ROLE OF MICROFINANCE AND ITS IMPACT ON SOCIO – ECONOMIC DEVELOPMENT IN KARNATAKA

NGO Questionnaire:

1. Name of the District
2. Name of the NGO & Address

3. Number of Villages covered by the NGO
4. Population covered by the NGO
5. Staff in position and their qualifications
6. Infrastructure facilities of NGO
7. Annual turnover of the NGO for the last three years
8. Source of Funding Agencies:

1. Does your NGO financed by Commercial Bank or any other Co-operative Bank?

10. What are the aims and objectives of the NGO?

2. Does your NGOs is implementing any Social Oriented programs for welfare of the Society?
   1. Yes  2. No

11. (1). If yes, please give the details.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Name of the Schemes</th>
<th>Sponsored Agencies</th>
<th>No. of Beneficiaries</th>
<th>Type of Beneficiaries</th>
<th>No. of villages Covered</th>
<th>Total Expend -iture</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
3. Before implementing, whether the NGO is provides any training programs to the beneficiaries / SHGs?

1. Yes 2. No

12.(1) If yes, what are the training programs being conducted by the NGO.

13. How many SHGs are formed by your NGO?

<table>
<thead>
<tr>
<th>Year</th>
<th>Name of the Taluk</th>
<th>Total No. of SHGs</th>
<th>Total No. of Members</th>
<th>Disbursement of Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

14. What type of asset creation and income generation activities is suggested to SHGs by the NGO?

15. Whether your NGO is supporting to marketing for SHGs products?

1. Yes 2. No

16. Do you supporting to SHGs linked with SHGs Federation?

1. Yes 2. No

17. What are the Micro Finance schemes, which are exclusively generated by the NGO?

<table>
<thead>
<tr>
<th>SL No.</th>
<th>Name of the Schemes</th>
<th>No. of Beneficiaries</th>
<th>Type of Beneficiaries</th>
<th>No. of Villages covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

18. Source of lending institutions provides loan for the SHGs?

<table>
<thead>
<tr>
<th>SL No.</th>
<th>Lending Institutions</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2002-03</td>
</tr>
<tr>
<td>1.</td>
<td>Commercial Banks</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>RRBs</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Co-operative Banks</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Others (specify)…</td>
<td></td>
</tr>
</tbody>
</table>


20. What are the measures adopted for selection of SHG’s?

4. Purpose 5. Gender 6. Others (specify)
21. What type of steps you normally take while identifying the SHG’s at the time of sanction of loans by NGO?

22. What is the limit of the loan amount allotted to the members in your NGO till today?
   1. Minimum ________  2. Maximum ________

23. Rate of interest collected from the SHG’s: ____________
24. Rate of interest is paid by you to the lending institution: ____________
25. Do the beneficiaries mortgage their movable or immovable Property while getting loan from the NGO?
   1. Yes  2. No
25. (2). (If the answer is 2), what security you will expect from them?
   1. ________  2. ________
   3. Others (specify) ________

26. If the SHG’s are not in a position to repay the loan due to ill health or any Other reason, does the NGO give time concession for them to repay the Loan?
   1. Yes  2. No

27. On which schemes, you normally provide more assistance (loan)?
   1. ________  2. ________  3. ________

28. Does the NGO supervise the SHG’s at the time of implementing the Schemes?
   1. Yes  2. No

29. Does the NGO visit to supervise the place where schemes are in Progress by the beneficiaries / SHG’s?
   1. Yes  2. No

30. What are the guidelines to support involved?

31. In which activities SHGs are involved?

Problems faced by the NGO:

32. What are the problems faced by the NGO at the time of formation of SHGs?

33. During the sanction of loan from the NGO:
   1. Selection of the beneficiary / SHG’s  2. Security
   3. Low savings of the beneficiary / SHG’s  4. Lack of fund
   5. Others (specify) ____________

34. During the repayment of the loan by the beneficiaries / SHG’s:
   1. Irregular repayment  2. Discontinuation of the membership
   3. Willful defaulter  4. Diversion of fund
   5. Others (specify) ____________
35. During the sanction of the loan by the lending institution:
   1. Delay
   2. Security
   3. Savings
   4. Others (specify)

