



micro matters

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Financial Inclusion And Responsible Microfinance



The National Microfinance Conference on Financial Inclusion and Responsible Microfinance was convened by Sa-Dhan in collaboration with FICCI on 17th and 18th March 2010. The conference was a platform to deliberate on critical issues pertaining to the sector viz. Business Correspondence Model, multiple borrowing, social performance, Sa-Dhan Code of Conduct among others.

The conference has been a landmark event in many ways, foremost being Sa-Dhan's collaboration with FICCI, a network of the corporate industry. The conference received nearly 50 Lakh rupees in sponsorship and got the support of public sector banks and apex financial institutions. Of close to 1000 participants; including policy makers, parliamentarians, heads of public sector banks on the one hand and, practitioners, academicians, heads of prominent private sector banks, community leaders, the conference also saw the attendance of apex financial institutions, RBI and public sector banks. Sa-Dhan ensured the presence of parliamentarians to listen in to the debates on the various issues concerning the microfinance sector. Be it the speakers, or audience or the discourse, each resonated the acknowledgement of the Sa-Dhan forum.

In the conference regulatory and policy bodies such as the

Continued on page 2



Sa-Dhan: The Association of Community Development Finance Institutions (CDFIs) represents countrywide a total of 237 members across 21 states with loan outstanding of more than Rs.12000 crore and client outreach in excess of 22 million.

RESPONSIBLE MICROFINANCE : A SHORT FILM

A film 'Responsible Microfinance' was produced by Sa-Dhan to highlight critical issues that confront the microfinance sector in India. The film was used as a curtain raiser to the National Microfinance Conference essentially to highlight and bring focus on critical issues of multiple borrowing, social performance, livelihoods, micro-insurance, technology and loan products. In order to capture regional issues the film was shot at locations in Mumbai, Delhi, Alwar, Kanpur, Bhubaneswar and Hyderabad. The film crew met an array of stakeholders in these locations.

At the point of inception, the stakeholders were asked sev-



eral questions to better perceive the goal of such a film. The questions focused on preparedness for total financial inclusion by 2015, gray areas and gaps to attain total financial inclusion, quality of services provided by MFIs, the effect of scaling up on the client centric approach of microfinance and its difference from other lending institutions, strategies needed to retain the social intermediation aspect of microfinance and its importance, models and designs best suited for financial inclusion, services along with microfinance that will support poverty alleviation and various constraints in achieving total financial inclusion. (The film can be viewed from www.sa-dhan.net)



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Financial Inclusion And Responsible Microfinance

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Planning Commission and Reserve Bank of India were represented by the Deputy Chairman and Deputy Governor respectively. Dr. Montek Singh Ahluwalia corroborated the views of his colleagues from the Ministry of Finance. Mr. Vijay Mahajan, **Chairperson**, BASIX speaking in the conference agreed on a pan sector bill. The parliamentarians present at the conference were engaged in the discussion related to the role of the microfinance sector in expanding financial inclusion and the challenges that exist.

The various subjects discussed included endemic issues of poverty; potential solutions of cost cutting mobile technology, provision of diversified and need based products and the renewed focus on financial inclusion with sustainable livelihood.

The Microfinance Bill was discussed by key functionaries from the government such as Mr. R. Gopalan, Secretary Financial Services, Ministry of Finance. In his presence the forum arrived at

the consensus for a cohesive Bill that would be applicable to all legal forms. It was also suggested that an ombudsman within the purview of the bill would help eliminate difficulties within the sector. A significant outcome was the public and private sector banks commitment to lending \$ 250 million to microfinance institutions to facilitate reaching the Millennium Development Goal by 2015. Two ministers from the central government and one Member of Parliament emphasized the government's efforts on financial inclusion, while Mr. R.M. Malla, Chairman and Managing Director of SIDBI and Mr. U C Sarangi, Chairman of NABARD reiterated their commitment to the sector in order to achieve total financial inclusion.

