CHAPTER - V

Role of Apex Organizations
ROLE OF APEX ORGANIZATION

As for the flow of funds, the major institutional sources of bulk credit in India are the (a) National Bank for Agricultural and Rural Development (NABARD) (b) Small Industries Development Bank of India and (c) Rashtriya Mahila Kosh which is government initiated NGO under the department of women and child development. The present chapter examines the role of these institutions in micro financing the rural areas.

Section One

NATIONAL BANK FOR AGRICULTURAL AND RURAL DEVELOPMENT

The National Bank for Agricultural and Rural Development (NABARD) is the apex institution charged with looking after all matters concerning policy, planning and operation in the field of credit for agriculture and other economic activity in rural areas in India.

The rural financial system in the country calls for a strong and efficient credit delivery system, capable of taking care of the expanding and diverse credit needs of agriculture and rural development. More than 50 per cent of the rural credit is disbursed by the Co-operative Banks and Regional Rural Banks; NABARD is responsible for regulating and supervising the functions of Co-operative banks and RRBs. In this direction NABARD has been taking various initiatives in association with Government of India and RBI to improve the health of Co-operative banks and Regional Rural Banks.
GENESIS OF NABARD

- Reserve Bank of India (RBI) established in 1935 interalia, with a mandate to set up a special Agricultural Credit Department (ACD) with expert staff. ACD(RBI) interalia, initiated different measures to develop a healthy rural credit structure and provided guidance to State Governments and Cooperative Credit Structure.

- Agricultural Refinance Corporation (ARC) was established in 1963 to support investment credit needs for agricultural development. Consequent to undertaking of development and promotional functions, ARC was renamed as Agricultural Refinance and Development Corporation (ARDC) in 1972.

- RBI, at the instance of Government of India (GOI) appointed a Committee to Review Arrangements For Institutional Credit for Agriculture and Rural Development (CRAFICARD) in 1979. The CRAFICARD reviewed the need of integrating short-term, medium-term and long-term agriculture credit structure. The CRAFICARD recommended the establishment of National Bank for Agriculture and Rural Development (NABARD).

National Bank for Agriculture and Rural Development Act, 1981 was passed by the Indian Parliament and NABARD was established on 12 July 1982 with a initial capital of Rupees. 100 crore. The capital was enhanced to Rupees.2000 crore subscribed by Government. of India and Reserve Bank of India. NABARD’s working funds was Rupees 25,207 crore in the year 1997-98. NABARD was established, in terms of the Preamble of the Act, “for providing credit for the promotion of agriculture, small scale industries, cottage and
village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matters connected therewith or incidental thereto." NABARD operates throughout the country through its 25 Regional Offices and one Sub-office, located in the capitals of all the states and union territories. It also has 4 training establishments.

This chapter highlights initiatives of the National Bank during the years 1992-2001 in fostering the growth of the SHG-Bank linkage programme which constitute the corner stone of micro finance in India. The chapter also discusses the essential support mechanism such as training, orientation and capacity building etc. of client institutions, Non-Governmental Organizations (NGOs) and Voluntary Organizations (VOs) for strengthening micro finance activities in the country.

I. CUMULATIVE PROGRESS OF SHG BANK LINKAGE

1. During the year 2000-01, 1.48 lakh SHGs were linked as against 0.82 lakh SHGs linked during 1999-2000. The achievements during the year also exceeded the target of linking one lakh SHGs with Banks, set in the Union Budget 2000-01. Cumulatively, about 2.64 lakh SHGs have been credit-linked till 31 March 2001.

2. The banks disbursed loans aggregating to Rupees.287.88 crore to SHGs during 2000-01, which were more than double of the last year's disbursements of Rupees. 135.91 crore.

[ 126 ]
3. Banks claimed refinance of Rupees.250.62 crore from the National Bank during the year as against Rupees. 98.04 crore last year, registering an increase of 156 per cent.

4. Cumulatively, till 31 March 2001, loans of Rupees. 480.87 crore crore have been disbursed by banks to 2.64 lakh SHGs with refinance support of Rupees. 400.74 crore from the National Bank as given in Table 5.1.

Table 5.1

SHG CREDIT LINKAGE-CUMULATIVE PROGRESS
1992-93 TO 2000-01 (APRIL-MARCH)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHG linked</th>
<th>Bank Loan</th>
<th>Refinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>255</td>
<td>0.29</td>
<td>0.27</td>
</tr>
<tr>
<td>1993-94</td>
<td>620</td>
<td>0.65</td>
<td>0.46</td>
</tr>
<tr>
<td>1994-95</td>
<td>2,122</td>
<td>2.44</td>
<td>2.13</td>
</tr>
<tr>
<td>1995-96</td>
<td>4,757</td>
<td>6.06</td>
<td>5.66</td>
</tr>
<tr>
<td>1996-97</td>
<td>8,598</td>
<td>11.84</td>
<td>10.65</td>
</tr>
<tr>
<td>1997-98</td>
<td>14,317</td>
<td>23.76</td>
<td>21.39</td>
</tr>
<tr>
<td>1998-99</td>
<td>32,995</td>
<td>57.07</td>
<td>52.09</td>
</tr>
<tr>
<td>1999-00</td>
<td>94,645</td>
<td>192.98</td>
<td>150.13</td>
</tr>
<tr>
<td>2000-01</td>
<td>2,13,213</td>
<td>480.87</td>
<td>400.74</td>
</tr>
</tbody>
</table>

5. The number of NGOs and other Self Help Promoting Institutions (SHPI), engaged in the above programme, increased from 718 to 1,030 during 2000-01.

6. The participation of women in the programme has increased from 85 to 90 percent during the year.

7. The loan repayment performance of SHGs during the year was reported to be more than 95 percent.

8. Several states recorded significant increase in the number of new SHGs, which were financed by banks during the year under report, as compared to the previous year. In Andhra Pradesh, 77,885 new SHGs (39,783 previous year) were financed by banks during 2000-2001, followed by Tamil Nadu, 19,032 SHGs (9,959 in the previous year), West Bengal, 5,342 SHGs (2,465 in the previous year). West Bengal, 5,342 SHGs (2,465 in the previous year). Rajasthan recorded a four fold increase from 1,231 SHGs during 1999-2000 to 3,675 SHGs support with bank credit during 2000-2001.

9. An estimates 60 million households in the country are poor and need improved access to financial services. The SHG bank linkage programme has so far helped in extending formal banking services to more than 45 lakh poor households in India by March 2001, making it the largest micro-finance initiatives in the world today in terms of outreach.
II. FINANCIAL SUPPORT TO PARTNER AGENCIES

In order to support banking and financial services institutions and activities for undertaking innovations and programmes so as to improve the efficiency and outreach of credit and other financial services to rural enterprises, particularly the poor, the National Bank had constituted a credit and Financial Services Fund (CFSF) on 1 April 1995. In keeping with the growing requirements for refinancing under the SHG bank linkage programme, effective from 1 April 1999, the scope was enlarged so as to adequately meet the requirements from the general funds of the National Bank. As on 31 March 2001 the CFSF Fund stood at Rupees 60.18 crore.