36. During the repayment of the loan to the lending institution:
   1. Irregular repayment of the loan by the beneficiary / SHG’s
   2. High rate of interest
   3. Others (specify)

37. List of NGO achievements.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Schemes</th>
<th>No. of Villages covered</th>
<th>No. of Beneficiaries / SHGs</th>
<th>Type of loan</th>
<th>Type of Activity for which loan was given</th>
<th>Rate of Interest</th>
<th>Repayment Of Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

38. Have you appointed link workers between beneficiary and SHGs to facilitate your activities?
   1. Yes
   2. No (If yes, how many)

39. What type of work does the link workers normally do?

40. Mode of payments to the beneficiaries / SHG’s (like cash or supply of goods if they are running shop of industry)

41. List of problems encountered while implementing NGO schemes?

42. List of various strategies employed in resolving the problems?

43. Did the Government / Banks play any role in resolving these problems?

44. Community’s response towards the schemes?

45. Do you have any suggestions for NGO to implementing the SHG’s programs?

Interviewer’s Comments:

Date: ____________________________

Interviewer’s Signature

259
Schedule No: Confidential (For Research Purpose Only)

ROLE OF MICRO FINANCE AND ITS IMPACT ON SOCIO – ECONOMIC DEVELOPMENT IN KARNATAKA

**SHGs questionnaire:**

**Part – A**

Name of the District
Name of the NGO
Name of the Village
Name of the Taluk
Name of the SHG & Address

1. Legal Status of your SHG:
   1. Registered
   2. Un-registered

2. What is the total number of members in your group?
   Men: 
   Women: 
   Total: 

3. Has your SHG consisted of:
   1. All castes members
   2. Only particular caste members
   3. (2). (If the answer is 2), please mention the name of the caste:

4. Who inspired you to establish SHG?
   Name them: 

5. What are the norms for the membership in your SHG?

6. What is the average monthly saving per member in the SHG? Rs. 

7. Does the SHG conduct meetings regularly?
   1. Yes
   2. No
   7. (1). If yes, mention the period of meetings:
      1. Weekly
      2. Fortnightly
      3. Monthly
      4. Others (specify).
IX. ACQUIRED ASSETS BEFORE AND AFTER JOINING SHG:

1. What types of assets do you have in your household?

<table>
<thead>
<tr>
<th>Assets</th>
<th>Yes</th>
<th>No</th>
<th>Acquired Before Joining SHG</th>
<th>Acquired After joining SHG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Scooter</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wall Clock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron Box</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas Stove</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jewellery</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. What assets were acquired before and after joining SHG:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Yes</th>
<th>No</th>
<th>Acquired Before Joining SHG</th>
<th>Acquired After Joining SHG</th>
<th>On whose Name</th>
<th>Who is Controlling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milch Animals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sheep / Goat</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Poultry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Animals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

XI. SOCIAL IMAGE:

1. Freedom of Mobility:

<table>
<thead>
<tr>
<th>Have you ever gone to the following places</th>
<th>Yes / No</th>
<th>When did You Go</th>
<th>If yes, alone or With someone else</th>
<th>If you go with Someone else, Who could be the person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market for buying</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market for selling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Govt. Offices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Facility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Small purchases made by the Family:

<table>
<thead>
<tr>
<th>Did you Purchase the Following</th>
<th>Yes / No</th>
<th>When did You Purchase</th>
<th>Where did You get the Money</th>
<th>Did you take your spouse’s Permission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerosene</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooking Oil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hair oil, Soap, Bangles etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ice cream or Sweets for Children</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Large purchases made by the Family:

<table>
<thead>
<tr>
<th>Type of Purchases</th>
<th>Yes / No</th>
<th>If yes, where did You get money</th>
<th>When did you Buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kitchen Utensils</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothes for Children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saris for yourself</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food for the family</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Involvement in major decision:

