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Opening Notes

The locus of Microfinance is poverty reduction, which should have primacy over other objectives. The Microfinance practitioners need to focus on this goal with undivided attention while delivering financial services or enabling it. The INAFI seeks to enhance the dialogue among the member practitioners to bring the issue of poverty to the centre stage of microfinance intervention. The contribution from Network members to this Newsletter on this vital issue would enrich this dialogue and serve the great cause. Mr.Vasimalai reinforces this focus.

Continuing with the profiles of the network members, we feature three network members viz., People's Rural Education Movement (PREM) Grameen Development Services (GDS), Manavodaya in this issue. Dr.Deepali Pant Joshi, a Central Banker shares her thoughts on the SHGs and economic empowerment of poor women. Presenting the perspective of INAFI network, Mr.Atiquin Nabi talks of relevance of self-regulation for microfinance sector and outlines the framework. Mr.Narender of DHAN Foundation files a report on FOURTH Frankfurt seminar.

A new feature book review takes a laconic look at the PRRMs (Philippines Rural Reconstruction Movement) work on the CAPACITY, PARTICIPATION and IMPACT.

May the New Year 2002 bring peace and prosperity to all stakeholders in the development sector.

**- M. Kalyanasundaram, Chief Executive, INAFI-INDIA
International Network of Alternative Financial Institutions - India**

Revisiting the of microfinance

Poverty Reduction

M.P. Vasimalai
Executive Director
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Madurai, India

Microfinance is a powerful vehicle to fight poverty. Building savings as their equity and to legitimise access to credit can increase the poor's access to means of survival, can help build their assets and their capacity to move themselves out of poverty. Microfinance has provided 'space and form' to transact development financial services at grassroots directly.

INAFI build on these developments. As a network of microfinance practitioners from all over the world, INAFI sees microfinance as an important element in the broad process of sustainable development and as an important component in the fight against poverty. The New World wide attention and emphasis now being given to microfinance by donors, multilateral agencies, the academic and the business sector have long been deserved.

But there is also cause for concern on the shift in focus of the microfinance debate. Quality of microfinance programmes and institutions are beginning to be measured mainly by quantitative financial data. Most efforts at development of microfinance standards are biased towards commercial market principles, the same principles which have so often excluded the poor from accessing formal and affordable credit. The critical link of credit with the non-financial components of an integrated anti poverty strategy is being lost in the narrow debate on operational and financial self-sufficiency of microfinance institutions. Further, it shift it's focus to not-so-poor people to attain financial viability. But it enjoys the subsidy of promotional grants which is primarily for the institutions working with the poor. Otherwise they could operate as any financial institutions without subsidy.

Microfinance is a means to reduce poverty. As such, the crafting of microfinance strategies depends largely on the conditions of the poor households being served, the various social, economic and political factors in the development milieu that informs the over-all development intervention, and the specific role assigned to development finance in this broader scheme. It is necessary to re-establish the focus on the context of development finance and its function within an integrated and multi-dimensional approach to reduce poverty.

Viewing microfinance through this prism also help us avoid mistake of designing and enhancing our development finance programmes purely on the basis of operational and financial sustainability. Microfinance for the poor programmes can and will be viable if they are successful in helping their clients become viable. This cannot be measured by mere financial ratios. The clients, the diversity of their needs and cultural systems, their varying levels of capacity that need to be built and strengthened are important aspects to viability and in helping the poor move out of poverty.

We need to revisit the focus of micro finance programme that is poverty reduction.



Profile of three network members

Peoples Rural Education Movement (PREM)

Introduction

Peoples Rural Education Movement (PREM) has its origin dating back to 1980 when in Mohana Block of Ganjam District, it initiated the activity of spreading education and its value in the rural and economically, backward areas. In 1984 it was registered under the Societies Regulation Act at Berhampur, Orissa. PREM is implementing multifarious developments programme extending to 5000 villages and benefiting about 8.40 lakh people through out the states of Orissa and Andhra Pradesh.



Vision

The goal of People's Rural Education Movement (PREM) is the creation of a new social order in which the present unorganized and marginalised people have a say in decision making, in which education creates awareness and develops skills and fosters the growth of talents, in which culture is ever creative, in which women and men are totally liberated from all dehumanizing and oppressive forces, and the decisions of individuals and communities are based on the values of social justice, equity, truth, freedom and the dignity of human life.

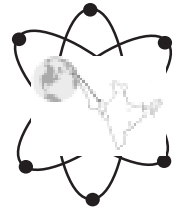
Objectives

Keeping women and children as the focal groups PREM catalyses developmental programmes among the weaker sections of the society to:

- ♦ Develop people's organization at various levels for collective mobilization of people to interact with various forces for mitigation of social evils. The efforts start from community based organisations, extend to Panchayat and block level organisations and culminate as federations of people's organisations at the state level.
- ♦ Strengthen individual and community assets to help people meet their needs.