III. ROLE OF NABARD

Forming SHGs of rural poor and nurturing them to become vibrant and autonomous in handling thrift and credit activities require the involvement of suitably trained personnel and competent institution who can effectively interact with and steer the target groups. To encourage and promote such initiatives, the National Bank has been supporting SHPIs in various ways, prominent of which are described below.

A. GRANT SUPPORT TO NGOs AND OTHER SHPIs

The support systems offered by the National Bank to the NGOs and other organizations functioning as SHPIs included capacity building assistance in financial intermediation, grant support for providing basic infrastructure for
the SHGs nurtured by them and sharing the cost of administrative overheads. During the year, the National Bank sanctioned grant support of Rupees 2.08 crore to 126 NGOs compared to Rupees 98.19 lakh to 40 NGOs in the previous year, for promoting and credit linking over 20,000 SHGs. The amount of grant support till March 2001 aggregated Rupees 4.62 crore covering 198 NGOs, who promoted and credit linked about 36,950 SHGs.

B. SUPPORT RRBS AS SHIPs

The National Bank has also been providing support to select RRBs to function as SHPIs since 1994. Impressed by the significant progress made by these RRBs, the support was continued during the year. Under this programme, 13 RRBs in 5 states were sanctioned a grant support of Rupees 50.90 lakh during the year for promoting and credit linking 4,550 SHGs over a period of 3 Years. The progress made by these RRBs was quite encouraging. Till March 2001, more than 3,794 SHGs were promoted of which 2,121 have been linked. Further, under a new ‘Cost-effective Module’ for promoting micro credit by RRBs, 22 RRBs in 7 states were sanctioned a grant support of Rupees 35 lakh promoting 6,900 SHGs during the year.

C. SUPPORTING FARMERS’ CLUBS AS SHPIs

The National Bank, under a separate programme titled 'Vikas Volunteer Vahini (VVV) programme' has been encouraging informal forums of farmers called ‘Farmers’ Clubs (FCs). The clubs formed by branches under this
programme are engaged in spreading the message of 'Development through Credit' and inculcate proper use of credit and repayment ethics among borrowers. Many of these clubs gained local acceptability and had significant potential to work as SHPIs. For supporting these Farmers' Clubs to function as SHPIs, a grant provision of Rupees 56.14 lakh has been set apart for promoting 5,150 through 515 farmer clubs.

D. INDEPENDENT VOLUNTEERS TO ACT AS SHPIs

The National Bank has formulated a pilot scheme to popularize microfinance initiatives by harnessing voluntary initiatives of socially committed rural individuals for organizing rural poor into SHGs in backward areas of select states, characterized by inadequate institutional facilities, absence of appropriate NGOs. The scheme will be operationalised through select RRBs/DCCBs during 2001-02 in identified backward areas of Orissa, Uttar Pradesh, Madhya Pradesh, Bihar and Rajasthan.

E. REVOLVING FUND ASSISTANCE (RFA) TO NGOs

The National Bank has been providing Revolving Fund Assistance (RFA) on a selective basis to NGOs/SHG Federations and Credit Unions for on-lending to SHGs and individuals. The National Bank has also been extending support to NGO networks for providing financial assistance to smaller NGOs for building their financial intermediation capacity. During the year, FWWB, Ahmedabad, was sanctioned RFA of Rupees.1.00 crore for networking of smaller NGOs taking the aggregate sanction of RFA of Rupees.12.22 crore covering 24 agencies. An RFA of Rupees.1.20 crore was disbursed to 4 agencies during the year taking the cumulative disbursements
to Rupees. 7.08 crore to 21 agencies as on 31 March 2001. This included sanction of Rupees.15 lakh to 'Vattra Kalanjiam' (a Federation of SHGs) in Tamil Naidu.

F. CAPACITY BUILDING OF PARTNER INSTITUTIONS IN MICRO-FINANCE

The National Bank recognizes capacity building and continued sensitization of partner agencies as the major plank for accelerating the programme of SHG-bank linkage. The strategy of the National Bank is, therefore, to create a cadre of well trained personnel including trainers of facilitate rapid multiplication of capacity building efforts. A consultation Meet' of NGOs and bankers was organized at Lucknow in April 2000 to review and modify the training modules.

The other major capacity building activities in the micro-Finance areas carried out during the year covered the following:

a. 2,191 capacity building programmes for SHGs members/NGOs were organized in different parts of the country benefiting 1,35,226 members of different SHGs

b. 522 training programme, specially designed for bankers, were conducted in which over 17,000 officials of various banks, including Chairmen of RRBs participated.

c. Special Trainers' Training Programmes numbering 32 were conducted for 844 Faculty Members of training colleges of various banks.
d. Refresher Awareness Programme for CEOs of NGOs and field level functionaries were also conducted covering 4,158 participants through 144 programmes.

e. Exposure Programme on Micro-Finance, designed for government functions were organized at different training establishments, including the Centre for Co-operatives and Rural Development (CCRD) of Lal Bahadur Shastri National Academy of Administration, Mussoorie. About 4,500 government officials participated in these programmes.

f. Training programmes for 205 of the National Bank's own officers including those functioning as district development managers/ district development officers/ Nominee Directors on the Board of RRBs were also organized.

IX. REGULATION AND SUPERVISION OF MICRO FINANCE INSTITUTIONS

At present, only micro finance institutions registered as Cooperatives and NBFCs are regulated. The need for regulation and supervision of NGO-micro finance institutions arises from several considerations like protecting the interests of the small savers, ensuring proper terms of credit and financial discipline, institution of a proper reporting system as also for their orderly development. The regulation of micro finance institutions may cover registration to act as micro finance institution, reserve requirements, compliance with prudential accounting norms, and directions in respect of operations and reporting systems, while supervision may comprise on-site inspection and off-site supervision.
ACTION PLAN OF NABARD

With a view to deepening the activities relating to banking with the poor, NABARD is keeping an internal mission to reach 20 million families of rural poor during the next 10 years. For this purpose, one million groups are envisaged to be promoted under the Linkage Programme and other Credit Delivery Innovations. The focus would be on Women groups. Recognizing the need for adopting SHG approach to reach the poor, the Hon arable Finance Minister in his budget speech for 1998-99 has announced that 200,000 SHGs would be promoted and linked in the next 5 years with 10,000 of them during the current year.

IMPLEMENTATION STRATEGY

The implementation of the above programme calls for finding new partners:

(i) Over 10,000 animators and about 3,000 supervisors of 4,000 NGOs are required for promotion and nurturing of SHGs in next 10 years.

(ii) About 20,000 bank branches to be associated and 40,000-50,000 officers to be trained.

(iii) NABARD's training initiatives being intensified to train about 15,000 officers in next 10 years.