<table>
<thead>
<tr>
<th>Types of Decision</th>
<th>Yes / No</th>
<th>Decision taken Individually / Jointly</th>
<th>If jointly, With Whom</th>
<th>If yes, Where did you Get money</th>
</tr>
</thead>
<tbody>
<tr>
<td>House repair / Renovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milch animals / goats for Profits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy land and other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of the family</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boys education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Girls education</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

XII. EDUCATION:

1. Up to what age, should a boy go to school?

2. Up to what age, should a girl go to school?

3. In what ways, can going to school helps children?

XIII. HEALTH:

1. How many times in a day, does your family eat meals?

2. Do you eat the following at least once in a week?

   1. Pulses
   2. Vegetables
   3. Fruits
   4. Milk / milk products
   5. Meat / poultry / fish
   6. Eggs
XIV. PERSONAL DOMAIN

1. At what age, do you think the girls should get marry? _______ years.

2. At what age, were you married? _______ years.

3. Do you feel that you have more self-confidence and assertiveness lately?
   1. Yes 2. No

XV. POLITICAL IMPACT AND COMMUNITY PARTICIPATION:

1. As per the law, can women inherit the property
   1. Yes 2. No

2. Giving and taking dowry is it prohibited according to the law?
   1. Yes 2. No

3. Did you participate in:

3. (a) Campaigning for political candidate? 1. Yes 2. No

3. (a). 1. If yes, give example?

3. (b). Development programmes: 1. Yes 2. No

3. (b).1. If yes, give example?

3. (c) Community activities: 1. Yes 2. No

3. (c) 1. If yes, give example?

4. How important is SHG in your village? Does it serve any useful purpose?

5. If women are in political power (panchayat) will this help of women. Give your Opinion.

XVI. PROBLEMS:

1. Did you have any problem to join the SHG? 1. Yes 2. No

1. (1). If yes, what are the problems?

1. lack of saving 2. Income level 3. Caste

4. Family problems 5. Others, (specify)
2. Did you face any problems as member of SHG?  1. Yes  2. No

2. (1). If yes,
   1. Discrimination among members  2. Work load / Tensions
   3. Irregular attendance in the meetings  4. Family problems
   5. Difficulties in borrowings  6. Others (specify) ______

3. Did you face any problems at the time of getting loan?
   1. Yes  2. No

3. (1). If yes,
   4. Lending discrimination  5. Delay in disbursement
   6. Short repayment period  7. Others (specify)__________

4. Did you face any problems during repayment?  1. Yes  2. No

4. (1). If yes,
   1. Loss of investment  2. Inadequate income
   3. Family problems  4. Illness  5. Others (specify) ___

5. Do you have any problems in the society as SHG member?
   1. Yes  2. No

5. (1). If yes, what are the problems? ________________

XVII. SUGGESTIONS:

1. Do you have any suggestions for effective functioning of a SHG?

   1. Effective training  2. Increase the loan amount
   3. Marketing assistance  4. Removal of third person
   5. Reduction of interest rate  6. Others, (specify) _______

