8.1 VIEWS AND VISION

Most of the MFIs and NGOs have definite vision to go ahead. If dreams come true it is surely going to create a world of new order.

Kas Foundation wants to focus on diary and Fisheries. They want to make health insurance an integral part of their activity. Their mission is to bring banking facility to every individual household of Orissa.

Mr Mohan K Baliarsingh of KAS Foundation Bhubaneswar opines that in coming five years microfinance will grow manifold. Fifty percent of clients will have good growth that will use it properly. But the subside and wrong allotment of credit by government schemes may be a deterrent in this process.

Mr. Ajit Kumar Sabat of SKS feels that the debate over acceptability of a model has no relevance. All the models will grow simultaneously for the betterment of poor.

Mr. Govind Das of Graam Utthan believes microfinance in its present form cannot sustain without credit plus activities like insurance, marketing, consultancy, education, technology supported by low rate of interest and suitable term of repayment.

Mr Mohan K Baliarsingh of KAS Foundation Bhubaneswar do not accept Grameen Model as the right model for growth in India because

1. Discipline leads to dissatisfaction.
2. Repayment in the Grameen Model is done by pressure
3. Mechanized service without human touch does not lead to holistic development.
Miss Subhashree Ray of Gram Utthan feels that in due course of time, finally only genuine players in the field of Microfinance will survive in the market.

Mr Bismay Mohapatra of HARSH Trust expects microfinance to grow in a cooperative structure with Technical, Managerial, Financial and Moral support from the financier.

The researcher believes that in the background of multiplicity of entities, finance, intermediation, moderate interest rate, and empowerment are easily achievable. May be a void in micro enterprise and rural marketing, will bring some new players to this arena. But this will thoroughly be on a commercial basis because of huge involvement of money. In coming five years insurance will come to the forefront while savings will take a back seat.

8.2. CONCLUSIONS AND SUGGESTIONS

8.2.1 CONCLUSIONS

Microfinance flourished in Orissa in the last 7 years. Its base has spread to every corner of the state.

In brief

1) Out of the total 1 crore and 40 lakhs poor in the state 30 lakhs are covered by microfinance but in real sense for employment generation purpose 7 lakh 50 thousand poor are benefited through employment generation initiative. The definition of poverty in India does not provide a genuine yardstick of comfortable living with all five parameters i.e., 1) Food 2) Shelter 3) Clothing 4) Education and 5) Health being properly addressed. So poverty is still more acute in Orissa and needed to be addressed through microfinance.

2) Orissa has several facilitators in the area of microfinance like MFIs, NGOs, Banks, registered under Indian Cooperative Societies Act 1912, Societies Registration Act 1860, The Orissa Self-Help Cooperatives Act, 2001
Company registered under Section 25 of Indian Companies Act 1956 and as NBFC under RBI guidelines.

3) Mostly microfinance in Orissa is concentrated on Credit and Insurance is gaining momentum. Financial Consultancy, money transfer is yet to take up.

4) Savings is also grossly ignored although it is the first line of defense for the poor.

5) Formal banking network has the ability to match to the loan need of the state. But due to various reasons it is concentrated in Urban and Non-priority sector areas. Slowly the MFIs, NGOs and SHGs are growing up to act as the intermediaries between the banks and the borrowers.

6) Bankers and MFIs have better reach but they act on commercial consideration only. NGOs have lesser reach but besides economic agenda they act on social agenda also. Holistic development is only possible, when social and economic agenda are addressed.

7) Most of the loan is extended to generate livelihood. But there is no remarkable development in this account.

8) Micro borrowers expect flexible terms, larger volume of loan, help to market their product, training and facilitation through different agencies.

9) Empowerment of the women is the major achievement till date. Women are encouraged to join groups; they manage finance, and take part in decision making process of the family.

10) Education, Right to Information, Entitlements and Civil Rights are yet to be added to the movement of SHG.

11) Government machinery has the potential to do wonders but till date it is not explored due to lack of accountability and a concrete framework.

12) The issues of Interest, All inclusiveness, Tax Factors, Governance, Monopoly of Facilitators due to size, Regional Imbalance, Multiplicity of Players, High Cost are not so important in present context because larger
issues like Support Service, Sustainability, Role Of Government, Micro Enterprise, and Legal Framework are to be addressed.