(iv) Stress on training of trainers of commercial banks, through training institutions and NGOs.

(v) About 3,700 SHG Federations with 10,000 personnel required to sustain the programme.
FUTURE PROSPECTS

Empowerment of rural poor by improving their access to the formal credit system through various micro finance innovations in a cost effective and sustainable manner.

To extend financial services to one third of India’s unreached and underserved rural poor numbering nearly 100 million through one million SHGs <http://www.nabard.org/roles/mcid/section2.htm> with focus on women during a ten year period through various micro finance interventions.

Table 5.2
FUTURE PROSPECTS OF SHG LINKAGE

<table>
<thead>
<tr>
<th>Year ending</th>
<th>No. of new Groups to be linked during the year</th>
<th>Cumulative No. of groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/03/2001</td>
<td>50,000**</td>
<td>133,000</td>
</tr>
<tr>
<td>31/03/2002</td>
<td>75,000</td>
<td>208,000</td>
</tr>
<tr>
<td>31/03/2003</td>
<td>75,000</td>
<td>283,000</td>
</tr>
<tr>
<td>31/03/2004</td>
<td>100,000</td>
<td>383,000</td>
</tr>
<tr>
<td>31/03/2005</td>
<td>100,000</td>
<td>483,000</td>
</tr>
<tr>
<td>31/03/2006</td>
<td>125,000</td>
<td>608,000</td>
</tr>
<tr>
<td>31/03/2007</td>
<td>150,000</td>
<td>758,000</td>
</tr>
<tr>
<td>31/03/2008</td>
<td>250,000</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

Source: ++ Proposed to increase to 100,000. Programme in the rest of the years would also be changed as we go on. <http://www.nabard.org/roles/mcid/section2.htm>++
Table 5.3
FUNDS REQUIREMENTS FOR MICRO FINANCE SECTOR
(FROM 1999-2000 TO 2003-04)

(Rupees in million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loanable Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. SHG Linkage and mFl Linkage</td>
<td>1,120</td>
<td>2,070</td>
<td>3,800</td>
<td>5,500</td>
<td>8,900</td>
<td>21,390</td>
</tr>
<tr>
<td>2. Housing</td>
<td>30</td>
<td>90</td>
<td>180</td>
<td>370</td>
<td>550</td>
<td>1220</td>
</tr>
<tr>
<td>3. Sub Total (1+2)</td>
<td>1,150</td>
<td>2,160</td>
<td>3,980</td>
<td>5,870</td>
<td>9,450</td>
<td>22,610</td>
</tr>
<tr>
<td>4. Other Sources</td>
<td>300</td>
<td>500</td>
<td>560</td>
<td>800</td>
<td>890</td>
<td>3,050</td>
</tr>
<tr>
<td></td>
<td>(25%)*</td>
<td>(20%)*</td>
<td>(15%)*</td>
<td>(15%)*</td>
<td>(10%)*</td>
<td></td>
</tr>
<tr>
<td>5. Sub Total (3+4)</td>
<td>1,450</td>
<td>2,660</td>
<td>4,540</td>
<td>6,670</td>
<td>10,340</td>
<td>25,660</td>
</tr>
<tr>
<td>6. Capacity Building</td>
<td>150</td>
<td>270</td>
<td>450</td>
<td>670</td>
<td>1,030</td>
<td>2,570</td>
</tr>
<tr>
<td>support (10% of 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Total</td>
<td>1,600</td>
<td>2,930</td>
<td>4,990</td>
<td>7,340</td>
<td>11,370</td>
<td>28,230</td>
</tr>
</tbody>
</table>

(*) per cent of 1

Note—

1. The above projections do not include funds requirements for banks' traditional advances to weaker section.

2. Credit requirement per SHG - Rupees.15,000/- (1st dose)
   - Rupees.30,000/- (2nd dose)
   - Rupees. 50,000/- (3rd dose onwards)
   (Average Repayment period) - 2 years
3. Credit requirement per mFI (Non-SHG) - Rupees. 2500/- per client (1st dose)
   - Rupees. 5000/- per client (2nd dose)
   - Rupees. 10000/- per client (3rd dose)

4. Other sources could be direct finance from NABARD, SIDBI, RMK, etc. to MFIs. The share of their support, presently at 25 per cent is expected to come down to 10 per cent of total loanable funds in 5 years.

5. Capacity building is assumed at 10 per cent of total loanable funds.

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Section Two

RASHTRIYA MAHILA KOSH

OBSTRUCTION IN THE ACCESS OF POOR WOMEN TO NORMAL CREDIT

The access of poor women to normal credit giving institutions has many obstructions because of lack of education, lack of mobility and the absence of assets which can be used as collateral security: Millions of women all over the country suffer from various social and economic disadvantages. Their status by and large still remains marginalized in the family and the society. In the poor families, the condition of women is still more deplorable. They are ‘invisible’ workers because their labour is often unpaid domestic labour. Credit facilities from formal credit system still remain beyond the reach of poor due to lenders’ attitudinal problems and women’s asset-lessness and inability to offer collateral. The poor women need a helping hand to equip them with income generating capability.

IMPORTANCE FOR CREDIT TO THE WOMEN BORROWERS

The number of such women in India is easily run into Lakhs, who with a little bit of easy credit can effect a substantial increase in their daily earnings. These are women engaged in agriculture and food processing activities, dairying, petty shop keeping, catering, vegetables, fruits, fish vending and dozens of similar self-employment ventures. It is also true that the
increase in the daily incomes of women belonging to the families living below the poverty line directly leads to an improvement in availability of much needed nutrition to their families. Further, a little extra earning may lead to giving an impetus to little girls education who are at present, perhaps, engaged in earning small sums of money or helping their mothers at homes instead of going to school. Women's earning capacity also leads to the rise of their status and esteem not only in their own families but amongst the neighborhood as well. All these results are extremely desirable, as they will rectify the imbalance that women often suffer as members of the family and also of the society.

RMK - ITS PROFILE, AIMS AND OBJECTIVES AND ROLES

It has been felt for some time in India that the credit needs of poor women, particularly in the unorganized sector, have not been adequately addressed by the formal financial institutions in the country. The vast gap between demand for and supply of credit to this sector established the need for a national Credit Fund for Women. (http://rmk.nic.in/vs rmk/chap1.htm.)

The National Credit Fund for Women or the Rashtriya Mahila Kosh (RMK) was set up in March 1993 as an independent registered society by the Department of Women and Child Development in Government of India's Ministry of Human Resource Development with an initial corpus of Rupees 31crores - not to replace the banking sector but to fill the gap between what the banking sector offers and what the poor need. Its main objectives are:
• To provide or promote the provision of micro-credit to poor women for income generation activities or for asset creation.

• To adopt a quasi-informal delivery system which is client friendly, uses simple and minimal procedures, disburses quickly and repeatedly, has flexibility of approach, links thrift and savings with credit and has low transaction costs both for the borrower and for the lender.

