**MICROFINANCE IN ORISSA**

Orissa is located on the eastern part of the country surrounded by Andhra Pradesh, Chhattisgarh, Jharkhand and West Bengal. It is the poorest state in the country. The state is best known for the paradox of poverty in the midst bountiful resources due to large number of socially deprived population and natural calamities.

**5.1 ORISSA ROUND UP**

In the east it is bound by Bay of Bengal, which influences the climate and rainfall of the state. The state occupies 4.74% of India’s land mass and shares 3.85% of the country’s population. It has three revenue divisions, 30 districts, 58 subdivisions, 171 Tehsils, 314 community development blocks, 6234 Gram Panchayats and 51349 Villages. Nearly 85% of its population lies in the rural areas. Most of them are dependent on Agriculture and allied activities for their livelihood. The population of Orissa is 368.05 lakhs in 2001. The male and female literacy rates are 75.35% and 50.51% respectively in 2001.

The occupational classification as per Census 2001 is shown in the next page.
Natural calamities affecting the state rather frequently, drastically affects agricultural production and since primary sector contributes a major share i.e about 40% to 42% to state income. Any damage to this sector affects the total Gross State Domestic Product. The per capita availability of land in Orissa has
considerably gone down from .39 hectare in the year 1950-51 to 0.14 hectare in 2005-06 due to increase in population.

With water spread area of 790 sq kilometers provides excellent potential for marine fish and production of prawn through backish water prawn culture. Out of total fish production of 3.26 lakh tones fresh water fish constituted 55.20% followed by marine fish 37.54 % and backish water fish 7.21 %. During 2005-06 44.54 thousand MT of fish were imported from the neighbouring states. During 2004-05 about 91.75 thousand Mt of fish was exported to different state and abroad. The per capita consumption of fish during 2005 -06 was estimated to be 8.7 kg /annum. It is still far behind the requirement of 11 kg / annum recommended by WHO.

Livestock census 2003 revels that the state has a total of 240.22 lakh livestock of which 59.4% are cattle, 5.9% buffalo, 7.3 % sheep, 24.9 % goats and 2.4% pigs. Besides 189.95 lakh poultry were in the state. During 2005-06 total milk production in the state was 13.03 lakh tonnes with per capita availability of 95 gms/day while egg production was 1277.58 million with per capita availability of 34 nos per annum.

The state has forest area of 58136 sqkms, which constitutes 37.34% of the state’s geographical area. Rice constitutes more than 75% of the total food production in the state. Next to rice, pulses are the important food grain crops.
Cropping pattern of Orissa is as follows:

![Fig 5.4 Cropping Pattern of Orissa 2005-06 Source- Orissa Economic Survey](image)

Major oilseeds in the state constitute groundnut, seasamum, mustard, niger, sunflower etc. Major commercial crops are Sugar Cane, Jute, Mesta, Cotton, Soybean, Groundnut, Potato, Chili, Onion etc. They are cultivated in the state in a very limited scale. Initiative is taken by the government to transform areas cultivated under paddy and pulses to commercial crops.

Major Fruits harvested in the state are Mango, Banana, Citrus, Pine Apple, Papaya, and Cocoanut etc. Among the vegetables Brinjal, Tomato, Cabbage, Cauliflower, peas, Okra, Sweet Potato, Potato are primarily cultivated in Orissa.
Recently looking into the climatic condition flowers like rose, marigold, gladioli, tuberose are encouraged to be cultivated in the state.

Sparsely Ginger, turmeric, onion, coriander, chili, and garlic are also cultivated in the state of Orissa. Orissa is one among the major producer of Cashew nut next to Tamil Nadu.

Although Orissa constitute 4.74 % of the landmass of the country the water resources possessed by the state is 11% creating a scope for the state to intensively go for horticulture and vegetable cultivation. According to one estimate the realizable irrigation potential of the state is 59-lakh hectare whereas only 44.29% is irrigated till date. Although majority of the farmers cultivate paddy, Orissa has a very good potential for Horticulture and Vegetable. The gross annual utilization of ground water is estimated to be 18.31% of the state’s total resources.

5.2 POVERTY IN ORISSA

Poverty in Orissa vis a vis other states and all India level is depicted in next page.(fig 5.5)

There are several special features of poverty in Orissa.

1) Poverty is spatially concentrated in Orissa. Some regions such as Southern Orissa are very poor.

2) Orissa is vulnerable to repeated natural climates like drought, floods and cyclones due to its proximity to Bay of Bengal. The recurrent visitation of natural calamities further exacerbates distress of the people particularly small and marginal farmers and landless labourers.
3) A disproportionately large proportion of ST and SC population in western and southern Orissa live rather precariously with very low economic base. In spite of accelerated measures taken to address their poverty the response is not satisfactory. Women and children are generally worst sufferer.

4) A large number of rural communities particularly in hilly terrains of western and southern Orissa are physically excluded for want of connectivity and other infrastructural support (ie. Markets, Urban areas) as a result the poor in general and ST & SC people in particular lack access to growth centers and service centers (schools, hospitals)

5) Rural poverty is highest in Orissa. Rural people mostly depend on agriculture and forest resources to eke out their sustenance. However agricultural growth in Orissa is virtually stagnant mainly due to natural calamities. Agricultural productivity is roughly half that of the national average. Due to lack of purchasing power of farmers, use of improved inputs (Better seed and fertilizers) is also far below the national average.
6) Though extensive forest resources are important source of sustenance to majority of rural poor, they are highly degraded and lack desired financial and managerial inputs. Large forest areas are devoid of regeneration and therefore cannot provide livelihood support on a sustained basis unless substantial investments are made in them.

7) Want of adequate irrigation facilities except in certain pockets are another limiting factor that keeps agriculture underdeveloped.

8) Orissa lacks in adequate infrastructure (Railways, Paved roads, Ports). Optimal exploitation of its vast natural resources demands heavy investment in infrastructure development.

Distribution of rural and urban population by monthly per capita expenditure (MPCE) classes indicates the standard of living of the people and magnitude of poverty. A higher percentage of population in the lower MPCE groups means lower standard of living and vice versa. Distribution of rural and urban population by MPCE classes in Orissa and India based on 60th National Sample Survey round is as follows:

<table>
<thead>
<tr>
<th>MPCE Class</th>
<th>Percentage of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
</tr>
<tr>
<td>Less Than Rs 300</td>
<td>35.5</td>
</tr>
<tr>
<td>Rs 300-775</td>
<td>60.1</td>
</tr>
<tr>
<td>Rs 775 and above</td>
<td>4.4</td>
</tr>
<tr>
<td>All classes</td>
<td>100</td>
</tr>
</tbody>
</table>

It indicates that the population spending less than Rs 300/- (ultra poor) is quite predominant in the state of Orissa.
For eradication of poverty and creation of employment several central government programmes are undertaken in Orissa. They are:

1) Sampoorna Gramin Rojagar Yojana
2) National Employment Guarantee Programme
3) Drought prone area Programme in KBK district
4) Swarnajayanti Jayanti Sahari Rojagar Yojana comprising of
   a) Urban Self Employment Programme
   b) Urban Wage Employment Programme
5) Poverty Task Force under State Initiative
6) National Rural Employment Guarantee Programme
7) Swarnajayanti Gram Swarozagar Yojana

Among all the programmes Swarnajayanti Gram Swarozagar Yojana is the most extensive programme having widest coverage.

5.3 GOVERNMENT INITIATIVE

There is a multi prong approach by the government to eradicate poverty from the state. Multiple agencies relating to different departments of the government are working on creation of employment and eradication of poverty.

5.3.1 GOVERNMENT AGENCIES

The agricultural system of the state is supported by:

1) Orissa State Marketing Federation with 51 Regional Cooperative Marketing Societies and 19 Cooperative Cold Storages
2) Orissa State Tribal Development Cooperative Corporation
3) Orissa State Oilseeds Grower’s Federation
4) 213 large size Multipurpose Agricultural Societies (LAMPS)
5) Jute Marketing Cooperative Societies
6) Two Coconut Grower’s Marketing Cooperative Societies
7) Two Cashewnut Marketing Cooperative Societies
8) Two Beatle Marketing Cooperative Societies
9) Four Forest Marketing Cooperative Societies
10) Twenty Seven Fruits and Vegetables Cooperative Societies
11) Fifteen Cotton Growers Cooperative Societies
12) Two Sabai Grass Cooperative Societies
13) One Onion Cooperative Society

Besides this it is also supported by

1) Orissa Watershed Development Mission
2) Agriculture Promotion and Investment Corporation Limited
3) Central Rice Research Institute
4) Orissa University of Agriculture and Technology

Various programmes adopted in the state are

1) Accelerate Irrigation Benefit Programme
2) Rural Infrastructure Development Fund by NABARD
3) Biju Krushak Vikash Yojana
4) Integrated Watershed Development Programme
5) National Watershed Development Programme
6) Western Orissa Rural Livelihood Project
7) Watershed Development UNERRLTAP for KBK Districts
8) Western Orissa Rural Livelihood Project by DFID
5.3.2 CROP INSURANCE
The comprehensive crop insurance scheme was introduced in the state in 1985 with an objective to provide financial support on the event of crop failure in order to restore credit eligibility of farmers after crop failure for subsequent cropping season. The scheme was modified and made more liberal by government of India and remained as National Agricultural Insurance Scheme (NAIS) and being implemented since 1999-2000 in Rabi season. During Kharif 2005 about 9.23 lakh hectares of cropped land belonging to 9.00 lakh farmers were covered under the insurance scheme and the sum insured was about Rs 932.60 crores. In kharif 2005 claim amount of Rs 3.74 crores was paid to 19352 farmers for the loss of crop i.e. Paddy, Groundnut, Maize, Niger, Red Gram and Cotton.