Peoples Rural Education Movement (PREM)

Profile of three network members



- ◆ Develop long term, sustainable approaches for livelihood and community life.
- ◆ Develop alternative ways to address the issues of illiteracy and ill health of the communities, especially of the women and children.
- ◆ Ensure child's right to primary education, childhood and physical well being.
- ◆ Participate in the process of advocacy to achieve the above mentioned objectives.

Micro Finance Programme

PREM has promoted Utkal Mahila Sanchaya Bikas 'O' Samaja Mangal Sangthans's (UMSB 'O' SMS) the federation of women SHGs which is registered as society in 1992. The society is managed and governed by women. The main objective is to establish an alternative and sustainable credit system for serving the poor. It also seeks to empower women in the decision making in developmental, political, social economical and cultural activities of their communities and the larger society.

Reach

- ◆ UMSB operates in 44 blocks of Orissa and 6 blocks of Andhra Pradesh.
- ◆ It has formed 1950 self help groups of women with a membership 32,000.
- ◆ The total savings mobilized is Rs.6.4 million. The credit turnover of this groups is of the order of Rs.8.8 million.

Linkage with mainstream finance institutions

Leveraging their savings, the groups promoted by (UMSB) have started linking with regional rural bank and mobilized finance the tune of 10,00,000 through direct linkage with branches of RRB. The quantum of loan leveraged per group is four times that of savings.



Profile of three network members

Grameen Development Services (GDS)

Introduction

Grameen Development Services, a registered society under the Societies Act, was founded in 1993, at Lucknow (Uttar Pradesh), by a group of development professionals, academicians and NGO leaders. Grameen Development Services (GDS) is a professional agency working for the welfare and development of the poor and disadvantaged sections of Indian society.

The primary focus of GDS is on direct project implementation, through working with poor communities in both rural and urban areas, it plays other support roles also. Such support roles include policy research and dialogue with government, training and capacity building of a variety of collaborating institutions, promoting social entrepreneurship, and fostering new, local development initiatives.

Mission

“To create alternative and sustainable systems of livelihood for the poor and disadvantaged that would lead to their economic and social empowerment, in the context of an unequal but changing global and local environment. Particular emphasis would be given to poorer regions within India and issues of women’s empowerment through economic means”.

Programmes

GDS runs a slew of programmes to achieve the mission set out above.

The Women's Self Help Group Programme : Mobilisation of women's self help groups and federations amongst women drawn from the poorest rural households in the poor region of East Uttar Pradesh.

The Micro Credit Programme with Poor Households :

Implementing an effective and viable micro credit programme with poor

households in and around Lucknow city and Eastern Uttar Pradesh.

Rural Entrepreneurship Development Programme:

Design and implementation of a one year entrepreneurship programme for selected rural persons to enable them to start their own businesses that employ women from poor households.

Income Generation Programme for Rural Women:

As both a means for empowering women and providing new sources of income for poor households, a variety of income generating collective enterprises with women have been initiated and spun off.

Sustainable Agricultural Programme with Small and Marginal Farmers:

As a majority of India's poor still derive their livelihood from agriculture,



an integrated project for sustainable agriculture has been initiated in East Uttar Pradesh.

The TRIAD Project for Sub-sector-cluster Development: With a focus for developing sector based micro enterprises through non financial services, a cluster based project has been initiated in three clusters, covering three sectors. These are jute products around the city of Calcutta; powerlooms in Nalgonda district of Andhra Pradesh; and Ikat handlooms in Bargarh district of Orissa.

The Fellowship Programme for Rural Livelihood Project Initiatives: This programme titled the Margdarshika Fellowship is directed towards drawing in human resources as social entrepreneurs into the field of enterprise and income generation initiatives within social development.

Support Services Programme to Small NGOs:

This programme has been recently initiated to build the capacities of small grassroots NGOs interested in initiating livelihood programmes for poor communities.

Micro Finance Programme

GDS is engaged in the micro finance programme through women self help groups in the region of Basti-Khalilabad in Eastern Uttar Pradesh and a micro credit programme for the poor in and around the city of Lucknow. The Lucknow project is distinct in that the mutual credit groups of seven are formed, who counter guarantee each other loans. The micro-credit programme is run independently as a division with GDS, by the name of Grameen Kosh.

Status of Micro Credit Programme in Lucknow

S.No.	Particulars	As on September 2001
1	Total Mahasanghas	21
2	Total Sanghas	93
3	Total SCGs (Savings and Credit Groups - 7 members per group)	615
4	Total Members - Reach	3691
5	Community Savings (Cumulative)As on 30th September 2001	Rs 11,63,967
6	Total Credit From Grameen Kosh (Position as on 30.9.2001)	Disbursement - Rs 48,52,900 (741 Members)
7	Credit from Sangha Funds (Position as on 30.9.2001)	Outstanding - Rs 4,35,908 (180 members)
8	Blocks	Sarojine Nagar - 6 MSMs, 37 Sanghas, 2128 Members

Status of SHG Programme in Khalilabad

S.No.	Particulars	As on September 2001
1	No. of self help groups (15 -20 members per groups)	382
2	No. of members - Reach	3963
3	Total Progressive saving	2292181.25 (Recent not included)
4	Amount in credit rotation	Rs.1823238
5	Farmers group (Membership)	13(Membership 120)
6	Number of villages covered	170
7	Number of blocks	7
8	Number of districts	3

