CHAPTER VIII

ROLE OF NGOs AND BANKS

The majority enterprises, from the smallest to the largest, require capital. Enterprise can participate a vital role in eradicating poverty. Here developing economies, women’s role in eradicating poverty in the course of enterprise has long been recognized, and they have been obtained as a user group. Nevertheless, poor women are deficient in the capital needed for starting enterprises and even if credit mechanisms survive in their economy, mainstream financial institutions are not adjusted towards providing them with the funding they necessitate. In general microfinance refers to the prerequisite of economic services (e.g. savings, credit, insurance) to the poor, those who in general do not have access to formal financial institutions. NGOs in India have promoted microfinance via women’s SHGs. Nevertheless, the diverse institutional forms are not value impartial and vested interests are entailed. The attentions of people and those of MFIs for a while compete and clash (Premchander, S 2003).

If NGOs alter their way and become MFIs, there could be severe consequences on development work at the ground level. Once funding support emphasizes financial feasibility, subsequently the MFIs have to be competitive; poverty eradication and empowerment will bear except the institutions are also possessed and handled by the poor. More investment in this case in building their capacity is needed. In the current stage of development of an entrepreneurial ethnicity in India, economic support for NGOs to become MFIs is inexpensive than policing a market economy and the actual issue of the poor being left out by the market economy is overlooked. NGOs can offer the leadership for better structural reforms and do what they are best at: be catalysts, and make people’s institutions for microfinance. In this manner, the holistic growth of people that should precede their participation in small and micro-enterprise is more likely to occur. Therefore in this chapter, the workings of NGOs and Banks in the Jammu Region have been attempted and various suggestions have been made out from the analysis.
8.1 NGOS IN JAMMU & KASHMIR

In the state of Jammu & Kashmir, Self help Group movement has been mainly driven by the Non Governmental Organizations (NGOs). Majority of the groups formed in the State are formed by the NGOs. The District Rural development Agency (DRDA), Government of Jammu and Kashmir has also been promoting self help groups under Swarnjayanti Gramin Swarojgar Yojana (SGSY). The DRDA takes help of NGOs for formation of groups. The banks, especially Commercial Banks have promoted some groups. NGOs have played a supporting role in formation and nurturing of groups in the state. These NGOs are taking care of SHGs through a network of Village Book Keepers, animators, field organizers, Coordinators, etc. A brief description of NGOs identified for the study is given as follows:

8.1.1 GRAMUDYOG HASTKALA KENDRA (GHK)

Gramudyog Hastkala Kendra (GHK) is a society registered with the Registrar of societies, Government of Jammu & Kashmir under the Societies Registration Act VI of 1998 (1941 AD). The GHK, since its inception, has been playing an important role in inducing people living below poverty line to come forward, improve and accept socio-economic changes, particularly relating to agriculture and rural industrial activities. The NGO is involved in promoting the production of various items from Sisal fiber such as mats, hand bags, purses, coasters, wall hangings, swings, dining table mats, carpet sleepers, etc. About 400 poor rural women are engaged by the NGO on full or part-time basis in the Sisal Fiber Craft. GHK is also popularizing use of other locally available fibers, thus creating “wealth from waste”. At present it has four training cum production centres. More than 40 rural women workers are engaged on full time basis at these production centres, who produce fancy, decorative and utility articles. These products are marketed by the NGO through its own sale outlets, exhibitions and fairs, local market etc. The NGO is involved actively in promotion and linkage of SHGs in the state. At present, the NGO has 15 Development Facilitators (all women) who have undergone extensive training in SHG Programme at Chinmaya Tapovan Trust, Sidhbari, near Dharamshala (H.P.). GHK has promoted 612 SHGs, out of which various banks like State bank of India (SBI), Jammu and Kashmir Bank Ltd. (J&K Bank ltd.), Punjab National Bank (PNB) and Jammu Grameen Bank upto March 2012 have financed 468 SHGs. The DRDA has also appointed GHK for promotion of SHGs under SGSY. GHK has
promoted 116 SHGs of below Poverty Line (BPL) families. GHK has established 11 Farmer’s Clubs in coordination with local banks – SBI, J&K Bank Ltd., Jammu Grameen Bank and Central Cooperative Bank Ltd. Now a days, GHK has started working as an MFI too and it is being funded by Rashtriya Mahila Kosh, New delhi, which is providing loan at an interest rate of 8 per cent p.a. to GHK and under its guide lines an MFI can provide loan at an interest rate of 18 per cent p.a. maximum to the SHGs, but GHK charges loan at an interest rate of 15 per cent p.a. on the loans given to the SHGs.