5.3.3 PANI PANCHAYAT (PARTICIPATORY IRRIGATION MANAGEMENT)
Participatory Irrigation Management (PIM) concept has been introduced in the state during 1995 on pilot basis in four projects with the assistance of World Bank under the banner farmer's organization and turnover. To motivate farmers in irrigation management, massive awareness campaign, training programme and workshops have been done at regular intervals. Due to overwhelming response during 2000 the programme was named 'Pani Panchayat' and was extended to all commands of Major, Medium and Lift Irrigation Projects. To make Pani Panchayats successful, enactment was made through 'The Orissa Pani Panchayat Act 2002' and 'Orissa Pani Panchayat Rule 2003'. Presently 15433 Pani Panchayats are operating covering 16.88 lakh hectares of irrigated land.

5.3.4 INITIATIVE IN FOREST RESOURCES
Forest is of paramount importance for the state of Orissa as 22.1% of the state's population lives in forest. The state has a recorded forest area measuring 58136.23 sqkm i.e. 37.34% of the total geographical area.
The forest annual plan 2006-07 envisages

1) Conserving, Protecting and Developing 27882 sqkm of dense forests.
2) Regenerating and Developing 20196 sqkm of open forests
3) Afforesting and Reforesting 5782 sqkm of scrub forests.
4) Promoting Eco Tourism and Eco Development in the protected area.
5) Building capacity of the forest department and village level institutions to take up protection and management of the assigned forests.

State Medicinal Plant Board is functioning since August 2002 for promoting cultivation of medicinal plants in the state.

Kendu Leaf trade is not only the major source of revenue received from forest products but also offers large employment opportunities in rural Orissa at a point of time when other employment avenues are non existent. During 2005-06 the Kendu Leaf Production in the state was 3.46 lakh qtls of processed form and 0.29 lakh qtls of Phal. About 9 lakh pluckers were engaged in leaf collection and employment generated were 130 lakh man days through ancillary work of kendu leaf operation like bush cutting processing and binding of kendu leaf etc. Besides Kendu leaf Bamboo and forest products like honey, camphor, sal seeds, and pickles are by products on which the tribal of Orissa depend.

Orissa Forest Development Corporation was formed on 1.10.1990 by taking over the assets and liabilities of erstwhile Similipal Forest Development Corporation, Orissa Plantation Development Corporation and Orissa Forest Corporation. At present the corporation has 20 commercial units under four zones along with its head office at Bhubaneswar. At present the corporation has taken up the responsibility of supply of firewood, bamboo and house...
building materials to the public mostly obtained from salvage of dead and wind fallen timber.

5.3.5 INITIATIVE IN MARINE RESOURCES

Orissa in one among the important maritime state of India having coastline of 480 Kms. with continental shelf area of 24000 sqkm along the Bay of Bengal. It is also endowed with backish water area of 4.18-lakh hectare and fresh water area of 6.70 lakh hectares. The chilika, which is the largest natural backish water lagoon of Asia, covers major water spread area of backish water resources. Fisheries resources and potentialities have open opportunities for foreign exchange earning, keeping the ecological balance intact. Orissa has produced 325.45 lakh MT of fish products.

The disposition of fish in different form is shown as follows.

Table 5.2 Disposition of Fish Products in Orissa 2004-05

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Quantity (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marked in Raw form</td>
<td>276 39</td>
</tr>
<tr>
<td>Freezing</td>
<td>13 38</td>
</tr>
<tr>
<td>Drying</td>
<td>12 89</td>
</tr>
<tr>
<td>Salting</td>
<td>13.14</td>
</tr>
<tr>
<td>Canning</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>315.8</strong></td>
</tr>
</tbody>
</table>

*Source Orissa Economic Survey-2006-07*

There are 986 primary fisherman cooperative societies (PFCS) 5 nos of central fisherman cooperative society (CFCS) registered so far out of which 644 PFCS and 1 CFCS are working with 137820 members and 110 members respectively. Besides one apex society is also functioning in the state with 334 members. Orissa produces 4.80 percent of the total fish production in the country and
stands $7^{th}$ position at national level. With a 6% coastline of the country, Orissa has a potential of producing more marine products.

**Disposition of Fish Products in Orissa 2004-05**

- **Salting:** 4%
- **Drying:** 4%
- **Freezing:** 4%
- **Canning:** 0%
- **Marketed in Raw form:** 88%

### 5.4 BANKING IN ORISSA

During 2005-06 there were 24 public sector commercial banks with 1427 branches, 10 private sector banks with 20 branches and 8 regional rural banks with 835 branches functioning in the state. In addition to the above 316 branches of the Orissa state Cooperative Banks and 5 branches of OSCARD banks were also functioning in the state. Altogether 2603 branches of different banks were functioning in the state. Out of these, 1696 were rural branches, 467 were semi-urban branches, and the balance 430 were urban branches. During 2005-06, the state has a bank for every 59.8 sqkm. area and served about 14.9 thousand population on an average. During 2005-06, an amount of Rs 61,469 crores of business were made by these banks with total deposit of Rs 33,845.5 crores and total advances,
Rs 27624 crores and credit deposit ratio of 65.20%. Out of total advance amounting to Rs 27624 crores agricultural advance was Rs 6537 crores (23.66%) and small-scale industries advance was Rs 2062 crores (7.46%). The credit deposit ratio of Orissa is moderate. But as we analyze the credit deposit ratio of other states like Tamil Nadu, Andhra Pradesh, Maharashtra and Rajasthan we find Orissa has to improve its credit deposit ratio to be one among the best in credit savvy behaviour. (Fig 5.7)

5.4.1 SGSY IN ORISSA

SGSY scheme being one among the major programmes of Government of India to eradicate poverty, its importance cannot be underestimated. The credit off take of SGSY scheme in different districts is shown in the next page (Fig 5.8)
### Fig 5.8

**Credit Offtake of SGSY Schemes in different districts of Orissa: 2005-06**

<table>
<thead>
<tr>
<th>District</th>
<th>Amount (Rs. in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angul</td>
<td>328.74</td>
</tr>
<tr>
<td>Bolangra</td>
<td>483.34</td>
</tr>
<tr>
<td>Balasore</td>
<td>759.43</td>
</tr>
<tr>
<td>Baragarh</td>
<td>302.01</td>
</tr>
<tr>
<td>Bhadrak</td>
<td>597.77</td>
</tr>
<tr>
<td>Boud</td>
<td>147.06</td>
</tr>
<tr>
<td>Cuttack</td>
<td>356.45</td>
</tr>
<tr>
<td>Deogarh</td>
<td>85.63</td>
</tr>
<tr>
<td>Dhenkanal</td>
<td>216.32</td>
</tr>
<tr>
<td>Gaipat</td>
<td>134.71</td>
</tr>
<tr>
<td>Ganjam</td>
<td>707.74</td>
</tr>
<tr>
<td>Jajisinghpur</td>
<td>296.12</td>
</tr>
<tr>
<td>Jagur</td>
<td>417.49</td>
</tr>
<tr>
<td>Jharsugrahi</td>
<td>110.38</td>
</tr>
<tr>
<td>Kalahandi</td>
<td>432.56</td>
</tr>
<tr>
<td>Kandhamal</td>
<td>214.95</td>
</tr>
<tr>
<td>Kendrapara</td>
<td>299.73</td>
</tr>
<tr>
<td>Kenohar</td>
<td>444.7</td>
</tr>
<tr>
<td>Khurda</td>
<td>389.02</td>
</tr>
<tr>
<td>Koraput</td>
<td>658.44</td>
</tr>
<tr>
<td>Malkangiri</td>
<td>215.6</td>
</tr>
<tr>
<td>Murlibhanjia</td>
<td>576.98</td>
</tr>
<tr>
<td>Nabarangapur</td>
<td>489.02</td>
</tr>
<tr>
<td>Nabarangapur</td>
<td>294.17</td>
</tr>
<tr>
<td>Nabarangapur</td>
<td>221.94</td>
</tr>
<tr>
<td>Nabarangapur</td>
<td>330.86</td>
</tr>
<tr>
<td>Rayagada</td>
<td>266.82</td>
</tr>
<tr>
<td>Sambalpur</td>
<td>238.36</td>
</tr>
<tr>
<td>Sonepur</td>
<td>191.95</td>
</tr>
<tr>
<td>Sundargarh</td>
<td>509.16</td>
</tr>
</tbody>
</table>

**Source:** NABARD Annual Report 2006-07
The focus of Indian economic development is concentrated on the growth of women. Percentage of women involved in SGSY scheme in Orissa provides an encouraging picture as depicted below.

**Fig 5.9**

<table>
<thead>
<tr>
<th>District</th>
<th>Percentage of Women Financed by SGSY in Orissa 2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sundargarh</td>
<td>73.5%</td>
</tr>
<tr>
<td>Sonepur</td>
<td>98.6%</td>
</tr>
<tr>
<td>Sambalpur</td>
<td>94.5%</td>
</tr>
<tr>
<td>Rayagada</td>
<td>98.0%</td>
</tr>
<tr>
<td>Purulia</td>
<td>99.8%</td>
</tr>
<tr>
<td>Nayagarh</td>
<td>85.5%</td>
</tr>
<tr>
<td>Nuapada</td>
<td>77.4%</td>
</tr>
<tr>
<td>Nabarangapur</td>
<td>90.0%</td>
</tr>
<tr>
<td>Maurabhanjia</td>
<td>78.2%</td>
</tr>
<tr>
<td>Malaknagiri</td>
<td>58.3%</td>
</tr>
<tr>
<td>Koraput</td>
<td>97.0%</td>
</tr>
<tr>
<td>Khurdha</td>
<td>96.1%</td>
</tr>
<tr>
<td>Kenojhar</td>
<td>80.1%</td>
</tr>
<tr>
<td>Kendrapara</td>
<td>88.5%</td>
</tr>
<tr>
<td>Kandhamal</td>
<td>86.0%</td>
</tr>
<tr>
<td>Kalahandi</td>
<td>80.2%</td>
</tr>
<tr>
<td>Jharsugrah</td>
<td>91.1%</td>
</tr>
<tr>
<td>Jajpur</td>
<td>87.5%</td>
</tr>
<tr>
<td>Jagasinghpur</td>
<td>100.0%</td>
</tr>
<tr>
<td>Ganjam</td>
<td>99.7%</td>
</tr>
<tr>
<td>Gajapati</td>
<td>98.7%</td>
</tr>
<tr>
<td>Dhenkanal</td>
<td>92.5%</td>
</tr>
<tr>
<td>Deogarh</td>
<td>84.7%</td>
</tr>
<tr>
<td>Cuttack</td>
<td>92.2%</td>
</tr>
<tr>
<td>Boud</td>
<td>83.1%</td>
</tr>
<tr>
<td>Bhadrak</td>
<td>96.2%</td>
</tr>
<tr>
<td>Baragarh</td>
<td>98.8%</td>
</tr>
<tr>
<td>Balasore</td>
<td>97.8%</td>
</tr>
<tr>
<td>Bolangir</td>
<td>87.0%</td>
</tr>
<tr>
<td>Angul</td>
<td>96.2%</td>
</tr>
</tbody>
</table>

Source: NABARD Annual Report 2006-07
During 2005-06 total 63904 beneficiaries were financed by SGSY scheme with a credit off take of Rs 10697.45 lakhs. The average credit off take is 16740 rupees per individual.

