



Annual Report

2006-2007

Content

1. Chairperson's Message
2. Foreword
3. Alternative Paradigm – connecting Microfinance with Millennium Development Goals
4. Building perspectives and capacity of members and sector
5. Financial Inclusion and Affordable Microfinance
6. Policy notes
7. Members and their Microfinance profile
8. Financials

1. Enabling Pathways

Members of INAFI INDIA are making significant strides in addressing poverty. Purpose of poverty reduction is the guiding philosophy of members in their microfinance work. Self-regulation of community groups and institutions is moving into next phase with concrete practice and expansion. Wealth creation and debt swap is taking time to ground the pilots and to develop an alternative approach from our experiences. Meanwhile, Financial Inclusion is taking our priority to reach out the poorer people and areas. Our Banking Network initiative would take strong roots and identify within few years.

Microfinance and SIM (Social Indicators Measurement) pilots are bringing a new range of perspectives and practice to some of our members. It would be worthwhile to expand the pilots with other members with technical support. Our support to many small NGOs around the country is gaining popularity and a great demand is thrust on INAFI INDIA. It is a right time to consolidate our experience and to plan for future. INAFI INDIA team has to be built with more members with diversity. Present team has done a fantastic work and they deserve our appreciations.

Our challenges are - contributions to quality enhancement in microfinance; Banks and State investment for microfinance sector; achieving Millennium Development Goals with the help of microfinance; high quality capacity building programmes for all stakeholders; encouraging experimentations on many fronts with the members; vision is microfinance sector and many more. All of us have to share the development load to make INAFI INDIA more effective and a leader in shaping microfinance in India.

M.P. Vasimalai
Chairperson
INAFI INDIA

2. Foreword

The year 2006-07 ended on a note of turbulence. The introduction of Microfinance Bill during the budget session for regulation of Microfinance sector is the cause for the turbulence. Among the many concerns of Microfinance Bill, the foremost is the opening of floodgates for small MFIs to access savings and public deposits of the poor for financial intermediation too. While the national agenda for Financial Inclusion sets store by affordable microfinance, the Bill is quite silent on the regulation of pricing of microfinance services particularly micro credit. Further more, the SHG bank linkage programme which promotes in large way the financial inclusion is also at a jeopardy with MFIs having access to savings and the resultant effect of working at a cross purpose weakening the SHG movement.

The year 2006-07 marks four full year of operation of INAFI INDIA. During the period, INAFI INDIA has carved out a niche for itself with its development focus and enabling model being the SHG Bank Linkage programme. Keeping in view the initiatives of INAFI INDIA in micro insurance, it is gratifying to note that within the INAFI global network, INAFI INDIA has been entrusted with the responsibility of spearheading the micro insurance initiative. INAFI INDIA recognizes the greater potential of business facilitator and business correspondents model for advancing the financial inclusion and is committed to this national agenda of financial inclusion through SHG Bank Linkage programme with a greater financial literacy in the year ahead.

M. Kalyanasundaram
Chief Executive
INAFI INDIA

3. Alternative Paradigm – Connecting Microfinance with Millennium Development Goals

INAFI envisions a world in which the poorest of the poor are able to attain a life of dignity through basic living standards including food security, health, education and a decent livelihood. INAFI visualizes a world where the poor have the capacity to direct their own development path by enhancing their skills and opportunities through access to financial services. The INAFI's single most important guiding principle for microfinance intervention is to address poverty from holistic development perspective.

Which means microfinance is a cog in the larger wheel of development. The network members would be looking beyond microfinance to address the other issues of poverty – social, cultural etc. In fact, network members are challenged by the microfinance programmes to respond to the locations specific development issues and problems which have a debilitating effect on the microfinance programmes such as usury or social exclusion issues etc. The alternative paradigm of microfinance gets reinforced with practitioners using the opportunity provided by microfinance to weave social sector and other development programmes around microfinance. This alternative paradigm of INAFI fits in well with the poverty school approach visa-a-vis the minimalistic financial intervention only.

The deepening engagement with microfinance programmes has brought home the message that microfinance goes beyond finance and compels attention and action from a larger development perspective. This enabling alternative paradigm seeks the engagement of microfinance programmes beyond credit schemes as a judicious blend of finance and development for addressing the many dimensions of poverty. This unique framework in which microfinance drives specific development outcomes creates a remarkable opportunity for the achievement of the MDGs related to education, health and the environment. The pursuit and success of such an alternative framework hinges on the large swathe of social capital being built through microfinance programmes.

In keeping with this commitment to an integrated development approach, INAFI sees a natural interconnection between microfinance and the MDGs. The work of INAFI members coincides firmly with realising the MDGs. The goals, indeed, are part of the agenda of INAFI members in the holistic development perspective.

Direct and Indirect linkages between Microfinance and MDGs

Microfinance brings together communities of the unorganized poor, building their social capital and networks. Building and sustaining social capital requires faith and affirmative action within the alternative paradigm of microfinance, whereby building the capacity of communities to direct their economic and social development is given primary importance and focus. This social capital then sets the stage for other interventions in primary education and health including child mortality, maternal health, HIV/AIDS, malaria and other communicable diseases. Promoting awareness, literacy and leadership among women from poor communities, microfinance paves the way for the empowerment of women, thereby combating gender inequality (See Table 1)

Table 1: MDGs and Microfinance

MDGs	Microfinance
Goal 1: Eradicate extreme hunger and poverty	<p>Access to alternative microfinance institutions</p> <ul style="list-style-type: none"> • Diversifies the livelihood opportunities of poor people making them more resilient to adverse negative shocks • Allows the poor to plan for unanticipated and future expenses • Enhances equitable distribution of national economic growth • Provides an alternative mechanism for poverty reduction
Goal 2: Achieve universal primary education	<p>Microfinance can lead to an increase in family income and therefore enhance opportunities for children to participate in full time education</p> <ul style="list-style-type: none"> • Increases household budget to cover out-of-pocket school fees such as books, uniforms and transportation • Reduces the economic need to keep children out of school and in income-generating activities
Goal 3: Promote gender equality	<p>Enhancing of women's access, control and ownership of resources</p> <ul style="list-style-type: none"> • Increases women's participation in income-generating activities and decision making at the household and community
Goal 4,5 & 6: Health related goals - Reduce child mortality, improve maternal health and combat HIV/AIDS, malaria and other diseases	<p>Reducing household income constraints can enable the marginalized and disadvantaged population to address other health issues exacerbated by poverty</p> <ul style="list-style-type: none"> • Provides financial access to education, prevention and treatment measures for HIV/AIDS, malaria and other infectious diseases • Enhances child and maternal health by providing access to health care services and resources • Provides access to health care insurance and protection • Improves availability of potable water
Goal 7: Ensure environmental sustainability	<p>Microfinance can help to improve environmental sustainability when it</p> <ul style="list-style-type: none"> • Includes education in rural resource management which can enhance the sustainability of income generating activities and natural resources
Goal 8: Global partnership	<p>Alternative microfinance institutions provide a new channel for global collaboration for poverty reduction</p>

Microfinance and its positive impact on the MDGs

If the global campaign against poverty and hunger is to be successful, microfinance must be at the centre of the campaign. However, the global MDG agenda should adopt the following universal principle of microfinance.

The poor and the poorest have a right to be serviced affordably, appropriately, and accessibly.

Microfinance is neither a charity nor solely a commercial enterprise but rather a business endeavour with compassion and sustainability. Microfinance programmes ensure sustainable access to financial services at affordable prices and appropriate timing. This principle provides a framework for sustainable development and livelihood with the opportunities to improve the standard of living and quality of life for the poor and marginalized population. These opportunities have positive impact for other development issues, such as increasing access to basic health services and education. Furthermore, microfinance allows women's access, control and ownership of resources and therefore promotes empowerment of women.

INAFI hosted an International Conference on Microfinance and Millennium Development Goals 2007 @ Bangkok in March 2007 and took stock of the members' works in connecting Microfinance with MDGs. The conference provided an opportunity and encouraged by the substantial work already done in connecting Microfinance for achieving the MDGs. INAFI and its members reinforced their commitment to deepen this work and the conference came out with a declaration reinforcing the commitment to the MDGs and to work with UN Millennium Campaign.

The UN Millennium Campaign and INAFI share a mission and value to work towards achieving and exceeding the MDGs. Through microfinance programmes, INAFI can help provide greater opportunities for the poor and marginalized communities to improve their quality of life. Simultaneously, the UN Millennium Campaign continues to advocate for pro-poor policies and strive to strengthen people's capacity to define their livelihood and social welfare. Both organizations have strong synergy to enhance greater participation and commitment of governments, civil society, the private sector as well as other stakeholders to promote microfinance programmes for the achievement of MDGs by 2015.

COMMON STRATEGIES TO ACHIEVE MDGS AND MICROFINANCE PROGRAMMES: THE WAY FORWARD

- Globally, the UN Millennium Campaign and INAFI see a remarkable opportunity to capitalize on the economic and social potential of mainstreaming MDGs into Microfinance framework. The joint campaign seeks to promote global partnerships with various development actors – governments, civil societies, donors and philanthropies. The campaign will focus on enabling access to the resources of microfinance to the most marginalized populations. Civil societies should advocate and campaign at the grassroots level to sensitize local governments and orient them through **SMART** tracking of MDG achievements (Specific, Measurable, Achievable, Realistic and Timely indicators). INAFI and UN Millennium Campaign shall launch a three pronged action plan to integrate microfinance and MDGs.
- INAFI will undertake and publish an annual global report on the State of Microfinance and MDGs
- INAFI will prepare regional reports on microfinance and MDGs for Asia and Africa

- INAFI will also release selected annual country reports to provide focused attention on the core country contexts and their progress towards MDGs. INAFI will make the reports available every year by the month of June.

The global and regional reports will set the stage for an 'Alternate Summit', the meeting that goes beyond conventional discussion of microfinance and its service delivery to define more concrete links between microfinance and the achievements of MDGs. The Alternate Summit aims to bring together key stakeholders on Microfinance and MDGs and to seek their commitment and action towards achieving the MDGs by 2015. The global action will include mainstreaming MDGs into the microfinance agenda at various levels, including the local, provincial and country levels. INAFI will also develop a tool kit for mainstreaming MDGs into microfinance.

INAFI INTERNATIONAL CONFERENCE ON MICROFINANCE AND MILLENNIUM DEVELOPMENT GOALS – 2007

BANGKOK 12 – 13 March 2007

CONFERENCE DECLARATION

RECOGNIZING ITS ROLE in contributing to poverty eradication globally through the advancement of microfinance and social development, INAFI, a global network of more than 300 institutions spread over Asia, Latin America and Africa, declares its vision of “a world free from poverty” and assigning itself a mission to becoming a “leading microfinance network globally”, it further united itself around the following core values: **I** for innovation, **N** meaning Native or Indigenous, **A** for Alternative, **F** for Facilitation or Enabling and Financial Viability, and **I** for Inclusive or Holistic and Diversity.

COGNIZANT of the fact that, 1.2 billion or 28% of the developing world's population live in extreme poverty or with less than a dollar a day in 1990, (MDG Report 2006) and do not have access to adequate food, further living in a world with widespread deprivation to health care and universal primary education, where 15,000 children die each day, 10.5 million children die before their 5th birthday in 2004, and 3 million have died of HIV/AIDS in 2005 alone.

MINDFUL of the millennium commitment of nations under the Millennium Development Goals (MDGs) of halving poverty, those living under a dollar a day, by 2015; and of the MDGs 8 goals, 18 targets, 48 indicators particularly the goals and targets for health, education, gender equality and empowerment of women.

AND AWARE of its contributions of reaching out to 25 million poor constituents out of the 100 million outreach of microfinance, and of its various interventions in health and education and other social development approaches in Africa, Latin America and in Asia;

CONSCIOUS of the January 18, 2002 Bangkok Declaration of INAFI that outlined Social Development, Self regulation and Policy Advocacy as key elements of its strategy; and of the Mombasa Charter adopted in the 4th International Assembly in Mombasa, Kenya in 2002, outlining the following as INAFI's roadmap: broad range of microfinance services to address

large scale poverty, opening up innovations and new frontiers; and establishing cooperation and linkages for broader impact.

TAKING STOCK of the richness and depth of its tradition and experience, its being an alternative financial system, with demand driven, pro poor, indigenous and innovative microfinance and social development practices (including the ++ tradition);

NOW AGAIN, COMING TOGETHER in this conference, collectively, INAFI further commits itself to contribute to meeting the goals of the MDG of reducing the proportion of people living in extreme poverty by half in 2015 including its goals in health and education , and in promoting the equality of genders, forcefully we unite and in solidarity we declare;

1. To reach 50 million (25 million to 50 million) of poor living under 2 dollars until 2010, as its contribution to the MDGs and the challenges, ensuring that no poor is left out including the hard core poor. In this important mission, INAFI recognizes the importance of capacity building of members in integrating microfinance with the MDGs, and the development of specific action plans towards this end; Further, in carrying this task, we recognize the importance of policy advocacy at the national, regional and global levels,
2. 2.1 To expand and deepen the range of financial services beyond micro-credit, in particular, micro-insurance as a hedge against the risks and vulnerabilities of the poor;
2.2 To orient and navigate microfinance services with clear focus on development outcomes, in terms of the social sector development –health to include maternal and child health care, water and environmental sanitation, and education to include, specialized education, business development approaches and social entrepreneurship;
3. To mainstream gender equality at various levels, empowering women in the process, at INAFI governance structure and management system, at constituent (client level) level's own governance, in their households and governance in their communities,
4. 4.1 That primary education is a common or public good, a basic universal human right and that states have an inherent role, hence, we resolve to advocate at various levels that this shall be a priority of all states and shall not be compromised,
4.2 That current, and context based interventions and specialized and focused programs in social sector development be further advanced, utilizing microfinance as a platform,
4.3 To sensitize governments through advocacy to build and expand partnerships and allocate resources with NGOs working in social sector development (health and education),
5. Promotion of microfinance services and social development in marginalized and disadvantaged regions in the world (regardless of ideology, religion and belief as much as possible) and build social cohesion, inclusion and global solidarity of the poor,

6. 6.1. As a way of life, and as a continuing development tool, promote and conduct necessary academic researches and studies that will lead to new frontiers and innovations and product packages appropriate to the continuously changing development scenario.
 - 6.2 To promote the use of modern technology in the conduct of micro –financial services for maximum efficiency and effectiveness; and the use of modern communication for better coordination and sharing,
7. That in doing microfinance and social development (or microfinance with the ++) we recognize that grant is still necessary, not only in the start up stage of microfinance service provision (in the social infrastructure requirements of organizing and mobilizing), but also in capacitating, skills building and specialized schooling including financial literacy of constituents. Hence, we affirm to engage and educate funders and development partners in this respect.
8. To develop and promote microfinance social impact measurement tools within and outside INAFI in capturing the development impact to ensure that microfinance is contributing to improved quality of lives of constituents across the world.
9. Finally, we resolve to continuously forge global partnerships like the millennium campaign, with government and development agencies, converge with regional and national initiatives for development towards greater and larger development impact,

We, delegates from India, Bangladesh, Nepal, Philippines, Pakistan, Sri Lanka, Africa and Latin America, to the INAFI International Conference on Microfinance and Millennium Development Goals – 2007, held at the Asian Institute of Technology (AIT), in Bangkok, Thailand, on March 12 – 13, 2007, hereby commits to this Declaration.