• To demonstrate and replicate participatory approaches in the organisation of women's groups for thrift and savings and effective utilization of credit.

• To use the group concept and the provision of credit as an instrument of women's empowerment, socio-economic change and development.

• To cooperate with and secure the cooperation of the Government of India, State Governments, Union Territory administrations, credit institutions, industrial and commercial organizations, NGOs and others in promoting the objectives of the Kosh.

• To disseminate information and experience among all these above agencies in the Government and non-government sectors in the area of microfinance for poor women.

• To receive grants, donations, loans, etc., for the furtherance of the aims and objectives of the Kosh.
The office of the Kosh is situated in New Delhi. The Kosh does not have many branch offices. The Executive Director is the chief executive officer of the Kosh. The Executive Director functions under the overall supervision, direction and control of the Governing Board. The Governing Board comprises 16 members consisting of senior officers of the Government of India and State Governments, specialists and representatives of NGOs active in the field of microfinance for women. The Governing Board is chaired by the Minister in charge of the Department of Women and Child Development in the Government of India. The General Body of the Kosh consists of all members of the Board, institutional members and individual members.

THE ROLE OF RMK

The Kosh has three main roles:

A. WHOLESALING ROLE

It acts as a wholesaling apex organization for channelising funds from government and donors to retailing Intermediate Microfinance Organizations (IMOs).

( The Kosh has so far received only a one-time grant from government and has not needed to raise funds from any other sources)

B. MARKET DEVELOPMENT ROLE

It develops the supply side of the microfinance market by offering institution building support to new and existing-but-inexperienced IMOs by structures of incentives, transfers of technology, training of staff and other non-financial services-

[ 141 ]
C. ADVOCACY ROLE

RMK can act as an advocate or agent for influencing development and micro-finance policy and creating a more enabling policy and legal environment for spread of micro-finance activities in India. Being a creation and a representative of the government, RMK has a particular advantage in this area. <http://rmk.nic.in/vsrmk/chap1.htm>

THE LENDING POLICY, PROCEDURES AND OTHER FORMALITIES

The eligibility criteria fixed for approval of the loan applications from the NGOs were kept quite strict in the beginning, with three years experience in credit and repayments over 90 per cent to the credit channelising agencies. Further the self-help groups' development was kept as a very important yardstick for credit delivery to the financial institutions. In fact the self-help groups are the "scientific platform" for credit channelization alluded to in the shram Shakti report. (RMK Memmorandum of Association Rules and Regulation, 1999)

Realizing the importance of self-help groups, RMK evolved a scheme under which NGOs are provided support for formation and stabilization of SHGs @ Rupees one lakh for 25 SHGs - in the shape of interest-free loan convertible into grant. This scheme has given a much-needed fillip to preparatory activities of group formation and channelization of savings. RMK also introduced the loan promotion scheme under which NGOs are eligible to borrow up to Rupees two lakh from RMK, provided they have a minimum of one year's experience of micro-credit management (through SHGs savings or otherwise). (Basu, 2000)
The lending policy, procedures and other formalities were approved by the Board of Directors. The main features of the lending policy of the Kosh are as under:

- Credit will be disseminated through NGOs, self-help groups, Women Development Corporations and Women Cooperatives having a track record performance, a proper system of accounts and audit and experience of 3 years in funds and credit Programme.

- The self-help groups present an autonomous structure at the grass root level and through their collections, they are expected not only to inculcate a habit of saving amongst their members, but also to have a group solidarity as well as a feeling of mutual care and concern, even for return of RMK loans, Self Help Groups, being composite at grassroot levels, can instil in their members a sense of responsibility. RMK hopes that its recovery of loans will be ensured by peer pressure and by mutual guidance of members of these Groups.

- Women borrowers having family income of Rupees 11000/- per annum in rural areas and Rupees 1,8000/- per annum in urban areas will be eligible for support under this Programme.

- Loans will generally be given for income generating activities. These will be for amounts. Rupees 5,000/- per head under medium term loans (2-5 years) for creation of productive assets. A Borrower could avail both short term and medium term loan simultaneously if so required.
Repayment schedules will be flexible. Generally, these will be related to the purpose of loan for allowing for necessary gestation period. Short term loans will be repayable by NGOs in quarterly installments unless otherwise agreed.

Thrift/savings by a borrower will be a compulsory requirement and these will be at least 10 per cent of the amount of loan to increase gradually the subsequent year.

Interest will be charged on reducing balance method both by the RMK, as also by NGO/SHG. While RMK will charge 8 per cent per annum, the NGO will ensure the ultimate rate of interest to a women borrower does not exceed 12 per cent; there will be suitable provision for penal interest.

RMK gives great importance to its partner NGOs. The idea is to live together with mutual trust and transparency of dealing and with this objective in view RMK had been interacting with NGOs by holding workshops and other consultant in the field, RMK also proposes to involve the NGOs in undertaking the work of pre-sanction studies and post disbursement studies and other monitoring work on behalf of the Kosh on payment of suitable remuneration. RMK will continue this participative approach in evolving its new schemes and fine-tuning its existing policies and procedures of lending and initiating promotion and developmental measures.

[144]
One of the important objectives of RMK, is to help NGOs/SHGs, upgraded their skills in credit management. RMK formulated training modules for providing training to develop skills in funds management and credit administration for the officers of NGOs, field workers of the NGOs and also for women borrowers. A residential programme for the NGO officers was also being planned.

Suitable financial assistance by way of grants was also provided to the women borrowers in respect of the income generation activities undertaken by them.

Efforts now being made to prepare guidelines of accounting procedures and other important matters, which could be effectively used by NGOs in respect of their on lending to SHGs, direct lending is to borrowers and borrowing from RMK and other financial institutions.

**CORE STRATEGY OF RMK**

The following will comprise the essential elements of the core strategy to be followed to achieve its objectives:

1. Expand the funding programme from the present level of about Rupees 16 crores to Rupees 1000 crores per annum by 2004-05. This will be achieved by increasing the size of the lending corpus through a mix of support from budgetary sources, tapping national
and international donors and lenders and deploying innovative methods to raise finances (such as tax-free bonds, leveraging etc.) It is estimated that the increased corpus will allow RMK to assist approximately 3.3 million individual beneficiaries over the next five years (assuming an average per capita loan of Rupees 3000) and emerge as a major player in the poverty alleviation strategy of the country.

2. RMK will position itself as the premier advocacy organisation for the micro finance sector in the country in order to spearhead the necessary administrative and legal amendments to existing statutes to allow the sector to develop to its full potential.

3. RMK will work towards the creation of an institutional and regulatory framework for micro finance institutions so as to enable the emergence of a federational pyramid within the sector.

4. RMK will also seek to enhance the infrastructural and institutional base of NGOs/SHGs through strengthening of the economic resource base of the most marginalized beneficiaries.