Interviewer’s Comments: ________________________________

______________________________

Date: ________________________  Inteviewer’s Signature
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Agency</th>
<th>Districts Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tarlabalu Rural Development Foundation</td>
<td>Chitradurga</td>
</tr>
<tr>
<td>2.</td>
<td>Human Development Society</td>
<td>Tumkur</td>
</tr>
<tr>
<td>3.</td>
<td>National Association for Agri and Rural Development</td>
<td>Bijapur</td>
</tr>
<tr>
<td>4.</td>
<td>Multi Purpose Organization for Training Health Education and Rehabilitation</td>
<td>Tumkur</td>
</tr>
<tr>
<td>5.</td>
<td>Navchaitanya Urban and Rural Development Society</td>
<td>Kolar</td>
</tr>
<tr>
<td>6.</td>
<td>Goldfields Rehabilitation and Integrated Development Organization</td>
<td>Kolar</td>
</tr>
<tr>
<td>7.</td>
<td>Prajna Councilling Centre</td>
<td>D. Kannada</td>
</tr>
<tr>
<td>8.</td>
<td>Shaminiketan Charitable Society</td>
<td>Shimoga</td>
</tr>
<tr>
<td>9.</td>
<td>Kumudwathi Rural Development Society</td>
<td>Tumkur</td>
</tr>
<tr>
<td>10.</td>
<td>Nagrika Seva Trust</td>
<td>D.Kannada, Udupi</td>
</tr>
<tr>
<td>11.</td>
<td>Dr. B. R. Ambedkar Education Society</td>
<td>Mandy</td>
</tr>
<tr>
<td>12.</td>
<td>Samasti Trust</td>
<td>Raichur</td>
</tr>
<tr>
<td>13.</td>
<td>Human Resource Development Society</td>
<td>Bangalore (R)</td>
</tr>
<tr>
<td>14.</td>
<td>Vidyaniikethan</td>
<td>Bangalore (R)</td>
</tr>
<tr>
<td>15.</td>
<td>DHAN Foundation</td>
<td>Mandya</td>
</tr>
<tr>
<td>16.</td>
<td>Maitri Institute of Rural Development</td>
<td>Kolar</td>
</tr>
<tr>
<td>17.</td>
<td>PSI Seva Bhavan</td>
<td>Bidar</td>
</tr>
<tr>
<td>18.</td>
<td>Sahayog</td>
<td>Mandya</td>
</tr>
<tr>
<td>19.</td>
<td>Vikasana Institute for Rural &amp; Urban Development</td>
<td>Hassan</td>
</tr>
<tr>
<td>20.</td>
<td>Harshita</td>
<td>C.R.Nagar</td>
</tr>
<tr>
<td>21.</td>
<td>Indo-Dutch Project Management Society</td>
<td>D. Kannada, Udupi</td>
</tr>
<tr>
<td>22.</td>
<td>Sri. Kahetra Dharmasthala Rural Development Project</td>
<td>Raichur</td>
</tr>
<tr>
<td>23.</td>
<td>Janakalyan</td>
<td>Bidar</td>
</tr>
<tr>
<td>24.</td>
<td>Grama Bharati</td>
<td>Davanagere</td>
</tr>
<tr>
<td>25.</td>
<td>Sree Renukadevi Women and Children Welfare Development Foundation</td>
<td>B’lore (R&amp;U)</td>
</tr>
<tr>
<td>26.</td>
<td>Janodaya</td>
<td>Kolar</td>
</tr>
<tr>
<td>27.</td>
<td>Deendayal Janseva Samithi</td>
<td>Koppal</td>
</tr>
<tr>
<td>28.</td>
<td>Olekar Education and Welfare Society</td>
<td>Kolar</td>
</tr>
<tr>
<td>29.</td>
<td>Grameena Mahila Okkuta (Grama Vikas)</td>
<td>Shimoga</td>
</tr>
<tr>
<td>30.</td>
<td>Parivartana</td>
<td>Chikmagalur</td>
</tr>
<tr>
<td>31.</td>
<td>Chikmagalur Multipurpose Social Service Society</td>
<td>Chikmagalur</td>
</tr>
<tr>
<td>32.</td>
<td>Navodaya Social Service Center</td>
<td>Haveri</td>
</tr>
<tr>
<td>33.</td>
<td>Tropical Research and Development Centre</td>
<td>Gadag</td>
</tr>
<tr>
<td>34.</td>
<td>Paravati</td>
<td></td>
</tr>
</tbody>
</table>

Source: Progress of SHG-Bank Linkage Programme, NABARD, Mumbai.
ANNEXURE—II
FINANCIAL DEVELOPMENT OF SELF-HELP GROUPS AND MEMBERS

The following Chart describes the four phases through which a group must pass before it is financially sound

PHASE 1: SAVING
- Group chooses a common amount to save each month (typically between Rs.20 to 40 per members)
- Group opens a savings account at nearby bank
- Indicators of success
- All group members contribute to savings regularly based on what group has agreed.