4. BUILDING PERSPECTIVES AND CAPACITY OF MEMBERS AND SECTOR

INAFI INDIA, being a network of microfinance practitioners, works at two levels – at the member and sector levels. At the member level, it provides professional services either individually or collectively building their capacity and perspectives and at the sector level, it works for creating enabling environment for the growth and development of the sector.

1. Poverty Reduction through microfinance – pro-poor initiatives/policies

Having committed to poverty reduction through microfinance as its mission, INAFI INDIA has been launching / taking several initiatives within the network and without. The initiative includes advocacy, capacity building programmes, policy charm offensive, policy research etc.

INAFI INDIA has launched / reinforced five major initiatives to advance the goal of poverty reduction through microfinance

- Affordable microfinance services
- Composite insurance products for multiple risks
- Debt swap through microfinance for relieving the poor from the exploitative debt burden:
- Financial inclusion – great outreach and access to multiple financial services

1.1 Affordable Microfinance

Microfinance programmes in India face the challenge of exploitative lending practices in the name of sustainability. Such practices result in vicious cycle trapping the poor in perpetual poverty. Keeping this foremost concern in Indian context, INAFI India has launched an agenda of affordable microfinance in national conference in July 2006 involving all the stake holders particularly the commercial banks which is the key supply stream of credit for the clients in India.

The conference has provided an opportunity to appreciate microfinance as development finance. All the same the stakeholders shared the view that development finance does not mean that financial operations shall have to be subsidized. By the same token, it shall not brook unbridled commercialization. In other words, microfinance shall be run as a sustainable business covering the cost and risk at a reasonable price. The conference also stressed that De-regulation doesn't mean freedom to charge interest rates, which are clearly exploitative and that Laissez faire is not licence for usurious practices. Laissez faire calls for greater responsibility and restraint. It is incumbent on all the stakeholders to ensure that micro credit delivered to the poor is affordable. Access alone will not help. The role of mainstream financial system being the predominant source of lendable resources is paramount in this respect.

The national conference came out with the recommendation for a banker's forum exclusively for microfinance for exchange of information and operational issues including keeping a price watch on the interest rate on the microfinance. It will act as a whistle blower for exorbitant rates.

1.2 Composite insurance products to address multiple risks of poor

Micro Insurance services are very critical for the poor to compromise the savings and credits to address various risks and vulnerabilities. Access to insurance services with affordability has become the major issue in providing insurance services. In this perspective, the risk products currently available are quite segmented and not bundled as a single product to cover many risks.

Working in concert with member organizations, INAFI India has been advocating bundled composite products for quite some time with regulatory authorities. It is a matter of gratification that conceding the logic and strong rationale for such a product, the regulatory authorities have specifically and exclusively designed composite insurance products for delivery through single window covering multiple risks of life, health and assets. This product has enabled access with affordability for the clients.

1.3 Debt swap through microfinance for relieving the poor from the exploitative debt burden

In pursuing alternative paradigm of microfinance, the development practitioners running microfinance programmes are challenged by microfinance not only in bringing to the fore the critical issues in a given context, but also compel them from the poverty perspective to address. One of the challenges in the Indian context as is largely prevailing elsewhere too is the high state of indebtedness of the poor arising out of usurious lending practices.

It is not so much debt per se, but the price paid for the debt, which makes them poorer. The predatory lending practices of indigenous moneylenders charging usurious rate of interest have been perpetuating the legacy of poor's debt bondage.

The issue of usury has been there for long. This continues to remain as a significant causal factor in compounding the problem of poverty. The present scenario continues to be one of grave concern as the issue seems to be intractable. Thanks to microfinance intervention there are encouraging and positive signs of addressing this problem.

Interestingly, Governments and Corporates talk about reducing the debt burden by restructuring through retirement of high cost debts and many corporates/state Governments have already done so. The question is, now, who will talk about for those who need it most. The issue is not new but we need to revisit, renew and reinvigorate our approaches.

1.3.1 Micro Finance and Debt Swap for poor

INAFI INDIA keeping the above imperatives in view took the initiative to bring this topical issue troubling the practitioner and clients to the centre stage of policy debate in the country.

Following national workshop organized in 2004, which was well attended by many stakeholders including clients, bankers, NGOs, Governments and civil societies, INAFI has launched another policy offensive on this issue in a national conference at New Delhi involving the clients from North and Eastern parts of India and also the policy makers from Government, Central Bank etc.

Significantly enough, the conference came out with recommendation for running pilots in usury hot spots to address the problem of exploitative lending through microfinance. RBI has also given a policy directive to the bank through its priority sector lending guidelines (Directed lending strategy) for deploying microfinance for swapping usurious loans. INAFI seeks to be in pursuit with commercial banks and the member organizations to start initiatives on pilot programmes.

1.4 Financial Inclusion

Financial inclusion has emerged as an important strategy for social economic development particularly recognizing its role in micro, small medium enterprises. It is also recognized, nay, experienced that the microfinance programmes hold greater promise to expand the agenda of financial inclusion. Financial inclusion is characterized by access at affordable cost to a wide range of financial services - savings, credits, insurance etc., a good institutional frame work with sound systems and regulations multiple providers of services to ensure competition and choices for the clients and the sustainability of the interventions from client as well as programme perspective. In the Indian context with the huge population being excluded from the financial sector, the enormity of the work can not be over emphasized.

INAFI India sees a greater role for the network in concert with member organizations and also alliance with other players and networks. The SHG Bank linkage in Indian context has been playing vital role in promoting financial inclusion in the country. In the past decade or so 2 million households (covering a population of 120 million) have been brought under SHG fold, which effectively brings them under financial inclusion.

INAFI India through its member organizations and also in partnership with networks like INFOS (Indian Network of Federation of Self Help Groups) is advancing the agenda of financial inclusion for greater outreach and also for depth of outreach through advocacy and capacity building.

1.5 Microfinance and sectoral development for livelihoods

Across many contexts, rural, urban, tribal etc., microfinance is triggering development of local economy. Its role in promoting sector development in a context such as agriculture, fisheries for the marginalized communities is increasingly realized. There is also a realization that the sectoral micro enterprises being supported by microfinance needs to be linked for a scale from marketing perspectives. It also applies to the services sector too. In this regard, INAFI India has seen great opportunity for developing flexible micro finance products particularly credit and insurance services to promote micro enterprises for sustaining livelihoods.

Besides capturing the linkage between microfinance and sectoral development for livelihoods in a thematic calendar, INAFI India has also been advocating to the microfinance NGOs and MFIs to take advantage of the new enabling legal framework for organizing rural business enterprises covering the entire gamut of agricultural related livelihood ventures including live stock, fisheries etc.

In this regard, INAFI India sees a great opportunity in the new legal form which provides for operation of cooperative principles in a corporate garb. The new enabling framework for promoting producer companies by the farmers and others involved in agriculture, livestock,

fisheries etc. paves the way for member owned and member controlled producer companies for greater scale of operation and economy thereof. Some of the members have been utilizing the new provision and INAFI INDIA has been advocating within the network for promoting agri-enterprises by the clients of its members under this framework.

1.6 Advancing the alternative paradigm of microfinance– articulation of alternative principles

INAFI India, as a chapter of INAFI, derives its philosophical underpinning and inspiration from the global vision of INAFI, where even the poorest of the poor have been able to attain life of dignity with basic standards of living including access of food security, clothing, shelter and education, healthcare. INAFI places the poor at the centre of development. It would like to see a world where the poor, particularly the poorest, have the opportunity to participate in their own development by enhancing their own skills and abilities to reduce vulnerability and enhance opportunities through lives and build sustainable livelihoods. In realizing this vision, INAFI recognizes the critical role of microfinance interventions as part of the development strategy in eradicating root causes of poverty. These development perspectives for poverty reduction set the alternative principles for INAFI and consequentially for INAFI INDIA.

The alternative principle has a 3A framework of being Accessible, Appropriate and Affordable. The argument that the access alone would do has been belied what with the empirical evidences clearly proving that the price paid by the poor for financial services are quite exorbitant compounding the poverty. Hence, the criticality of the affordability for the clients to sustain the microfinance programmes from poverty perspectives.

Clients are not supposed to work for the system; the system is to work for them. If the system can not do that, it needs to be changed or replaced instead of the clients being deprived of their rights. In other parts of the microfinance sector, the system has proven to be able to work this way, albeit under different terms and conditions than those promoted under the commercialization drive. A public sector responsibility therefore is to ensure that it will work elsewhere as well as and this is what public resource allocation should be made instrumental to.

INAFI India through its newsletters and annual reports has started the campaign for advancing the alternative principles keeping interests of the clients uppermost. INAFI India has started questioning in various forums in India high cost structures, which actually impact negative on the affordability factor.

Policy - Outcome

The Central Bank of the country namely Reserve Bank of India has been engaging INAFI INDIA in policy dialogue before the annual and busy season credit policy announcement. Similar is the case with NABARD and SIDBI. INAFI INDIA utilizes this opportunity to present policy suggestions and matters of tropical interest and the policy notes shared by INAFI INDIA with RBI on Financial Inclusion Fund has been well received.

INAFI INDIA does work with some leading commercial banks to promote business facilitators and business correspondents model as a part of larger agenda for financial inclusion.

2.0 Enabling Members

2.1 Microfinance roadshow- exposure to excellence in microfinance

Road shows have been organized to expose the members of the network to excellence in microfinance interventions in South and Western India. Diverse models and approaches are at work in these areas and about 50 programme staff and officers of the member organizations could get the opportunity for a glimpse of principles, concepts of various microfinance programmes in South and Western India. They had exposure at DHAN Foundation, SIFFS, Myrada, Mulkanoor Cooperative Society, BAIF Development Research Foundation, Sewa Bank. The participants could also learn about the institutional structures and systems, MIS for monitoring.

The road show has exposed the participants to various kinds of successful micro enterprises in different context and broadens their horizon to adopt and adapt similar enterprises to suit their context of work. Another important learning for the participant is the various types of bank linkage with mainstream financial institutions and apex financial institutions for providing credit support.

2.2 Capacity Building for Impact Assessment

Microfinance programmes are making rapid strides in reaching large number of poor and has now started attracting substantial investments for Government, Donors, etc. It did make significant impact in the lives of the poor through its socio-economic programmes. As the sector grows, there is a need to understand and look at the impact of microfinance in order to keep focus on overarching goal of poverty reduction.

By studying the impact of microfinance on the people and communities they seek to support. NGOs can measure their effectiveness in fulfilling their goals, including that of poverty alleviation. This information may be useful to the NGO in terms of affirming or challenging its own strategy. It may improve their understanding of why certain positive or negative impact occurs.

Impact assessment is an institutional responsibility, which facilitates microfinance NGOs for a better understanding as to whether the 'quality of life' of its target population is improving or not. It also helps to assess whether the resources are effectively contributing to the original goals of alleviating poverty and improving livelihoods.

Keeping the above in view, INAFI INDIA took the initiative to organize an experiential learning programme for the programme officers of the members to exposure to the principles and concepts of impact assessment of microfinance. The programme also provided learning opportunities for designing impact assessment study, understanding the various indicators, tools and methodologies with particular focus on the SMART indicators.

2.3. Professional services to member organisations

INAFI INDIA seeks to respond to the demand of the members to provide specific services. It also works with members in identifying the needs and extending the requisite services.

2.3.1. Building capacity for financial analytics

In response to the demand of the member Kutch Mahila Vikas Sanghathan (KMVS), a network has organized a one day workshop on financial analysis of the savings and credit operations of the federations promoted by KMVS. The professionals dealing with credit operations, accounts persons were involved where in the nuances in dealing with problematic port folio, long pending over dues, issues related to provisioning etc. have been explained and clarified well with a view to arrive at a true and fair financial picture of the federations.

2.3.2. Building the professional capacity in People Governance

The uniqueness of the microfinance programme under the SHG frame work is the creation of grass root people institutions with good governance for client ownership. In this respect, Tirupati federation which has started in 1990 has emerged as a role model for the microfinance programme intervention in the country.

Keeping this in view a programme for appreciating and understanding peoples governance processes have been organized for professionals and the field staffs of South Indian Federation of Fishermen Societies. They are exposed to the leadership processes including rotation, and graduation, the involvement of governance in decision making with regard to policies etc.

2.3.3 Building the professional capacity in livelihoods

An exposure visit, in response to demand from one of our member Modern Architects for Rural India, has been organized to Shri Kshetra Dharmasthala Rural Development Project. The participants included not only the staff members of MARI but also the people leaders. SKDRDP being the resource institution has diverse livelihood ventures in ranging a sector such as agriculture, self employment ventures in garment making, making of processed foods etc.

The exposure visit to SKDRDP has provide a good opportunity to look at the organizational aspects of this ventures, technologies employed and also the marketing aspects connected with this sectors. Further, over all management and financial aspects of various livelihoods have also been studied.

2.3.4 Computerization and organizing mis

As a part of its strategy to improve the functional efficiency of the financial systems, INAFI INDIA is endeavoring to support the member organisations in terms of computerization of the credit and accounts operations. In this respect, responding to the need of the PEDO, a member organisation in Rajasthan, INAFI INDIA organized installation of software package for handling and managing the accounts and MIS of the microfinance programmes.

Similar service for computerization of microfinance programmes has been initiated for another member organisation in North India namely Shramik Bharti.

2.3.5. *Building the capacity of the Governance of the People Institutions promoted by Member Organisations in Financial Management:*

Members of the INAFI INDIA network are largely in the promotional mode of microfinance whereby they are involved in social intermediation and enable the clients to build their institutions at grassroots level for financial, business and civic intermediation roles.

The effective governance holds the key for sustainability of institution. It is more so for the institutions owned and controlled by members (people). People institutions such as federations of SHGs are now handling substantial microfinance services including savings and credit. Although a professional (Management) is handling the financial role, for effective governance and better transparency the people leaders constituting governance executive committee of these federations need to be equipped with basic and fundamental financial management aspects. The leaders and elected representatives of clusters and federations have been involved in this programme. As many as 120 members of the governance have been trained in this programme.

2.4 Product Development

Products and services, which are demand driven, are considered as the best practices of the microfinance programmes and INAFI INDIA seeks to encourage this process. In identifying the needs of clients an opportunities for meeting these needs are important strategy for effective delivery of microfinance services. Despite the substantial outreach of poor, if one look at the quality of coverage, there is quite a considerable unmet demand and creating new products and refining the existing one is necessary. The majorities of microfinance clients are hovering above or below the poverty line and remain vulnerable to further setbacks throughout the life cycle. High quality and flexible products need to be developed that will assist the poor to graduate into a higher income bracket, to weather crises such as illness, death, and natural disasters, and to fulfill societal obligations such as marriages or support for family members. Experimental products and delivery systems designed particularly for the hard-core poor, minorities, niche markets, and those suffering from particular health issues have been popular and successful, indicating that appropriate microfinance offerings can broaden outreach and impact, and spur the positive growth of the sector.