5.4.2 BANK LINKAGE

The following Regional Rural Banks (RRB) are providing bank linkage in the state of Orissa. The supportive figures are cumulative amount of loan through the linkage programme of these banks:

<table>
<thead>
<tr>
<th>Name of Banks</th>
<th>Cumulative Amount (in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baitarani Gramya Bank</td>
<td>16.98</td>
</tr>
<tr>
<td>Balasore Gramya Bank</td>
<td>5.40</td>
</tr>
<tr>
<td>Bolangir Anchalik Gramya Bank</td>
<td>41.81</td>
</tr>
<tr>
<td>Cuttack Gramya Bank</td>
<td>17.00</td>
</tr>
<tr>
<td>Dhenkanal Gramya Bank</td>
<td>15.65</td>
</tr>
<tr>
<td>Kalahandi Anchalik Gramya Bank</td>
<td>35.80</td>
</tr>
<tr>
<td>Koraput Panchavati Gramya Bank</td>
<td>53.85</td>
</tr>
<tr>
<td>Puri Gramya Bank</td>
<td>13.29</td>
</tr>
<tr>
<td>Rushikulya Gramya Bank</td>
<td>21.90</td>
</tr>
</tbody>
</table>

Total 221.69

This is extended to 86256 SHGs upto 31st March 2006.
17 cooperative banks have extended Rs 39.77 crores of cumulative bank loan to 16781 SHGs up to 31st March 2006.

Bank linkage is done in the state through three models depending on the involvement of the Banks.

Model 1: SHGs formed and financed by banks
In this model, banks themselves take up the work of forming and nurturing the groups opening their savings accounts and providing them bank loans.

Model 2: SHGs formed by formal Agencies other than banks, NGOs and others but directly financed by banks
This category forms the major share of Banks Linkage where NGOs and formal Agencies work like facilitators, nurture the group, train them in thrift and credit management. Banks give loans directly to these SHGs.

Model 3: SHGs financed by banks using NGOs and other agencies as financial intermediaries
This is the model wherein the NGOs take the additional role of financial intermediation. In areas where the formal banking system faces constraints the NGOs are encouraged to approach a suitable bank for bulk loan assistance. This constitutes a small part of bank linkage programme.

In Orissa total loan extended in this three models are as follows:

Model 1 Rs. 179.69 crores
Model 2 Rs. 259.85 crores
Model 3 Rs. 35.93 crores
District wise Loan disbursement in Orissa is explained as follows:

**Table: 5.3 District wise Loan Disbursement in Orissa** (Source: NABARD Annual Report 2006-07)

<table>
<thead>
<tr>
<th>SL No</th>
<th>District</th>
<th>Volume in crores</th>
<th>% Loan Disbursed/ Total Loan Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bolangir</td>
<td>20.49</td>
<td>4.27</td>
</tr>
<tr>
<td>2</td>
<td>Kalahandi</td>
<td>32.92</td>
<td>6.87</td>
</tr>
<tr>
<td>3</td>
<td>Koraput</td>
<td>28.45</td>
<td>5.93</td>
</tr>
<tr>
<td>4</td>
<td>Malkanagiri</td>
<td>10.56</td>
<td>2.20</td>
</tr>
<tr>
<td>5</td>
<td>Nabarangapur</td>
<td>22.33</td>
<td>4.66</td>
</tr>
<tr>
<td>6</td>
<td>Nuapada</td>
<td>17.96</td>
<td>3.75</td>
</tr>
<tr>
<td>7</td>
<td>Rayagada</td>
<td>20.18</td>
<td>4.21</td>
</tr>
<tr>
<td>8</td>
<td>Subarnapur</td>
<td>10.10</td>
<td>2.11</td>
</tr>
<tr>
<td>9</td>
<td>Angul</td>
<td>21.90</td>
<td>4.57</td>
</tr>
<tr>
<td>10</td>
<td>Balasore</td>
<td>19.24</td>
<td>4.01</td>
</tr>
<tr>
<td>11</td>
<td>Bargarh</td>
<td>25.06</td>
<td>5.25</td>
</tr>
<tr>
<td>12</td>
<td>Bhadrak</td>
<td>12.28</td>
<td>2.56</td>
</tr>
<tr>
<td>13</td>
<td>Boudh</td>
<td>6.85</td>
<td>1.43</td>
</tr>
<tr>
<td>14</td>
<td>Cuttack</td>
<td>15.02</td>
<td>3.13</td>
</tr>
<tr>
<td>15</td>
<td>Deogarh</td>
<td>4.6</td>
<td>0.96</td>
</tr>
<tr>
<td>16</td>
<td>Dhenkanal</td>
<td>24.65</td>
<td>5.14</td>
</tr>
<tr>
<td>17</td>
<td>Gajapati</td>
<td>5.73</td>
<td>1.19</td>
</tr>
<tr>
<td>18</td>
<td>Ganjam</td>
<td>32.56</td>
<td>6.79</td>
</tr>
<tr>
<td>19</td>
<td>Jagatsinghpur</td>
<td>8.54</td>
<td>1.78</td>
</tr>
<tr>
<td>20</td>
<td>Jagpt</td>
<td>7.49</td>
<td>1.56</td>
</tr>
<tr>
<td>21</td>
<td>Jharsuguda</td>
<td>4.21</td>
<td>0.88</td>
</tr>
<tr>
<td>22</td>
<td>Kandhamal</td>
<td>8.21</td>
<td>1.71</td>
</tr>
<tr>
<td>23</td>
<td>Kendrapada</td>
<td>12.06</td>
<td>2.51</td>
</tr>
<tr>
<td>24</td>
<td>Keonjhar</td>
<td>18.71</td>
<td>3.90</td>
</tr>
<tr>
<td>25</td>
<td>Khurda</td>
<td>18.15</td>
<td>3.78</td>
</tr>
<tr>
<td>26</td>
<td>Mayurbhanj</td>
<td>24.85</td>
<td>5.18</td>
</tr>
<tr>
<td>27</td>
<td>Nayagarh</td>
<td>10.10</td>
<td>2.11</td>
</tr>
<tr>
<td>28</td>
<td>Puri</td>
<td>13.58</td>
<td>2.83</td>
</tr>
<tr>
<td>29</td>
<td>Sambalpur</td>
<td>12.12</td>
<td>2.53</td>
</tr>
<tr>
<td>30</td>
<td>Sundaraghar</td>
<td>10.63</td>
<td>2.22</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>462.48</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
As we observe the southern and western states are availing the opportunity of SGSY scheme better than the other districts.

5.5 STATE INITIATIVE ON MICROFINANCE

The state government is taking an all out initiative to make the microfinance movement a success in the state of Orissa. The mission statement of Mission Shakti explains the intention of the Government quite lucidly.

Mission statement:
Help construct a society which is: self reliant, conscious of socio-economic issues, where there is a spirit of cooperation, where women are appropriately skilled to undertake their choices of activities without hindrances or dependence, where there is leadership development while maintaining gender equity and above all each having a respect for the values of others and each striving for the good of the greater society.

Besides the initiative of the Mission Shakti many other departments of the government are involving and encouraging the SHGs to associate themselves with the developmental activities. Some achievements of the movement is summarized as follows:

- The Scheme 'Mission Shakti' was launched in Orissa on 8th March 2001 on International Women's Day. A target was fixed for at least one lakh S.H.Gs by the end of the year 2005.
- Saving of an amount nearing Rs. 236.49 crore has been possible through Women S.H.Gs where as more than Rs. 557.82 crores have already been sanctioned as loan assistance by the end of February 2007.
- The Units run by S.H.Gs are in Cattle rearing, Goat farm, Poultry, Bee keeping, Horticulture, Tissue culture, Floriculture, Pisciculture, Vegetable and Mushroom cultivation, Sewing, Handicrafts, making of Soft
Toys, Cottage Industries' products, Handicrafts, Pickle and Spice production etc. S.H.Gs. are also carrying out labor-intensive Programmes.

- Selling of subsidized kerosene and L.P.G has also been handed over to these SHGs.

- The State Government has directed to the Health and Urban Development Department for purchasing phenyl and pesticides prepared by the S.H.Gs.

- 1080 S.H.G candidates have been imparted with Computer Training. During natural calamity, S.H.Gs are being engaged in relief and restoration works. Panchayati Raj and Horticulture Departments are also providing special loan assistance to some selected S.H.Gs.

- A Programme named 'Trupti' is being implemented involving the S.H.Gs in 36 Blocks of 9 districts i.e. Balasore, Bhadrak, Jajpur, Kendrapara, Jagatsinghpur, Puri, Nayagarh, Khurda and Angul in first phase under Orissa Poverty Alleviation The State government has also requested D.F.I.D to include Mayurbhanj, Keonjhar, Sundargarh and Sambalpur districts in this Scheme.