BENEFITS
- Discipline of thrift, creation of assets.
- Learn to open bank account.

PHASE 2: INTERNAL LENDING
- Savings from phase 1 continue.
- Group lends savings to members (charge interest).
- Basic bookkeeping begins.
- Books and records kept properly (not by animator but independent person).
- More than 90% of savings are lent out.
- On time loan repayment is more than 95%.

BENEFITS
- Groups learn to lend and borrow with small amounts of cash at stake, prepare for larger amounts from bank.
- Groups increase fund through charging interest.
- Dependence on moneylender reduced.

PHASE 3: BANK LINKAGE
- Savings and lending continues within group.
- Group approaches bank for credit, up to four times the amount saved.
- All previous indicators plus group is borrowing from bank
- On-time loan repayment is more than 98%.
BENEFITS

- Group develops relationship to mainstream financial institution for permanent credit access.
- Group can borrow up to 4 times savings.

PHASE 4: SUSTAINABILITY

- Group manager's savings, internal lending and bank credit and bookkeeping without subsidized support.
- All previous indicators plus....
- No subsidized services to group.

BENEFITS

- Group continues indefinitely without subsidy.
- Women gain confidence, begin to take leadership roles in community

SOCIAL DEVELOPMENT OF GROUPS AND OF VILLAGE LEVEL CLUSTERS

PHASE 1: GROUP FORMATION

- Group addresses governance issues creation of by-laws and election of leaders, ground rules for membership.
- Group addresses logistical issues: Group meeting times, locations, etc.
- Group understands bylaws are theirs, not NGOs.
- Understands they can change as group develops.
- Some one reads aloud bylaws at each meeting.

BENEFITS

- Group learns the basic of governance, decision-making, and leadership.
- Skills are prerequisites to managing a sound disaster preparedness program.

PHASE 2: GROUP MANAGEMENT

- Group solves issues within the group.
- Begins to tackle social issues.
- Issues resolved as they arise.
- Leaders take responsibility for meetings (not animator)

BENEFITS

- Group learns to analyze and solve problems, skills that will serve them outside of the group.
Skills can be mobilizing community for disaster preparedness.

PHASE 3: SOCIAL CLUSTERING

- Groups link with 20-35 other groups.
- Elect a small committee to do the work of the cluster.
- Develop by-laws.
- Committee members represent the diversity of religions, tribes, castes and other ethnic category in local area.
- Committee understands its role in representing the groups and mobilizing resources.

BENEFITS

- 300-450 women become a powerful social force to combat social problems, plan village infrastructure, prepare for hazard, and mobilize resources.
- Can do some of the work of the NGO such as form new groups, ensure quality-banking services.

PHASE 4: SUSTAINABILITY

- Social cluster manages social matters without support of NGO.
- Group meets regularly, manages all problems without outside assistance.
- Volunteers to from new groups
- Engages in disaster preparedness measures.

BENEFITS

Group continues as a powerful social entity.

NGO can shift resources to new groups and new clusters.

Groups mitigate natural disasters.
ANNEXURE -III

EXAMPLES OF SHG INITIATIVES

- Sustainable Farming and Forestry
  (Sharing of improved techniques)

- Income Generation
  (Encouragement and advice an individual activities of members)

- Watershed management
  (Water user groups)

- Education
  (School for children adult education)

- Social evil eradication
  (Alcohol abuse spouse abuse dowry)

- Health/HIV/AIDS
  (Education, herbal medicine, stigma)

- Emergency prevention
  (For recurring natural calamities)

- Micro finance
  (Savings, credit and other financial services)

- Peace
  (Interfaith, interethnic inter caste tolerance and conflict reduction)

- Civil Society
  (women member run for elected office)
MILESTONES IN SHG-BANK LINKAGE PROGRAMME

1992: Launching of pilot project of linking 500 SHGs with the Banking system.

1993: Introduction of bulk lending scheme to NGOs by NABARD. Studies on Transaction Cost conducted by external experts.

1994: Extension of policy Support by RBI-beyond the Pilot phase. Unleashing the concepts of banking with poor. Extension of support for capacity building of NGOs by NABARD.