Product development involves engaging the client, understanding the client's perceptions, priorities, vulnerabilities and satisfaction level, and responding to this information by creating products that seek to retain existing clients and respond to untapped market opportunities and this process of approach with client will end up in a good product.

INAFI INDIA took the initiative to develop suitable products for savings, credit, keeping the above in view and the process has been initiated with member organisation such as DHAN Foundation, PEDO for developing wide variety of products covering consumption needs and also livelihood issues.

2.5 Outcome

By organizing the various capacity building activities mentioned above, INAFI INDIA aims to bring about necessary policy and practice changes at the member organisation level in a highly intensive participative approach. Through the instrument of road shows and professional services for members, INAFI INDIA could encourage the members to adopt the best practices such as focus on savings and differential savings product, group formation and group processes, system related issues like handling of cash and management by the NGO staff, bank linkage processes, good accounting standards and external auditing, process etc.

The feed back received from the participants of the road show clearly indicate that the best practices observed during the road show and capacity building programmes are being gradually introduced and internalized.

The impact assessment programme for the professional staff of the member organisations have created an awareness about tracking the effectiveness of microfinance programme in achieving the development objectives with a set of SMART indicators. The experiential learnings of the programme are being applied for monitoring and evaluation of the microfinance programmes in the given context. Atleast 5 member organisations have reported the usefulness and also the application.

Developing demand driven products for the members have been initiated and 3 products covering 3 different needs namely business, housing and consumption (festival) have been developed.

The representatives of member organizations who have participated in various INAFI INDIA capacity building programmes have given excellent feed back about the usefulness of the programme which collectively enhances the organizational capacity of our members to enhance the outreach of the programmes and also the upscaling process. Many members have indicated the increase in outreach and include efficiency in the functioning and also financials.

3.0 Enabling Microfinance Sector:

MP3 programme in microfinance for small NGOs:

In the Indian context, SHG model has emerged as a predominant microfinance programme. This unique Indian initiative of SHG model has turned out to be the fastest growing cost effective model in enabling 20 million poor families to access sustainable financial services from the banking system, through a network of over One Million Self Help Groups (SHGs). The sector is characterized by a few large microfinance programmes and a huge number of small NGOs who are having small outreach or have just initiated microfinance programme. There is a need to provide good orientation and capacity building for facilitating the expansion of small NGOs Programme and managing the growth thereof.

Keeping the objective of contributing to the sector in view, INAFI INDIA is endeavouring to building capacity of upcoming NGOs who have adopted the microfinance as one of the core strategy for addressing poverty. The primer programme MP3 in microfinance seeks to expose

the NGOs to the principles, practices and build their perspectives. Essentially this primer is aimed at small NGOs who have just initiated their microfinance programme and typically promoted 50-100 Self Help Groups.

During 2006, the network has organised 7 MP3 programmes across the country benefiting more than 150 small NGOs.

3.1 Workshop on accounts and account standards & Practices for Microfinance Programmes

Microfinance sector in India has been growing rapidly and along with that the need to build the capacity of the institutions has also been growing in its various dimensions. Among them systems related issues such as accounts, audit, computerization etc. are important areas requiring attention and massive investment in terms of capacity building. INAFI INDIA has been taking initiatives in accordance with the expressed and felt needs to provide support to not only member organisations but also other NGOs in the sector.

Keeping this in view, a training programme on accounts and account keeping for the benefit of NGOs have been organized with the resource support from high caliber accounting professionals. The programme covered various aspects like accounting principles in microfinance, accounting standards, Income tax, FCRA matters, Budget monitoring and control, cost coverage for sustainability of microfinance etc.

3.2 Building perspectives of the Stakeholders of Microfinance

As a network, INAFI INDIA promotes an alternative perspective placing emphasis on addressing poverty through microfinance rather than being unduly obsessed with financial sustainability. It believes that client sustainability in the longer run would ensure the relevance and sustainability of the microfinance programmes. Therefore, it advocates client centric first approach in designing microfinance programmes. INAFI INDIA seeks to build this perspective among the various stakeholders including policy makers, practitioners, academicians, mainstream commercial banks, etc. through the policy / thematic seminars / publications and capacity building programmes.

3.3 Participation in significant microfinance events

INAFI INDIA being a network of microfinance practitioner has rich diversity in terms of microfinance intervention strategy content etc. It is involved in policy advocacy and work with Government, the regulatory institutions, mainstream financial institutions, donor agencies, etc. In view of its role in advancing microfinance programmes in India and its philosophy of alternative paradigm, the network has been participating either at its own initiative or invitation in many National / International events. It has been invited to share its work and its expertise in microfinance in National / International Workshops, Seminars, etc. INAFI INDIA has been part of the following important microfinance events during the year 2006.

a. INAFI INDIA as a part of RBI delegation to study microfinance programme in China

An Indian delegation led by senior policy makers of RBI comprising of senior bankers, representatives of microfinance sector including INAFI INDIA visited China for a week for studying and understanding the microfinance programme in China and also to pick up relevant best practices that could be adopted in India. The visit also provided an opportunity to INAFI INDIA to articulate the alternative paradigm of microfinance with focus on development issues affecting poverty. The members work in utilizing microfinance programme for addressing various development concerns has been highlighted during the visit.

Further, INAFI INDIA's niche initiatives such as self regulation for growth with order, asset building, debt swap process, affordable microfinance have been shared with Chinese, central bank authorities as well as MFIs and micro entrepreneurs

b. Participation in Global Micro Credit Summit – Halifax, Canada

INAFI INDIA has participated in Global Micro credit summit as part of the INAFI delegation and participated in the parallel session organized by INAFI International to articulate, what is alternative about INAFI?

Further INAFI INDIA has been invited as a resource person to present a paper on microfinance and agriculture development. The paper covered the conceptual issues as well as the experiences of successful models in Indian context.

3.4 Launching the SIM (Social Impact Measurement) initiatives

Social development through microfinance interventions has one of the key objectives of INAFI network and its members, which go beyond microfinance. Microfinance is being deployed and oriented towards addressing the social agenda particularly social sector. The ultimate aim of microfinance intervention is to empower poor people to and contribute to social justice. It is also increasingly realized that microfinance service has provided an excellent opportunity to organize the poor people through savings and credit groups and thereafter contribute to building civil society organizations. It is therefore imperative to find effective ways of measuring evaluating that the expected improvements are indeed taking place and to know to what extent.

In this backdrop, INAFI INDIA joined hands with development partner Oxfam Novib and in concert with INAFI International and Ordina launched the design workshop at Madurai during June 2006 to kick start the process of action research for SIM. The workshop has in participation of ten select member institutions from three continents besides INAFI International, Novib and Ordina.

The deliberations in the workshop had come out with road map after identifying the various dimensions of poverty relevant for SIM and identified the relevant indicators broadly for the purpose of SIM projects.

3.5 Outcome

Following the national level conference on affordable microfinance involving bankers, NGOs and MFIs at Chennai, many banks have recognized and acknowledged the need for effectively ensuring and monitoring the pricing of credit and the interest rate at which the poor people are able to get the loans from microfinance institutions. A few banks have already started the imposing the conditionality of interest cap or indicative spread beyond which MFIs can not charge interest rates.

The conference has also set the tone for setting up bankers forum which INAFI INDIA will pursue with great vigour in the ensuing years.

4.0 National consultation process with microfinance sector for Self Regulation

Beyond the network, INAFI INDIA recognizes the need for taking the self regulation process to sector as a whole, in view of the encouraging response and feed back about this tool, which not only focuses financial parameter but provides focus on developmental and institutional standards also. In the enabling and empowering model of microfinance, where SHGs and cooperative societies are involved, it is paramount that the principles and practices of self regulation are well understood with buy-in by these institutions for effective results.

In this regard, INAFI INDIA has launched the first consultative workshop with leaders of the SHGs, cooperative societies, and federations of SHGs (people institutions) to sensitize and familiarize with the concept and also explain to them about the need for developing SRO framework for wider acceptability of the concept in the sector. First such workshop was organized in Nagpur in association with INFOS (Indian Network of Federation of Self Help Groups) during February 2007. The leaders of the federations of SHGs have deliberated on the issue of quality and standards.

5. Financial Inclusion and Affordable Microfinance

Introduction

Microfinance programmes in India are unique with enabling approach emerging as a predominant model largely characterized by self-help groups and its federations. More than two million SHGs exist now and the SHG bank linkage programme has come a long way to be recognized as an efficient and effective delivery mechanism. Participation of mainstream financial institutions including commercial banks and RRBs in the SHG bank linkage programme has been unprecedented in the Indian context, which, perhaps, has no parallel in the world. The way in which the linkage programme is expanding and deepening across the country particularly in South India in terms of deepening and diversification of portfolios make it appear as if banks and SHGs are made for each other.

More than a decade of SHG linkage banking has brought significant gains in our objective of addressing poverty through microfinance and at the same time many issues and concerns have come to the fore. The microfinance sector is at the crossroads now faced with new challengers to its growth and quality. The quality concerns of the microfinance programmes and the pricing

of microcredit are foremost among the major challenges confronting the sector. Of late, the usurious tendencies of charging exorbitant interest rates by the microfinance programmes / MFIs are on the increase. In many instances, the usury is either disguised or hidden.

National Conference on Advancing SHG Bank Linkage:

Affordable Microfinance, 18 July 2006, Chennai

Against this backdrop of rising usurious / predatory tendencies in the microfinance market, INAFI INDIA as a network of development NGOs concerned with access to affordable financial services for larger purpose of poverty reduction took the initiative of organizing a national conference on advancing SHG bank linkage on July 18, 2006 at Chennai. Policy making institutions – RBI, NABARD, SIDBI, Leading commercial banks, RRBs, MF NGOs, MFIs and donor agencies participated in the conference and deliberated upon the issue of purveying affordable microfinance.

The conference noted with concern the issue of pricing of microcredit services and the challenges of addressing exploitative lending practices in the sector. What is more, serious concern has been expressed on the justification for charging exorbitant interest rates in the name of sustainability. The participants expressed the view that while it is nobody's case that microfinance programmes shall be made sustainable by prop of grant, what is important to understand given the development perspectives involved, microfinance needs to be in the realm of development finance. The development finance doesn't mean that the financial operations shall have to be subsidized. By the same token, it shall not brook unbridled commercialization. In other words, microfinance shall be run as a sustainable business covering the cost and risk at a reasonable price.

De-regulation doesn't mean freedom to charge interest rates, which are clearly exploitative. Laissez faire is not license for usurious practices. It decried the disguised attempts to load many charges thereby making the effective interest rates to appear deceptively lower / reasonable. Laissez faire calls for greater responsibility and restraint. It is incumbent on all the stakeholders to ensure that microcredit delivered to the poor is affordable. Access alone will not help. In this respect, the conference focused on the SHG bank linkage programme and its effectiveness for offering low cost bank linkage process. The conference also took note of the fact that the recent study by RBI which clearly brought out unhealthy practices by some of the MFIs where high transaction costs are justified for door step services which they have not actually offered.

The conference has also recognized that the growing SHG bank linkage programme and the increasing number of branches both in rural and urban areas getting involved in the linkage process has been mainstreaming a large segments of poor to the commercial banking system and thereby access to affordable microfinance. Given the unique opportunity of huge network of commercial banking system and the need to reach out to large segments of unreached poor the importance of building social capital of SHG network is clearly emerging as a *sin quo non* for the expanding delivery of affordable microfinance services.

Recommendations of the Conference

The Conference has recommended and reinforced the need for an exclusive bankers' forum for microfinance. The participants involving bankers, NGOs, policy makers and academicians, are of the view that the existing arrangements for coordination at the block and at the district level viz., BLBC, DLRC, has, by and large, look at the implementation of the Government sponsored programmes and also its more of sorting out the operational issues related to Government sponsored programmes.

The conference came out with the recommendation that the Bankers' Forum could be constituted at three levels – District, State and National level. While, broader policy issues for the nation as a whole for the SHG bank linkage with specific reference to the bank's involvement and their participation would be addressed at the National Forum, the State forum would focus on policy and strategic issues for the State, issues of growth and quality including capacity building of bankers and NGOs. The district forum would be able to address the operational issues / problems of coordination among the banks and NGOs. Besides the banks and NGOs / MFIs, the policy making / apex institutions – Central Government / State Government, RBI, NABARD, SIDBI, NHB, can be part of the forum at the National and State level and at the District level, the forum will involve banks, NGO, and District Administration, DRDA, etc.

POLICY LEADS

Based on the deliberations and the recommendations of the conference, the following leads for policy action emerged for the Government, Reserve Bank of India / NABARD and the commercial banking system.

Financial Inclusion and Affordable Microfinance

The SHG bank linkage programme has emerged as a predominant and effective model of Microfinance programme in the country in delivering affordable microfinance particularly microcredit and increasingly insurance products also through linkage process with the Commercial Banking system. It is cost effective and localized with active client participation. It serves effectively the twin objectives of financial inclusion namely access and affordable financial services. It is therefore considered necessary that the mainstream institutions invest in building the social capital of SHGs to serve the larger objectives of financial inclusion to take the banking services to the excluded segments of the population.

Financial Literacy for Affordable Microfinance

As part of the financial inclusion agenda, the imperatives of financial literacy is critical with regard to understanding the system that delivers the services, broader appreciation of the costing and interest rate for the financial services, the products in savings, credit, insurance etc. A client with good understanding and knowledge about the financial market, system and the services would be able to demand and avail of microfinance services at affordable pricing. The objective of financial literacy would also be better served with investment in building, promoting and nurturing SHGs and its federations. The synergetic role of development NGOs and the banking system can not be over emphasized.

Bankers' Forum for Financial Inclusion and Financial Literacy

Financial Inclusion seeks to link the people with banking system with the objective of enabling access with affordability to financial services. The role of commercial banking system in promoting financial inclusion and literacy is vital. Similarly, the development NGOs / MRIs who are connecting communities with banking systems through microfinance does play important catalytic role in the linkage process and sustaining the linkages.

Therefore a bankers' forum working in concert with enabling development NGOs and their network such as INAFI INDIA is considered necessary and important to further the process of financial inclusion and financial literacy which will pave the way for delivery of accessible, affordable, appropriate microfinance services.

This forum would also facilitate the expansion and deepening of the banking correspondent / banking facilitator models which are seen as a vehicle for greater financial inclusion.

SLBC - as watchdog / whistle blower for affordable microfinance

State Level Bankers Committee is occupying and playing an important role in promotion of financial inclusion agenda. It is also better positioned as a coordinating body of the banking system in the state context and keeps a tab on the progress of SHG banking linkage process vis-à-vis financial inclusion agenda. Given this position and role, SLBC needs to be a bulwark against the usurious tendencies and do the whistle blowing role to promote the cause of affordable microfinance.