INAFI INDIA ideals

1. Shared vision of reducing poverty, empowering the poor women
2. Networking for change - graduating and strengthening the members
3. Self regulation as a value
4. Self regulation for “**Growth with Order**”
5. Building assets for poor for social empowerment
6. Building assets for poor for economic empowerment

Manavodaya

Profile of three network members



Introduction

Manavodaya, registered organisation under Societies Act 1860 has been established in the year 1985 at Lucknow, U.P. The working philosophy of Manavodaya is based on the development perspective of Swami Nardananda who underlined the need for individual awakening as a necessary step in social transformation.

Mission

Manavodaya's mission is to strengthen the capacities of people and building partnership with institutions for facilitating mobilisation of the rural poor through self-help activities.

Programmes

I. Empowerment and Institutional Development among the poor

The broad development goal of the programme is to work towards increased ability of disadvantaged people to

undertake their own development. An accompanying goal is to evolve systems of local organisation and management so that the process is sustainable and the learnings can be extended to other areas by development institutions through training and field demonstration.

The programme is being carried out in Sitapur, an economically backward district near Lucknow in Uttar Pradesh. The work is spread in about 100 villages in three administrative blocks, Sidhauri, Kasmanda and Gondlamau.

Programme reach

Manavodaya has promoted about 300 self help groups in Sitapur district covering around 3000 families.

While the total savings is of the order of Rs.1.7 million, the loans mobilised by the self help groups amount to Rs.4.2 million with the present loan outstanding being Rs.1.6 million.

Manavodaya has been vigorously pursuing the NABARD model of SHG - Bank linkage and close to 100 groups have been linked with mainstream financial institutions.

II. Human Resource Development - A Resource Centre

Recognised and supported by NABARD and UNICEF as a resource centre for training and guidance to NGOs, bank managers and government officials in the concept of promotion and management of Self Help Groups among the poor. Associated with the major World Bank projects in Uttar Pradesh as a resource institution for training of senior project officials. Trained more than 1500 development workers from NGOs, banks and government agencies during the past five years. Recognised for ability to bring about change in attitudes of participants.

Self Help Groups - Empowering Poor Women

Deepali Pant Joshi

General Manager,
Rural Planning and Credit Department,
Reserve Bank of India, Mumbai, India



SHG approach is a process oriented project, which lays great emphasis on the qualitative and socio-economic aspects of development of women rather than setting mere statistical targets. NGOs and commercial banks come together to work to achieve common objectives related to socio-economic development of women leading to their empowerment. SHG approach is a participatory, people centered and process oriented approach. Facilitating empowerment of poor is a challenging task.

The SHG vision is to reach out and empower poor women through Self reliant and sustainable Self Help Groups. SHG is intended to promote economic development and social empowerment of poor women through a network of Self Help Groups. The "SHG revolution" as it may be termed has been instrumental in increasing participation of women in decision making in households, community and in the local democratic setup, besides helping to prepare women to take up leadership responsibilities.

Economic empowerment is promoted through:

- * Greater access to financial resources outside the household
- * Reduced vulnerability of poor women to crisis situations like famine flood, riots, death/accidents in the family etc.
- * Significant increase in women's own income and the power to retain/save such income and use it at her discretion.
- * Equal access and control over various resources at the household level.

- * Financial self-reliance of women, both in the household and in the external environment.

Capacity building through better awareness, improved functional literacy and numeracy, better communication skills, better leadership skills, self help and mutual help. Such empowerment of the poor and disadvantaged women leads to overall improvement that accrue directly to the individual woman and women's groups; and through a ripple-effect benefits other poor families in the neighbourhood, the community and the village as a whole in the long run.

Under SGSY which is the major poverty alleviation programme of the government there is an emphasis on formation of SHG groups. SGSY will particularly focus on the vulnerable groups among the rural poor. Accordingly, the SC/ST will account for atleast 50% of the Swarozgaris, women 40% and the disabled for 3%.

50% of the groups formed in each block should be exclusively for the women. In the case of disabled persons, the groups formed should ideally be disability specific wherever possible; however, in case sufficient number of people for formation of disability specific groups are not available, a group may comprise of persons with diverse disabilities.

Under SGSY Scheme, the total number of Swarozgaris assisted during the year 2000-01 was 9,39,399 (as on March 2001), of this 3,96,757 was women, constituting 42.24% of the total Swarozgaris assisted.

Mahilar Thittam also is an important landmark under which several Self Help Groups have been formed in Tamil Nadu. District Kanchipuram has made much progress in establishing SHG groups. The SHG groups under Mahilar Thittam have a compulsory savings component.

Building partnerships - The SHG approach believes in establishing long term partnerships in the interest of poor women. The project has four main actors, Government, NGOs banks and the poor women themselves. It recognises that building satisfactory working relationships is a very important step in building the capacities of the poor. Training inputs are provided on team building, communication skills, time management etc.