1995: Setting up Credit and Financial Services Fund (CFSF) within NABARD-to support expansion of the programme. Setting up a Working group on NGOs & SHGs to Assess ground realities and identify operational issues in implementation of the programme. Extension of Revolving Fund Assistance to Federations of SHGs by NABARD.

1996: Mainstreaming SHG-Bank Linkage by banks-RBI and NABARD Notifications. Tackling operational issues
- Documentation
- Defaulters
- Size of group
- Service Area etc

1997: Organizing National level training consultation meet- thrust on trainers training.
First experiment of RRB as Self-Help promoting Institution Up scaling training and awareness programmes by NABARD and the banking system. Emphasis on interventions winning in Co-operative banks.
   Extension RRB as SHPI to other 10 RRBs.
   Documentation of rating/grading practices for SHGs appraisal.

1999: Recognition of potential of SHGs by GOI.
   Setting up task force on supportive regulatory & policy framework.
   Extension of RRB-SHPI experiments to 2 more RRBs.
   Crystallization of NABARD’s vision and Mission.
   Building partnerships with Governments.
   Deregulation of interest rates in SHGs lending
   Emphasis on studies documentation and dissemination.
   Provision of promotional grants to NGOs for SHG promotion-
   development NGO appraisal tools.

2000: Thrust on widening the range of SHPIs. SHGs credit linked crosses 1,00,000. RBI advises banks to finance Micro credit organizations.
   Emphasis on flooding market with quality SHGs by NABARD,
   Thrust on expansion of the programme in Union Budget
   Recognition of potential of Farmers Clubs as SHPIs.
   Roping in Rural Volunteers as potential SHPIs.
   II National Consultation meets on training to redesign training-
   Modules, contents and methodologies.
   Collaboration with Indira Gandhi National Open University – for
   commencing a distance education programme on women’s
   empowerment and SHGs.
   Evaluation studies on impact on SHGs.
   Setting up a separate fund for scaling up the programme Micro
   Finance Development Fund.

2001: Crossing 2,00,000 mark of credit linked SHGs.
   Thrust on backward states & districts.
   Extension of RRB- SHPI module to all RRBs.
   Diversifying capacity building approaches-Videos, tools visits.
   Accelerating promotional grant support to NGOs.
Conceptualizing the use of technologies in micro finance.
Initiating efforts all developing a comprehensive Management Information System for SHG- Bank Linkage Programme.
Exposure visits to other MF initiatives for clients and banks.
Launched studies to assess saving pattern for the poor.

2002: Intensifying training intervention through exposure visits.
Focus on backward states Encouraging and facilitating
Internalization of rating and self rating.Closer look at saving
products for the poor designing pilot project for Savings
development through an RRB.

2003: The Micro Finance Development Fund (MFDF) with start up
collection of 400 million each from NABARD and RBI Rs 200
million from CBS identified by RBI became operated on March
2003 in order to balance the uneven growth of MF programme 13
states have been identified as priority states where the SHG-Bank
linkage has been progressing slowly and the incidence of poverty
is high special effect launched over a period have resulted in positive
trends in 13 backward states such as increasing the number of SHGs
financed from 1,41,804 as an 31 march 2002 to 397464 as an 31 march 2004.

2004: A pilot project envisaging the credit linked with rural post
officers in Tamil Nadu was launched in response to the union
Finance Ministers announcement in his Budget speech for the
year 2003-04. NABARD launched a pilot project for the
establishment of 3-Grain banks by SHGs in Kalahandi district in
KBK region of Orissa State.