5. RMK will continuously work towards lowering its transaction costs and reducing the cost of credit to its beneficiaries. It will explore the possibility of offering differential rates of interest on its schemes aimed at special groups/programmes. RMK will undertake a nation-wide drive to publicize its activities and schemes through
multi-media IEC campaign aimed at potential partners, NGOs and SHGs. The aim of this exercise will be to raise the profile of RMK among potential borrowers, build capacity in management among NGOs/SHGs and make contact with as wide a clientele as possible.

6. RMK will undertake continuous monitoring and impact assessment studies through independent bodies to receive feedback on the benefits accruing from its lending programme and suitably incorporate the findings in its operations.

7. RMK will review and streamline its loan application, processing, approval and recovery procedures with the goal of cutting down the time between the receipt of a loan proposal and a decision on the same to 45 days. This will be achieved by simplifying documentation, appraisal and disbursal mechanisms as well by the adoption of IT applications at various levels of operations. A detailed proposal will shortly be prepared in consultation with various partners to operationalise this decision.

8. RMK will seek strategic alliances with partners at the State/district level to expand its activities. These alliances can be with other national level financial institutions (NABARD/ SIDBI/Commercial Banks) or with NGOs/Micro finance institutions/Panchayati Raj bodies. Special attention will be paid to hitherto weak States to bring the benefits of SHG mobilization and micro credit to these regions. To respond to the vast unmet need for micro credit among
women, RMK will attempt to put into plakhse a model of a federation of autonomous women’s micro credit institutions, under the umbrella of a suitable enabling legal environment. This structure will retain all the flexibility of informal grouping of SHGs and autonomous NGOs. The broad features of this model will appear somewhat as follows:

a. **First tier**: SHGs of women constituted by NGOs and registered under an enabling provision to be created by statute.

b. **Second tier**: NGOs registered under the statute with SHGs as members. These NGOs will be allowed by law to mobilise small savings from among the SHGs and extend credit as per guidelines laid down by the national federation.

c. **Third tier**: A zonal level federation of NGOs registered under the statute. This is a purely autonomous body with membership from among the NGOs operating within the district in the area of women’s micro credit. This body leverages the savings of member NGOs and seeks lines of credit from the national level.

d. **Fourth tier**: At the national level, RMK operates as the apex federation and bulk lending agency of the pyramid, leveraging funds from government, donors and other agencies. RMK deals only with the district level federations to supply their bulk credit needs based on norms of savings and recoveries.
9. Support for small consumption loans (with a financial limit of Rupees 500 per annum per beneficiary).

a. For SHGs with good repayment record. Recognizing the importance of meeting small consumption needs through institutional sources to strengthen the efficacy of livelihood supporting loans, it is proposed to build-in a component of consumption credit as an incentive to disciplined recovery behaviour. SHG members with a clean track record of repayment for six months will be automatically eligible for a consumption loan (presently to be pegged at a maximum of Rupees 500) for personal needs. This is expected to boost not only the recovery of loans but also strengthen the beneficiary's position in her family and community.

b. Support for crop credit for women cultivators to be expanded. The credit component for women cultivators will be increased from its present level to focus on the large number of potential beneficiaries in this sector. Strategic partnerships with NGOs/State Government/cooperative bodies will be explored to increase exposure in this segment.

c. A package of credit to support off-farm activities such as dairy, pisciculture, poultry, agro processing and horticulture etc will be developed in partnership with NGOs/State Governments. The focus will be strengthening income generating activities where dependence on land is not a pre-requisite. This package will specially focus on women from landless families in selected districts with a high poverty profile.
ACHIEVEMENTS

RMK’s achievements, year wise with respect to the sanctioned loans, disbursement, member of SHGs and borrowers are given in the table. 5.4.

Table 5.4
RASHTRIYA MAHILA KOSH

YEARWISE DETAILS OF SANCTIONED RELEASE / DISBURSEMENT
WITH CUMULATIVE FIGURES AS ON 31.12.2000

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the scheme</th>
<th>No. of NGOs</th>
<th>No. of Borrowers</th>
<th>Amount Sanctioned</th>
<th>Amount Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**During the year 1993-1994**

1. Main scheme 24(New) 37066 439.33 140.82

**During the Year 1994-1995**

1. Main Scheme 28(New) 25059 512.45 429.53
2. Main Scheme 09(Repeat) 5059 250 429.53

**During the Year 1995-1996**

1. Main Scheme 31(New) 34302 788.70 534.12
2. Revolving Fund 03(Repeat) 3000 60.00 20.00
3. Loan Promotion 07(New) 200 3.50 1.50
4. SHG Development 10(New) —— 9.46 8.21

**Total** 48(New) 37502 861.66 563.83
## During the Year 1996-1997

<table>
<thead>
<tr>
<th></th>
<th>Scheme</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Main Scheme</td>
<td>48 (New)</td>
<td>51864</td>
<td>1273.90</td>
<td>748.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36 (Repeat)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Revolving Fund</td>
<td>20 (Repeat)</td>
<td>39000</td>
<td>395.00</td>
<td>150.00</td>
</tr>
<tr>
<td>3</td>
<td>Loan Promotion</td>
<td>07 (New)</td>
<td>200</td>
<td>3.50</td>
<td>3.50</td>
</tr>
<tr>
<td>4</td>
<td>SHG Development</td>
<td>15 (New)</td>
<td>—</td>
<td>26.00</td>
<td>14.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11 (Repeat)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Marketing</td>
<td>2 (Repeat)</td>
<td>—</td>
<td>2.15</td>
<td>1.15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>91064</td>
<td>1700.55</td>
<td>916.76</td>
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</table>

## During the Year 1997-1998

<table>
<thead>
<tr>
<th></th>
<th>Scheme</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Main Scheme</td>
<td>35 (New)</td>
<td>27761</td>
<td>897.20</td>
<td>898.51</td>
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<tr>
<td></td>
<td></td>
<td>31 (Repeat)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
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<td>17 (Repeat)</td>
<td>31300</td>
<td>313.00</td>
<td>444.00</td>
</tr>
<tr>
<td>3</td>
<td>Loan Promotion</td>
<td>16 (New)</td>
<td>560</td>
<td>12.00</td>
<td>6.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 (Repeat)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>SHG Development</td>
<td>34 (New)</td>
<td>—</td>
<td>36.10</td>
<td>32.78</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 (Repeat)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Marketing</td>
<td>3 (Repeat)</td>
<td>13.10</td>
<td>14.10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>59621</td>
<td>1271.40</td>
<td>1395.39</td>
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</tr>
</tbody>
</table>
## During the year 1998-1999