- For about 500 industrial entrepreneurs in each Block has been conceptualized. They will be provided with an amount of Rs.1 lakh each out of which 50% is grant-in-aid and rest 50% has to be collected by these S.H.Gs.

- In tribal dominated areas, the S.H.Gs are fighting against illiteracy, poverty, superstitions and sale and distillation of spurious country liquor.

- Exhibition-cum-sale is also being organized thrice in a calendar year at Delhi, Mumbai including 9 places of the State. Besides, Sales Centers are also there in Bhubaneswar Ekamra Hat

- Necessary training is being imparted phase wise and over 20,000 Women Self Help Groups have been imparted training so far.
5.6 MICROFINANCE INSTITUTIONS (MFI) IN ORISSA

Orissa is emerging as the fourth largest state in the country in terms of its outreach in microfinance. In the last five years few microfinance institutes have either started their operation within the state or have entered to the state from the southern states. Ten of those institutes are visible and they are growing in geometrical progression. They are quite different in their approach, constitution and focus. A comparative analysis of MFIs is depicted in the next page for understanding of their operation.

Table 5.4 Representative Microfinance Institutions in Orissa

<table>
<thead>
<tr>
<th>Name of MFI</th>
<th>Constituent &amp; Year of Inception</th>
<th>Members Covered (Approx)</th>
<th>Loan Disbursed (Rs/Crores)</th>
<th>Average Savings per Member (Rs)</th>
<th>Growth %</th>
<th>Rate of Interest (% pa Reducing)</th>
<th>Recovery Rate(%)</th>
<th>Specialty</th>
</tr>
</thead>
<tbody>
<tr>
<td>BISWA Society</td>
<td>Registration Act 1860, NBFC</td>
<td>328896</td>
<td>140.29</td>
<td>&gt; 500</td>
<td>109</td>
<td>18</td>
<td>99.28</td>
<td>Outreach</td>
</tr>
<tr>
<td>KAS Foundation</td>
<td>Section 25 Company 2003</td>
<td>350000</td>
<td>200</td>
<td>Nil</td>
<td>30</td>
<td>24</td>
<td>96.00</td>
<td>Outreach</td>
</tr>
<tr>
<td>Ashmita NBFC</td>
<td>2001</td>
<td>112500</td>
<td>35</td>
<td>Nil</td>
<td>95</td>
<td>19</td>
<td>96.00</td>
<td>Variety of Loan</td>
</tr>
<tr>
<td>Swayam-Shree</td>
<td>Section 25 Company 2003</td>
<td>25000</td>
<td>10</td>
<td>&gt; 500</td>
<td>65</td>
<td>15</td>
<td>85</td>
<td>Growth &amp; Easy Accessiblty</td>
</tr>
<tr>
<td>SKS</td>
<td>NBFC 1991</td>
<td>65000</td>
<td>30</td>
<td>Nil</td>
<td>300</td>
<td>28</td>
<td>95</td>
<td>Growth &amp; Easy Accessiblty</td>
</tr>
<tr>
<td>BASIX</td>
<td>Section 25 Company 1996</td>
<td>14790</td>
<td>11</td>
<td>Nil</td>
<td>25</td>
<td>24</td>
<td>99</td>
<td>Traunung</td>
</tr>
<tr>
<td>People's Forum</td>
<td>Society Registration Act 1860</td>
<td>30841</td>
<td>2</td>
<td>&gt;1000</td>
<td>75</td>
<td>14</td>
<td>95.5</td>
<td>Interactive</td>
</tr>
</tbody>
</table>
In the state of Orissa players in the field of microfinance operate under various legal frameworks. Registration of those organizations are primarily done under the

1) Indian Cooperative Societies Act 1912,
2) Societies Registration Act 1860
3) The Orissa Self-Help Cooperatives Act, 2001
4) Company registered under Section 25 of Indian Companies Act 1956.
5) NBFC under RBI guidelines

The ensuing microfinance bill is awaited a lot where the microfinance organizations will have legitimate right to deal in money and monetary instrument outside the ambit of Reserve Bank of India. Salient features of the Acts are discussed below:

**5.7.1 THE CO-OPERATIVE SOCIETIES ACT, 1912**

It was adopted in the state of Bihar and Orissa by the B. and O. Co-operative Societies Act, 1935 (B. and O. 6 of 1935) and in Orissa, separately, by the Orissa Laws Regulation, 1936.

A society which has as its object, the promotion of the economic interests of its members in accordance with cooperative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability

The liability of a society of which a member is a registered society shall be limited;

The liability of a society of which the object is the creation of funds to be lent to its members, and of which the majority of the members are agriculturists, and of which no member is a registered society, shall be unlimited.
Where the liability of the members of a society is limited by shares, no member other than a registered society shall—

(a) Hold more than such portion of the share capital of the society, subject to a maximum of one-fifth,

or

(b) Have or claim any interest in the shares of the society exceeding one thousand rupees.

5.7.1.1 Conditions of registration

No society, other than a society of which a member is a registered society, shall be registered under this Act which does not consist of at least ten persons above the age of eighteen years and, where the object of the society is the creation of funds to be lent to its members, unless such persons—

(a) Reside in the same town or village or in the same group of villages; or

(b), are members of the same tribe, class, caste or occupation.

5.7.1.2 Rights and Liabilities of Members

No member of a registered society shall exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society, as may be prescribed by the rules or by-laws.

5.7.1.3 Votes of members

(1) Where the liability of the members of a registered society is not limited by shares, each member shall, notwithstanding the amount of his interest in the capital, have one vote only as a member in the affairs of the society.

(2) Where the liability of the members of a registered society is limited by shares, each member shall have as many votes as may be prescribed by the by-laws.
(3) A registered society which has invested any part of its funds in the shares of any other registered society may appoint as its proxy, for the purpose of voting in the affairs of such other registered society, any one of its members.

5.7.1.4 Restrictions on transfer of share or interest

(1) The transfer or charge of the share or interest of a member in the capital of a registered society shall be subject to such conditions as to maximum holding as may be prescribed by this Act or by the rules.

(2) In case of a society registered with unlimited liability a member shall not transfer any share held by him or his interest in the capital of the society or any part thereof unless—

(a) He has held such share or interest for not less than one year; and

(b) The transfer or charge is made to the society or to a member of the society.

5.7.1.5 Societies to be bodies corporate

The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution.

5.7.1.6 Shares or interest not liable to attachment

Shares or interest not liable to attachment. Subject to the provisions of section 20, the share or interest of a member in the capital of a registered society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the Official Assignee under the Presidency-towns Insolvency Act, 1909 (3 of 1909), nor a Receiver under the Provincial Insolvency Act, 1907 (3 of 1907), shall be entitled to or have any claim on such share or interest.
5.7.1.7 Restrictions on loans

(1) A registered society shall not make a loan to any person other than a member, provided that, with the general or special sanction of the Registrar, a registered society may make loans to another registered society.

(2) A society with unlimited liability shall not lend money on the security of moveable property.

5.7.1.8 Restrictions on borrowing

A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the rules or by-laws.

No part of the funds of a registered society shall be divided by way of bonus or dividend or otherwise among its members:

After at least one-fourth of the net profits in any year have been carried to a reserve fund, payments from the remainder of such profits and from any profits of past years available for distribution may be made among the members to such extent and under such conditions as may be prescribed by the rules or by-laws:

In the case of a society with unlimited liability no distribution of profits shall be made without the general or special order of the State Government in this behalf.

5.7.1.9 Principles of Cooperative Societies

The basic principles on which the Cooperative Societies work is

(i) Culture of Commitment (ii) Group work (iii) Strategic Direction (a) Corporate philosophy and leadership (b) Long term Perspective (c) Personnel Policies (d) Clarify and communicate Values (e) Employee Participation (f) Sharing the gains of Productivity (g) Timely completion of works in a adherence to prescribed rules and regulations.

But the co-operative works are not completed in-time due to complacency and ignorance. All the members of the management are not fully aware of Co-
operative Laws, R.B.I. (NABARD)/ R.C.S guidelines. Co-operative Audit system is not only examination of transactions like Company Audit. The role of Auditor is to examine whether the transactions are according to provisions of act, rules, and by-laws, business rules and various instructions/guidelines of R.B.I / NABARD/ R.C.S./ AGCS etc. In a nutshell, four dimensions of work culture can be highlighted -(i) Organizational Discipline, (ii) Motivation (iii) Employees Participation, (iv) Team Building.

5.7.1.10 Cooperative Society in Orissa

The history of co-operative movement is more than 100 years in Orissa In spite of such a long history; Orissa has lagged behind many states in India. The state of affairs of Co-operative Societies in the state can be better understood from the figures given below as per the latest data available through a study. As on 31.03.2003

<table>
<thead>
<tr>
<th>Total No</th>
<th>Working</th>
<th>Moribund</th>
<th>Under liquidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>18282</td>
<td>7955</td>
<td>2538</td>
<td>7789</td>
</tr>
</tbody>
</table>

(Source: Co-operative Movement in Orissa 2002-2003, Issued by R.C.S., Orissa)

Thus more than 50% of the Co-operative Societies are either in Moribund Stage or in liquidation stage. Also it is reported by the R.C.S., Orissa that out of 3511 nos. of credit co-operatives, 2414 nos. incurred loss during the year 2002-03. Some Co-operative cold storages, spinning mills, sugar factories, consumer stores, housing societies were either closed or under process of liquidation or sold to private persons/companies.

5.7.2 SOCIETIES REGISTRATION ACT 1860 [Act No. 21 of Yr.1860]

It is an Act for the registration of literary, scientific and charitable societies formed by Memorandum of Association and Registration

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Any seven or more persons associated for any literary, scientific, or charitable purpose, or for any such purpose as is described in section 20 of this Act, may, by subscribing their names to a Memorandum of Association, and filing the same with Registrar of Joint-stock Companies form themselves into a society under this Act.