Mr. Nandan Nilekani, Chairman of Unique Identification Authority (UID) of India (now called AADHAR), spoke about UID, the largest resident database using biometric features. Funded to the extent of \$300

million by the government, it has the potential to change transactions in microfinance. Addressing the complexity of the issue, he gave a key presentation for 45 minutes followed by a Q and A on the facilitative role UID can play to enhance financial inclusion. He stated that UID is the biggest game changer in India and would aid MFIs in reducing their transaction cost. Additionally, Ms. Rani Singh Nair, Executive Director of Pension Fund Regulatory and Development Authority (PFDR) outlined the role expected of MFIs for launching



Communicating Challenges to Key Parliamentarians

Mr. Rahul Gandhi, General Secretary, AICC and Member of Parliament, was presented with a letter of recommendations on self help groups. A quick summary of our recommendations are as follows:

- ◆ Large amount of funds designated for promotional work lapse in many government programs. A new governance of such funds /corpus is required to accelerate disbursal especially for Institutional Capacity Building of these groups, their leaders, systems and their monitoring. It is very essential to provide technical support to SHGs for setting up of financial records, Audits account keeping. Also, technology provides



the confidence among the members which very less number of organizations are able to do because of the lack of funds.

- ◆ Staff and offices in rural branches have very sharply declined over the past few years. Although the emphasis has been given on the branch expansion (2008-2009) but there is a need more staff, with proper training to open service and monitor bank accounts of SHGs.

- ◆ Convergence and synergy between various government departments and schemes. This will help poor to attain holistic development which includes Livelihood, social security, health and living standard of the family.

the New Pension Scheme (NPS). Mr. Prakash Bakshi, Executive Director NABARD, encouraged the adoption of the letter and spirit of Sa-Dhan's Code of Conduct, which is recognized by the Central Bank, and which, boards of MFIs have also adopted. The banking correspondent method for savings was discussed in depth and there was consensus on the need for collective involvement.

The success of the conference helped Sa-Dhan to reiterate its position and capacity as the voice for the microfinance sector. Several critical issues emerged at the conference and Sa-Dhan is addressing these.

Developed by Sa-Dhan, a film 'Responsible Finance' demonstrated the challenges and growth of the sector.



Pre-Budget Consultation at the Ministry of Finance

Continuous engagement with the office of the Finance Ministry yielded invitation to Sa-Dhan for the first time for the pre-budget consultation meeting with the Ministry of Finance. Towards this meeting recommendations were sought from the members, and consolidated in the form of a "Recommendations Note" that was submitted and presented in the meeting. The foremost recommendations were reintroduction of the microfinance bill, encouraging banks to lend to small and startup institutions specially in the underserved regions, loan and equity support to NGO/MFIs in the underserved regions from the MFDEF, determination of interest rate charged

by banks to MFIs based on priority sector norms and refinance from NABARD for on-lending to SHG; similar to what is being provided to banks and RRBs. Other suggestions included; a separate category of mF-NBFC, NBFCs as business correspondents, opening of ECB route for NBFCs, service tax exemption on microfinance loans, micro-insurance products, waiver of stamp duty by state governments for loans to SHGs, JLGs and individuals, creation of Credit Guarantee Fund for risk mitigation for banks and towards lowering of cost of borrowing for MFIs and in turn to the borrowers, setting up of a dedicated fund for promotion and nurturing and capacity building of SHGs and their federations.

Recommendation on SHG to the Prime Minister

The SHG Bank Linkage Programme is well acclaimed as the largest microfinance intervention in the world. However, within the large numbers both in terms of loan outstanding and outreach that the programme has reached, there are issues and challenges that exist. These issues and challenges have already reinforced themselves in terms of high NPAs in the programme with SHGs in some of the states resulting in declining funds flows to the SHGs. Further, the sector is debating on the quality aspects of SHGs as well as the need

of enhancing capacities of the promoters. Promotional cost is an issue that is pertinent as ever. SHGs have been a vehicle for implementation of many government programmes, but these were marred by absence of convergence of efforts of different government agencies, NGOs, state governments etc. apart from the constraints inherent in the design itself.

Looking into these issues and to bring focus on issues related to SHGs a SHG Task Force" was created within Sa-Dhan. Subsequently, the SHG Task Force recommended engagement with the gov-

ernment, RBI, NABARD, BIRD, RRBs and other lead banks to improve the processes of SHG bank linkage by highlighting the issues that exists.

The Prime Minister Mr. Manmohan Singh called a meeting on issues and challenges for the SHG movement on 6th March 2010. Anticipating this as a great opportunity for us to communicate to the government on issues the SHG movement is facing in its present form, recommendations were sought from the Sa-Dhan members working with SHGs. Further, the recommendations were consolidated in the form of a recommendatory note.