<table>
<thead>
<tr>
<th></th>
<th>Scheme</th>
<th>Code</th>
<th>Amount</th>
<th>Gross</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Main Scheme</td>
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<td>36850</td>
<td>1225.20</td>
<td>971.88</td>
</tr>
<tr>
<td></td>
<td></td>
<td>51</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Revolving Fund</td>
<td>9</td>
<td>14100</td>
<td>73.20</td>
<td>100.00</td>
</tr>
<tr>
<td>3.</td>
<td>Loan Promotion</td>
<td>12</td>
<td>1032</td>
<td>23.00</td>
<td>16.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>SHG Development</td>
<td>71</td>
<td></td>
<td>73.42</td>
<td>43.62</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Marketing</td>
<td>3</td>
<td></td>
<td>22.00</td>
<td>17.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>131</td>
<td>51982</td>
<td>1484.62</td>
</tr>
</tbody>
</table>

## During the Year 1999-2000

<table>
<thead>
<tr>
<th></th>
<th>Scheme</th>
<th>Code</th>
<th>Amount</th>
<th>Gross</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Main Scheme</td>
<td>46</td>
<td>21850</td>
<td>765.00</td>
<td>915.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td>49</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Composite Loan</td>
<td></td>
<td>18380</td>
<td>635.00</td>
<td>193.75</td>
</tr>
<tr>
<td>2.</td>
<td>Revolving Fund</td>
<td>12</td>
<td>11403</td>
<td>232.00</td>
<td>167.00</td>
</tr>
<tr>
<td>3.</td>
<td>Loan Promotion</td>
<td>83</td>
<td>6456</td>
<td>167.95</td>
<td>34.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>SHG Development</td>
<td>197</td>
<td></td>
<td>166.80</td>
<td>68.95</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Marketing</td>
<td>-</td>
<td></td>
<td></td>
<td>5.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>326</td>
<td>58089</td>
<td>1966.75</td>
<td>1384.64</td>
</tr>
</tbody>
</table>

69(Repeat)
During the year 2000-2001 (from 01.04.2000 to 31.01.2001)

1. Main Scheme
   Composite Loan 23 (New) 13430 589.50 600.25
   26 (Repeat)

2. Revolving Fund 10 (Repeat) 17720 546.00 305.00

3. Loan Promotion 22 (New) 1812 40.60 69.10

4. SHG 65 (New) - 49.40 92.25
   Development

5. Marketing - - - -

TOTAL 110 (New) 32962 1225.50 1281.50

36 (Repeat)

Cumulative (Since inception to 31.01.2001)

1. Main Scheme 281 (New) 234752 5901.78 4827.83
   225 (Repeat)

Composite Loan 31810 1216.50 820.00

2. Revolving Fund 71 (Repeat) 116523 1687.00 1186.00

3. Loan promotion 147 (New) 10260 250.55 130.10
   17 (Repeat)

4. SHG 392 (New) - 361.18 259.81
   Development

   16 (Repeat)

Marketing 8 (Repeat) - 37.25 37.25

TOTAL 820 (New) 393345 9454.26 7260.99

337 (Repeat)

Source: http://rmk.nic.in/vsrmk/cumfigurrmk.htm
The Statewise state of sanction and disbursement position is shown in the table 5.3.

### Table 5.5

**STATEWISE STATE OF SANCTION / DISBURSED POSITION**

(AS ON 31.08.98)

(Rs in Million)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>State</th>
<th>No. of New NGO's</th>
<th>Estimated No. of Borrowers</th>
<th>Amount Sanctioned</th>
<th>Amount Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>99</td>
<td>95,117</td>
<td>187.563</td>
<td>142,804</td>
</tr>
<tr>
<td>2</td>
<td>Assam</td>
<td>1</td>
<td>25</td>
<td>0.050</td>
<td>0,050</td>
</tr>
<tr>
<td>3</td>
<td>Bihar</td>
<td>7</td>
<td>5,085</td>
<td>6.050</td>
<td>5,050</td>
</tr>
<tr>
<td>4</td>
<td>Gujarat</td>
<td>5</td>
<td>5,770</td>
<td>9.450</td>
<td>6,450</td>
</tr>
<tr>
<td>5</td>
<td>Harayana</td>
<td>2</td>
<td>400</td>
<td>1.086</td>
<td>0,086</td>
</tr>
<tr>
<td>6</td>
<td>Himachal Pradesh</td>
<td>7</td>
<td>1,431</td>
<td>4.750</td>
<td>2,500</td>
</tr>
<tr>
<td>7</td>
<td>Jammu &amp; Kashmir</td>
<td>1</td>
<td>800</td>
<td>2.000</td>
<td>1,000</td>
</tr>
<tr>
<td>8</td>
<td>Karnataka</td>
<td>17</td>
<td>8,475</td>
<td>19.750</td>
<td>9,525</td>
</tr>
<tr>
<td>9</td>
<td>Kerela</td>
<td>17</td>
<td>27,570</td>
<td>49.562</td>
<td>32,112</td>
</tr>
<tr>
<td>10</td>
<td>Madhya Pradesh</td>
<td>10</td>
<td>3,160</td>
<td>5.450</td>
<td>3,100</td>
</tr>
<tr>
<td>11</td>
<td>Maharashtra</td>
<td>3</td>
<td>16,595</td>
<td>36.990</td>
<td>35,077</td>
</tr>
<tr>
<td>12</td>
<td>Manipur</td>
<td>5</td>
<td>4,925</td>
<td>10.250</td>
<td>9,100</td>
</tr>
<tr>
<td>13</td>
<td>New Delhi</td>
<td>1</td>
<td>70</td>
<td>0.20</td>
<td>0,000</td>
</tr>
<tr>
<td>14</td>
<td>Orissa</td>
<td>14</td>
<td>3,145</td>
<td>7.380</td>
<td>3,205</td>
</tr>
<tr>
<td>15</td>
<td>Rajasthan</td>
<td>3</td>
<td>9,305</td>
<td>16.020</td>
<td>15,743</td>
</tr>
<tr>
<td>16</td>
<td>Tamil Nadu</td>
<td>53</td>
<td>54,719</td>
<td>107.208</td>
<td>81,906</td>
</tr>
<tr>
<td>17</td>
<td>Uttar Pradesh</td>
<td>30</td>
<td>9,835</td>
<td>21.735</td>
<td>12,217</td>
</tr>
<tr>
<td>18</td>
<td>West Bengal</td>
<td>33</td>
<td>15,155</td>
<td>27.679</td>
<td>19,010</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>308</td>
<td>28,1582</td>
<td>513,1730</td>
<td>378,9345</td>
</tr>
</tbody>
</table>

Source: Kishan jeet and Basu, 2000, p
PRESENT STATUS OF RMK

1. RMK is presently managing a lending resource amounting to Rupees 37.00 cores (including interest earned on loans and deposits). This has enabled the agency to finance a total of 712 NGOs, who have been able to further support approximately 20,000 Self-Help Groups (SHGs). The total number of beneficiaries covered by RMK’s lending operations stood at 3.60 lakhs on 31st March, 2000. (Vision.html)

2. The total outstanding as on 31st March, 2000 are Rupees 17.36 Crores. RMK has so far primarily supported livelihood enhancing schemes among its IMCO partners and SHGs. A very small portion of RMK’s lending programme is dedicated to supporting consumption needs of its SHG beneficiaries.