5.7.2.1 Property of society how vested

The property, movable and immovable belonging to a society registered under this Act, if not vested in trustees, shall be deemed to be vested, for the time being, in the governing body of such society, and in all proceedings civil and criminal, may be described as the property of the governing body of such society for their proper title.

5.7.2.2 Suits by and against societies

Every society registered under this Act may sue or be sued in the name of President, Chairman, or Principal Secretary, or trustees, as shall be determined by the rules and regulations of the society and, in default of such determination, in the name of such person as shall be appointed by the governing body for the occasion.

5.7.2.3 Suits not to abate

No suit or proceeding in any Civil Court shall abate or discontinue by reason of the person, by or against whom such suit or proceedings shall have been brought or continued, dying or ceasing to fill the character in the name whereof he shall have sued or been sued, but the same suit proceedings shall be continued in the name of or against the successor of such person.

5.7.2.4 Enforcement of judgment against society

If a judgment shall be recovered against the person or officer named on behalf of the society, such judgment shall not be put in force against the property, movable
or immovable, or against the body of such person or officer, but against the property of the society. The application for execution shall set forth the judgment, the fact of the party against whom it shall have been recovered having sued or having been sued, as the case may be, on behalf of the society only, and shall require to have the judgment enforced against the property of the society.

5.7.2.5 Members liable to be sued as strangers

Any member who may be in arrear of a subscription which according to the rules of the society he is bound to pay, or who shall possess himself of or detain any property of the society in a manner or for a time contrary to such rules, or shall injure or destroy any property of the society, may be sued for such arrear or for the damage accruing from such detention, injury, or destruction of the property in the manner hereinbefore provided.

But if the defendant shall be successful in any suit or other proceedings brought against him at the instance of the society, and shall be adjudged to recover his costs, he may elect to proceed to recover the same from the officer in whose name the suit shall be brought, or from the society, and in the latter case shall have process against the property of the said society in the manner above described.

5.7.2.6 Societies enabled to alter, extend or abridge their purposes

Whenever it shall appear to the governing body of any society registered under this Act, which has been established for any particular purpose or purposes, that it is advisable to alter, extend, or abridge such purpose to or for other purposes within the meaning of this Act or to amalgamate such society either wholly or partially with any other society, such governing body may submit the proposition to the members of the society in a written or printed report, and may convene a special meeting for the consideration thereof according to the regulations of the society.
5.7.2.7 Member defined
For the purposes of this Act a member of a society shall be a person who, having
been admitted therein according to the rules and regulations thereof, shall have
paid a subscription, or shall have signed the roll or list of members thereof, and
shall not have resigned in accordance with such rules and regulations.
But in all proceedings under this Act no person shall be entitled to vote or be
counted as a member whose subscription at the time shall have been in arrears
for a period exceeding three months.

5.7.2.8 Governing body defined
The governing body of the society shall be the governors, council, directors,
committee, trustees, or other body to whom by the rules and regulations of the
society the management of its affairs is entrusted.

5.7.2.9 To what societies applies
The following societies may be registered under this Act.
Charitable societies, the military orphan funds or societies established at the
several presidencies of India, societies established for the promotion of science,
literature, or the fine arts for instruction, the diffusion of useful knowledge, 1[the
diffusion of political education], the foundation or maintenance of Libraries or
Reading-rooms for general use among the members or open to the public or
Public Museums and Galleries of paintings and other works of Art, Collections of
Natural History, Mechanical and Philosophical Inventions, Instruments or
Designs.

5.7.3 THE ORISSA SELF-HELP COOPERATIVES ACT, 2001 (ACT 4 OF 2002)
It provides for the formation of cooperatives and conversion of cooperative
societies as self-help, self -reliant, mutual-aid, autonomous, voluntary,
democratic, business enterprises, which are to be owned, managed and
controlled by members for their economic and social betterment, through the financially gainful provision of core services which fulfill a common need felt by them, and for matters connected therewith or incidental thereto.

5.7.3.1 Registration of a new cooperative

Where not less than ten individuals, each being member of different family, intend to form a cooperative or, two or more Cooperatives registered under this Act, wish to form into Secondary cooperative or a Society registered under the cooperative Societies Act intend to convert itself into a cooperative under this Act, they shall adopt Memorandum of Association and frame Articles of Association for this purpose after registration of the Cooperative, any member of the family may be admitted as member of the Cooperative.

The Cooperative Banks as defined in sub-clause (cci) of clause (c) of section 56 of the Banking Regulation Act, 1949 and registered under the Cooperative Societies Act, which intends to convert to a Cooperative under this Act, shall obtain previous sanction of Reserve Bank of India in conformity with section 2(gg) of the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

5.7.3.2 Cooperative to be body Corporate

A cooperative registered under this Act shall be a body corporate by the name under which it is registered having perpetual succession and a common seal. The cooperative is entitled to acquire, hold and dispose of property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all other things necessary for the purpose for which it was constituted.

5.7.3.3 Transfer of Assets and liabilities

A cooperative may, by a special resolution, decide to transfer its Assets and Liabilities, in whole or in part, to any other cooperative, which agrees, by a special resolution, to receive such assets and accept such liabilities.
5.7.3.4 Amalgamation
Any two or more cooperatives may, by special resolutions, decide to amalgamate themselves and form a new Cooperative.
Where special resolutions are passed each cooperative shall give notice thereof together with a copy of the resolution passed by it to all its members and creditors, and notwithstanding any provision of the Articles of Association or contract to the contrary, any member other than those who voted in favour of the proposed amalgamation, or creditor shall, during a period of thirty days from the date of issue of the notice upon him/her, have the option of withdrawing his/her shares, deposits or loans from the cooperative, as the case may be, subject to the discharge of his/her obligations to the cooperative.

5.7.3.5 Eligibility for Membership in a Cooperative
Any person who needs the services of a cooperative, expresses willingness to accept the responsibilities of membership, meets such other conditions as may be specified in the Articles of Association of the cooperative, is in a position to use the services, and is competent to contract under the Indian Contract Act, 1872, may be admitted as a member; subject to the condition that the cooperative is in a position to extend its services to such person.

Every applicant for membership, and every member of a Cooperative must keep each cooperative of which the applicant is a member, informed of membership in other Cooperatives, and a Cooperative may refuse admission or remove from membership on grounds, among others, of dual or conflicting membership, in other Cooperatives having similar business.

5.7.3.6 Services primarily for members
A Cooperative's services shall normally be available to members only.
After completion of two cooperative business years of its being registered under this Act, any Cooperative found to be providing more than 25% of its core
services, as specified in its Articles of Association, in terms of the value of transactions, to non-members in any given financial year, shall be deemed to be an aberrant Cooperative and stand to lose for that cooperative business year exemptions, if any, provided to it.

Any cooperative found to be aberrant for three cooperative business years in any continuous period of five cooperative business years, shall be deemed to be a cooperative not operating on a cooperative basis.

5.7.3.7 Exercise of rights
No member of a cooperative shall exercise the rights of membership, including the right to vote, unless the member has made such payments to the cooperative in respect of membership or has acquired and continues to have such interest in the cooperative, including a minimum use of services of the cooperative, as may be specified in the Articles of Association.

5.7.3.8 Voting right of members
In Primary and Secondary Cooperatives, members shall have equal voting rights i.e. one member, one vote, and shall be organized in a democratic manner. Provided that a member shall have to be a member for at least one full financial year, before being eligible to cast his/her vote except the case of promoters

5.7.3.9 Liability of members
A cooperative may be registered with limited or unlimited liability. Minutes of general body meetings will be similar to the process of minutes prepared as per the Indian Companies Act.

5.7.3.10 Board of directors
There shall be an elected board of directors for every cooperative constituted and entrusted with the direction of the affairs of the cooperative in accordance with
the provisions of this Act and the Articles of Association. Functions, responsibilities and powers of board, Tenure of directors, Meting of the board, and Minutes of board meetings are in line with the provisions of Indian Companies Act 1956.

5.7.3.11 Mobilization of funds

A cooperative may mobilize funds in the shape of equity capital; deposits and loans from its members in such form, to such extent and under such conditions as may be specified in the Articles of Association.

A cooperative may raise funds and other forms of financial support such as guarantee form non-members, including banks, other financial and non-financial institutions, on mutually agreed terms, to such extent and under such conditions as may be specified in the Articles of Association.

5.7.3.12 Deployment of funds

The funds mobilized by a cooperative shall be for the furtherance of its objectives.

Such of its funds as are not needed for use in its business, a cooperative may invest or deposit, outside its business, in the manner specified under sub-section (5) of section 11 of the Income Tax Act, 1961.

5.7.3.13 Disposal of surplus

(1) Surplus, if any, arising out of the business of a cooperative in a financial year may be used in one or more of the following ways, namely:

(a) Deficit cover fund
(b) Surplus refund among its members
(c) Development of its business
(d) Reserves and funds constituted in accordance with the articles of association
(e) Common services to its members
(f) Rewards or incentives to employees and
(g) Non-divisible corpus fund.

(2) Surplus arising out of services provided to potential members may not be distributed amongst members or staff, but may be used for the purpose of common services to the community at large, and for encouraging potential members to become members.

(3) Surplus must be fully disposed of at the Annual General Body meeting in which the audited statements of accounts for the financial year in which the surplus arose are presented for the consideration of the general body.

5.7.3.14 Management of deficit
Deficit, if any, arising out of the business of a cooperative in a financial year, shall be fully settled by debiting a part or the entire deficit to the deficit cover fund, if any, and/or as deficit charge, among its members. No member shall be permitted to withdraw from the membership of the cooperative without paying his/her share towards clearing the deficit, if any.

5.7.3.15 Operation of special funds
A cooperative may, in the interest of its members and towards the fulfillment of its objectives, create reserves and such other funds as are specified in the Articles of Association.