8.1.2 PRIYADARSHINI INDIRA MAHILA BLOCK SOCIETY

Priyadarshini Indira Mahila Block Society (PIMBS) is a society registered with the Registrar of societies, Government of Jammu & Kashmir under the Societies Registration Act VI of 1998 (1941 AD). PIMBS has promoted 157 SHGs; out of which various banks like SBI, J&K Bank Ltd., PNB and Jammu Grameen Bank have financed 206 SHGs up to March 2012. The DRDA has appointed PIMBS also for promotion of SHGs under SGSY. PIMBS has promoted 63 SHGs of below Poverty Line (BPL) families. PIMBS has been working as a Business Correspondent of Punjab National Bank. It has also initiated the concept of micro insurance in Jammu.

8.1.3 YUSUF MEHERALLY CENTRE

Yusuf Meherally Centre (YMC) is a voluntary association, registered with the Societies Registration Act, 1860 and the Bombay Public Trust Act, 1950. The Centre was commenced in 1961 in the remembrance of Yusuf Meherally, and was officially launched in 1965, by Dr. Zakir Husain, the then India’s Vice-President. The different actions assumed by YMC are Education, Health Care, Rural Development, Organic Farming and Vermiculture, Relief and Rehabilitation, Empowering Women and Adivasis, Youth Mobilization and Employment Generation. It has one branch office in Jammu and it has also formed near about 45 SHGs in Jammu region of which various banks like SBI, PNB and Jammu Grameen Bank have financed 105 SHGs upto March 2012.
8.1.4 KRISTU JYOTI SOCIAL WELFARE SOCIETY

Kristu Jyoti Social Welfare society (KJSWS) is a society registered with the Registrar of societies, Government of Jammu & Kashmir under the Societies Registration Act VI of 1998 (1941 AD). The aim of the society is welfare of women, children, orphans, handicapped, poor and destitute, etc. The society since its inception is involved in projects related to health and hygiene, school health programmes, awareness about AIDs and promotion of Self Help Groups, etc. The NGO has so far formed 353 SHGs out of which 206 SHGs have been linked with various banks. The NGO helps the groups to start income generating activities like handloom, dairy, poultry, grocery shops, etc.

8.1.5 CATHOLIC SOCIAL SERVICE SOCIETY, JAMMU AND KASHMIR (CSSS) and NIRMAL MATA HEALTH CENTRE, AKALPUR, JAMMU

The CSSS is a registered society underneath the Societies Registration Act VI of 1998, which is promoted by a Catholic religious group. The objectives of the society are to promote, supervise and carry out any charitable work in the state of Jammu and Kashmir. The society has ten units functioning in the state. The SHGs formed by Nirmal Mata Health Centre, Akalpur, Jammu unit were also covered in the present study. The center is mainly engaged in SHG Awareness programmes. The NGO motivates rural women to begin any activity which improves their economic condition. The NGO also provides raw materials for production and marketing support by organizing exhibitions with in the state and in other states too. The NGO also imparts training to SHGs. The training is mainly provided for cutting, tailoring and fashion designing, mushroom cultivation, animal rearing etc. The NGO has so far formed 384 SHGs out of which 207 SHGs have been linked with various banks.

8.2 INITIATIVES BY NABARD IN THE STATE FOR PROMOTION OF SHGS

In order to build capacity of NGOs, Bankers, State Govt. Officials in the state, NABARD has made arrangements with the Chinmaya Tapovan Trust (CTT), Dharamshala, H.P. for imparting training to the bankers and representatives of NGOs of J&K state. So far more than 1000 partners have been deputed to CTT, Dharamshala wherein representatives of various
NGOs and bankers have been provided SHG training. All expenditure is being borne by NABARD. NABARD also organizes various orientation meets too for NGOs and bankers at the district/state level from time to time. Grant assistance is provided to the eligible NGOs on a selective basis for taking up promotion and nurturing of SHGs and facilitating their linking. SHG’s promotion and linkage is to be taken by these NGOs as an add on activity, complementary to their core function. With a view to give boost to the concept of SHGs, NABARD has also been providing grant assistance to Regional Rural Banks (RRBs) for promoting SHGs. With an objective to strengthen credit delivery system to women, NABARD has been providing financial support to banks for setting up Women Development Cells in their respective Head Offices. The support provided by NABARD is in the form of grant assistance towards meeting part of the salary of the key personnel to be appointed in the cell for a period of 3 years. Women Development Cells (WDCs) of J&K State Cooperative Bank, Jammu Central Cooperative Bank, Anantnag Central Cooperative Bank and Jammu Grameen Bank are doing the job of promotion and linkage of SHGs apart from their other functions. NABARD is working in close coordination with the State Govt. agencies, which are promoting SHGs under SGSY scheme.