3. Linking thrift and savings and micro credit in women’s SHGs with food needs is a major step towards empowering women and investing them with a critical role in supporting the most basic need of the family unit.

4. The growth of RMK’s credit programme has been largely untargeted in terms of geographical spread until now. This has resulted in a highly skewed portfolio, with the two states of Andhra Pradesh and Tamil Nadu accounting for more than 60 per cent of the credit disbursed since inception. RMK has been unable to make a significant dent in the other less developed States, where the bulk of the poor reside.
5. This imbalance is sought to be corrected over the next five years by focussing on the poorest districts in these states for SHG formation, selection of strategic partners and IMCOs and targeting credit at the most vulnerable sections of poor women in these regions. IEC activities and training will also be specially concentrated in these areas.

THE PRESENT CHALLENGES

☆ The present challenges before RMK are, how to extend its outreach to at least 2 million women by the year 2005 AD. This yardstick has been ambitiously worked out which has to be turned into reality. In India, according to an estimate of NABARD roughly 80 million rural persons are in need of credit. Assuming that there are 20 per cent women who head households, where poverty is more concentrated, it is estimated that about 20 million of these are women. If RMK will adopt the yardstick of reaching at least 10 per cent of this, it will be only appropriate.

☆ To expand its own presence in different parts of India and also to use the existing agencies which can come forward to help it is another challenge.

☆ However, the main problems being confronted are on-the-spot guidance and ensuring the involvement of the women folk in the formation of savings and credit and empowerment platforms on a decentralized basis (better known as SHGs), the formation and stabilization of even higher structures, self-managed by the women such as clusters and federations and the drawing-in of the government and bank functionaries in this extremely exciting and promising programme.
CONCLUSION

To sum up, it can be stated that RMK, which had made a cautious beginning in the field of microfinance in 1993, has by now carved an important niche for itself. No doubt microfinance is not an easy programme; it needs intensive work on the part of the intermediaries and hard work on the part of the recipients of micro-credit. The role of NGOs in group formation and the constant guidance and support in maintenance of accounts of self help groups along with the help and guidance they provide in bringing the benefits of other schemes, help to strengthen and sustain the groups over a period. If all the players in the field understand its importance even more, and help each other in building an environment where a poor woman's enterprise is supported, the relevant agencies care to organize her training and to give a helping hand for the marketing of her product, there will be widespread awakening leading to a significant upgradation in the living standards of thousands and thousands of our poor people. The banks would also have greater satisfaction as partner agencies in the process of poverty alleviation.

*****
INTRODUCTION

Small Industries Development Bank of India (SIDBI) was established, as a whole owned subsidiary of the Industrial Development Bank Of India (IDBI) under the small Industries Development Bank of India Act 1989 as the principal finance institution of industries in the small-scale sector. SIDBI started its operations from April 2, 1990 and is engaged in providing assistance to the small-scale industries like state financial corporations (SFC), Commercial Banks and State Industrial Development Corporations. (India, 2001) The four basic objectives set out in the SIDBI Charter, are: (i) Financing, (ii) Promotion, (iii) Development, (iv) Co-ordination. For orderly growth of industry in the small-scale sector, the charter has provided SIDBI considerable flexibility in adopting appropriate operational strategies to meet these objectives. The activities of SIDBI, as they have evolved over the period of time, now meet almost all the requirements of small scale industries which fall into a wide spectrum; modern and technologically superior units at one end and traditional units at the other.

Commencing its operations primarily as a refinance institution, the Bank has transformed itself into a purveyor of wide range of financial products aimed at plugging the gaps in the credit delivery system. Direct financial assistance, special emphasis is given to technology development and
modernization, as also marketing of SSI products, is offered through SIDBI's network of 38 offices. Substantial assistance is being channelized indirectly to the sector by way of refinance mechanism through nearly 900 primary lending institutions, viz. SFCs, SIDCs etc. having over 65,000 outlets throughout India. Besides funding of the small sector, SIDBI has also been providing developmental and support services aimed at improving the inherent strength of the SSI units and employment generation and economic rehabilitation of rural poor. The initiatives of the Bank emphasize on entrepreneurship development, enterprise promotion and strengthening the rural industrialization, human resources development, technology upgradation, environment management etc.

MICRO FINANCING SERVICES TO THE POOR

SIDBI is a specialized development bank and it had introduced innovative schemes: The Micro Credit Schemes (MCS) and Mahila Vikas Nidhi (MVN) for the promotion of microfinance. It mainly provides assistance to NGOs so as to build their capacity of running microfinance programmes efficiently and to enhance their credit absorption capacity.

I. MICRO CREDIT SCHEME (MCS)

The SIDBI Foundation for Micro Credit aims at creating a national network of strong, viable and sustainable Micro Finance Institutions from the informal and formal financial sectors to provide microfinance services to the poor SIDBI's long years of experience in working with NGOs-intermediaries
under Mahila Vikas Nidhi scheme:- its realization of the need for a vibrant pro-poor credit delivery system and its mandate to serve the Small Scale Industries (SSI) sector including micro enterprise sector gave birth to the Micro Credit Scheme (MCS) in February 1994. The main features of the scheme are the following:

1. The scheme envisages provision of soft loan assistance at 9 per cent per annum, to accredit NGOs for on lending to the poor-especially women (SHGs/Individuals)- not exceeding Rupees. 10,000 per borrower for promoting microenterprises. (SIDBI-CEO's Message-Files\index\htm.)

2. The other outstanding feature of the scheme is that SIDBI extends grant assistance for developing the capacity of the NGOs to run credit programme efficiently and enhance credit absorption capacity.

3. Professional agencies are also assisted to conduct training programmes for skill development of fund managers of NGOs.

4. Other features of the scheme include skill development of ultimate borrowers and close monitoring by external professional agencies.

II. MAHILA VIKAS NIDHI (MVN)

A trained and skilled woman can earn her livelihood and effectively contribute to the national income. SIDBI operationalises this concept under its Mahila Vikas Nidhi (MVN) programme by assisting accredited NGOs to create training and marketing infrastructure.
OBJECTIVE

The main objective of Mahila Vikas Nidhi is SIDBI's specially designed Fund for economic development of women especially the rural poor, by providing them avenues for training and employment opportunities.

APPROACH

A judicious mix of loan and grant is extended to accredited NGOs for creation of training and other infrastructural facilities. The basic activity involves setting up of training-cum-Production Centres (TPCs) by the assisted NGOs to ensure that women are provided with training and employment opportunities. In addition, activities like vocational training, strengthening of marketing set up for the products of the beneficiary group, arrangements for supply of improved inputs, production and technology improvement are also covered under the MVN scheme. Assistance is given mainly towards capital expenditure and support of a recurring nature is discouraged.