Interest stipulation / Interest watch

While SLBC will play a larger role at the State level, the commercial banks and RRBs have an important role to play not only in interest stipulation but also in monitoring the interest rates at the clients level, which means when banks do bulk loans for MFIs for on-lending to SHGs / JLGs, the banks should stipulate an indicative ceiling on interest stipulation at the clients level by MFIs after mutual consultation and duly considering the reasonable cost at the particular context. This will go a long way in building good credit culture both for MFIs and the clients.

6. POLICY NOTES

A) FINANCIAL INCLUSION THROUGH MICROFINANCE SHG BANK LINKAGE PROGRAMMES INAFI'S POLICY PERSPECTIVES

1. Introduction

Microfinance sector is confronted with twin concerns from the perspective of national agenda of financial inclusion - sustaining growth impulses for expanding the microfinance programmes and the quality concerns of continuing and sustaining the microfinance programmes, where it has been established well, particularly, in South India. Financial inclusion is at the centre of these two concerns – out reach of more poor in regions (North and East India) where microfinance is lagging behind and deepening of financial services including insurance and remittances in the South. Financial inclusion, more than anything else talks about affordability as a key element for sustaining the inclusive process.

The committee on Financial Inclusion headed by Shri Rangarajan has submitted interim report and based on that the Government has responded with the policy statement in the budget setting apart two funds one for development and promotion and another for technology. INAFI INDIA considers these policy initiatives as an important step for financial inclusion.

2. Resource allocation for promotion of Financial Inclusion

By far, the larger segments of population excluded from the financial sector are poor, disadvantaged and marginalized population including tribal communities. While there have been many programmes in the past including IRDP, the SHG Bank Linkage programme has clearly demonstrated as a vital instrument to advance the agenda of financial inclusion. Organizing the unorganized poor through SHGs, nurturing and building the capacity through financial literacy,

counseling have paved the way for bringing more than, as per the current data available, 12 crores of households under this scheme to the banking fold through

the SHGs. Although the individual family members may not have bank accounts under the SHG bank linkage programme, this is but an important step towards wholesome financial inclusion over time. In other words, SHGs, in a way, as 'tiny banks' at grassroots have emerged as virtual and virtuous proxy linking the poor with the commercial banks for greater inclusion.

Be that as it may, there has been a parallel policy push by the Central Bank, which has greater potential for making larger impact on the financial inclusion, through policy directive to commercial banks on engaging enabling/promotional microfinance NGOs, MFIs as business correspondents and business facilitators coupled with door step banking.

Building the client system of SHGs and its federations predicated the working of the business correspondents and business facilitator model. There is considerable amount of cost to promote,

nurture and sustain SHGs by the enabling / promoting NGOs. These NGOs doing the role of business correspondents and business facilitator for the commercial banks needs to be compensated adequately to cover the cost. **To facilitate this process, the RBI/ NABARD shall allocate funds to the commercial banks from the proposed Financial Inclusion Fund, based on the volume of their business under SHG bank linkage programme to support the business correspondents and business facilitator for sustaining the linkage for long term.** This will go a long way to address the issue of Financial Inclusion.

3. Tax sop for commercial banks for promoting business correspondents and business facilitator model for microfinance

Although it is more than a year since RBI has announced business correspondent and business facilitator model, the commercial banks are quite wary about the cost implication and a very few banks have announced the guidelines. Many of them developed cold feet. It is seen that the reward or compensation offered for playing the role of business correspondent and business facilitator are grossly inadequate and so unattractive to move forward. The banks have not been able to appreciate the amount of cost and investment that have been made not only in building the social capital of SHGs but sustaining the structures over a long haul. It requires a different cost analysis than from the normal recovery and reward method. Linking the disbursements and recovery, blindly for compensating the business correspondent and business facilitator in due course of time, would have a negative implication on the financial eco system, where numbers would be chased rather than the quality.

Keeping this and also the commercial imperatives of caring for the bottom line of the banks, a fiscal sop in the form of income tax concession similar to the one extended to non performing assets from the rural segment is highly desirable and need of the hour to push and promote the business correspondent and business facilitator model for greater financial inclusion.

It is therefore submitted to the Honorable Finance Minister that the fiscal policy may be stretched the extra mile to give tax sop to the commercial banks to promote business correspondent and business facilitator model.

b) RATING IN MICROFINANCE

MICROFINANCE CAN DO WITHOUT RATING - RATING ADDS NO VALUE BUT COST

Rating is being undertaken by the specialized institutions to provide an opinion on the instruments and the entities from the financial perspective, especially on the risks and reward frame work. In our country, rating is mandatory by statue for enabling the investors (Read: lay public) to take a view on the advisability to invest their money either on debt or equity in these entities or to take a position on the financial instruments, being floated by the entities. Generally speaking, rating appears to be relevant in commercial business sectors covering wide arrays of sub sectors including financial, manufacturing etc. Particularly, with respect to financial sector, rating is critically important for the public to get an opinion to invest. The rating does not constitute a recommendation or a nudging suggestion to invest. Herein, it needs to be recognized that the whole public constitute a third party where in there is neither relationship nor

nodding acquaintance exist between investor public and the financial entity. Nor there is any likelihood of such a kind of relationship as it exists between banker and customer in future too. Unlike banker customer relationship, it is a faceless impersonal contact/linkage for the purpose of investment.

Over time, the rating is sought to be introduced for the Small and Medium Enterprises too even where the SME entity and the banker is going to have direct

close relationship. The argument was that the banks do not have the expertise nor the skills for assessing the risk with SMEs (cutting across several sectors)

and specialized agencies are required and it must be kept in mind that this is also in the commercial sector.

Juxtapose, the process of rating with microfinance sector there emerges a severe incongruity and infirmity. The reasons are not far to seek. Microfinance is never meant to be in the realm of commercial business. The universal principle is microfinance is neither charity nor commercial. It is development finance demanding and rightly so all the supports and understanding that go with the perspectives of development. Unfortunately, in the emerging microfinance sector rating is being pushed through as a panacea all the ills. To begin with it is started by donor agencies and for sure not all of them have the financial analytical and management skills. As the donors are primarily in the business of development, some of them sought to make rating as a kind of pre-condition, in fact as a comfort factor and collateral for the decision making process. But this was essentially foreign in its conception and initiation and the whole continent of Africa is paying the price for this where huge cost in the name of rating has been loaded in the microfinance sector and passed on to the clients subsequently and it is a different matter that the clients are hitting back now. Entering Indian microfinance sector, the infection of rating took an unexpected and regrettable turn where it is sought to be pushed even for a loan relationship between a bank and the microfinance institutions. It is amazing that donor driven initiative has caught up with well established, experienced and excellent financial system in India, which is very well comparable to financial analytical skill and management prevailing the West.

The recent NABARD initiative to push and insist for rating of microfinance institutions, which also include client owned and controlled federations, MFIs owned by the clients etc. has been a matter of grave concern. Amazingly enough, even the seasoned commercial banks, at the behest of NABARD, have started romancing rating not realising the fact that they are far more equipped in rating (Read: appraising) of microfinance institutions. The question that comes

up is that should NABARD, an apex institution, which boast of high level of financial expertise and project appraisal skills, outsource this critical function and at what price? Can the resources be better utilized for the sector in much better way? Is it not an abdication of basic responsibility of lending / funding institution to conduct an appraisal? Rating brings triple whammy - avoidable cost, loss of acumen for the internal appraisal system with a false sense of comfort and security and the consequent danger of soft appraisal or shall we say compromised. Further, microfinance

needs, which is in the realm of development and not as a commercial proposition, low cost / economical operations and rating is definitely not going to help. Do we need rating, which adds no value save the cost?

After all, Microfinance is a simple, straight and narrow banking idea. It does not have a web of derivative deals nor complex currency positions, that is to say it is not a complex business with complicated risks not visible to the normal naked eye. The purpose of this note is not to decry the rating process but to critically analyze relevance of rating in the microfinance sector. For sure, rating is redundant. It is hoped that RBI will come out with the guidelines to the whole financial system in the country including NABARD, SIDBI etc. that the rating is anathema and this practice of insisting on rating by NABARD and etal for an equity stake or corpus support or a debt position shall be dispensed with.

REGULATION OF MICROFINANCE SECTOR IN INDIA

A) Contemporary Issues

The microfinance sector in the country has grown substantially in the past decade and has gathered necessary momentum now to reach more poor across the country. Beginning with experimentation of a few SHGs for providing microfinance services, the sector has acquired diversity, depth and maturity. More than a million SHGs now exist and the SHG bank linkage process has come a long way to be recognized as a cost effective and efficient delivery mechanism. Interestingly, microfinance institutions have also emerged in the process complementing the work of formal financial system of commercial banks, rural banks and cooperative systems.

Over time, the NGOs involved in promoting SHGs for bank linkage process, microfinance institutions emerging from the NGO sector for direct delivery of financial services to the poor and the commercial banks / RRBs have become important players of the sector. The demand system of SHGs and its federations have also demonstrated the viability and feasibility of financial linkage including savings and credit services.

From a regulatory perspective, the players involved in organising and delivering financial services, fall broadly into the following categories:

1. Non-financial intervention – enabling NGOs involved in social intermediation whereby they organise the poor into SHGs, small societies and its federations for bank linkage process
2. Financial intervention/intermediation – Three distinct types of institutions come under this category.
 - a. Commercial Banks, Regional Rural Banks, Cooperative Banks
 - b. Microcredit Institutions
 1. NBFC type microcredit institutions
 2. Section 25 MCIs for and not-for-profit under Company Law
 3. NGO MCIs registered under Trust / Societies Act
 - c. SHGs and its federations, Societies and its ilk

Regulation Vs Contemporary concerns and issues

Single most important lesson that we have learnt from the decade long experience of microfinance interventions is that poor has willingness and capacity to save. Nothing can illustrate this better than the success of the home grown or indigenous model of SHGs which have proved not only their capacity to mobilize savings but also to handle them effectively for their credit requirements besides saving for the rainy day. It is a different (positive) matter that in this process, they have acquired capacity and confidence to handle the money. The principle of mutuality is the bedrock on which the whole system of SHGs operates - caring sharing and the persuasive peer pressure. By interlocking the savings and pooling the resources for lending not only the safety is assured but reasonable returns are also provided by many SHGs for the savings of its members. However, it must also be mentioned that in the evolving bank linkage process, many SHGs have now started keeping their surplus from the savings with Banks after utilizing for their internal lending. The NBFC MFIs registered with RBI and regulated can also go for mobilizing savings although they are very few and have not done much in mobilising the savings of the poor. Generally speaking, the savings bring in low cost funds for financial operations. It can, therefore, be said that the current interest of the micro credit institutions operating in the sector for mobilising the savings of the poor is not only to provide convenience of facility for savings / providing savings services but also extremely low cost of the lendable resources arising out of the savings mobilized from the poor.

And there has been demand from some of the stakeholders that in order to provide savings services to the large number of poor, the entry bearer for starting regulated NBFC type of MCIs has to be lowered from the present equity level of Rs.200 lakhs to Rs.25 lakhs. While the intent is good, what would be the fall out, in terms of safety when thousands of such MCIs spring up in due course of time and interfacing with millions of poor? What would be its impact on regulatory and supervisory effectiveness and efficiency and its cost?

Mobilising savings / providing saving services to the poor within the extant regulated framework

Besides the regulated entities in the formal financial system, the SHGs are currently providing the savings services as explained elsewhere in the note. A few NBFC micro credit institutions though licensed to accept savings / deposits have not yet been providing savings services.

As a measure of complementing the above arrangement for savings services and with a view to fill the gap where the SHGs have not spread well as in Northern and Eastern parts of the country, the appropriate alternative mechanism could be the banking correspondent approach whereby all types of unregulated MFIs and NGOs could provide the necessary link between the formal financial system and the poor for their safe keeping of the deposits. Allowing large number of micro credit institutions across the country with low equity base of Rs.25 lakhs to mobilize savings is fraught with high risk.

There is also a concern about the safety of the savings kept with the large cooperative societies especially when it has large member base with large volume of savings exceeding Rs.1-2 Crores. Though they are member owned and member controlled, the risk factor cannot be

ignored owing to vulnerability to the inimical forces operating at the ground level eyeing such opportunities. Herein, some amount of supervision by apex bodies like NABARD who is already charged with the responsibility of cooperative credit system could be thought of.

Should we regulate or not the SHGs mobilising and handling savings?

The SHGs since its inception have exploded the myth that poor cannot save. Many SHGs have demonstrated their capacity for savings and the amount of savings kept with the SHGs are growing. It is gratifying that considerable number of SHGs have built up savings in excess of Rs.1 lakh. What is significant is that the savings of SHGs are funding substantial part of their own loan requirements and the question often asked is as to how the poor women are able to save considerable amount though coming in trickles every week or month. Besides the traditional spirit of frugality and thrift of the women, one could attribute to both formal and informal factors – the formal being the pro-active step of RBI in recognizing SHGs as a quasi legal entity for interface with the mainstream institutions and the informal factor being the flexibility and the facility of a mechanism which is at their doorstep, bolstered more importantly by the fact that the members are comfortable and have high level of confidence about the safety besides knowing where the savings goes or deployed. In fine, poor women are in control of their money.

The working of SHGs and the experience gained so far reinforces the important principle of cooperation and the concept of mutuality at the grassroots. As the microfinance has given a shot in the arm for advancing the principles of cooperation and mutuality, it is now increasingly recognised as an instrument for institution building too through SHGs and its federations and the role of savings in building the solidarity, is now well established and accepted in the formal financial system. Juxtaposed this scenario with the concerns being voiced now about the safety of the savings of their own members with the SHGs, the question now is what is the alternative? Should we insist on the SHG members to keep their deposits with banks robbing them of the flexibility and facility of savings at their doorstep besides burdening them with additional cost of the formal operations with banks or drive them back to the existing informal savings repositories of traders, brokers, money lenders, etc., which are unreliable and quite risky. What is more, are we losing faith in the poor's capacity to handle their savings, which they have so eloquently demonstrated in the past decade and thereby belittling the concept of self-help. As it is rooted in the concept of mutuality, it is for the collective benefit of the members and there is no profit motive as it happens in the normal financial intermediation.

Arguably, SHGs as an entity are extended large families more particularly, one can think of Hindu undivided family where traditionally savings have been encouraged and kept within the system. This has been working so well and there have never been apprehensions about the safety of the savings within the family. Logically, savings of SHGs are akin to the pooling of savings by the members of the large family within themselves. And from the practical stand point of operations it is beyond one comprehension that how a regulation of such a huge number of SHGs for the single purpose of regulating their savings alone could be feasible leave alone the cost aspects. Perhaps, we don't like the idea of the family accounts being monitored or pried into. Clearly, there is no case for regulation of SHGs who are keeping the savings within themselves.