Govt to constitute district-level task force panels to monitor MFIs

These committees shall identify the cases with the help of village organizations and social action committees and conduct workshops on laws related to MFIs and Reserve Bank guidelines

Business line, 14 April 2010 Hyderabad

The Andhra Pradesh Government has decided to constitute district level task force teams to monitor the functioning of micro finance institutions (MFIs) in the State. This is part of the Government move to curb mal-practices that have come to light in the recent past in terms of functioning of some of the MFIs and violations of norms laid down by the Reserve Bank of India.

According to a statement from Mr R. Subramanyam, Principal Secretary, Government of Andhra Pradesh Rural Development, the State has taken several steps to support self-help group (SHG) women against the unethical practices of the Micro Finance Institutions



during 2006-07 by providing pavalu vaddi, debt swapping, and need based credit through insurance. However, it has come to the notice of the Government that MFIs have again begun to resort to unethical practices and coercive recovery methods. The Rural Development Department has taken serious note of the unethical practices and violation of the basic human rights by the MFIs, which has been reported extensively in the electronic and print media recently. To address some of these issues, the Government has decided to constitute district-level task force committees to look into the issues related to unethical practices MFIs in the state.

The State Government has decided that every district will have one Task Force Committee consisting of seven members including a lawyer, one employee of Society of Elimination of Rural Poverty, President, Zilla Samakya and Secretary, Zilla Samakya along with the three Senior Gender Community Resource Persons.

According to Government moves, these committees shall identify the cases with the help of village organizations and social action committees and conduct workshops on laws related to MFIs and Reserve Bank Guidelines. These Task Force members will help women SHGs file cases against violation of human rights and coercive practices by the MFIs in relevant courts.

THE IMPACT OF MFI INTERVENTIONS: A STUDY



To create a knowledge base of information showing the benefits of MFIs, Sa-Dhan is supporting India Development Foundation, in conducting a study to assess the impact of microfinance on the lives of the poor. This exhaustive study extends over 5 regions in India, covering 35, 000 persons in 13 states: 2 in the North, 4 in the East, 1 in

the North-East, 3 in the West and Central and 4 in the South 2, and will cut across all legal forms, covering lending methodologies that include SHG, Joint Linkage Groups (JLGs) and individual lending.

The study will identify the number of economically backward persons, who have availed of microfinance services (including SHGs), thereby moving above the poverty line. It will provide policy makers

with in-depth and informative data on how microfinance makes a difference, and permit methods to improve the sector. The participation of MFIs will reaffirm their social agenda and responsibility towards the sector. This study will help Sa-Dhan in further refining the work on the Code of Conduct. The objectives and rationale of the study have been communicated to the members and the data format sent.



INTERVENTION STRATEGY: ANDHRA PRADESH

An article titled "State for de-recognition of MFIs" appeared in "The Hindu" on 19th April 2010 highlighting issues such as multiple lending leading to overindebtedness of clients, coercive recovery practices, lack of transparency and exorbitant interest charged by MFIs in the state of Andhra Pradesh.

Specifically, alleged harassment of borrowers was reported in the rural areas in Khammam, Mahbubnagar, Warangal and several coastal districts. The MFIs were accused of indulging in poaching of SHG members that are part of the government programmes such as Indira Kranti Patham. Harassment to the extent of outraging the modesty of women was reported. The MFIs were accused of charging interest rate as high as 33% effective on a declining balance apart from not following standard procedure such as loan appraisal or analysis of borrower's source of income and repayment capacity. To take up harassment complaints the government has setup district level task force headed by the collector to look into each case of coercion apart from starting a 24 X 7 call centre. The government accused the MFIs of violating human rights.

In wake of the above, the government also planned to write to RBI about the "questionable" practices of the MFIs.

To look into the allegation of the Principal Secretary, Rural Development on the MFIs, a team from Sa-Dhan visited all the important stakeholders on 19th and 21st April 2010, with the following objectives:

- Ascertaining the situation on the ground by interacting with stakeholders.
- To communicate Sa-Dhan's commitment and ongoing efforts to promote fair practices within the MFIs.
- Understanding the perspective of stakeholders on the issue towards possible resolution of the situation.

The team met all the relevant stakeholders pertaining to the particular issue with the MFIs in Andhra Pradesh. In the context of the alleged "questionable practices" by MFIs in Andhra Pradesh, the team briefed each of the stakeholders on the efforts that Sa-Dhan is making to promote transparency and fair practice within the microfinance sector in India, whether it is building transparency through reporting on the Side-by-Side Report, reporting on social

performance, implementation of the code of conduct or linking adherence to code with the renewal of Sa-Dhan membership. While, each of them recognized and appreciated Sa-Dhan's efforts in this direction, they were equally critical of the practices of some of the MFIs in Andhra Pradesh.