Funds so created may be used in the business of the cooperative, but at the end of every cooperative business year, on that portion of each fund which was not applied for the purpose for which it was created, the cooperative shall credit to the account of such fund an annual interest, at not less than the rate paid by scheduled banks on long term fixed deposits, debiting such interest as operational expenditure.
5.7.3.16 Audit

A cooperative shall get its accounts audited by a chartered accountant within the meaning of the Chartered Accountants Act, 1949; or by any other auditor in service under Auditor general of Cooperative Societies, on payment of fees to be decided by the Auditor General of Cooperative Societies; or by a retired Cooperative Auditor/Retired Government Auditor with minimum three years of experience.

A Cooperative, at its annual general body meeting, shall resolve to appoint an auditor. This appointment will be valid only until the close of the next succeeding Annual General Body meeting.

Offences, Disputes, Arbitral Tribunal, are typical to this act.

5.7.3.17 Prohibition to receive share capital, loan etc.

A Cooperative registered under this Act shall not be entitled to receive any share capital, guarantee or loan from the Government.

5.7.3.18 Principles

The Cooperative principles are guidelines by which cooperatives put their values into practice.

They are

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.

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.

*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 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.

*Autonomy and Independence:*
Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into 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.

*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 may inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

*Cooperation among Cooperatives:*
Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
Concern for Community:
Cooperatives work for the sustainable development of their communities through policies approved by their members.

5.7.4 COMPANIES REGISTERED UNDER SECTION 25 OF INDIAN COMPANIES ACT 1956

As in the case of a society, it requires a minimum of seven individuals to register a company under section 25 of the Indian Companies Act, 1956. The application for registration has to be made to the Registrar of Companies. The area of operation is not restricted to the particular region in which the company is registered. The main instrument of any section 25 companies is Memorandum and Articles of Association, wherein the aims and objectives and mode of management of the company should be enshrined. The income and property of the company have to be applied solely for the promotion of the objects as set forth in its Memorandum and Article of Association and no promotion thereof can be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise, by way of profit, to the members of the company.

Although a philanthropic organization registered, as a company would be deemed to be a corporate body governed by the Companies Act, the latter distinguishes an ordinary commercial company from a company acting as a philanthropic body under section 25 of the Companies Act.
The founders of the company can continue to remain directors, subject to their being elected every two years or so. As in the case of a society, the set up is quite democratic and members paying membership fees enjoy voting rights and a right to demand the submission of accounts and annual reports. It can also be wound up if the objects for which it had been established have been fully achieved, the surplus assets, if any, may be given to a similar charitable cause.
The first step towards registration of a company is the application for availability of name to the registrar of companies, which must be made in the prescribed
form, together with a fee of Rs.500. Applicant could suggest a choice of 3 other names for consideration. Application made under section 25 of the Indian Companies Act, 1956 could suggest the name of the company without suffix like “Limited” or Private Limited”.

5.7.5 NBFC PRUDENTIAL NORMS (RBI)
A company incorporated under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45-I(a) of the RBI Act, 1934 should have a minimum net owned fund of Rs 25 lakhs (raised to Rs 200 lakhs w.e.f April 21, 1999). The company is required to submit its application for registration in the prescribed format along with necessary documents for Bank’s consideration. The bank issues Certificate of Registration after satisfying itself that the conditions as enumerated in Section 45-IA of the RBI Act, 1934 are satisfied.

There is ceiling on acceptance of Public Deposits.

A NBFC maintaining required NOF/CRAR and complying with the prudential norms can accept public deposits as follows:

Table 5.5 Category of NBFC

<table>
<thead>
<tr>
<th>Category of NBFC</th>
<th>Ceiling on public deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFCs maintaining CRAR of 15% without credit rating</td>
<td>1.5 times of NOF or Rs 10 crore whichever is less</td>
</tr>
<tr>
<td>AFCs with CRAR of 12% and having minimum investment grade credit rating</td>
<td>4 times of NOF</td>
</tr>
<tr>
<td>LC/IC with CRAR of 15% and having minimum investment grade credit rating</td>
<td>1.5 times of NOF</td>
</tr>
</tbody>
</table>
1) Presently, the maximum rate of interest a NBFC can offer is 11%. The interest may be paid or compounded at rates not shorter than monthly rates.

2) The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. They cannot accept deposits repayable on demand.

3) The present regulatory regime for non-banking finance companies (NBFCs) was ushered in 1998 when Non-banking Financial Companies Acceptance of Public Deposits (RBI) Directions 1998 was promulgated. Almost simultaneously, NBFC Prudential Norms (RBI) Directions were also pronounced.

4) As is common knowledge, NBFCs have a much lighter regulation than that is applicable to banks. Formation of an NBFC is much easier than forming a bank. Foreign direct investments in NBFCs are also much easier than those in case of banks. In terms of powers and functions, NBFCs have substantially similar scope of activities.

5) Other than running checking accounts, NBFCs can do virtually the same things that banks can. In fact, their right to leverage capital is almost the same, as the leveraging power is principally controlled by capital adequacy norms which require 9% minimum capital in case of banks, and 10% in case of NBFCs. If one takes into account the impact of the SLR and CRR applicable to banks, the right of NBFCs to generate business assets is, in fact, more than that in case of banks.

6) IMF has framed principles for regulation of the financial sector, where it suggests that institutions performing similar functions should be subject to similar regulations.

7) With this philosophy in mind, the Nov 3, 2006 NPR classified NBFCs in those that are “systemically important” (SI). These are the NBFCs that have assets of Rs 100 crores or above. This is in addition to the present classification of NBFCs into deposit-taking and non-deposit-taking NBFCs.
8) The existing Prudential Directions made distinction between depository and non-depository companies, and several of the Directions were not applicable in case of non-depository companies.

9) Under the new regime, there are two separate sets of directions, one applicable to Deposit-taking Companies, and the other applicable to Non-Deposit-taking companies.

10) Basle II norms are being implemented in India soon, but norms relating to NBFCs are same as under Basle I.

11) Norms relating to securitisation and the capital requirements in case of securitisation had been brought by RBI in Feb 2006, and these are applicable to NBFCs too.

12) Carrying on checking accounts, remittance functions and typical retail banking is not permitted.

13) Acceptance of term deposits is permitted subject to limitations, but the term of deposit is at least 1 year.

14) Except that on crossing of a certain barrier (50% of income or assets), the NBFC will lose its character as an NBFC. For NBFCs having international funding under automatic route, any activity included within the 19 permitted activities is possible. Any other activity is possible only with the express FIPB approval.

15) Securitisation is permitted subject to capital norms and other limitations.

16) It is comparatively much easier to get registration as an NBFC. Besides, there are some 30000 NBFCs currently registered, many of which may be viable for sale. While prior intimation of a takeover is required in case of NBFCs, here is no need for express permission for a change in voting control. There is no limit as to the percentage holding permitted in case of NBFCs.

17) Foreign ownership 100% capital may be held by foreign owners subject to minimum capitalisation requirements under FDI norms, SLR/ CRR norms. Only 15% of the deposit liabilities of NBFCs is to be held in certain permitted securities.
"The Micro Financial Sector (Development and Regulation) Bill, 2007" was introduced by the government in Lok Sabha on 20.03.2007 to create environment friendly policy for micro-finance services in the country. The bill is intended to provide a formal statutory framework for the promotion, development and regulation of the micro finance sector. The salient features of this bill are as follows:

It

i) entrusts the function of development and regulation of the micro financial sector to the National Bank for Agriculture and Rural Development (National Bank).

ii) defines the various entities engaged in the activity of micro finance such as Cooperative Societies, etc.

iii) defines various categories of beneficiaries of micro financial services as eligible clients including Self Help Groups (SHGs) or joint liability groups of such eligible clients.

iv) provides for acceptance of thrift i.e. savings of eligible clients other than in the form of current account or demand deposit account by Micro Finance Organizations registered by the National Bank subject to such terms and conditions as may be prescribed.

v) provides for registration of Micro Finance Organizations that undertake thrift

vi) provides for creation of a reserve fund and maintenance of accounts and submission of periodical returns by Micro Finance Organizations.
vii) provides for functions and powers of the National Bank in relation to thrift services and micro financial services.

viii) empowers the National Bank to frame a scheme for appointment of one or more Micro Finance Ombudsman for settlement of disputes between eligible clients and Micro Finance Organizations.

ix) empowers the National Bank to make regulations with the previous approval of the Central Government for carrying out the purposes of the Bill.

x) the minimum capital requirement has been capped at Rs 1 lakh, with promoters of such MFIs having to contribute, at least, 50% of this amount.

Criticisms against the bill are

- Firstly, the bill destroys the entire purpose for which it was originally proposed. NABARD being a regulator for the sector does not seem ethical because it is the largest lender to self-help groups (SHGs).

- Co-operatives are now opposing the move because the bill now brings them under a dual set of regulators — the Cooperatives Act and NABARD.

- The main objections to the Bill are that it excludes from its purview non-banking financial companies (NBFCs) and companies registered as not-for-profit under Section 25 of the Companies Act. These two categories of companies deal with 90 per cent of microfinance. Thus, the bill has provisions which overtly favours one set of players, the larger set of players.

- The Bill demonstrates perhaps that the talk of "inter-sectoral" convergence is just rhetoric. It also brings out the lack of inter-ministerial discussion

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and deliberations. For instance, the Rashtriya Mahila Kosh (RMK), set up in 1993 under the Ministry of Women and Child Development to provide credit to poor rural women, has been left out from the to-be-constituted Microfinance Development Council (MDC), whose objective is to advise NABARD on matters relating to microfinance.

- The concern among non-governmental organizations (NGOs) involved with SHGs is that MFIs, profit-oriented as they are, may introduce practices that might corrupt the SHG model itself. They also feel that the conditionality are harsh considering that even commercial banks were required to have a capital adequacy ratio of only 8 per cent.

- Yet another criticism has been that State governments were not consulted during the formulation of the Bill despite the fact that many of the MFIs were registered under State laws.