13) The viewpoint of the stakeholders is quite different on different issues. All acknowledges only empowerment. Except the operational knowledge virtually nobody has concrete conceptual knowledge to take the movement ahead. Government has a role to play but could not rise to the expectation. Bankers do not adapt to the social agenda. Growth is rapid when it is considered as a commercial activity.

14) The much sought after employment generation is almost non-existent.

8.2.2 SUGGESTIONS
Microfinance in India is going to be market oriented. In the years to come what will matter is the bottom-line it can provide. So things will take its own course towards sustainability and profitability of the MFIs. Suggesting anything for the facilitators or the beneficiaries is of no use. It is the regulator (government) who will provide the impetus to carry the movement ahead.

Everybody should understand Microfinance as a holistic concept

- Mission Shakti should be an independent department under the State Ministry instead of being under the Women and Child Welfare Department.
- Its allocation of fund may be increased to 10 times more from the present 2 crores per annum.
- The primary duty of the department should be to educate the stakeholders of microfinance.
- It should be a three tier modular training.
Table 8.1 Modular Training to Stakeholders

<table>
<thead>
<tr>
<th>Tier</th>
<th>Subject</th>
<th>Participants</th>
<th>Mode of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>Concept of Microfinance, Book Keeping, Meeting Proceedings, Operational Legal and Procedural Activities, Trade related Training, Marketability of different products</td>
<td>Group Leaders and Beneficiaries</td>
<td>Class Room Training, Three days</td>
</tr>
<tr>
<td>Tier II</td>
<td>Concept of Microfinance Accounting information analysis, Consolidation of Accounts, Management Information System, Computerized Accounting System, Project Viability, Sociological, Psychological and Demographic factors, Packaging and Marketing of Products</td>
<td>Employees of MFIs and NGOs</td>
<td>On the job training, Five days</td>
</tr>
<tr>
<td>Tier III</td>
<td>Concept of Microfinance, Legal Guidelines like Microfinance Bill, RBI guidelines for NBFC, Success Stories of Microfinance both at international and national level, Case studies for analysis, Interest dynamics, Performance Parameters and its analysis, Marketing Overview of different products.</td>
<td>Heads of MFIs, NGOs, Bank Officials, Government Officials.</td>
<td>Workshop and Symposium, Discussion Forum, Two days</td>
</tr>
</tbody>
</table>

A concept paper on each individual tier of training is to be developed by Mission Shakti. It should be standardized. Due consideration should be given to level of knowledge at each tier.

It is also suggested that an accreditation system for the microfinance practitioners can be developed as done by 'Association of Mutual Fund Institutions' through examinations.
There should be regulated growth of the Microfinance Institutions. Unregulated growth in the state should be curbed. There should be two types of micro credit in the state. 1) Through the MFIs 2) Through the SGSY scheme. Some basic criteria for regulation is

1. Ensuing microfinance bill should be universally applicable in the state of Orissa
2. Regulated Interest Rate (18% reducing per annum without any hidden cost or processing charges)
3. Minimum Tenure of Loan (should be increased to 3 years from the present 18 months)
4. Strict inspection of books of accounts with some basic parameters matching the ideal like: (1) Capital Adequacy Ratio 2) Recovery Rate 3) Loan Portfolio 4) Source of Funds. This has been provided in the microfinance bill to be controlled by NABARD. But in addition state initiative may help also.
5. Ranking of MFIs is done by MCril. It can be done mandatory by the state government.
6. After two years of involvement of an individual with microfinance and successful repayment of a livelihood loan the individual should be pushed to formal banking sector by encouraging him to directly deal with the bank as an individual.
7. To orient the micro credit towards micro enterprise 1) Mission Shakti should facilitate trade based subsidized training through NGOs. Although the SGSY framework contains provision for trade based training it is not properly done at present.
All microfinance activities should aim at Employment Generation.

1) Mission Shakti should make small project reports for micro enterprise available free of Cost.

2) The microfinance institutions should be audited by regulatory agency regarding the provision of fund towards employment generation. Hundred percent of loan must go to employment generation. For consumption loan the SHG can use their own savings.

3) A model of impact assessment form is given in annexure -3. Before and after the livelihood programme it should be filled up and the differential figures will provide the increase in income of the individual. Although it is difficult it is not impossible to do.