NGOs are doing bulk of the field work. Community mobilisation through village level meetings and interaction has been their forte. The staff of the SHGs is benefited through interaction with NGOs leading to adoption of participatory practices, besides leading to change in attitudes as NGOs offer Role Models. Banks are also one of the important partners. Participation of women in the process of development has been a step forward in 1999-2000.

Formation of SHGs is a critical process with conscientisation and voluntarism as a necessary basis for formation. Identification of families is done with the help of the below poverty line (BPL) lists prepared by DRDAs in each district. Steps are being taken to cover each and every habitation while forming groups and preference is given for SC/ST coverage.

SHG facilitation - Best practice

Weekly meetings and optional savings are encouraged in order that poor women are able to capture most of their surplus savings. A large percentage of SHGs have switched to weekly meetings (to a lesser extent - weekly

savings) in 1999-2000. Efforts are taken to further strengthen groups through adoption of both weekly meetings and compulsory savings. Groups are trained to maintain accounts and registers in a phased manner. Discipline, shared vision, a common identity and sense of unity have been remarkably created through these groups with the practice of joint taking of the Ma Thi pledge. This has clearly given the SHGs a sense of identity and a common mission. Group meetings are covered by SHGs in their respective villages at convenient locations and at convenient times. Each SHG visits the bank to which it is linked by rotation, deposit savings are introduced so that SHGs become familiar with the various bank practices. After completion of one year, it is necessary for SHGs to have their account audited by an external agency and also carried out in between by field staff.

Training for transformation

The purpose of training under the project is to develop a shared vision. The other purpose is also to bring about transformation in perception through exposure. A strong and cohesive SHG can be formed only by giving systematic training and adopting participatory methods. Impact of training can be easily seen in better communication skills, greater confidence, higher unity and wider mobility of SHG women. However, it is felt that training in the interactive and participatory methodologies need to be strengthened. The use of pictorials and charts is not widespread. As a consequence efforts should be made at the district level to organise trainers' camps where charts and visuals will be prepared and wide use of these thereafter should be ensured.

Under SGSY bankers' orientation was organised in all 21 districts and 2320 bank managers oriented during 1999-2000. This is the first module and is to be repeated in 2000-01 with additional inputs. It is important that more number of branch managers are oriented.

Foremost impact of such orientation has been the ease with which SHGs are able to open accounts. Increased interest shown by bankers in credit linkage to eligible SHGs is also a matter of great significance. Bankers now look at lending to women SHGs as a promising business segment, with 100% repayment rates. Banks have been closely associated with MaThi/SGSY.

Economic empowerment of women starts with savings and internal lending. But this does not take the rate of growth to sustainable levels to raise family incomes above poverty. External credit linkage is, therefore, a necessary event in the accelerated path to financial sustainability of each SHGs and thereby of each household. After successful completion of 6 months of effective performance, credit rating of such SHGs is undertaken to assess credit worthiness of such groups. Group standards set by SHG credit guidelines (satisfying the credit rating parameters) are recommended for linkage under SGSY scheme, NABARD has also evolved some rating mechanisms.

In order to inculcate professional commercial/business skills among SHG members for undertaking economic activities. There is a growing need to orient and build capacity of NGO staff in micro-enterprise facilitation. Business orientation for SHG members is necessary to cultivate entrepreneurship skills. District level and block level workshops should be held with DRDA, NGOs, SHGs to identify business opportunities. There is also a need to facilitate linkages between SHGs and local industry and business networks for marketing and skill upgradation. SHG members are to be motivated to launch income Generating Project activities. SHG members participate in exhibitions and learn how to upgrade their products, business skills etc., besides getting exposed to the variety of competing products and customer requirements. Exhibition stalls should be located in completely commercial areas to attract customers. SHGs from all

districts should be given opportunities to participate in such exhibitions. The quality, packing and branding of the SHG products needs to be improved to attract buyers. Marketing skills of SHGs to be substantially improved by promoting SHG products first locally (among SHGs themselves) and then upgrading to district/state levels. Flexible savings by group members should be allowed so that savings do not become an unnecessary imposition on groups. Groups should declare dividends to members out of accumulated interest on savings on an annual basis. However, this cannot be imposed and will be as per the Byelaws of the group. Also, SHGs may consider and develop need-based "financial products" as the group mature and is trained to fulfil financial functions beyond its regular savings and small loan operations.

Following a period of sound credit activities at the group level, linkages between SHG members and commercial banks are to be institutionalized.

Formation of clusters should be undertaken only when groups have been trained appropriately and groups of a similar maturity be clustered into the same federation.