8.3 ROLE OF BANKS – INTEREST RATES AND REPAYMENT PERIODS

SHGs learn financial management as they manage their own savings and credit operations, distribute bank loan and internal funds among members depending on their requirement. They decide the interest rates to be charged on bank loans as well as on internal loans. The inter-loans were provided at an interest rate ranging between 1.5 – 2 per cent per month. The banks fixed a repayment period of 36 equated monthly instalments (EMIs) but most of the SHGs closed their loan accounts within 12 months. It shows that the recovery of loans was quite good. The banks charged different rates of interest ranging between 8.50 – 12.00 per cent per annum depending upon linkage.

8.3.1 REPAYMENT PERFORMANCE OF SHGs
Sustainability of a SHG largely depends upon its strength in repayment performance to bank and its members to SHG. The SHGs have followed a flexible approach to collect their debts from the members and no fixed repayment schedule is drawn. However, the interest accrued is collected on monthly intervals. The main reason for the same is easy handling of internal loaning operation as well as earning more interest by keeping the funds with the members for longer time. It was observed that the members were eager to repay the loans as early as possible so that the interest burden is reduced. No case of default by the members to SHG was reported. The high recovery performance was mainly due to adequate income generation and better repayment ethics amongst SHGs. The advance repayments have helped the SHGs to avail repeat loans in shortest possible time. The good repayment performance is in conformity with the earlier findings obtained through survey of SHGs as mentioned in section 4.4.5.

8.4 SUGGESTIONS FROM NGOs AND BANKs TO IMPROVE MICROFINANCE OPERATINS IN JAMMU

- Every bank should ascertain a special microfinance cell to invent schemes and create an facilitating atmosphere to extend microfinance as core trade of lending poverty. Further appropriately created training programs may be submitting place for training of employees in these cells.
- SHGs may be arranged into community-based associations at cluster/federation stage.
- Publicity through media, highlighting the success stories of SHGs through posters, etc. should be done. Promotional expenses of the SHGs may be shared by MFIs, banks and Government.
- Formation and nurturing of NGOs by different stakeholders which support microfinance should be done, as the study found that NGOs are major drivers for the provision of microfinance for financial inclusion of poor and excluded in the state.
- A national level knowledge sharing round-table may be set up for interface amongst institutions like Banks, DRDA and NABARD.
- Effective monitoring of progress of Microfinance operations in District Consultative Committee (DCC)/ District Level Review Committee (DLRC) meetings should be done.
Proper database must be maintained at Lead District Manager (LDM)/District Development Manager (DDM) office. All bank branches may compile relevant data at district level and forward it to LDMs/DDMs of NABARD at regular interval.

Controlling offices of banks may set targets for their branches for formation and linkage of SHGs.

State Level Banker’s Committee (SLBC) may set targets in the beginning of the year for each bank depending on their branch network and review it periodically.

Facilitating agencies like NGOs and Voluntary Associations (VAs) should discourage the members to take membership in more than one group. Bankers should also be strict in dealing with the cases of dual membership in SHGs.

Facilitating agencies should impress upon the members that they are only facilitating and guiding the growth of SHGs and therefore members should help themselves to stand on their own feet after the groups attain maturity/sustainability. Further, members should understand that group would be eligible to get credit only if the bank is satisfied about their performance.

The SHPIs should wean away from the groups after the groups attain maturity/sustainability.

Besides savings and borrowings, the members should concentrate on social and community aspects of life, micro enterprises, etc.

Unless the members, over a period of time, change their attitude about availing of finance, no economic empowerment is possible. Earlier findings presented through section 4.3.5 and 5.8 also confirm that the loans taken from SHGs as well as from funding agencies are used for consumption purpose and not for income generating activities.

Facilitating agencies and banks should give attention to the availability of backward/forward linkages and marketing facilities for the products of the members.

SHG’s role in growth could be further augmented through an enhanced participation in development programmes in the region.

Financial institutions should keep track of the performance of the groups after the loans have been disbursed. In this manner, financial institutions can evaluate their micro credit programmes, making adjustments wherever necessary to make their programmes more effective.

The upcoming stratagem should also concentrate more on training and capacity building of SHG members as it would develop the efficiency of economic services deliverance.