Time not ripe to tinker with extant regulatory system

Arguably, microfinance sector is emerging as a sub sector of the financial system and currently it is in the dynamic process of evolution. As it evolves, as we experienced, the regulation also evolves. At the present stage of evolution, dispensation of micro credit has developed well and has seen consolidation. Multiple agencies are providing credit under various legal forms and models and it is working well in the existing regulatory framework. With some tweaking in intervention strategies like the proposed intermediary role for MFIs between the clients and banks, the system should be able to ensure smooth flow of micro credit to the poor. That is, multiple choice is available to the poor ranging from the formal financial system of Commercial Banks RRBs, Co-operative banks, NGO MFIs, NBFC MFIs, SHGs and its federations and similar institutions. Regulation / supervision does happen for these institutions either through regulatory relationship through RBI or contractual relationship through lenders.

In so far as providing savings services or mobilising savings of the poor are concerned, safety becomes the prime consideration rather than rush to respond to fill the gap in the savings services. Nevertheless, the new approach proposed with MCIs acting as a banking correspondent should encourage and provide for mobilising savings of the poor with assurance of safety of savings, being held by the regulated commercial banks or RRBs. There is no need nor is it practical to regulate SHGs given the very low volume of operations and the negligible systemic risk involved. Clearly, there is no case for lowering the guard by allowing the large number of MCIs with low equity base of Rs.25 lakhs to provide savings facilities / services.

In fine, in the present stage of evolution of microfinance sector, we are of the view the existing regulatory framework is adequate to ensure smooth functioning of the microfinance programme and also in enabling access to poor for savings and credit services.

Encouraging self-regulation

Given the nature of the micro financial operations and the consequential vast spread of such micro entities across the country and with a view to develop the sector with clear focus on poor and high standards of performance and excellence, benchmarking of development and financial standards need to be in place as a reference point for the micro players. With this, a self regulatory mechanism need to be put in place with a well structured professional body (an apex body with regional outfits) comprising of practitioners, regulatory authorities and apex institutions / policy makers for monitoring the work of the micro credit entities - that is other than the regulated financial institutions involved in micro finance operations. RBI has facilitated initiation of such self regulatory process for many segments of financial sector, notable being the NBFCs. This approach is going to be a practical proposition with cost effectiveness.

B) Micro Finance Sector (Development and Regulation) Bill 2007- Concerns of the Micro Finance Sector

INAFI INDIA, a network of Microfinance practitioner NGOs promoting Self Help Groups, Cooperative Thrift and Credit Societies, on carefully considering the above bill introduced in the Parliament, would like to place before the Committee the following concerns:

In the first place, it should be noted that microfinance sector in our country does not suffer from want of regulation and what does it lack is a sector specific development policy framework. It, indeed, has adequate and effective regulatory framework for the microfinance sector under the Reserve Bank of India dispensation. In fact, it must be acknowledged that beyond regulation pro active measures are being taken by Central Bank to advance the microfinance sector. Therefore, it is important to recognize the extant regulatory framework in the country and to ask ourselves as to the need for a parallel regulatory framework outside the central bank system. What is the need of the hour, however, is a development framework for the microfinance sector.

1. Savings of the poor at peril: The proposed legislation provides for establishing MFOs with a very low capital base of Rs.5 lakhs which is an invitation to disaster. This would open the flood gates for flyby night operator type institutions to offer thrift services to mop up savings. Past experience in NBFC sector and very recently the failure of many financial institutions in Bihar, wherein people lost their savings to unscrupulous operators will serve as a grim reminder of the risks involved.

2. Alternative mechanism to provide savings and other financial services through linkage with mainstream commercial banking system: The extant regulatory framework currently under RBI dispensation has been serving the dual purpose of development and regulation quite well. Acting in concert with NABARD, RBI has taken several initiatives to promote, develop and regulate microfinance sector. The recent policy initiative of Business Facilitator and Business Correspondent Model coupled with guidelines on door step banking would go a long way in developing the Microfinance sector in orderly fashion. The Microfinance NGOs, MFIs and Federations of SHGs would assume the role of business facilitator and business correspondent for enabling access to various microfinance services including savings, credit and insurance services, remittances etc. provided by the commercial banking system. Under this model, the poor will be linked with commercial banks by the business facilitator and business correspondent model for microfinance services. The bill has not taken the cognizance of these initiatives in promoting the growth of the microfinance sector. And instead seeks to allow the MFIs to mobilize savings.

3. Affordable Microfinance: The Financial Inclusion agenda of the country stresses greater importance for providing affordable microfinance services so that people at large particularly poor have access to financial services. The usurious tendencies of some of the players and their coercive recovery practices have played havoc with the lives of the poor and other disadvantaged section of the society. Therefore there is a need to define the usury and also an indicative interest cap to dissuade the MFIs from predatory lending practices. **The stakeholders of Microfinance including clients are aghast that the bill seems to ignore the usurious tendencies prevalent through out the country.**

4. Microfinance is for Poor: The bill defines eligible clients largely as the people belonging to low income households rather than specifically mentioning poor. This may unwittingly divert the microfinance services from the poor section of the society adding to the financial exclusion.

5. Promotion of mutuality and cooperation and not regulation: The microfinance sector as it exists today witness greater mutuality and cooperation through the SHG and cooperative movement member owned and member controlled with enabling by NGOs. The proposed bill seeks to stifle mutuality and cooperation instead of promoting them in various local contexts.

6. Need for development framework for microfinance: The microfinance sector is faced with the challenges of growth and upscaling and also lopsided development in the country. What is therefore important at this stage is the need for national development policy with the judicious blend of fiscal and monetary policy support rather than regulatory framework.

7. MEMBERS AND THEIR MICROFINANCE PROFILE

AGA KHAN RURAL SUPPORT PROGRAMME (AKRSP)

Address and contact details	:	9-10, 10 th Floor, Corporate House Opp. To Dinesh Hall, Off Ashram Road AHMEDABAD – 380 009
Telephone	:	079-55312451 / 61, 079-27540421
Fax	:	079-55312471
E-mail	:	mail@akrsp.org
Web / URL	:	www.akdn.org/india
Legal status of organisation	:	Sec 25 Company
Year of establishment	:	1983
Name of CEO	:	Mr. Apoorva Oza
Focus / Objectives of Organisation	:	To create enabling environment for empowerment of rural communities
Area of operation	:	Natural resource management
No. of states	:	Two
No. of blocks	:	23 Blocks
No. of villages	:	736 Villages
Year in which microfinance Activities started	:	1995
Microfinance intervention	:	Enabling model

Peoples Organisation - Self Help Groups/ Federations (As on 31st March 2007)

Total No. of groups	:	1470
of which		
No. of women's groups	:	661
No. of men's groups	:	258
No. of mixed groups	:	551
Total No. of Federations	:	19

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups themselves. The relevant data as on 31.03.2007 are

Total community Savings : Rs.748 lakhs

II. Credit Operations As On 31st March 2007

	To SHGs
Total loan amount availed / mobilized from Commercial Bank / FI for the year 2006-2007	Rs.80 lakhs
Loan amount outstanding as on 31-03-2006	Rs.1061 lakhs
Average loan size per member	Rs.1854
Average loan size per group	Rs.18,000
Service charges/Interest rate	24% p.a.
Recovery rate	97%

Credit Products

- Consumption
- Income Generating activities
- Housing
- Medical
- Social

Portfolio Quality

Parameters	No. of accounts	Amount (Rs.in lakhs)
Overdues		
Portfolio at risk		
Bad debts / Loss assets		

III. Insurance

Products

No insurance products so far!

IV. Financial Resources (as on 31st March 2006)

Savings	:	1 crores
Corpus	:	-
Bank Linkage	:	-
Donors	:	-
Borrowings	:	-

V. Human Resources for Micro Finance intervention

a) Field Professionals / Staff	:	15
b) Office / Support Staff	:	1
c) Part time / Consultancy	:	1

VI. Capacity Building / Training Programs

1. Exposure visit for the staff and members – 2 days , once in every six months in order to orient them with the successful models, methodologies, interventions adopted by other NGO's
2. Accounts training for the SHG leaders and members- 3 days- twice a year
3. Leadership training , one day- once in six months

ACTION FOR SOCIAL ADVANCEMENT (ASA)

Address and contact details	:	E-5/A, Girish Kunj (Above State Bank of Indore, Shahpura) Arera Colony BHOPAL 462 016
Telephone	:	0755-2427369/4057925
Fax	:	0755-4057925
E-mail	:	asa@asabhopal.org
Web/URL	:	www.asaindia.org
Legal status of organization	:	Public Trust and Society under Bombay Public Trust Act 1950
Year in which microfinance Activities started	:	Year 2001-02
Name of CEO	:	Ashis Mondal
Focus / Objectives of Organization	:	Livelihood security through participatory action at community level and through natural resource management
Area of operation	:	States of Madhya Pradesh, Bihar and Jharkhand
No. of states	:	3
No. of blocks	:	21
No. of villages	:	763
Microfinance intervention approach	:	Self Help Group Model

Microfinance Programme Profile

Peoples Organisation - Self Help Groups/ Federations (As on March 2007)

Total No. of groups / Cooperative societies	:	771
of which		
No. of women's groups / Cooperative societies	:	531
No. of men/ mixed groups/ Cooperative societies	:	240
Total No. of Federations	:	3

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups / Cooperative societies themselves. The relevant data as on 31.3.2007 are

Total community Savings	:	Rs.77.70 lac
No. of Products	:	5

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilised from comm. Banks / FIs up to the year 2006-07 (excluding member savings)	Rs.66.38 million
Loan amount outstanding as on March 2007	Rs.53.29 million
Average loan size per member	Rs.4000
Average loan size per society	Rs.50000
Service charges/ Interest rate	1% of loan amount/ 18% reducing
Recovery rate	98.65%

Portfolio Quality

Parameters	No. of accounts	Amount (Rs in lacs)
Overdues	5	0.42
Portfolio at risk	-	-
Bad debts/Loss assets	-	-

Insurance Products:

Life and accidental coverage to all SHG members upto Rs.5000

IV. Financial Resources (As on March 2007)

Savings	:	Rs.77.70 lac
Bank Linkage	:	Rs.126.10 lac

V. Human Resources for Microfinance intervention

a) Field Professionals/ Staff	:	13
b) Office / Support staff	:	8
c) Part time / Consultancy	:	9

VI. Capacity Building / Training Programs

1. Management Development Programme for Professionals
2. Thematic Appreciation Programme for Microfinance
3. MIS and Systems
4. Funds and Liquidity management
5. Lending Policies and Products
6. Seminars / Workshops on Thematic issues – Self-regulation etc.
7. Capacity building / exposure programmes for NGOs from all parts of the country

BAIF DEVELOPMENT RESEARCH FOUNDATION (BAIF)

Address and contact details	: BAIF Bhavan, Dr.Manibhai Desai Nagar Warje, Pune 411058
Telephone	: 91-20-25231661
Fax	: 91-20-25231662
E-mail	: archanarao@baif.org.in, veenahalwe@baif.org.in
Web/URL	: www.baif.org.in
Legal status of organization	: Public Trust Registered under the Bombay Public Trust Act 1950
Year in which microfinance	
Activities started	: 1990
Name of CEO	: Dr. Narayan .G. Hegde
Focus / Objectives of Organization	: Multidisciplinary Livestock development programme, Water resource Development, & Tree Based Farming, Tribal Rehabilitation, Community health, Women Empowerment, Renewable energy & Environment
Area of operation	: Maharashtra, Gujarat, Karnataka, Uttar Pradesh, Rajasthan, Madhya Pradesh, Andhra Pradesh, Uttaranchal, Bihar, Jharkhand, Orissa, West Bengal
No. of states	: 12 states
No. of blocks	: 275
No. of villages	: 40000
Microfinance intervention approach	: Enabling & Delivery

Microfinance Programme Profile

Peoples Organisation - Self Help Groups/ Federations (As on March 2007)

Total No. of groups / Cooperative societies	: 7897
of which	
No. of women's groups / Cooperative societies	: 3707
No. of men/ mixed groups	: 4190

Total No. of Federations : 15

In addition to the above there are various other people's organizations like village committees, Water User groups, Cooperatives etc. promoted around specific activities as part of programme strategy.

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups / Cooperative societies themselves. The relevant data as on 31.3.2007 are

Total community Savings : 9.86 crores

No. of Products : Regular & Voluntary

Cumulative credit avilment by programme participants over the years	
• Delivery model (Rs.4.01 crores during the year)	Rs.9.94 crores
• Enabling model: Self Help Groups	Rs 21.24 crores
Loan amount outstanding as on March 2007	Rs 10.89 crores
Average loan size per member	Rs 2000 - Rs 10000/-
Service charges/ Interest rate	12%
Recovery rate	97%

Insurance Products:

Access provided to the following covers in various areas:

Life Insurance

Asset insurance

Health insurance

VI. Capacity Building / Training Programs

The trainings are need based.

1. Skill development
2. Livelihood Training
3. Record keeping ,Audit
4. Self Help Groups – Concept ,Promotion & formation
5. Workshops on Peoples Organisation ,Microfinance, Livelihood promotion through Credit etc. for Non Profit Organisations from all parts of the country
6. Management Development Programme for Professionals
7. Seminars / Workshops on Thematic issues – Self-regulation etc.

DHAN FOUNDATION

Address and contact details	:	18, Pillaiyar Koil Street, S.S. Colony, Madurai – 625 010. Tamilnadu, INDIA
Telephone	:	91-452-2610794/2610805/2300460
Fax	:	91-452-2602247
E-mail	:	dhan@md3.vsnl.net.in
Web/URL	:	www.dhan.org
Legal status of organization	:	Indian Trust Act (1882)
Year in which microfinance Activities started	:	1990
Name of CEO	:	M.P. Vasimalai
Focus / Objectives of Organization	:	Micro-finance through Community Banking Programme, Tankfed Agricultural Development Programme, Information Technology, Development Management Education, Rainfed farming and Panchayat Development Programme
Area of operation	:	Nine States & UN (Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Pondicherry, Maharashtra, Orissa, Rajasthan and Madhyapradesh)
No. of States & Union Territories	:	9
No. of blocks	:	156
No. of villages	:	7209
Microfinance intervention	:	Enabling / Promoting institution of peoples organisation which takes the microfinance functionality

Peoples Organisation - Self Help Groups/ Federations

(As on March 2007)

Total No. of groups	:	22708
of which		
No. of women's groups	:	22708
No. of men/mixed groups	:	Nil.
Total No. of Federations	:	63

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups themselves. The relevant data as on 31.3.2003 are

Total community Savings	:	Rs 94.20 crores
No. of Products	:	8 (Education, Marriage, Deepavali, Festival, Housing, Rettippu, Land, Tour)

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilised from comm. banks/FIs up to the year 2006-07 (excluding member savings)	Rs.187 crores
Loan amount outstanding as on March 2007	Rs.192 crores
Average loan size per member	Rs.4317
Average loan size per society	Rs.103 lakhs
Service charges/ Interest rate	Not applicable
Recovery rate	95%

Portfolio Quality

Parameters	No. of accounts	Amount (Rs. In lacs)
Overdues	NA	Rs.22.50 lacs
Portfolio at risk	Nil	Rs.8.10
Bad debts/Loss assets	Nil	Nil

Insurance Products

The Kalanjiam members are being provided with risk covers for both life and non-life insurance. In respect of non-life insurance, risk covers are generally organized for accident, health and assets. Totally 349000 members have been covered by insurance.