Financial intermediation by agencies in the non-formal sector has gained increasing importance and recognizing that financial services to the asset less poor and disadvantaged particularly to women hold the key to mainstreaming them with the development of the country, we have laid increasing emphasis on micro credit interventions which have been accepted internationally as an effective tool for poverty alleviation, contribute to individual and household security and change social relations for the better, **RBI has issued exhaustive guidelines to banks in February 2000 for mainstreaming micro credit and enhancing the outreach of micro credit providers. These guidelines afford banks considerable operational freedom for their effective implementation.**

SELF- REGULATION

INAFI Network Perspective

Atiqun Nabi, Chief Executive, INAFI International / Asia Secretariat, Bangladesh

1. Introduction

Micro Finance is a cost-effective tool to fight against many dimensions of the poverty challenge. Micro Finance Institutions (MFI's) have proved that it is possible to develop sustainable institutional arrangements to serve a large number of poor clients despite difficult market conditions. MFI's are no longer a 'recent phenomenon' — it has become firmly established in many developing countries. Micro Finance in the world, particularly in Asia and Africa has been passing through a transition of transformation towards establishing a sustainable institution for alleviating poverty and recognizing itself as a specialized sector for providing financial services to the poor. A total of 15 million people are served through Micro Finance institutions around the

world and out of this 12 million is in Asia, 1.5 million in Latin America and .5 million in Eastern Europe. Still there is huge market for micro-finance. It is estimated that there is a potential market for 100 million Micro Finance clients in the world.

The successful implementation of group based credit delivery model encouraged many other NGOs to introduce similar programs. The first ever micro-credit summit held in Washington D.C in February 1997 accelerated the growth of microcredit throughout the world. Many NGOs and other institutions that did not have sufficient previous experiences in managing Micro Finance have come forward. At the same time NGOs who were involved in small-scale microcredit program have scaled up their programs both in

terms of increasing number of clients and portfolio size. There is now the recognition that such widening and deepening of Micro Financial services have both a social and commercial implications.

2. Strategic Challenges

The struggle for increased portfolio and outreach while maintaining a poverty focus is a challenging one. More specifically, the challenge can be broken down into three:

- * How to reach more poor people through the micro-finance particularly, the hard core poor
- * How to deliver micro-finance services in a sustainable way while serving the poor
- * How to balance the social objectives with the financial

objectives of micro-finance

An important common element in addressing these issues is one of resources and its source. Given that traditional support provided by donors to the MFI's in the form of grants or concession loans are limited, MFIs increasingly find the need to access other sources to support their growth and move towards a more diversified resource base. The key policy consideration for Micro Finance institutions interested in widening and deepening their financial services is to explore ways to mobilize non-subsidized sources of funding. The three main sources of private financing that most of the experts of Micro Finance recommended for MFI's are deposit mobilization, bank loan and equity finance. These efforts

to access market-driven sources of capital are welcome and a step in the right direction. However, such moves also carry their own risk in terms of protection of savers and the risk factors involved in borrowing money from commercial market.

3. Options

To address this issue, many steps are being considered by the donors, government and practitioner's organizations. A common theme of an appropriate regulatory framework is emerging—that on the one hand allows some common understanding to facilitate the entry of new stakeholders and on the other hand does not stifle the innovativeness of the MFIs. Some options that are considered include self-regulation, prudential regulation and supervision by an authority constituted by the Central Bank or Government and Micro Finance institution rating (Credit Rating). One can argue that to overcome the risks and constraints inherent in accessing

private capital and maintaining good portfolio, MFIs should be monitored and regulated, as done in case of formal financial institutions. Some academics and professional bankers argue for the need of a legal and regulatory framework for MFIs. They also think that MFIs can derive some benefits from a formal supervisory process. However, all of them also recognize the limitations in the ability of public regulatory authorities to provide adequate oversight over MFIs and in creating an enabling environment for them—an environment in which they can continue to innovate. The cost and practical problems faced by the bank supervisors in regulating and supervising MFIs are emphasized in the work by Christen and Rosenberg (2000). Sharif (2001) also argues that premature regulation is more likely to stifle innovation in this sector than improve its efficiency or minimize risks. It is suggested that a much more appropriate strategy would be to create a mechanism that will

regularly disclose MFIs risks and assess their performance against some basic performance standard. Appropriate performance standards can then evolve through such a system in which MFIs assess themselves against some threshold level of performance that will be needed to get access to bank loans and mobilize savings deposits.

4. Concerns

Sustainability of Organization and Borrowers

Sustainability in a broad spectrum can be defined as the ability of an organization to deliver an appropriate level of benefits for an extended period of time even after major assistance from donor is terminated. From the borrowers point of view it refers to the attainment of self reliance and income generation activity of the target community even after credit facility is withdrawn or in other words the obsolescence of credit program as of felt by the borrowers.

The relevant issues that need to be addressed by any organization to achieve institution and borrower sustainability are

- * Managerial Capacity as of good governance and
- * Profitability not only to address the financial needs of the clients but also to harness and support complementary programs. The whole responsibility is shouldered by the MFI, as the borrowers are incapable of a lending hand in the initial stage. However with awareness through education and knowledge building the willingness of the borrowers to participate in credit, social and other programs; runs parallel to managerial capacity essential to achieve sustainability,

5. Relevancy of Self-Regulation and other Instruments:

Before going for regulatory framework and bank supervision, INAFI feels it is necessary to develop the capacity of NGOs/ MFIs to make them capable and confident enough to demonstrate their transparency and accountability towards having a sustainable and efficient Micro Finance management system. As a part of such a capacity building exercise INAFI is very keen to introduce the instruments of self-regulation and credit rating. Self-regulation refers most broadly to a set of enforceable rules and standards that will be abided by the NGOs/ MFIs and its primary stakeholder in order to facilitate the process of assessment and monitoring against standards. This rules and standard includes the conditions of good governance and management and indicators for financial, economic and social aspects.