5.8 SUCCESS STORIES

Orissa is the home to numerous SHGs involving nearly 30 lakhs of members. But the number game exposes the inherent weakness of the microfinance movement i.e. lack of focus and end result.

So it is preferred here to demonstrate two exemplary cases of facilitators and one beneficiary which may be the benchmarks for the small SHGs and NGOs to follow.

5.8.1 HARSHA TRUST

Harsh Trust was started in September 2002 by Mr Bismay Mohapatra, a PGDM from XIMB and having 13 years experience in the social sector in reputed organizations like PRADAN, Tata Steel etc. The programme started with the support of Ballarpur Industries Limited in the nearby villages of SEWA Paper Mills as an initiative to fulfill the social responsibility of the company. There after
with support from Sir Dorabjee Tata Trust and Ratan Tata Trust, Harsh is presently operating in four locations i.e. Bisamcuttack, Surada, Nuapada & Jeypore.

This study is based on the Jeypore Branch.

It has a donor support of Rs.35 lakhs from different agencies. The major programme undertaken by it is

1) SHG formation
2) Agriculture & Veterinary
3) Health Care
4) Panchayat Raj Training
5) Rural Youth Training
6) Plantation

HARSH has the following employee Strength at Jeypore

Professionals - 04
Support Staff (Accounts) - 01
Service Providers - 15
Supervisors (girls) - 06
Community Health facilitators - 12

The professionals are qualified in the area of Health, Veterinary Sciences and Agriculture. They guide the beneficiaries for successful implementation of the projects. The service providers are local youths who act on behalf of the Trust at the location of the beneficiary. They are the first level executives to be contacted for any work relating to the Trust. Six supervisors are appointed to collect statistics and establish link between the Trust and beneficiaries. Community Health Facilitators are mostly engaged in Health related activities and no way linked to the SHGs or employment generation programmes.

Almost all programmes of Harsh Trust are done through the Self Help Groups. Now HARSHA has a reputation of providing holistic service in Jeypore. For
creation of new SHGs, Professionals and Service Providers go to village and initiate for formation of groups. First they encourage them to conduct one monthly meeting on their own. After one month the Trust provides them a cash box and a meeting book. Ten to fifteen members are taken in a group. All are women. Only a single member is allowed from a family. Thereafter they start holding meeting once in seven days. The accountant of the Trust provides accounts training and outsiders are invited to explain the basics of SHG movement. Clusters are formed taking a group of SHGs. Meeting of the clusters are held once in every month. The books of accounts are maintained in the SHGs locally and HARSH also maintains the accounts of the SHGs in a package called MCFinancial developed by PRADAN. The personal profile of the members, loan extended, outstanding amount, no of installments overdue, income expenditure and balance sheet of the SHG, Cluster and the collective figure of SHGs under the Trust are available in the package if the figures are entered in time.

Some basic trades are being adopted by the Trust to provide livelihood programmes to the tribal of Jeypore like Poultry, Veterinary, Agriculture, Horticulture etc. Starting from arrangement of finance, technical advice, supply of feed, selling of the chicken all are facilitated by HARSH Trust. For Maize Crop also seed, manure and even arrangement of water are made by HARSH whereas the labour component is fully provided by the beneficiary. Most of the farmers in the tribal area adopt paddy as the basic crop and seek loan either from the bank or from the revolving fund for cultivation of paddy although it is non remunerative. All programmes are done individually where as the burden of repayment is collectively on a group. Although Swanajayanti Swarojagar Yojana (SGSY) is proved to be a failure in other parts of the state, under the stewardship of HARSH, SGSY programme is a runaway success. Some basic Statistics of the SHGs and livelihood programmes are given in next page.
5.3.2 Basic Statistics relating to the SHGs.

The under mentioned statistics explains the state of affairs of HARSH Trust as a facilitator of SHG activity.

Table 5.6 Basic Statistics of HARSH Trust

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Cluster</td>
<td>3</td>
</tr>
<tr>
<td>Number of SHGs</td>
<td>68</td>
</tr>
<tr>
<td>No of Members</td>
<td>832</td>
</tr>
<tr>
<td>Average Savings per member (Rs.)</td>
<td>1150</td>
</tr>
<tr>
<td>Average loan taken by a member (Rs)</td>
<td>8293</td>
</tr>
<tr>
<td>Support by SGSY (Rs.)</td>
<td>20,00,000/-</td>
</tr>
<tr>
<td>Revolving Fund Assistance by BILT (Rs)</td>
<td>49,00,000/-</td>
</tr>
<tr>
<td>Repayment Rate (without considering time factor %)</td>
<td>95</td>
</tr>
<tr>
<td>Rate of interest charged by bank to the Group in case of linkage % per annum</td>
<td>9</td>
</tr>
<tr>
<td>Rate of Interest charged by the group to the members % per annum</td>
<td>26</td>
</tr>
</tbody>
</table>

Table 5.7 Basic Statistics Harsh Trust Trade Based.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>No of persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals receiving livelihood projects</td>
<td>420</td>
</tr>
<tr>
<td>Poultry Farms</td>
<td>84</td>
</tr>
<tr>
<td>Established Agriculture model</td>
<td>24</td>
</tr>
<tr>
<td>Vermin compost</td>
<td>76</td>
</tr>
<tr>
<td>Goat and Sheep rearing</td>
<td>60</td>
</tr>
<tr>
<td>Diary</td>
<td>18</td>
</tr>
<tr>
<td>Maize Cultivation</td>
<td>66</td>
</tr>
<tr>
<td>Mango Cultivation</td>
<td>24</td>
</tr>
<tr>
<td>Papaya Cultivation</td>
<td>50</td>
</tr>
</tbody>
</table>
Out of the above trades Poultry and Maize are proved to be sustainable livelihood programmes. Other programmes are support to the existing livelihood of the individuals. Dairy has proved to be an utter failure due to the inability of the tribal to adopt it as a trade for their living. Besides it is felt that if an individual does not have enough source of free fodder like green grass, diary cannot be sustainable in small scale. The organization has adopted an integrated approach to livelihood programmes. Poultry has got good market in city of Jeypore. Maize is cultivated to support the requirement of feed for the poultry. HARSH is also thinking of starting poultry feed plant to process the maize for the requirement of the poultry farms. As all the poultry and maize farmers are successful in their endeavour, they are thinking of starting two cooperatives to make these activities broad based.

5.8.1.2 SWOT Analysis

A SWOT analysis made by the Mr Susant Padhi the agricultural professional of the Trust is represented as follows:

<table>
<thead>
<tr>
<th>Strength:</th>
<th>Weakness:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Professional and Technical Skill.</td>
<td>1) High employee turnover.</td>
</tr>
<tr>
<td>2) Close monitoring of SHG groups.</td>
<td></td>
</tr>
<tr>
<td>3) Proactive approach to solve problems.</td>
<td></td>
</tr>
<tr>
<td>4) Integrated approach on livelihood programmes</td>
<td></td>
</tr>
<tr>
<td>Opportunity:</td>
<td>Threat:</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1) Industry Support.</td>
<td>1) Local politician are trying to deter the activities of HARSH for their personal gain.</td>
</tr>
<tr>
<td>2) A successful project like poultry can have forward and backward integration.</td>
<td>2) Poultry and Agriculture are highly vulnerable to natural hazards.</td>
</tr>
<tr>
<td>3) In future, support of government and bank is highly expected</td>
<td>3) Competitive NGOs may slow down the pace of growth of HARSHA.</td>
</tr>
<tr>
<td>4) Commodities produced through Harsh can be marketed easily.</td>
<td></td>
</tr>
</tbody>
</table>

On intensive study of the books of accounts and the activities of the Trust the observations were as follows:

1) The livelihood programs of the trust is highly subsidized, As it is going to be broad based a commercial approach with proper cost benefit analysis can only ensure the long standing impact on the economic life of the tribal of Jeypore.

2) The MCfinancial programme contains lot of basic and intricate analysis. The 19 ratios of MIS section should be analyzed at least once in a month to ensure the justifiability of such a package for the betterment of operation of the SHGs.

3) Looking into the poverty level in the state of Orissa, every institution directly or indirectly connected with social sector intervention should try to make its programmes broad based. Hence HARSH will have to make its programme broad based.
4) The most important observation is that with the help of an NGO government schemes can also be successful in the same way as it has been done through SGSY scheme with the help of HARSH.

5.8.2 GRAM UTTHAN
This is an NGO instituted in the year 1992. It works on micro credit, reproductive child health through public private participation, rural marketing and microenterprise. The micro credit activity of this NGO was started in the year 1995.

Table 5.9 Basic Statistics Gram Utthan

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Branches</td>
<td>14</td>
</tr>
<tr>
<td>Number of SHGs</td>
<td>3670</td>
</tr>
<tr>
<td>No of Members</td>
<td>48255</td>
</tr>
<tr>
<td>Staff Strength</td>
<td>175</td>
</tr>
<tr>
<td>Average Savings per member (Rs.)</td>
<td>884</td>
</tr>
<tr>
<td>Average loan taken by a member (Rs.)</td>
<td>6961</td>
</tr>
<tr>
<td>Funds Provided by different banks (Rs Crores)</td>
<td>31</td>
</tr>
<tr>
<td>Repayment Rate% (without considering time factor)</td>
<td>98.7</td>
</tr>
<tr>
<td>Rate of interest charged by bank to the Group in case of linkage % per annum</td>
<td>9 to 11.50</td>
</tr>
<tr>
<td>Rate of Interest charged by the GU to members (reducing) % per annum</td>
<td>18</td>
</tr>
</tbody>
</table>

A commodity packaging unit, Kalyani Packaging Center by name for bulk packaging of 23 agricultural products (like Dals, Mustard, Phutan, Tea, Sugar, Chilli, Turmeric, Soyabean, Badi, Wheat etc) is looking after the need of agricultural marketing of the SHGs. 32 women are presently engaged in this unit who cannot earn two square meals a day. It started operation on 4th May 2006.
Chili procured locally is sold to Ruchi and Bharat Masala of Cuttack for sale. Dal processing unit is to be established very soon in support of NABARD. Kalyani is also developing mechanism of gradation of the material so that quality is ensured for facilitating better marketability.