IV. Financial Resources (As on March 2007)

Savings	:	Rs 94.20 crores
Bank Linkage	:	Rs.187.64 crores

V. Human Resources for Microfinance intervention

- a) Field Professionals/ Staff : 1720
- b) Office / Support staff : 120
- c) Part time / Consultancy : 850

VI. Capacity Building / Training Programs

1. Management Development Programme for Professionals
2. Thematic Appreciation Programme for Microfinance
3. MIS and Systems
4. Funds and Liquidity management
5. Lending Policies and Products
6. Seminars / Workshops on Thematic issues – Self-regulation etc.
7. Capacity building / exposure programmes for NGOs from all parts of the country

GRAMEEN DEVELOPMENT SERVICES (GDS)

Address and contact details	:	B-1/84, Sector B, Aliganj Lucknow – 226 024 Uttar Pradesh
Telephone	:	91-522-2334112, 91-522-2334432
Fax	:	91-522-2330640
E-mail	:	gdscho@rediffmail.com , gdsiko@gmail.com
Web / URL	:	www.gdsindia.org
Legal status of organisation	:	Registered as a Society under the Societies Act, FCRA and Income Tax Department under Section 12(a) & 80.
Year of establishment	:	1993
Year in which microfinance	:	
Activities started	:	1996
Name of CEO	:	Mr. S.K. Dwivedi
Focus / Objectives of Organisation	:	Social and economic empowerment of poor particularly women through Livelihood promotion, Institution building and entitlement realization.
Area of operation	:	East UP, Bundelkhand, UP & Central Rajasthan
No. of states	:	2
No. of blocks	:	17
No. of villages	:	668
Microfinance intervention	:	
Peoples Organisation - Self Help Groups/ Federations	:	
(As on 31st March 2007)	:	
Total No. of groups	:	1342
of which	:	
No. of women's groups	:	1342
No. of men groups	:	-

No. of mixed groups : -
 Total No. of Federations : 22

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups themselves. The relevant data as on 31.03.2006 are

Total community Savings : Rs 1.80 crores
 No. of Products : Regular savings

II. Credit Operations As On 31st March 2007

	To SHGs
Total loan amt. Availed / mobilized from comm.. bank/FI for the year 2006-07	Rs 132.00 Lakhs
Loan amount outstanding as on 31.03.2007	Rs 106.00 Lakhs
Average loan size per member	Rs 3500.00
Average loan size per group	Rs 30000.00
Service charges/ Interest rate	11%
Recovery rate	85%

Credit Products

Consumption
 Income Generating Programme
 Housing
 Medical
 Social

Portfolio Quality

Parameters	No. of accounts	Amount (Rs in lacs)
Overdue	NA	NA
Portfolio at risk	NA	NA
Bad debts/Loss assets	NA	NA

III. Insurance

Products

Life Insurance Cover for 998 members organized through Birla Sunlife.

IV. Financial Resources (As on 31st March 2007)

Savings	:	Only by Peoples organisation promoted by GDS
Corpus	:	Rs 1.97 lakhs
Bank linkage	:	With peoples' organisation - Rs 132.00 lakhs
Donors	:	Rs 83.00 lakhs (grant fund)

V. Human Resources for Micro finance intervention

a) Field Professionals/ Staff	:	32
b) Office / Support staff	:	8
c) Part time / Consultancy	:	4

VI. Capacity Building / Training Programs

List out the training programmes for the staff and the SHGs/ people separately - mention the frequency of conduct in year and duration of each programme

• Self Regulation Federation	3 days	quarterly
• Livelihood Education (Staff)	3 days	half yearly
• Micro-enterprise Promotion (Staff)	5 days	once
• Federation formation & Capacity Building	5 days	once
• Livelihood Skill Building (Federation)	3 days	half yearly
• Credit Management (SHGs)	1 day	yearly
• Rights & Entitlement Realisation (SHGs)	9 month's module	
• HIV/AIDS Awareness and sensitization	2 days	Half yearly

INTEGRATED VILLAGE DEVELOPMENT PROJECT (IVDP)

Address and contact details	:	201, Gandhi Nagar KRISHNAGIRI – 635 001 DHARMAPURI DISTRICT INDIA
Telephone	:	91-4343-236420, 91-4343-232129
Fax	:	91-4343-237632
E-mail	:	Kulandei_francis@rediffmail.com
Web / URL	:	NIL
Legal status of organisation	:	Registered as per Societies Act
Year of establishment	:	1979
Year in which microfinance Activities started	:	1989
Name of CEO	:	Mr. Kulandei Francis
Focus / Objectives of Organisation	:	Women Empowerment Through SHGs
Area of operation	:	Krishnagiri, Dharmapuri & Vellore Districts
No. of states	:	1
No. of villages	:	1000
Microfinance intervention approach	:	SHG Concept

Peoples Organisation - Self Help Groups/Federations

Total No. of groups / Cooperative societies	:	5165
of which No. of women's groups / Cooperative societies	:	5165
No. of men groups	:	Nil
No. of mixed groups	:	Nil
Total No. of Federations	:	23

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups themselves. The relevant data as on 31.03.2007 are

Total community Savings : Rs.79.43 crores

No. of Products : --

II. Credit Operations as on ^t March 2007

	To SHGs
Total loan amt. Availed / mobilised from commercial banks / FIs up to the year 2006-07(excluding member savings)	311.58 Crores
Loan amount outstanding as on March 2007	885 Crores
Average loan size per member	Rs. 50,000
Average loan size per society / Federations	NIL
SService charges/ Interest rate	1. For Bank Loan, Interest rate is 11% to 12%(Bank directly given to Groups & Groups Directly given to members at the same bank Int. rate.) 2. For Sanga loan, Interest rate is 24%.(Shanga members have taken Shanga loan from their own savings).
Recovery rate	99%

Portfolio Quality

Parameters	No. of Accounts	Amount (Rs in lacs)
Overdues	20	18 lacs
Portfolio at risk	5	3 lacs
Bad debts / Loss assets	10	5 lacs

III. Insurance Products:

To provide security to the member a **Life Security Fund** has been created. Under the Scheme, a member has to pay Rs.100 /- as premium to the federation and in the subsequent years the premium amount will be lesser than Rs.100 /-.

In case of death of a member, the nominee of deceased is paid Rs.20,000 /- and in case of serious accident or permanent disability to the member, she gets Rs.10,000 /- as compensation. In 2006, Rs. **37,30,000 /-** was disbursed for 188 members. So far, i.e., from the inception of this scheme, **Rs.1 Crore and 21 lakhs** was distributed to **620** members. This really gives real life to the kids of the deceased member or to the member who has had permanent disability due to accidents.

IV. Financial Resources:

Savings : Rs. 79.43 Crores

Bank Linkage : Rs. 311.58 Crores

V. Human Resources for Micro finance intervention

- a) Field Professionals/ Staff : 6
- b) Office / Support staff : 88
- c) Part time / Consultancy : 200

VI. Capacity Building/Training Programmes

1. Management Development Programme for Professionals
2. Thematic Appreciation Programme for Microfinance
3. MIS and Systems
4. Funds and Liquidity management
5. Lending Policies and Products
6. Seminars / Workshops on Thematic issues – Self – Regulation etc.,
7. Capacity building / exposure programmes for NGOs from all parts of the country.

KUTCH MAHILA VIKAS SANGATHAN (KMVS)

- Address and contact details : 15/A, 'Amidhara',
Revenue Colony, Himmatnagar,
Bhuj, Kutch, Gujarat - INDIA.
PIN: 370001
- Telephone : 91-02832-222124 / 223311
- Fax : 91-02832-251914 (Attn: KMVS)
- E-mail : kmvsbhuj@gmail.com
- Web/URL : NA
- Legal status of organization : Registration under the Trust and Society Act in
the year of 1989 having the Registration No.
P.T.C. No: F/160/Kutch and Society R.No:
Guj./4/89
- Year in which microfinance
- Activities started : January-1994
- Name of CEO : Ms. Alka Jani
- Focus / Objectives of Organization : 1. Question various forms of socio economic
and political oppression.
2. Comprehend the basis of these forms of
suppression and oppression.
3. Act upon information, training, knowledge and
their skills accessed by them to both establish
their position as active change agents in their
communities with the objective of improving
their socio economic situation.
4. Establish, access, and control over resources
as well as decisions regarding themselves,
their families, work and environment.
5. Increased capabilities to make informed choice
with self-esteem and dignity.

Activity

1. Savings & Credit programme.
2. Handicraft production.
3. Legal awareness, education and support.

4. Media Advocacy through radio programme and newsletter.
5. Natural resource management.
6. Reproductive health projects.
7. Training of women in Panchayat.
8. Human and Institutional Development
9. Endogenous Tourism Project
10. 10 Campaigns on Property Rights for Women

Area of operation	:	Kutch district of Gujarat State
No. of states	:	1
No. of blocks	:	5
No. of villages	:	257 Villages and 10581 women's members.
Microfinance intervention approach	:	90 Villages covering (7000) women members.

Microfinance Programme Profile

Peoples Organization - Self Help Groups/ Federations (As on March 2007)

Total No. of groups / Cooperative societies: Mundra and Nakhtrana

No of groups	:	300
No. of women's groups / Cooperative societies	:	7000
No. of men/ mixed groups/ Cooperative societies	:	-
Total No. of Federations	:	2

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups / Cooperative societies themselves. The relevant data as on 31.3.2007 are

Total community Savings	:	Rs1.03 crores
No. of Products	:	2

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilized from comm. Banks / FIs up to the year 2006-07 (excluding member savings)	Rs.2.38 lakhs
Loan amount outstanding as on March 2007	Rs.88.04 lakhs
Average loan size per member	Rs.5000 to 15000
Average loan size per society (Monthly)	Rs.2 to 3 lakhs.
Service charges/ Interest rate	24 %
Recovery rate	75 to 80 %

Portfolio Quality

Parameters	No. of accounts	Amount (Rs. in lacs)
Overdues	1054	Rs.29 lakhs
Portfolio at risk	277	Rs.13 lakhs
Bad debts/Loss assets	814	Rs.16 lakhs

Insurance Products: Life Insurance covers with Birla Sunlife.

IV. Financial Resources (As on March 2007)

Savings : Rs.66 lakhs (Members Savings)

Bank Linkage : -

V. Human Resources for Microfinance intervention

- a) Field Professionals/ Staff : 6 rural field staff (women)
- b) Office / Support staff : 4 staff members (accountants) (with Cell at KMVS)
- c) Part time / Consultancy : -

VI. Capacity Building / Training Programs

- 1. Management Development Programme for Professionals : 1
- 2. Thematic Appreciation Programme for Microfinance : -
- 3. MIS and Systems : 1

4. Funds and Liquidity management	:	-
5. Lending Policies and Products	:	1
6. Seminars / Workshops on Thematic issues – Self-regulation etc.	:	1
7. Capacity building / exposure programmes for NGOs from all parts of the country	:	1

MANAVODAYA

Address and contact details	:	Institute of Participatory Development I.I.M. Road, Post Diguria Near Maharshi Vidya Mandir Lucknow – 226 020, INDIA.
Telephone	:	0522-2361886
Fax	:	0522-2361886
E-mail	:	manavodaya@eth.net
Web / URL	:	www.manavodaya.org
Legal status of organisation	:	Registered Society under Societies Act 1860
Year of establishment	:	1985
Name of CEO	:	Mr Varun Vidyarthi
Focus / Objectives of Organisation	:	Strengthening capacities of people and building partnership with institutions for facilitating mobilisation of the rural poor through self-help activities focussing on credit, local planning and self-governance.
Area of operation	:	Uttar Pradesh
No. of states	:	1
No. of blocks	:	4
Microfinance intervention	:	Enabling/ Promoting Institution Human Resources Development Centre for NGOs, Banks, Government and other stakeholders in the micro finance sector

Peoples Organisation - Self Help Groups/ Federations

(As on March 2007)

Total No. of groups	:	412
of which No. of women's groups	:	233
No. of men groups	:	144
No. of mixed groups	:	35
Total No. of Village Federations	:	26
Total No. of Area Federation	:	2

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups themselves. The relevant data as on 31.03.2007 are

Total Community Savings : Rs.36.47 lakhs

II. Credit Operations As On 31st March 2007

	To SHGs
Total loan amt. Availed / mobilized from Comm... bank/FI for the year 2002-03	91.28 lakhs

Credit Products

Consumption

Agriculture and Animal Husbandry

Business

Portfolio Quality

Parameters	No. of accounts	Amount (Rs.in lakhs)
Overdues	NA	NA
Portfolio at risk	NA	NA
Bad debts/Loss assets	NA	NA

VI. Capacity Building / Training Programs

Capacity Building in Microfinance

a. For Non Government Organisations Activities

- Training Of Organisation Leaders And Staff In The Concept, Promotion & Management Of Self Help Groups
- Training Of Trainers
- Field Based Guidance & Holding Of Regional Workshops On Best Practices
- Development Of Database On Micro finance (Ongoing)

General Information

Number of NGO personnel trained	:	1015
Number of districts covered	:	67
Number of organisations covered	:	382
Number of Self Help Groups (promoted by NGOs)	:	5000 (approx.)

b. For Government Institutions

Activities

- Sensitisation of Senior Officials In The Concept And Working of Self Help Groups
- Training of Trainers In The Promotion And Management of Groups And Credit Delivery Through Them
- Follow Up Guidance At District & Block Level
- Networking of Field Functionaries

General Information

- Number of government officials trained : 873
- Number of trainers trained : 493
- Number of districts covered : 32
- Number of blocks covered : 148
- Number of groups directly affected : 8000 (approx.)

c) For Commercial Banks / Regional Rural Banks

Activities

- Training of Lead District Managers and Branch Managers in the concept and method of Credit Delivery through groups
- Training and field based guidance to bank branches to work as Self-Help Promoting Institutions (SHPIs). I.E. Promotion of Groups & Delivering Credit through them

General Information

- Number of Bank Managers Trained : 668
- Number of States Covered : 5
- Number of Bank Branches Trained As Shpis : 67
- Average Number of Groups Promoted And : 1200 (approx.) credit Linked By Banks Working As Shpis

MODERN ARCHITECTS FOR RURAL INDIA (MARI)

Address and contact details : # 1-8-499, Behind Ekasila Park, Balasamudram
HANAMKONDA-506 001.A.P.INDIA

Telephone : 0870-2555343

Fax : -

E-mail : sanghatitha12@rediffmail.com

Web/URL : -

Legal status of organization : AMC/WGL/DCO/2005/689

Year in which microfinance
Activities started : Since 2002

Name of CEO : J.Kumara Swamy

Focus / Objectives of Organization

Objectives

- Developing required staff capacities to be able to promote self reliant and sustainable MF organizations of the poor communities.
- Development and application of appropriate MIS systems and documentation.
- To develop appropriate management policies and human resource development plans to enhance organizational efficiency in achieving its social objectives.
- To achieve self-sustainability of the organization to provide continued services in MF sector.
- To mobilize financial resources and infrastructure for providing efficient MF services.
- To carryout research, studies, innovative experiments to bring in higher level of learning into MF sector.
- To develop networking linkages with state, National and International organizations and increase its lobbying capacity to influence MF policies and programmes of Govt. and International agencies.

