

Gopal went to the shop the next day and paid the shopkeeper the first instalment and this unexpected payment raised the shopkeeper's hope that he will get the money. However, sensing the satisfaction of the shopkeeper, Gopal again relaxed for a few days oblivious of the fact that his debt was rising by the day.

Few days later on a warm evening, the angry shopkeeper and Krishna came to Gopal's house and demanded that they be paid back immediately. Gopal's father who was present there gave a puzzled look to Gopal who had to finally recite the series of the events and debts that led to this embarrassing day.

Gopal's father was highly disappointed but apologetically told the unexpected visitors he would ensure that they would get their money back soon. nce the visitors left, Gopal was made to sit and listen to his father and how he let him down and that still he would still have to earn the money.

Left with no choice, finally it was decided that Gopal will work at the sports shop and the owner too waived off the interest amount as a gesture of goodwill. Back home, he would also walk the family dog and earn money so he could repay his friends.

Moral of the Story

Easy routes will not lead to easy solution. One should be ready to pay the price of one's own bargains. ❖

Microfinance: Outreach

India is the largest microfinance industry in the world. The high growth has been fuelled by commercial banks funding towards for profit institutional structures. Thus, this rush towards growth has led to the speeding up of transformation of MFIs to for profit Non Bank Finance Companies (NBFC).

The growth rate recorded by India in microfinance in terms of number of unique clients is 62% and 88% per annum in terms of portfolio over the past five years and there are around 27 million borrowers' accounts. The south dominates the sector in terms of number of MFIs but there are some MFIs which have multistate activities and hence cannot be categorized as working in a particular region. According to M-CRIL estimates there are around 18 million microfinance clients in India. This represents 8.2% of the 220million families in the country and 13.6% of the 60% population that is thought to be excluded. in real terms, the cost of serving microfinance borrowers has declined from Rs. 620 in 1999-2000 to Rs. 298 in 2009-2010 (at 2002 prices) [Figure 1]. This indicates the growing efficiency of microfinance institutions in the country

but whether this is due to increase in real productivity or a decline in lending standards is a question that needs to be answered.

In March 2010, RBI classified 25 MFIs as 'systematically important' for portfolios in excess of Rs. 100 crores though only two had been licensed for very restrictive deposit taking.

Not for Profits & Mutual Benefits grew from 111 to 208, for profit MFIs grew from 18 to 56

Total Outreach of Not for Profits & Mutual Benefits grew from 39.79 lakh to 51.26 lakh in 3 years, Outreach of for profit MFIs grew from 43.65 lakh to 221.71 lakh

Portfolio outstanding of Not for Profits & Mutual Benefits grew from Rs. 1,432.81 crs to Rs. 2495.47 cr., and that of for profit MFIs grew from Rs. 1,826.78 crs to Rs. 15,238.71 crs

Where Not for Profit form stands for Society, Trust, Section 25, Co – operatives and for profit stands for NBFC, LAB.

<u>According to the following data from Financial performance of Indian MFIs – A Quick Review 2010,Sa -Dhan</u>

Poorest districts' coverage:

Total number of poor districts covered by MFIs – 235

Coverage by For Profit MFIs – 139

Coverage by Not for Profit MFIs – 205

Coverage of backward classes:

25.3% clients belong to SC/ST communities, proportionate to their ratio in total population, but lower than their proportion in BPL families

MFIs that have SC/ST clients higher than 25% or even 50% of their total clients fall in the category of 'small' & 'medium' MFI

Coverage of minority communities:

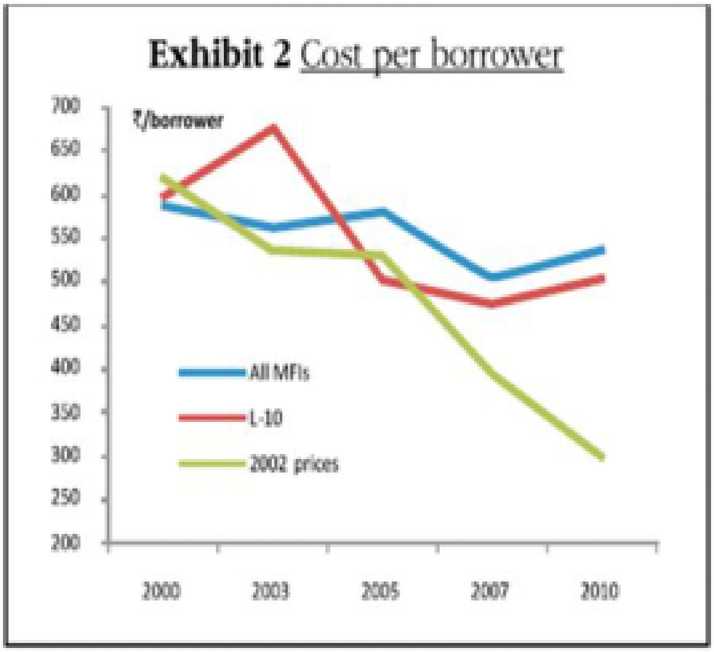
16% of clients are from minority community, again proportionate to their ratio in total population, far below in the category of below BPL

Urban poor:

By 2030, 40-50% Indians will be living in cities, rate of growth of urban poverty is higher than rate of growth of rural poverty

27% of clients live in urban areas, but MFIs don't have a solution for migrant population

The unbridled growth witnesses in the microfinance sector leads to untrained staff, an increase in multiple lending, deterioration in control systems and potential for malpractices in loan collection. ❖



source M – CRIL microfinance review Nov – 2010 L – 10: largest 10 MFIs

Powerloom Weaving

Shining Livelihoods?