Role of individual entities should be defined.

In present scenario all the entities are doing all sorts of activities. If the roles are clearly defined result will be better. We suggest:

1) Government – Regulator and Facilitator of Training
2) MFIs- Creating, Financing and Managing the SHGs.
3) NGOs- Training, Impact Assessment, Facilitation through SGSY.
4) Banks – Financing the SHGs through SGSY and MFIs.

It is apprehended that if banks are directly involved in direct linkage to the groups in years to come level of bad debts will be more.

SHGs should be involved in Non Economic Activities also.

Every SHG before availing the second loan should have been involved in two non-economic activities. A list of activities may be provided to the SHGs like 1) Education 2) Sanitation 3) Eye Camp 4) Adult Literacy 5) Liquor Prohibition 6) Gender Equality etc. If it is made mandatory some achievement will be done in this front.
Rural Marketing is the panacea to success of microfinance.
The most important factor in the success of microfinance is rural marketing. It may be assigned a weightage of 80% out of the total factors responsible for the success of microfinance.

1) There must be one cold storage in every block for storage of green vegetables.

2) Grading of Cereals, Oilseeds and packaging of such products should be developed to supply the material to shopping malls and extension counters.

3) Government already has centers for selling forest products. It should be revitalized through collection of produces from all corners of states.

4) Commodity market should be started with regulated market price. MCX and NCDX may be encouraged to operate in the state of Orissa. The researcher has the information on negotiation of these two exchanges with the state government to procure material in the state.

5) Many initiatives have been taken to establish food-processing units in the state. But it has not given any result. Both at central and state level subsidies; tax sops are available in this area. We have a food-processing zone in Khurda.

The research suggests that involvement of big players in the food processing area can bear result as it is exemplified in other parts of the country. The state government should have discussion with Dabur, HLL, ITC, PEPISCO, Nutrine, Cargill, Mcdowell, Parry’s etc for establishing units based on horticulture, herb culture, vegetables, floriculture and corns, cereals and Oilseeds. It should be a job of facilitation instead of decision-making on policy matters.

6) A model gap analysis was done by our study as per Table no – 7.1, which may be done extensively to explore areas of gaps for further facilitation.
8.3 LIMITATIONS

Microfinance in Orissa is at a growing stage. In the absence of any standard regulatory mechanism (Microfinance bill is yet to be operational and the Self Help Cooperative Act is hardly accepted by any one), this is practised by each individual entity in its own way. Although I have tried to formalize different structures and systems into few classifications, still each individual entity can be studied separately. They have their dynamics and challenges.

1. Beneficiaries, being uneducated, uninformed, posed a big problem during the study it seems economic independence is far away and hand holding by NGOs, MFIs and banks will have to continue for long period of time. So I have focused more on those facilitators.

2. As I tried to cover many of the areas relating to microfinance sometimes part of the questionnaire were unrelated to specific respondents. So I focused on interview cum survey approach.

3. Till date a concrete database of the facilitators and beneficiaries (SHGs) is not available with any agencies so we had to rely mostly on the data provided by Mission Shakti, NABARD, and Economic Survey of Orissa.

4. The analysis, accuracy of data, application of concepts is as typical to any other study of this kind.

8.4 SCOPE FOR FURTHER STUDY

I was fortunate enough to do a study in the state of Orissa as one among the early starters. I believe this analysis has opened the floodgate for numerous areas of discussions.

1) Region wise study can be done considering four segments of the state i.e 1) Coastal Orissa 2) Southern Orissa 3) Tribal Area (KBK districts) 4) Western Orissa,
2) Microfinance is also practiced in different forms by Urban Slum dwellers and the Rural Folk. There can be separate study for them.

3) An impact study may be done on the efficacy of micro finance leading to empowerment, awareness, extension of credit, increase in GDP of the state.

4) Trade based SHGs are also a viable alternative for microfinance activities. There can be study on exclusive trade based activities.

5) Rural marketing is an important area which may be a topic of further study.

6) In the ensuing microfinance bill there is lot of emphasis on MIS and Accounts. The comparative analysis of the different packages adopted by the organizations, information generated from it and utility of such information to take the organization further needs lot of deliberation and research.

7) The study has identified 31 important issues challenges in my research study in chapter six. All the individual areas may lead to analysis and research.

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