Area of operation : In Warangal Dist

No. of states : Andhra Pradesh (1)

No. of blocks : 12

No. of villages : 212

Microfinance intervention approach :

Microfinance Programme Profile :

Peoples Organization - Self Help Groups/ Federations (As on March 2007)

Total No. of groups / Cooperative societies 1366

of which

No. of women's groups / Cooperative societies : 1366

No. of men/ mixed groups/ Cooperative societies : --

Total No. of Federations : 18

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups / Cooperative societies themselves. The relevant data as on 31.3.2007 are

Total community Savings : 5.48 crores

No. of Products : Regular savings

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilized from comm. Banks / FIs up to the year 2006-07 (excluding member savings)	12.13 crores
Loan amount outstanding as on March 2007	
Average loan size per member	4,034
Average loan size per society	67.42 lakhs
Service charges/ Interest rate	18% to 24%
Recovery rate	93.27%

Portfolio Quality

Parameters	No. of accounts	Amount (Rs.)
Overdues	145	84.40 lakhs
Portfolio at risk	145	14.50 lakhs
Bad debts/Loss assets	-	-

Insurance Products:

Life insurance cover for 8800 members

IV. Financial Resources (As on March 2007)

Savings : 5.48 crores

Bank Linkage : 5.76 crores

V. Human Resources for Microfinance intervention

a) Field Professionals/ Staff : 19

b) Office / Support staff : 5

c) Part time / Consultancy : 2

VI. Capacity Building / Training Programs

1. Management Development Programme for Professionals

2. Thematic Appreciation Programme for Microfinance

3. MIS and Systems

The operational area has been divided into five clusters. Out of five, three clusters were provided with hard ware and software (Matrix – Java software). On a pilot basis one MACS has been chosen for computerization. The software needs some customization.

4. Seminars / Workshops on Thematic issues – Self-regulation etc. ; Not Applicable

5. Capacity building / exposure programmes for NGOs from all parts of the country

Staff Level

Book-Keeping Trainings

Financial Management

MIS Trainings

Lively hoods Trainings

BDP Trainings

Gender Trainings

Governance Trainings

Bye – law Preparations

Macs Act

Book keeping Trainings

Macs Systems

BDP trainings

Gender

NAV BHARAT JAGRITI KENDRA (NBJK)

Address and contact details	:	At: Amrit Nagar P.O. Korrah Dist: Hazaribag - 825301
Telephone	:	06546 – 263332
Fax	:	06546 – 263332
E-mail	:	nbjkco2@rediffmail.com satishgirija@gmail.com
Web/URL	:	www.nbjkindia.org
Legal status of organization	:	Society
Year in which microfinance	:	
Activities started	:	1993-94
Name of CEO	:	Satish Girija
Focus / Objectives of Organization	:	To educate, organize and empower the rural poor to promote development as a liberating force aimed at social justice, economic growth and self reliance
Area of operation	:	Bihar & Jharkhand
No. of states	:	Two
No. of blocks	:	31
No. of villages	:	1694
Microfinance intervention approach	:	We work with SHG and JLG lending methodology for income generating activities and our ultimate goal is to reduce poverty.

Microfinance Programme Profile

Peoples Organisation - Self Help Groups/ Federations (As on March 2007)

Total No. of groups / Cooperative societies	:	2269
of which	:	
No. of women's groups / Cooperative societies	:	1926

No. of men/ mixed groups/ Cooperative societies : 343

Total No. of Federations : N.A.

Micro Finance Services

I. Savings Mobilization : N.A

Savings of members are vested with groups / Cooperative societies themselves. The relevant data as on 31.3.2007 are

Total community Savings : Rs. 2.64 crores

No. of Products : Regular savings

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilized from comm. Banks / FIs up to the year 2006-07 (excluding member savings)	2.40 crores
Loan amount outstanding as on March 2007	4.34 crores
Average loan size per member	4405
Average loan size per society	N.A
Service charges/ Interest rate	12.5% (Flat) & 24%(Reducing)
Recovery rate	98.8%

Portfolio Quality

Parameters	No. of accounts	Amount (Rs in lacs)
Overdues	NA	NA
Portfolio at risk	NA	NA
Bad debts/Loss assets	NA	NA

III. Insurance Products: N.A.

IV. Financial Resources (As on March 2007)

Savings : 2.64 crores

Bank Linkage : Nil

V. Human Resources for Microfinance intervention

- a) Field Professionals/ Staff : 51
- b) Office / Support staff : 4
- c) Part time / Consultancy : N.A.

VI. Capacity Building / Training Programs

1. Management Development Programme for Professionals
2. Thematic Appreciation Programme for Microfinance
3. MIS and Systems
4. Funds and Liquidity management
5. Lending Policies and Products
6. Seminars / Workshops on Thematic issues – Self-regulation etc.
7. Capacity building / exposure programmes for NGOs from all parts of the country

Above mentioned subjects are very relevant in the field of Micro Finance. Capacity building programs are frequently arranged on the above subject by different organisation Such as INAFI India, Bird, Basix, Apmas etc. and we try to participate in the program.

Training and capacity building is an integral part of our programme. We are associated with different network organization which conducts training on different topic of Micro Finance. Our professionals take part in those training. Apart from these we conduct internal training for the capacity building of our staffs. Exposure is also a frequent activity for us and time to time all the staffs gets the opportunity to be the part of it.

PEOPLE'S EDUCATION AND DEVELOPMENT ORGANIZATION (PEDO)

Address and contact details : Jan Shiksha evam Vikas Sangathan
(People's Education and Development
Organization-PEDO)
Village and Post-Mada, Pin Code-314001
Via & District- Dungarpur (Rajasthan)

Telephone : 91-2964-261128/ 261287

Fax : 91-2964-261287

E-mail : jsvs_mada@yahoo.co.in

Web/URL : www.pedo.mada.org

Legal status of organization : Registered under society act 1958
(Rajasthan)

Year in which microfinance

Activities started : 1988

Name of CEO : Mr. Devilal Vyas

Focus / Objectives of Organization :

Vision: Self-reliant rural communities striving for sustainable livelihood with value based development orientation.

Mission: To strengthen value based people's institution to utilization existing resource for poverty alleviation and environment up-gradation.

Area of operation

No. of states : One state (Rajasthan)

No. of blocks : Six

No. of villages : 496

Microfinance intervention approach : Enabling Model

Microfinance Programme Profile

Peoples Organisation - Self Help Groups/ Federations (As on March 2007)

Total No. of groups : 1242

of which

No. of women's groups : 1242

No. of men/ mixed groups/
Cooperative societies :

Total No. of Federations : 11

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups themselves. The relevant data as on 31.3.2007 are

Total community Savings : 4.43 crores

No. of Products : Regular savings

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilised from comm. Banks / FIs up to the year 2006-07 (excluding member savings)	Rs.26.85 crores
Loan amount outstanding as on March 2007	Rs. 9.89 crores
Average loan size per member	Rs. 6150
Average loan size per group	Rs. 84,626
Service charges/ Interest rate	18%
Recovery rate	96.01%

Portfolio Quality

Parameters	No. of accounts	Amount (Rs in lacs)
Overdues	--	41
Portfolio at risk	--	22
Bad debts/Loss assets	--	--l

IV. Financial Resources (As on March 2007)

Savings : Rs.4.43 crores

Bank Linkage : Rs. 10.90 lakhs

V. Human Resources for Microfinance intervention

a) Field Professionals/ Staff : 103

b) Office / Support staff : 10

c) Part time / Consultancy : --

VI. Capacity Building / Training Programs

Staff

- Vision building / concept
- Promotion of livelihood activities: twice in a year
- Self-management of group /cluster / federation - twice in a year
- Product development and credit policy - once in a year
- Financial management- twice in a year
- Computerization of accounts- Once in a year
- Auditing - once in year
- Scaling-up the program- new staff - 3 months training

SHG/ Cluster / Federation

- Six monthly camps in each group
- Orientation on product and credit policy- once in a year
- General body meeting in policy decision- twice in a year
- Budget workshop- once in a year
- Training of weak group and weak leaders- once in a year

PEOPLE'S RURAL EDUCATION MOVEMENT (PREM)

Address and contact details	:	Mandiapalli, Rangailunda Berhampur (Gm) – 760 007 Orissa
Telephone	:	0680- 2242266
Fax	:	0680- 2242401
E-mail	:	preoffice_1@sify.com, J_thundyil@rediffmail.com
Web / URL	:	preindia.org
Legal status of organisation	:	Registered Under societies registration act u/s 1860
Year of establishment	:	1984-85
Year in which microfinance	:	
Activities started	:	1992
Name of CEO	:	Mr. Jacob Thundyil, president
Focus / Objectives of Organisation	:	Formation of people's organization of village panchayat, block, district and state level, Education of children for gainful and creative engagement. Promotion and protection of women's rights and interests. Rural health programme. Control and management of natural resources, Active participation in the democratic institutions. Promotion and protection of forest and sea ecology. Creation of alternative credit system, research training and advocacy in support of the marginalized people. Promotion of income generating activities. Promotion of agro and agro based activities .
Area of operation	:	Orissa, Andhra Pradesh, Tamil Nadu , Pondichery & Kerela
No of States	:	4 states and One union territories
No. of blocks	:	(48 blocks)
No. of villages	:	(2492) villages
Microfinance intervention	:	savings, credit, housing, health schemes, Income generation and bank linkages

Peoples Organization - Self Help Groups/ Federations

(As on 31st March 2006)

Total No. of groups	:	3124
Of which		
No. of women's groups	:	3102
No. of men groups	:	22
No. of mixed groups	:	-----
Total No. of Federations	:	24 federations

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups themselves. The relevant data as on 31.03.2006 are

Total community Savings	:	Rs 125 Lakhs
No. of Products	:	4 Nos

II. Credit Operations As On 31st March 2006

	To SHGs
Total loan amt. Availed / mobilised from comm.. bank/FI for the year 2005-06	Rs52.45. Lakhs
Loan amount outstanding as on 31.03.2006	Rs3.65 Lakhs
Average loan size per member	Rs ...500-5000.....
Average loan size per group	Rs10000-25000.....
Service charges/ Interest rate	2....%
Recovery rate	...98.5 %

Credit Products

- Consumption
- Income Generating Programme
- Housing
- Medical
- Social
- Education

Portfolio Quality

Parameters	No. of accounts	Amount (Rs in lacs)
Overdues	32	Rs.213000
Portfolio at risk	15	Rs.75000
Bad debts/Loss assets	4	Rs.32000

III. Insurance

Products: Life Insurance Cover for the Members

IV. Financial Resources (As on 31st March 2006)

Savings	:	Only by Peoples organisation promoted by PREM
Corpus	:	Rs.60 lakh
Bank linkage	:	With peoples'organisation-Rs26.45 lakh
Donors	:	Rs 213 lakh
Borrowings	:	Rs.26 lakhs from SIDBI

V. Human Resources for Micro finance intervention

- a) Field Professionals/ Staff : 31
- b) Office / Support staff : 9
- c) Part time / Consultancy : 3

VI. Capacity Building / Training Programs

List out the training programmes for the staff and the SHGs/ people separately - mention the frequency of conduct in year and duration of each programme

Quarterly one training programme at Federation level per annum 4 training programmes.

Regular monitoring

Duration of training program - 2 days.

PRAGATHI SEVA SAMITHI

Address and contact details	:	# 2-5-578 KLN Reddy Colony Subedari, Hanamkonda Warrangal Andhra Pradesh 506 001
Telephone	:	0870-2540851/2550659
Fax	:	0870-2540979
E-mail	:	pragathiss@yahoo.com; pragathimfi@yahoo.com
Web/URL	:	
Legal status of organization	:	Registered under societies Act
Year in which microfinance	:	
Activities started	:	1995
Name of CEO	:	Mr.G.JOHN
Focus / Objectives of Organization	:	To organize poor women to build Sustainable and self managed micro credit institution of own so as to ensure cheap adequate and timely access of credit services. To empower women and enhance their capacities that they can activate participate in all development activities concern with their family village and larger society. To strive towards achieving community health and well being and women and children. Also create conditions to eradicate certain wide spread diseases(Aids & T.B.etc)
Area of operation	:	Warangal (Dist) in Andhrapradesh
No. of states	:	1
No. of blocks	:	13
No. of villages	:	162
Micro finance intervention approach	:	Through MACS (SHG Federations)

Micro finance Programme Profile

Peoples Organisation - Self Help Groups/ Federations (As on March 2007)

Total No. of Cooperative societies : 38

of which

No. of women's groups : 3316

Total No. of Federations : 1

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups / Cooperative societies themselves. The relevant data as on 31.3.2007 are

Total community Savings : 4.49 crores

No. of Products : Regular savings

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilized from comm. Banks / FIs up to the year 2006-07 (excluding member savings)	24.09 crores
Loan amount outstanding as on March 2007	18.91 crores
Average loan size per member	12000
Average loan size per society	84 lakhs
Service charges/ Interest rate	2% & 12%
Recovery rate	100%

Portfolio Quality

Parameters	No. of accounts	Amount (Rs in lacs)
Overdues	Nil	Nil
Portfolio at risk	Nil	Nil
Bad debts/Loss assets	Nil	Nil

III. Insurance Products:

Shakthi Shield Security Scheme-Royal Sundaram Insurance Co.Ltd.,
Abhayanidhi-Pragathi Seva Samithi

IV. Financial Resources (As on March 2007)

Savings : 4.49 crores

Bank Linkage : 24.09 crores

V. Human Resources for Microfinance intervention

a) Field Professionals/ Staff : 60

b) Office / Support staff : 31

c) Part time / Consultancy : Nil

VI. Capacity Building / Training Programs

1. Management Development Programme for Professionals
Staff has attended the various Financial Management, Financial Analysis Trainings
2. Thematic Appreciation Programme for Microfinance
3. MIS and Systems
For MIS Accounting Systems we are using the MATRIX Software
4. Funds and Liquidity management
5. Lending Policies and Products
Loans lending process is MFI to MACS to SHGs
6. Seminars / Workshops on Thematic issues – Self-regulation etc.
PSS has conducting the seminars and Workshops for staff by external consultants
7. Capacity building / exposure programmes for NGOs from all parts of the country
Capacity building trainings has conducted for staff internally and externally and Exposure visits.