2005: Has declared as international year of micro credit.
Pilot project on Grama has been launched in association with
NGOs. The project envisages the establishment of 13-village
Information centers (E-Grama) on Davanagere District of
Karnataka. Government of India has decided to redecorate the
existing MFDF as micro finance development and equity Fund (MFDEF). It has also been decided to enhance the fund size to Rs 2000 million. 2006: NABARD collaboration with external agencies like Swiss agency Development Corporation (SDC) and GTZ (Deutsche Gesellsc half for technische zusam menerbit (Graman Agency for TechnicalCollaboration). for supporting & strengthening the programme continued during the year. On a new project “Rural Finance” Programme was signed on 31 January 2006. The project is up to December 2007.
APPENDIX -IV

RECOMMENDATIONS OF TASK FORCE ON SUPPORTIVE POLICE AND REGULATORY FRAMEWORK FOR MICRO FINANCE:

The major recommendations of the Task Force can be divided into four broad heads:
1. Mainstreaming of MFIs and other MF structures, 2. Regulation and supervision if MFIs, 3. Organizational aspects relating to MFIs and 4. Capacity building of MFIs, Banks and SHGs etc.

SHG-Bank Linkage Programme- scaling up:

SHG-bank linkage programme is gaining increasing acceptance among NGOs and bankers. Continuation of the linkage programme to cover at least one third of the rural poor population by the year 2008 through one million SHGs, as envisioned by NABARD, is a logical extension to the budget announcements of the Government of India [GOI] for linkage of 200,000 SHGs by the year 2002-03. Other institutions like Rashtriya Mahila Kosh (RMK) also expect the NGOs assisted by it to direct their SHGs to take to linkage banking after the experimental phases. SHG-bank linkage will, thus be a major way of banking with the poor in the coming years. At least 25,000 bank branches, 4,000 NGOs and 2,000 federations of SHGs involving over 100,000 personnel of these institutions would have to be associated for scaling up and bank linkage of one million SHGs. Many of these NGOs will transform themselves into MFIs and will not only facilitate micro financing but will also they do the necessary financial intermediation. Similarly many federations of SHGs will take on financial intermediation and act as MFIs.

As the intermediation of SHGs as a sub system of the cooperatives could be useful both for the revival of the cooperatives and increased support to the poor. State governments may take steps for framing or amending the cooperative societies Acts and Rules to provide for the enrolment and financial of SHGs by PACS and DCCBs.

Operational Issues: The number of operational problems are still faced by NGOs and SHG members due to incorrect interpretation of instructions as also ambiguity in certain instructions. Impounding of deposits and insistence on collateral for loans, insistence on income tax Pan or alternative declarations with specified proofs like Ration card and
minimum balances even for opening of Saving Bank account are some of the multifarious operational problems faced by NGOs and SHGs. RBI and NABARD may therefore issue necessary instructions indicating the correct position and approach in respect of such contentious issues. RBI also needs to issue clear guidelines with regard to waiving of IT-PAN and minimum balance to be maintained by SHGs to emphasise the distinct nature of such SB accounts. As regards urban SHGs, RBI may issue suitable instructions to banks to facilitate opening of SB accounts and extending credit on the lines of SHGs in rural areas.

Rating Norms for SHGs: As socio-economic conditions vary significantly in different areas, all the participating agencies, viz., Bank, NGOs and MFIs may collaborate together to develop localized SHG rating norms to facilitate financing of SHGs and rectifying their weak areas.

SHGs in Government Sponsored Programmes: TaskForce emphasizes the need to ensure that the basic tenets of SHGs are not lost sight of in pursuit of targets. For example, the absence of linking revolving fund assistance and loans to savings and not leaving the choice of activities to the discretion of the group are areas of serious concern in the swamjayanti Gram Swarajgar Yojana (SGSY). Ministry of Rural Development, GOI, may therefore, review the SGSY guidelines in consultation with RBI, NABARD, banks and NGOs to avoid any dilution in the essential features of SHGs, and may issue necessary supplementary instructions.