Handloom Weaving

Declining Livelihoods?

'Yoga'kshemam

Happy Gurupurnima! Vande Jagadgurum!

Rains finally come. They are still coming!

UPA reshuffles Cabinets. Jairam Ramesh takes charge of Rural Development and Drinking Water.

AP is back with T-agitation and United-agitation. Terror strikes in Maximum City.

Counseling is in progress across.

Anantha Padmanabha of Thiruvananthapuram emerges as the richest deity in the world.

There was some activity for World Population Day (11 July).

As usual, other International Days passed – Doctors' Day (1 July), International Day of Cooperatives (2 July) and International Cooperative Day (7 July) and Writers' Day (8 July). Now, we await International Day of the World's Indigenous People (9 August), International Youth Day (12 August) and World Humanitarian Day (19 August). Of course, we also await Independence Day.

Still lost in the institutions of the poor, knowledge assimilation and dissemination with reduced knowledge intermediaries! Working Group on National Rural Livelihoods Mission is also gaining momentum! Incidentally, Jairam Ramesh signed on the loan agreement with World Bank for National Rural Livelihoods Project (NRLP) that supports NRLM effort, on 18 July 2011. One more trigger for NRLM to gain momentum!

G Muralidhar

NSS 2009-10 confirms our worst fears. As a country, <u>nearly half of our expenditure is on food.</u> About 60% rural India spends less than Rs.1000 per month. 60% of this, i.e. Rs.600 is on food. The top 10% of the country spends 10 times the bottom 10%.

Interesting! It is a crime in our country to attempt to commit suicide. But, we can do fast unto death legally. Police Commissioners think we need permission to fast in public domain. Large number of us fast intermittently and many an ascetic keep on fasting. Many of our poor starve quite regularly. All of us do not take permission. If food security act comes in soon, is there a guarantee that no one starves and therefore, do we need permission to fast?

When you are down, all energy is sapped and finished, the reflection, realization and rekindled wisdom presents greatest original opportunities. As you get back, you slow down a bit and push yourself to intense pursuit towards these original opportunities! Therefore, original potential!

Livelihoods Knowledge workers/activists, I gather during the month, have to keep shifting between getting the work done and doing. Towards this dynamic shift, they need to have a way of reading the future at least to a limited extent. Gavin Edwards tells us with 'utter certainty' what the 21st century holds -

We move in electric cars; we use male birth control pills; videophones replace normal phones;

Rising oceans will make most coastal cities unlivable.

Humans will walk on Mars, and on the moons of Jupiter and Saturn

The human lifespan will double, at least.

The American two-party system will collapse; political parties will have explicit corporate alliances.

Nuclear weapons will be used in a Sino-Soviet conflict.

We will bioengineer animals with the ability of human speech. They will have their own sitcoms.

South Africa will emerge as a major world power.

Teledildonics will be more popular than flesh-on-flesh sex.

Humanity will not exterminate itself.

Interesting!

Linda Hill, discusses 'three imperatives' for being an effective transformational leader, which we can potentially become – manage yourself, manage your network, and manage your team; there is a need for fundamental shift in the mindset that you are a network builder and cultivator than the doer; and this is a lengthy and difficult journey of unlearning, learning and change and it takes long time and great effort; new competencies need to be acquired such as how to coach people, how to give feedback, and how to set the direction and get people to execute that. *Let us remind ourselves that we are in the business of transformation towards free open access knowledge marketplace.*

Soul's blissful merger in the Soul of the Universe is possible and begins with the thoughts of intent - as these thoughts are expressed/articulated in words and action leaving everything else here and now. Like when you dream in a sleep. Be in the dream. Be in the thought. Lose yourself in the thought. Then thought takes over. Dream takes over. It becomes words. It becomes actions. It becomes journey. It becomes flight. It becomes flow. It continues in merger and flow of usefulness. Direction of flow of usefulness is presented to you and you respond. You are guided all through. This is joy. This is bliss. Thought is joy. Joy is thought. Joy is in thinking.

In the confluence of the souls, we are in 'sahaalochanapravaaham' seeking and relishing <u>sangamaanantarasahapravaahayogam</u>.

Can we be there? **Yes, if we pursue Atma Yoga.** Relentless devoted thought, for being in universal usefulness! Krshna confirms - any devoted thinking soul that thinks and pursues relentless thought attracts viswaatma to it.

Join us in the world of yoga – for the joyous thoughts of the innermost and viswaatama - towards sahapravaahayogasiddhi. You will not regret it. ❖