ELIGIBILITY CRITERIA FOR NGOs

NGO that have been in existence for at least 5 years should be registered with properly constituted bye-laws, memorandum and articles of association, governing body, broad-based management and properly maintained accounts, have good track records and eligible for MVN assistance.

TERMS

Assistance by way of concessional loan and grant is provided. Grant support is mainly towards strengthening the managerial capability of NGOs. Loan is extended on following terms:
• NGOs pay a concessional rate interest (@ 13 per cent per annum at present). (SIDBI-CEO’s Message-Files\index\htm.)

• Repayment period is normally up to 5 years and fixed on case-to-case basis. Initial moratorium of one and half year is considered.

Security-normally secured by way of mortgage/hypothecation of assets created out of loan assistance.

PROMOTIONAL ORIENTATION

Besides financing, SIDBI provides developmental and support services to SSIs under its promotional and Development (P&D) schemes. The focus of such assistance is to ensure:

• Enterprise promotion
• Human Resource Development
• Technology Upgradation
• Environmental and quality management
• Information Dissemination and
• Market Promotion.

The Promotional and Development initiatives of SIDBI have crystallized over the years and are now oriented to serve rural entrepreneurs and youth, particularly women through programmes to empower them and motivate them to undertake entrepreneurial ventures.
**PROGRESS**

The highlights of the progress under MCS, since the inception of the scheme, are in table 5.6 under: (February, 1994-August, 1998)

**Table 5.6**

**HIGHLIGHTS OF MCS ASSISTANCE : FEBRUARY 1994- AUGUST 1998**

<table>
<thead>
<tr>
<th>I. Assistance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Of NGOs assisted</td>
<td>121</td>
</tr>
<tr>
<td>Amount of Loan assistance (Rs. Million)</td>
<td>181.8</td>
</tr>
<tr>
<td>Amount of Grant assistance (Rs. Million)</td>
<td>9.4</td>
</tr>
<tr>
<td>Average assistance per NGO (Rs. Million)</td>
<td>1.58</td>
</tr>
<tr>
<td>Average assistance per end user (in Rupees)</td>
<td>1,700</td>
</tr>
<tr>
<td>No. Of NGOs availing repeat assistance</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II. Coverage</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Of Members</td>
<td>1,12,000</td>
</tr>
<tr>
<td>No. Of States/UTs</td>
<td>23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III. Training Inputs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Of training programmes supported</td>
<td>77</td>
</tr>
<tr>
<td>No. Of participating NGOs</td>
<td>850</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IV. Recovery performance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdue as % outstanding</td>
<td>1.6</td>
</tr>
<tr>
<td>Recovery rate (%)</td>
<td>92</td>
</tr>
</tbody>
</table>

ROLE OF SIDBI IN MICRO FINANCING

➢ In most cases, loans have been given for the existing small enterprise activities.

➢ The assistance under MCS has been utilized for undertaking income generating activities, like production of tussar silk, processing minor forest produce, poultry products, handicrafts, dairy products, fisheries, ready-made garments, jewellery, food processing, leather, bamboo, jute and stone crafting, mushroom cultivation, carpet weaving, micro-concrete roofing tiles, wool spinning, etc.

➢ Programme (UNDP) supported, Trade Related Entrepreneurship Assistance and Development (TREAD) programme for women. Under this programme, GOI is providing financial support for capacity building to financial intermediaries, while the loan component is provided by SIDBI.

➢ In spite of this, SIDBI is endeavouring to play an effective role of wholesale MFI catering to umbrella MFIs, having large outreach and capacity to absorb bulk credit. The specific plan under MCS is outlined below:(Kishanjeet Basu,2000)

➢ Upscaling the programme to significant levels. Coverage of around 1 million poor during next 5 years with aggregate assistance (including repeat assistance) of over Rupees. 400 crores.
> Enhancing the outreach of the scheme by reaching out to smaller NGOs through microfinance institutions and Nodal/Umbrella NGOs in each state which, in turn, will on lend to smaller NGOs.

> Special thrust on strengthening managerial capabilities of intermediaries through management support training in credit delivery and usage.

> Improved coverage under SIDBI-Government of India’s Trade Related Entrepreneurship Assistance and Development (TREAD) programme.

> Rating of micro credit intermediaries.

> Thrust on building of equity of the beneficiaries and encouragement of group initiatives.

**IMPACT**

The following impacts have been observed under MCS as per the evaluation study carried out by SIDBI through PRADAN, Madurai in 1995 and subsequently through EDA Rural System in 1997 (for the Eastern Region only).

- The Micro Credit Scheme has helped and supported in identifying, approaching the deserving poor women, specifically those belonging to the Below Poverty Line group/ weaker sections of society. They have limited access to resources and employment opportunities that would make them financially independent.
Micro Credit Scheme has supported the rural women to get free from the exploitative and expensive loans from moneylenders, which constitute a major change against their current income and depress their living standards. Thus leads to the reducing of indebtedness to local moneylenders.

The Micro Credit Scheme has opened new expanded horizons of economic activities as part-time or full-time vocations in different areas of production, thus leading to increase in income.

The proper and regular income generation has helped in repaying the loan regularly with recovery rate ranging from 95 per cent to 100 per cent.

With the lunching of Mahila Vikas Nidhi Scheme under the Micro Credit Scheme by SIDBI, the NGOs are being interested in expanding the programmes, in spite of the fact, tighten for meeting operational costs and creating provision for risks.

The study stated that the need for smaller loans to meet small and emergency consumption is required.

Through the scheme of Micro Credit Scheme of SIDBI, there is a need for support to NGOs in the area of financial management.
So that NGOs can carry out employment /income generating operations effectively.

The highlights of EDA evaluation are as under:

- The EDA report reveals that there is an increase in turnover and income of the borrowers.
- The finding of EDA report states that it helped in, increase in savings of 96 per cent of the borrowers.
- The Micro Credit Scheme has led in rapid elimination of middle-men/traders from the rural credit scenario.
- Easy access to alternate livelihood opportunities is possible by the means of Mahila Vikas Nidhi under Micro Credit Scheme.
- The increase in income and job opportunities has lead to overall increase in standard of living. Economic empowerment of the women leads to the development of the entire family, particularly the children. With increased income in the hands of mother they get better nutrition care and education.
- Most of SIDBI's Micro Credit (on-lending) institutions have the potential to become self-sustaining institutions.
CONSTRAINTS

Like any other bank, SIDBI has also been experiencing constraints in the area of identification of genuine MFIs, enforcing compliance of loan documentation/security creation, collection of overdues, default management, monitoring end-use of assistance etc., Specific problems, peculiar to SIDBI, include direct assistance to smaller NGOs due to its apex role, financing only industrial activities as per SIDBI Act and constraints in providing adequate assistance for capacity building of NGOs.

CONCLUSION

SIDBI has already initiated action on the rating of NGOs and is in the process of setting a renewed approach, which will be more responsive to the needs of microfinance sector in the country.