MFI- Bank Linkage: As more and more MFIs enter the scenario, their need for loan able funds will increase, and it will become difficult for Development Financial Institutions (DFIs) and donors to continue to meet their loan able fund needs. Linkage of MFIs with the banking system has many advantages like high recovery performance, reduction in the transaction costs both banks margins for both and opportunity to the banks for would need barest minimum regulation. An MFIs track record, nature of social and non financial services provided, nature of MF interventions, period of service in the area, its general reputation and acceptability financial and manpower resources membership of an association of MFIs and the associations recommendation may be the determinants for registration. Once the process of registration of MFIs has started, financial institutions banks and all donor agencies will duly registered. The cut off level of business for the NGO-MFI may, for the present is fixed at mobilized savings of Rs .25 lakh.
Regulation for MFIs not Mobilizing Savings: The MFIs purveying credit but not mobilizing savings may be required to furnish only periodic statements of their financial operations after initial registration. MFIs availing loans from banks, DFIs, etc., will have to comply with certain prudential accounting norms relating to asset classification, income recognition and provisioning, in the ordinary course regulation of such MFIs will be through the reports of statutory auditors.

Regulation for MFIs Mobilizing Savings: MFIs with mobilized savings not exceeding Rs.2 lakh may be excluded from any regulation other than registration and submission of periodic statements to the competent authority. For those MFIs mobilizing savings above Rs. 2 lakh and below the cut-off level of Rs .25 lakh, reserve requirements of 10% of savings in the form of bank deposits as at the end of the second preceding quarter are recommended. In respect of the MFIs having savings above the cut off level besides reserve requirements of 15% and registration with RBI, compliance with prudential accounting norms regarding income recognition, asset classification and provisioning may be prescribed. The savings mobilization by the MFIs should be withdraw able as per the discretion of the savers and may not be kept with the MFIs for a period exceeding 5 years. In case any MFI mobilizes savings in excess of the cut off level, it may also have to go for rating by any accredited agency.

Prudential Accounting Norms: RBI may specify, in consultation with NABARD and other agencies, the prudential accounting norms on income recognition. Asset classification and provisioning in respect of MFIs availing bank loan and those mobilizing savings above the cut-off level of Rs.lakh.

Role of Auditors: RBI and GOI may issue suitable instructions in this regard to the Registrars of Societies and Association of Chartered Accountants of India. RBI may initiate action for preparation of a panel of auditors for NGO-MFIs on the lines of bank auditors. RBI may have to take a separate view regarding registration and regulation in respect of NGO-MFI providing financial services to non-poor also. Further, non-NGO-MFIs may continue to be regulated as hitherto. However regulations for MF-NBFCs, registered under sec.25 pf the Companies Act. May be on the lines of NGO-MFIs.

Competent Authority for Regulation and Supervision: Till SROs emerge, develop and are recognized by the RBI, Regional Offices of RBI or agencies designated by RBI will have to take up regulation and supervision of MFIs at the Regional level while at the national level
overall regulation and supervision well rest with RBI. As part of the overall financial sector, the cost for regulation and supervision of MFIs will have to be borne by the RBI.

Legal Provisions — Amendment to RBI Act: The Task Force recognizes the need for a separate Act covering the MF sector in the country. Considering the nascent stage of this sector and the need for the policy makers and practitioners to gain further experience, the workable alternative would be to make a beginning initially through certain amendments to various relevant Acts. Since the RBI Act is presently silent about the financial activities of NGO-MFIs, the Task Force strongly recommends enabling provisions in the RBI Act, 1934 covering definition of MF and MFIs their functions registration regulation recognition of self regulatory Organizations (SROs) and supervision of Infrastructure and hardware, start-up

The Task force recommends setting up of a micro Finance Development Fund (MFDF) in NABARD for extending such assistance to MFIs, SROs, Banks, SHGs and others. RBI and NABARD could set up such a fund with a start up contribution of Rs.100 crore forms the GOI and annual contributions from profits. With a view to bring economy of scale and synergy in action, a part of the allocations from government sponsored poverty alleviation programmes may be added to it.

National Policy for Micro Finance: The National Policy on MF should emphasize on encouraging initiatives and participation of different types of institutions in MF, brining the micro finance activities irrespective of the type of institutions involved within the regulation and supervision by competent authorities. Creating policy environment for closer linkages of the MF sector with the formal banking channels, and making available equity start up capital and capacity-building funds for the existing and prospective institutions engaged in MF.