A dairy cooperative has started since 18th April 2007. One thousand beneficiaries are provided two cows each. 30 such cooperatives are created with the micro credit support from Gram Utthan. Credit plus activities like health care, insurance, fodder, training of the Veterinary assistants are provided by Gram Utthan presently which will be later on taken up by the cooperatives. OMFED is tied up to purchase the whole amount of milk to be produced by the cooperatives.

5.8.2.1 Micro Credit

The process of providing micro credit to the members is quite full proof in Gram Utthan.

On 2nd of every month Loan Assessment Committee constituting Manager a/cs, Manager (Finance), MIS coordinator sit together to appraise the loan proposals. Loan is sanctioned to the branch keeping the cash availability in view. GU has 14 branches spreading over four districts of Orissa.

Branch assesses the requirement of the group and gives loan to the group on collective responsibility. Loan document of the individual member is prepared with witness of two members or Secretary. A repayment schedule is also given with the document. Repayment period is usually 18 months. The borrower will have to repay in monthly installments.

In the subsequent meeting the member who has taken loan, apprises about his progress in the group meeting. Group meets once in every month in a specified date. Group imposes penalty if the money is not paid in time. Sometimes the member may be removed in case of default. Community members know the village quite well. Women members are quite responsible to use it properly.
Repayment schedule is prepared looking into the factors like seasonal fluctuations, harvest factors etc. Prepayment of loan is also allowed without any penalty.

5.8.2.2 Group Formation

First of all male members of the families are involved and formation of group is discussed with them. Need assessment is done in the village. Importance of savings and further credit is explained to the public. One man from the village is selected for liaisoning with Gram Utthan. In the second meeting the proposed women members with their Husband/ father/ mother- in- law come to the meeting. In the third meeting group is formed. They are asked their potential for savings. All the members save equal amount. But the members save minimum Rs 30. It continues for three months. In the fourth month the group status is studied. A formal gradation system exists in Gram Utthan. If they come in A or B grade two persons in the group are allowed loan. First loan is eight times of their savings. After a gap of one month another two persons are given loan. Loan is repaid back in the fixed meeting timing of the group. Attendance of the group members is part of gradation system. 90% members are usually present in the meeting.

5.8.2.3 Group Management

Resolution Book, Cash Book, Individual Savings and Loan Ledger, Member Pass Book are few books of accounts maintained by the organization. Collection statement in three copies is prepared. One is given back to the group with acknowledgment of receipt; another copy is put in the file meant for the group. President handles administrative responsibility whereas the Secretary handles the financial responsibility. Gram Utthan provides surprise visit to the SHG for compliance in all respect. If the meeting is not held in time community organizer
gives a notice to the group. Every coordinator is to scrutinize minimum 10% of the SHGs.

5.8.2.4 Accounts of Gram Utthan

Once repayment is received it is entered in daily collection register. The total figure of daily collection register goes to the cashbook. All branches are provided with computer. Software based on Excel is designed by Gram Utthan to keep accounts uniformly in all the branches.

Final statement of accounts i.e. Receipt And Payment Account and Trial Balance are prepared from the designed excel programme. Care is taken not to keep idle Cash and bank balance. A norm of 1% is fixed for this purpose. Cash forecast Analysis is done on the basis of recovery expected and loan requisition of the individual group. The deficit is met by the financing from different banks and two cash credit accounts in the name of the Trust.

5.8.2.5 Source of Finance

Micro credit activity of Gram Utthan is solely financed by the banks at varied rate of interest. The total fund procured so far is depicted as follows:

Table 5.10 Source of Finance in Gram Utthan

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Amount (in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Bank</td>
<td>14</td>
</tr>
<tr>
<td>UTI</td>
<td>5</td>
</tr>
<tr>
<td>ABN AMRO</td>
<td>5</td>
</tr>
<tr>
<td>SIDBI</td>
<td>2</td>
</tr>
<tr>
<td>HDFC</td>
<td>2</td>
</tr>
<tr>
<td>Friends of Women</td>
<td>3</td>
</tr>
</tbody>
</table>
Repayment of the Banks is done on quarterly basis except ICICI, which is on monthly basis. As per guidelines of RBI 2% of the total profit earned by any bank should be devoted towards social responsibility. Gram Utthan gets grant from SIDBI, ABN AMRO in this account. CARE also was supporting GU under the CASHE project.

5.8.2.6. MIS
GU takes pride in having a well-organized MIS. It follows uniform reporting format in all its branches. They are

a) Trial Balance
b) Portfolio Report
c) JLG Portfolio Report
d) Age wise analysis of Outstanding Loan Report
e) Loan Demand Next Month Report
f) Utilization of SHG and JLG
g) Salary Statement
h) Expenditure Statement
i) Leave Status
j) Group Organizer Details

5.8.2.7 Meeting
Every month on 4th and 18th of the month a meeting of the core team is held. On 8th core staff meeting is held. Core team constitute of two project coordinators, administrative coordinator, System Analyst, Manager(finance), Manager (Accounts), MIS Coordinator and Secretary of GU. Review is made and fresh target is given to the branch managers.

5.8.2.8 Staff Recruitment and Training
Judiciously staff is recruited in GU and induction training is given for a period of 15 days along with an old employee of the organization. Quarterly financial
statements are prepared on the basis of information from the branches. There is a systematic format of assessment for the organization.

5.8.2.9 Vision

The organization looks into going into deep into every beneficiary. After few days the SHG movement cannot sustain on Credit only. So different backward and forward integration on credit is planned by the organization. GU also plans to form several cooperatives to broad base its operation. Vegetable Production Cooperative with two cold storages and an inland marine fishing cooperative are planned in near future. Presently the Trust is registered under Societies Registration Act 1860 and soon all branches are going to be registered under Mutual Benefit Trust Act.

5.8.3 CASE STUDY OF A BENEFICIARY

Lochana Paraja, w/o Deba Paraja was a diminutive lady in the household of a tribal village of Jeypore. Her husband was earning Rs 50/- per day. Lochana was earning Rs. 100/- per month as the Anganwadi Helper. The family has 60 cents of land. It produces five quintal of rice, which could substantiate four months requirement. Besides the cultivation also involved cost, which usually is borrowed from the village Sahukar with high rate of interest. But Deba and the other men folk of the locality were fortunate to get employment everyday either as agricultural worker or in the brick kiln. They were hand to mouth with two daughters and one son. For any exigencies the only alternative available was to sell the land or fall in a debt trap by taking repeat loans. Loan was available up to Rs 400/- without mortgage and beyond that gold or utensils were kept as mortgage. Meanwhile Phalguni Didi of Harsh Trust came to the village and advised them to adapt a trade. Although formation of a group was quite easy nobody was prepared to start a trade. When Phalguni Didi suggested poultry, nobody came forward. All were apprehensive that their male counter part will feast on the poultry in inebriated condition. Lochana with her association as
Anganwadi helper was progressive a bit and dared to start the first poultry farm. Harsha Trust took them on field visit to Jamshedpur. But this visit was an eye opener and was not enough to provide any expert knowledge on the trade. Initially through the revolving fund provided by BILT the capital expenses of Rs 10000/- for constructing the shed was provided by HARSH Trust. Thereafter many SHGs were also attached to the SGSY programme through the recommendation of HARSH Trust. After the shed was constructed, Mr Bora the vet from HARSH sanitized it. He organized chicks from Jabalpur. For five hours glucose water was provided to the chicks and thereafter feeding was given. Out of 350 chicks 18 chicks died. The feed was also given by HARSH. The chicken was ready by 40 days for sale. Selling arrangement was again made by the professionals of HARSH. In every forty days after meeting the expenses Rs 1200/- to Rs 1800/- are paid to the beneficiary by HARSH trust. They are quite upbeat in their income. It has almost doubled. Lochani had a serious disease last year. She believes that due to the poultry farm she could survive. Altogether Rs 25000/- was spent, out of which Rs 14000/- was met by the income from the poultry farm and she had to sell off her gold worth Rs 6000/- for the treatment. She had still Rs. 5000/- loan on her. She has also given marriage to her daughter spending 45000/-, mostly earned from the poultry. The younger daughter is studying in class 7th and the son in class 6th. They have collectively represented several times to set up a high school in their locality without any result. She is confident that with the income of the farm she can pay off the loan very soon. They are obliged to HARSH for the hand holding in the path of prosperity. Many other beneficiaries are having Television, motorcycle with the help of their poultry venture. The money earned is also used in other parallel ventures like grocery shop. In all it has brought hope to the beneficiaries and they are proud to be associated with the Trust. Inspired by their success many others are also approaching HARSH for facilitating livelihood ventures. But none from the
village has passed metric yet. Health care is in the same abysmal state, which has prompted, HARSH to go for Health initiative.

5.9 SUMMARY
The state of Orissa is endowed with lot of natural resources, which are conducive to large, small and tiny sector industries. But in spite of all these resources the state is the land to the highest percentage of poor people in the country. Besides many other reasons the predominance of schedule caste and schedule tribe population, natural hazards are considered to be the reason for its poverty. Both central government and state government are initiating several programmes to remove poverty from the state. The state has a good banking structure with nationalized banks, private banks, foreign banks and cooperative banks. But the credit off take of the state is not too encouraging. SGSY Scheme is also making inroads in the state. But there is lot of scope for improvement.

Mission Shakti pioneers the movement of micro credit. The state has 215000 SHGs and around 27 lakhs members. The efficacy of these huge numbers of SHGs is tested subsequently in this report. Microfinance Organizations in the state are governed by different legal framework In this multiplicity of structures microfinance is growing leaps and bounds.

There are some excellent examples of facilitation of microfinance both through NGOs and microfinance institutes, but a detailed impact analysis only can provide clear-cut picture of its usefulness for eradication of poverty.
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