SHREE KSHETHRA DHARMASTHALA RURAL DEVELOPMENT PROJECT (SKDRDP)

Address and contact details	:	Dharmashree Building Dharmasthala-574216 Belthangady Taluk Dakshina Kannada District Karnataka
Telephone	:	08256-277215
Fax	:	08256-277215
E-mail	:	skdrdp@skdrdpindia.org
Web/URL	:	www.skdrdpindia.org
Legal status of organization	:	Registered under Indian Religious Trust Act
Year in which microfinance activities started	:	1996
Name of CEO	:	Dr. L.H. Manjunath Executive Director
Focus / Objectives of Organization	:	To unite the rural folk and to mobilise the rural infrastructure for faster development. <ol style="list-style-type: none">1. To utilise the natural and human resources, within the villages for their own progress.2. To introduce low cost and sustainable means for development of agriculture.3. To facilitate empowerment of the unreached.4. To encourage both agricultural and non agricultural activities.5. To blend morality, integrity, discipline and religion in the process of development.6. To facilitate participatory community and village development projects.

Area of operation

No. of states	:	1
No. of blocks	:	13
No. of villages	:	1884
Microfinance intervention approach	:	In all the blocks

Microfinance Programme Profile

Peoples Organisation - Self Help Groups/ Federations (As on March 2007)

Total No. of groups / Cooperative societies	:	47,456
of which		
No. of women's groups / Cooperative societies	:	32,329
No. of men/ mixed groups/ Cooperative societies	:	15,502
Total No. of Federations	:	1,146

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups / Cooperative societies themselves. The relevant data as on 31.3.2007 are

Total community Savings	:	Rs. 85.22 lakhs
No. of Products	:	Regular savings

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilised from comm. Banks / FIs up to the year 2006-07 (excluding member savings)	Rs.322 crores
Loan amount outstanding as on March 2007	Rs.265 crores
Average loan size per member	Rs. 15,000.00
Average loan size per group	Rs. 40,000.00
Service charges/ Interest rate	12.5 % P.A. for all term loans. In addition to this 1% surcharge is collected on the loan amount
Recovery rate	99.99%

Portfolio Quality

Parameters	No. of accounts	Amount (Rs.)
Overdues	183	2.07 crores
Portfolio at risk	183	51.16 lakhs
Bad debts/Loss assets	-	-

III. Insurance Products: *Sampoorna Suraksha Health Insurance Programme*

First of its kind in the country trying to reach out the poorest of the poor the Sampoorna Suraksha, promoted by SKDRDP is quite unique in nature. For a nominal premium of Rs. 650/- p.a. the scheme, covers a family of five members against hospitalization expenses upto Rs. 25,000/-, maternity facilities for the housewives, life insurance for the earning member of the family and post hospitalization expenses. Natural calamity and damages to the properties are also partly covered with lesser and additional premium respectively. The scheme also assists the stakeholder of the project to get financial assistance from pragathinidhi to meet the hospitalization expenses if any in excess of the sum assured.

IV. Financial Resources (As on March 2007)

Savings : NIL

Bank Linkage : Rs. Rs.322 crores

V. Human Resources for Microfinance intervention

- a) Field Professionals/ Staff : 1,118
- b) Office / Support staff : 153
- c) Part time / Consultancy : NIL

VI. Capacity Building / Training Programs

1. Management Development Programme for Professionals
2. Thematic Appreciation Programme for Microfinance
3. MIS and Systems
4. Funds and Liquidity management
5. Lending Policies and Products
6. Seminars / Workshops on Thematic issues – Self-regulation etc.
7. Capacity building / exposure programmes for NGOs from all parts of the country

Training to the staff	Frequency of training	Training to SHG members	Frequency of training
Training on Micro Finance	6 months	Training on leadership quality, SHG concept	At the time of promotion of SHGs
Training on Financial Management	6 months	Training on Book Keeping	6 months
Training on Book Keeping of SHGs	During the induction training	Training on internal lending	6 months
Training of agriculture	6 months	Training of fund management	6 months
		Training on self employment	3 months
		Training on latest practice of agriculture	3 months
		Use of modern technology in agriculture	3 months

SHARMIK BHARTI

Address and contact details	:	392 Vikas Nagar, Kanpur- 208024
Telephone	:	(0512) 2580823 / 2581091
Fax	:	(0512) 2584074
E-mail	:	info@shramikbharti.org.in shramikbharti@hotmail.com
Web / URL	:	www.shramikbharti.org.in
Legal status of organisation	:	Registered under Societies Registration Act, 1860.
Year in which microfinance Activities started	:	1989
Name of CEO	:	Mr. GANESH S. PANDEY
Focus / Objectives of Organisation	:	Working for empowerment of poor and under privileged with special focus on women and children
Area of operation	:	KANPUR NAGAR, KANPUR DEHAT
No. of states	:	1(Uttar Pradesh)
No. of blocks	:	11 Blocks and urban slums
No. of villages	:	500 villages & 125 slums
Microfinance intervention	:	Peoples Organisation - Self Help Groups/ Federations

Peoples Organisation – Self Help Groups / Federations (As on 31st March 2007)

Total No. of groups / Cooperative societies	:	1121
of which		
No. of women's groups / Cooperative societies	:	1031
No. of men	:	90
mixed groups	:	11
Cooperative societies	:	79
Total No. of Federations	:	4

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups / Cooperative societies themselves. The relevant data as on 31.03.2007 are

Total community Savings	:	Rs. 3.83 crores
No. of Products	:	COMPULSORY SAVINGS VOLUNTARY SAVINGS

II. Credit Operations As On March 2007

	To SHGs
Total loan amt. Availed / mobilised from comm.. bank/FI for the year 2006-07	N.A
Loan amount outstanding as on 2007	Rs.59.45 lakhs
Average loan size per member	366
Average loan size per society / group	5304
Service charges/ Interest rate	18% - 24% p.a.
Recovery rate	N.A

Portfolio Quality

Parameters	No. of accounts	Amount (Rs.)
Overdues	--	--
Portfolio at risk	--	--
Bad debts/Loss assets	NIL	NIL

III. Insurance Products

1. DEVELOPMENT INSURANCE PLAN (HDFC STANDARD LIFE INSURANCE CO. LTD)

Age limit (8 – 50 yrs)

Natural death coverage is Rs. 10000 and accidental death coverage is

Rs.15000 with one year duration.

(Total 4005 members covered as on 31st March' 2007)

2. BIMA KAWACH POLICY (BIRLA SUN LIFE INSURANCE)

Age limit (18 – 50 yrs). Death coverage is Rs. 10000 within 3 years duration.

IV. Financial Resources (As on March 2007)

Savings : Rs. 3.83 crores

Bank linkage : Rs. 57.86 lakhs

V. Human Resources for Microfinance intervention

a) Field Professionals / Staff : 27

b) Office / Support staff : 4

c) Part time / Consultancy : 2

VI. Capacity Building / Training Programs

1. Management Development Programme for Professionals
Shramik Bharti organizes sharing and learning opportunities for its team in house on a regular basis. We also send our team members to the programmes organized by various other agencies of repute in the country.
2. Thematic Appreciation Programme for Microfinance
Shramik Bharti organizes appreciation programmes on microfinance for its team members and also send them to the programmes organized by other agencies.
3. MIS and Systems
 - Software based accounting,
More than 50% groups have computerized accounting.
 - Monthly reconciliation of members balances,
Member balances are reconciled on quarterly basis.
 - Monthly checking of members pass book,
Members pass books are checked in quarterly reconciliation.
 - Routine and rigorous internal audit systems,
Quarterly audits are conducted.
 - Monthly analysis of demand and different operating ratios,
Demand is analysed on annual basis. Ratios are analysed on annual basis.
 - Monthly cluster meetings for enhancing community participation and leadership development.
Regular monthly cluster meetings are conducted.

- Development of book writers cadre,
Book writers have been developed.
 - Monthly scrutiny of field workers report,
Monthly reports are scrutinized.
4. Funds and Liquidity Management
Each SHG has its bank account. They keep their surplus cash with the Bank.
 5. Lending Policies and Products
There is only one loan product. The maximum loan size is limited at Rs.20,000. The rate of interest is 18% or 24%. The repayment period varies from 10 months to 30 months depending upon the loan amount.
 6. Seminars / Workshops on Thematic issues – Self – Regulation etc.
Workshops are conducted with the leaders and members of SHGs, clusters and Federations for their capacity building.
 7. Capacity building / exposure programmes for NGOs from all parts of the country.
Shramik Bharti welcomes NGOs from different parts of the state and country to come for exchange visits for mutual learning.

SOUTH INDIAN FEDERATION OF FISHERMEN SOCIETIES (SIFFS)

Address and contact details	:	Karamana, Thiruvananthapuram Kerala, PIN: 695 002
Telephone	:	0471 - 2343711/2343178
Fax	:	91 - 471 - 2342053
E-mail	:	admin@siffs.org
Web / URL	:	www.siffs.org
Legal status of organisation	:	Society
Year of establishment	:	1980
Year in which microfinance	:	
Activities started	:	1996
Name of CEO	:	Mr. V. Vivekanandan

Focus / Objectives of Organisation

- Producer control over fish marketing and inputs (basically to liberate fishermen from the clutches of middleman, merchants and money lenders)
- Livelihood protection and enhancement using appropriate technology.
- Policy research and advocacy to support to interests of artisanal fishermen.
- Resource management to ensure sustainable livelihoods in fishing.
- Alternative employment and strengthening of women livelihoods to diversify the economic base of the community and ensure its all round development.

Area of operation	:	Kerala, Tamilnadu, Andhra Pradesh, Karnataka and Pondichery
No. of states	:	4
Microfinance intervention approach	:	Market linked livelihood promotion approach (Individual lending type)

Microfinance Programme Profile

Objectives of the MF Programme

- To close the credit gap that exists due to the inability of other channels of institutional credit to cater to the needs of the members.
- To remain an additional channel rather than to eliminate existing channels of institutional credit to members.
- To use the SIFFS credit programme to introduce professionalism in the credit programmes of the district federations and societies, by example and through training and other forms of support.
- To improve the credit worthiness and absorption capacity of the societies and members by introduction of new concepts and methods in selection, monitoring, etc.,
- To give a boost to the expansion of the SIFFS co-operatives and their membership.
- To use credit as an instrument for fisheries management to the extent possible through supporting financing of appropriate technologies.
- To support fisherwomen organizations, having historical links to SIFFS, to gain access to credit for their fish vending activities.

Peoples Organization – Self Help Groups / Federations (As on March 2007)

No. of women groups (SHGs)	:	67 (1475 Members)
No. of women cooperative societies	:	80 (6340 Members)
No of men groups (SHGs)	:	110 (1870 Members)
No of men cooperative societies	:	137 (7250 Members)
Total No. of groups / Cooperative societies	:	394 (16935 Members)
Total No. of Federations	:	8

Micro Finance Services

I. Savings Mobilisation

Savings of members are vested with groups / Cooperative societies themselves. The Relevant data as on 31.3.2007

Old Age Security Scheme (with SIFFS) : Rs. 3.39 crores (2100 Members)

II. Credit Operations As On March 2007

Particulars	Amount
Total loan amt. Availed / mobilised from commercial Banks / FIs up to the year 2006 - 07(excluding member savings)	Rs. 2.25 crores
Loan amount outstanding as on March, 2007	Rs. 6.72 crores
Average loan size per member	Rs.12,906
Average loan size per society	Rs.3.09 lakhs
Service charges/ Interest rate	16%
Recovery rate	91.15%

Lending Policies and Products

Product	Purpose	Interest Rate*	Loan Range	Installments
Production	Acquire / Replace Equipments	12 %	5000 – 75000	36 installments in 42 months
Women Loan	Working Capital for Fish vending and petty trades	18 %	2000 – 20000	12 / 18 / 24 installments in 14 / 21 / 28 months
Labour Loan	Consumption for crew members	14 %	1500 – 3000	12 installments in 14 months
Shark Fishermen Loan	Ice Boxes, safety and Navigational devices	12 %	10000 – 50000	12 / 24 installments in 14 / 28 months
Seasonal Loan	Potential Women with excellent performance history	18 %	10000 – 30000	Bullet Payment

* Diminishing balance method

Portfolio Quality

Parameters	No.of accounts	Amount (Rs in lakhs)
Overdues	1787	94.31
Portfolio at risk	16.46%	110.65
Bad debts/Loss assets	1218	59.98

III. Insurance Products

- Life insurance policy (Janshree Bhima Yojana) with LIC
 - Total members Insured under JBY are 7049
- Unnamed Crew Members Insurance policy with UIIC
 - Total members insured under Unnamed Crew members insurance are 16585

IV. Financial Resources (As on March 2007)

Savings	:	Rs.3.39 crores
Bank linkage	:	Rs.2.25 Crores

V. Human Resources for Micro finance intervention

a) Field Professionals/ Staff	:	5
b) Office / Support staff	:	2
c) Part time / Consultancy	:	1

VI. Capacity Building / Training Programs

1. Management Development Programme for Professionals

Mr.Jayababu attended Training Programme on Development Management Appreciation Programme (DMAP) between 13th and 25th in November 2006 at Tata – Dhan Academy, Madurai.

2. Thematic Appreciation Programme for Microfinance

2.1. Mr. Joymon and Ms. Viswasree Boga attended Training on “Loan Portfolio Audit” conducted by Micro-Save at Kanpur from 10th to 16th of July.

2.2. Mr. Joymon and Mr. Benchamin attended the workshop on Housing for Finance for poor at Tirupati on 4th to 5th organized by DHAN Foundation and NHB in October 2006.

3. MIS and Systems

3.1. A software called MCG is developed by Micro Finance Consulting Group, Chennai for MIS and reports generation of micro finance at SIFFS central office. All the federations are also computerized and soon, the MCG will be installed. The MIS reports generation and its applications are as shown in the table below.

S. No.	Reports	Applications
1	Society rating list	
2	List of early of delinquent members	Used to know the performance of recent loans (loans disbursed in last six months)
3	List of beneficiaries, whose overdue is less than one EMI	To be used by COs / CDOs and clerks to collect the small overdues to improve society performance
4	List of beneficiaries, whose loan term nearing to end (within next 6 months)	To remind the beneficiaries to close the loan immediately
5	List of beneficiaries, whose loan term is over	To be used by Credit Manager, COs / CDOs to close the loans immediately

6	List of delinquent members to be followed up	To be used by COs / CDOs and clerks to monitor the delinquent members
7	Details of all loan balances (Conformation Statement)	Used for making all entries at Society level (loan ledger and loan card)
8	Non – Repayers List	Follow up of non – repayers for previous month

4. Capacity Building / Training Programmes:

1. Federations Field Staff – quarterly one day training programme
2. Village Society Staff – quarterly one day training programme
3. Society Leaders – quarterly one day training programme
4. Head Office Staff – twice a month each one day programme