INAFI believes that there are many organizations that need to practice a good audit manual (CGAP), good portfolio assessment system and friendly usable MIS before going for self-regulation. Credit rating instrument will be useful to those organizations that have started practicing these tools already. As INAFI is a network of a diverse range of MFIs with varied models, and scale, such a diversified approach seems to be the right one.

A good example of best practices are available among some MFIs and NGOs in Asia but most of this practices is not easy accessible to the others. They cannot learn from the good one because of non-availability of information. There is a gap. INAFI as a network can make access to that information to the others through training, workshop and introducing instruments like self-regulations and credit rating. INAFI considers self-regulation could

be an entry point where organizations will be motivated and encouraged to practice certain standards developed for this purpose and provide information for dissemination that leads to compare the performance of organization with the performance of peer organization. This information will be published in INAFI news bulletin for greater sharing and learning. INAFI has taken self-regulation as activities of action research.

6. Self Regulation tools and framework

6.1. Basically a four step of implementation include:

- * Awareness phase involving stakeholders (seminars/ workshop/ training) in developing the standards;
- * Practicing of standards;
- * Counseling and review and
- * Making information available to the

others for sharing, learning and further refinement.

It is expected that a set of agreed rules and standards for self-regulation would be developed as an output of the workshop. This set will be termed as alternative INAFI Rules and Standard for Self-regulation.

INAFI being a practitioner led network encourages self-regulating culture and practices Hence they will be in the process of developing a self-assessment tool, based upon common standards; a combination of financial and social goals. The essence is one of developing a mechanism to build the partners compared to rating by a third party. Members of each country network shall be involved in evolving this process.

Various self-appraisal, assessment and regulatory mechanisms will be evolved with the active involvement of members. The focus of the SRO is not only to set standards but also

to help the members to achieve these standards through handholding support mechanisms.

The uniqueness of this standard will be that its will combine all three aspects - Financial, Social and Economic goals. The essence is one of developing a mechanism to build the partners compared to rating by a third party. Members of each country network shall be involved in evolving this process.

6.2. Standards and Measuring Performance Framework for Self Regulation

Keeping in mind the small and medium MFI, INAFI encourages self-regulating culture and practices, particularly for those who are shy to disclose their performance.

I. Development of Indicators

A workshop will be held where resource person will discuss the tools and technique of self-regulation and in the process make

aware the self-regulatory practices.

Members of each country network shall be requested to provide information on their different tools and techniques used in their organization for self-assessment purpose.

Based on this, a strategic paper will be developed and a set of indicators will be gathered on self-appraisal regulatory mechanisms, evolved through the active involvement of members. This set of indicator will combine good governance and management practices as well as performance indicator programs imparting all three aspects- Social, Financial and Economical

The set of indicators will be refined and eventually one set of standard indicator will be made available to the different members for implementation and practice

II. Implementation of Standards

Once the concept is made available and

acceptable to the participants the resource person will be required to help members implement the indicators in their respective organization.

The MFI will be trained to practice the tool and implement the process in their organization

Technical support such as software packages etc; to practice audit exercise of international standard, will be provided to MFI as and when needed for effective implementation of the standards

III. Monitoring and Review

The members will be requested to provide the self-generated information based on the format developed by Asia secretariat. The focus of the self-regulation is not only to set standards but also to help the members to achieve these standards through handholding support mechanisms.

Feed back on practice will be generated. Support will be provided to

cover loopholes. Careful assessment will be made for proper and efficient performance.

IV. Benefits of Self Regulation

- * The whole process of implementation of the standard of self-regulation will help to
- * Enhance capacity of the institutional members
- * Develop a sound Financial and Management system
- * Demonstrate accountable and transparent information system
- * Ensure a mechanism to deal with any sort of regulatory frames developed by central bank and Government

V. Publication

A workshop will be conducted to share results of self-regulation practices.

INAFI Asia will publish the information on its partner members in a journal as that of the Micro Finance Banking Bulletin for greater sharing and learning.

Fourth Frankfurt Seminar - A Report

(September 3-7, 2001)

*K.Narender, Programme Leader,
DHAN Foundation, Madurai, India*

The seminar was organised jointly by Goethe - University of Frankfurt and Ohio State University and sponsored by International Project Consult Gumbet (IPC), Development Alternative Inc.(DAI) and Bannock Consulting Limited, the three consultancy firms involved in undertaking various assignments related to microfinance and banking.

The fourth seminar has got registration of 393 participants but the participation was around 300. Participants include representatives of the funding agencies, consulting firms, Universities, Research and Academic Institutions, Financial Institutions, MFIs and NGOs. Major share of the participants are from Europe, Latin America and USA. Seven participants from India include representatives of PRADAN, DHAN Foundation (NGOs), Canara Bank, BIRD (Banks), BASIX (MFI) and APMAS (a support organisation), Sa-Dhan (Network of MFIs).

The fourth seminar focussed on

- (a) Commercialisation/Market saturation in Microfinance. Markets - Experience of Bolivia.
- (b) Understanding the clients and the impact of the microfinance products.
- (c) Re-organising and Refocusing Commercial Banks in Europe
- (d) Creating new microfinance banks in Europe
- (e) Networks as Governance Mechanisms in Developmental Finance and Cooperative systems (Experience of Cooperatives and village banking networks)
- (f) Politics, Health, Poverty and Development finance
- (g) Country session on South Africa.

Most of the presentations and sessions were handled by the persons associated with the three consulting firms sponsored the event and cases discussed were from the projects where the consulting firms were involved or supported. In few cases, professionals and representatives of few donor agencies and banks were also involved. The experiences of practitioners were visibly absent and there was no discussion on issues or cases related to Asian context. Many of the cases presented represent Europe and Latin America (Except the Country session on South Africa).

The sessions and discussions were largely oriented towards commercialization and market orientation of the microfinance sector. There was a greater emphasis to look the problem of microfinance only from the perspective of establishing "commercial" microfinance institutions or banks. However a few sessions on cooperatives, Health, and Poverty reminded the participants and organizers to look beyond the commercial viability of microfinance operations and address the issues of poverty and development of poor.

The experience of Bolivia has revealed that overemphasis on commercialization will lead to drift in mission and purpose of addressing poverty. The experiences related to reorganizing banks and establishing of microfinance banks are taken from the European context. These experiments are still very young and heavily subsidized in the form of Technical Assistance and capacity building grants and managed by consultants. Hence the learnings and experiences are not relevant to other parts of the world especially developing countries in Asia. The microfinance banks were established with capital mobilized from IFC, KfW, IPC etc., which cannot be called as commercial capital in a stricter sense. It is becoming evident that microfinance activity is not yet demonstrated its viability to attract the commercial capital.

The sessions on Cooperative systems and networks emphasized the need to look at alternative ways of addressing microfinance for poor. These sessions also focused on the savings mobilization, client ownership and participation for successful delivery of financial services and sustainability of these organizations.

The session on 'understanding the client' focused on many fundamental issues forgotten by the commercial oriented MFIs. The important among them are poor can save, poor have multiple credit and savings needs, consumption credit is very important to stabilize the economics of poor, MFIs need to be flexible and responsive to the client needs, insurance and social security is an important aspect of financial services.

The sessions on AIDS was educative and highlighted the urgent need to look at the issue of HIV and take appropriate measures by all the institutions involved in providing microfinance.

The last session by Ms. Katherine Mckee, USAID was excellent, as it has raised the central issues and focus of microfinance as reaching the poorest and addressing the issues related to poverty. The session has raised many challenges, which are very relevant when working with poorest. She highlighted the need to focus on poor, importance of consumption credit, support of business development services and related issues, need for diverse models and choices by MFIs in providing microfinance for poor.

Finally, participation at the seminar provided a good opportunity to interact with various people representing different organizations and professing different perspectives. We could also share our experiences with many. Represented to the organizers to include experiences and learning's from Asia especially practitioners in future events. It is increasingly becoming important to share the successful experiences of Indian NGO, MFIs and the banking sector. Indian experience of promoting self-help groups and their federations, establishing linkage with formal financial institutions would offer a lot of lessons for people interested in developing sustainable financial services for poor and address their empowerment as the primary goal. Such forums should promote alternate perspectives and encourage debate on diverse issues and challenges faced by practitioners in the field.

Evolving Self Regulation in INAFI-INDIA Network

BAIF Development Research Foundation

As a part of the capacity building programme for self-regulation inception workshop has been organised by BAIF Development Research Foundation on 25-26th September 2001 in association with INAFI-INDIA Chapter. The professionals of Dharampur Utthan Vahini (DHRUVA) and Maharashtra Institute of Technology Transfer For Rural Areas (MITRA) - development organisations promoted by BAIF and operating in Gujarat and Maharashtra State respectively have been the participants in the workshop. Mr. Girish G. Sohani, Executive Vice President and Mr. Athawali, Senior Research Programme Co-ordinator of BAIF have also participated.

Both the development organisations have micro finance programmes through people organisations namely Ayojan Samitis and women SHGs - The micro finance programmes are evolving in the context of DHURUVA and MITHRA as adjunct to the tribal development projects. Following presentation by the resource person on the concept and operational process of self regulation breakout groups of the professionals have been informed for discussions to develop design for self regulation.

A few important indicators have been identified with benchmarking under institutional and financial standards for practicing self-regulation, setting the time frame for achieving the standards from the present baseline. This inception workshop is a curtain raiser for capacity building of the Ayojan Samitis and SHGs of women for adopting and practicing self -regulation.

It has been decided to have the follow-up / review workshop after three / four months.

Peoples Rural Education Movement (PREM)

Inception workshop on self -regulation has been organised by PREM on 11th November 2001 at Berhampur, Orissa. Both the professionals of PREM and also women leaders and people functionaries of Utkal Mahila Sanchaya Bikas a state level women's organisation promoted by PREM have participated in the workshop. Mr. Jacob Thundyil, Director, and Mr. Siba Sankar Dass, Programme Co-ordinator of PREM have facilitated the exercise. The same methodology has been adopted for the conducting workshop.

A few important indicators have been identified with benchmarking under institutional and financial standards for practicing self -regulation setting the time frame for achieving the standards from the present baseline. This inception workshop is a curtain raiser for capacity building of the Utkal Mahila Sanchaya Bikas and SHGs of women for adopting and practicing self -regulation.

It has been decided to have the follow-up / review workshop in March 2002.

Way Forward

The inception workshop set the tone to take the self regulation exercise to the people's organisation. It has been decided that professionals of BAIF and PREM would sensitise and prepare the people and the leaders for self regulation, build their capacity for evolving and practicing self regulation.

INAFI India Events / Activities

International workshop on self regulation

Asia International workshop on self regulation for microfinance has been organised by INAFI Asia Secretariat at BRAC, Bangladesh on August 29 - 30, 2001 at New Delhi. Twenty five delegates of the network from India, Bangladesh, Philippines and Nepal participated in the workshop. The workshop was inaugurated by Dr. Deepali Pant Joshi, General Manager, Rural Planning and Credit Department, Reserve Bank of India, Mumbai.

The workshop has facilitated the members appreciation of the concept and its relevancy for the sector. All the network members has unanimously accepted to adopt and practice self regulation. The following recommendations have come out of the workshop for practicing self regulation.

1. INAFI network members have come to realize the self regulation as shared regulation of standards, practices among the members of the promotional stream and further among the people's organisations.
2. Each country network would practice self regulation with shared standards under three major indicators namely Institutional standards, Development standards and Financial standards.
3. A task force for each country network shall be constituted with three / four members to monitor the process of self regulation and to evolve mechanism for supporting this process.

A regional task force shall be in place with membership drawn from country networks to support this process in Asia continent.

4. Sharing of experiences at the country / continental context and placing before the global assembly for wider sharing.
5. To develop a code of conduct with best standards and practices and publishing the results.

Visit of Ethiopian Delegation

INAFI India Chapter hosted an exposure programme on financing micro enterprise for a five member team of professionals of OROMIA Credit and Saving Share Company, Ethiopia from 3rd September 2001 to 14th September 2001. The team had an opportunity to see and understand variety of such ventures in Rural and Urban context and modalities of financing such ventures.

The team visited Tirupathi to learn about Micro Enterprises in Urban Context. The work of Sri Padmavathy Mahila Abhudaya Sangam (SPMS), a Federation of Women SHGs in promoting various Micro Enterprises for the benefit of members has impressed them.

Exposure to the Micro Enterprises in Rural Context was organised at Federations of Alanganallur, Kottampatti and Vathalagundu. The Ethiopia team found the whole training useful and instructive.

Book Review

Capability, Participation and Impact: A Casebook on the planning and Measurement of Sustainable Area Development

- edited by Ramon - D. Duran; - Published by Philippines Rural Reconstruction Movement (PRRM)

This is a PRRM book on Planning, Monitoring and Evaluation (PME). PRRM is pioneering development work in Philippines and its contributions have enriched the development literature.

"*Capability, participation and impact*" is a case book on the planning and measurement of Sustainable Area Development (SAD) of Philippines Rural Reconstruction Movement (PRRM), Philippines. This is developed based on PRRM's experiences in the field for application by range of potential users within the development community for a practical material that brings together and logically arranges commonly used PME concepts, principles, processes, tools and instruments. There are four cases presented in the book and contents revolve around the themes of capability, participation and impact and all the above three words are clearly defined and provide the setting for case analysis.

The first case study describes the application of strategic planning tools and techniques in the field. The "*Conceptual framework*" of PRRM's SAD programme is definitely of interest to practitioners. The second case study discusses the formulation and utilisation of indices to measure various aspects of empowerment like organisational capability, socio-political and

socio-economic indicators. Interesting aspect of this case is a description of the community development planning (CDP) processes facilitated by PRRM. Directions for further development of more comprehensive indices encompassing responsible governance, human development, ecological sustainability and natural - resource management is also indicated. The last two case studies are a thematic treatment of the planning and / or measurement of various aspects of the SAD processes. Third case gives different participatory research and assessment processes / procedures, as well as descriptions of technical surveys used in the "*Gasan community marine reserve*" project. The final case study discusses PRRM's concepts of health systems, the requisite structures/institutions and the specific instruments for measuring capacities and performance of the health committees and community health workers.

Good number of development actors are advocating for self-regulation and accountability in the sector. That can be done only if NGOs are capable of building, enhancing and ensuring PME systems. This book will immensely help provide better insights to NGOs on PME aspects.

Book - Post

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