Further, towards the end of April and first week of May, another team met the Principal Secretary to the Chief Minister, Principal Secretary, Panchayati



Raj and Rural Development and the Regional Director, RBI at Hyderabad. Simultaneously, a team also visited Khammam District and met the District Collector, AGM, SBI, and Lead District Manager apart from borrowers in Pappadpalli and Pedda Nalla Palli village. Following were the initial findings of the visit.

- By and large the borrowers have expressed satisfaction, happiness and thankfulness to MFIs for their service.
- Unless for special circumstances like need for large amount of loans, clients reported to borrow from one source only even if multiple lenders are present in the area.
- Clients reported to have observed transparency, fair practice and acceptable behavior from the MFI staffs.
- Timely and easy credit, large amount of credit, door step service, insurance facility etc. are described as positive features of MFIs.
- Interest rate was found to be an issue with the clients.
- Awareness, understanding and benefits from Govt schemes like IKP is minimal.

Considering the crisis within the Indian states, the implementation of the Code of Conduct under the self regulatory framework still continues and remains pertinent. The code of conduct has a two-pronged outcome; positive reputation building through discipline and strengthening Sa-Dhan's advocacy with the regulators and government.

A working group with the support of experts and advisors has assisted Sa-Dhan in revising the code. Sa-Dhan shared it with RBI during their preparation

petition and financial literacy. The mechanism structured for compliance to the code includes adoption to the code through the board and implementation at the MFI level, periodic reporting, regular information exchange on Sa-Dhan's website and reporting to the RBI and Ministry of Finance. Besides the compliance mechanism there is also a mechanism to redress complaints, which states:

- Constitution of Ethics and Grievance Redressal Committee will consist of three Sa-Dhan members and two independent members with comprehensive knowledge of the sector.
- The committee has to be involved in investigations of complaints from members or clients.
- Suggestions concerning membership have to be shared with Sa-Dhan's board.

State Chapters

In view of the recommendation made by the Board, Sa-Dhan has worked actively to start up its state chapters in growth states. With the objective to represent, tackle and facilitate issues specific to the state turmoil, Sa-Dhan has conducted periodic meetings at the state level with concerned stakeholders.

Orissa

Holding a meeting on 8th April 2010 Sa-Dhan introduced and explained the roles and responsibilities of the Orissa and West Bengal state coordinator. A formal inauguration has been planned for the first week of July 2010 for which the Chief Minister/ Finance Minister is expected to be present. The state office is expected to maintain regular communication with members at cluster meetings on a rotational basis, invite stakeholders for quarterly meetings on the state chapter, conduct conferences at the state level, promote and build a positive image of MFIs within the state, develop capacity building programs, facilitate mechanisms of self regulation and ensure the implementation of the Code of Conduct,

REPUTATION BUILDING OF THE SECTOR: IMPLEMENTATION OF THE CODE OF CONDUCT

for the Annual Monetary Policy Statement 2010. Apart from slotting the review paper into a full session at the National Microfinance Conference, Sa-Dhan also discussed the Self Regulatory Organization (SRO) framework at the Transformation Workshop in March 2010.

The code emphasizes on client education, fair com-

Financial Inclusion of Dalits and Religious Minorities

Sa-Dhan organized an Interface to develop programmes specifically addressing the challenges of financial inclusion.

Focusing on financial inclusion of Dalits and religious minorities, Sa-Dhan organized an Interface in January on 'Financial Inclusion of Dalits, Tribals and Religious Minorities: Issues, Challenges and the Way Forward'. All the 37 participants included senior

level government officials, academicians, senior microfinance practitioners, journalists, field representatives and the likes. Addressing the subject of financial inclusion, the Interface demonstrated some key points:

- The concerns of each community/group are specific to their livelihood and generalized concepts do not pose as viable solutions.
- Tradition financial institutions need to be encouraged to create best suited products for the locals and spe-



duly collect data for the sector report and enroll new members within the state chapter.

Karnataka

The Association of Karnataka Microfinance Institutions (AKMI) is planning to merge with Sa-Dhan's state chapter. The state level office is expected to consolidate the data received from MFIs and submit it to the office of the Divisional Commissioner, cooperative departments and police departments.

It is proposed that the state MFIs should be present at the State Level Bankers Committee (SLBC) and District Level Bankers Committee meetings. It has been suggested to bring out the Karnataka State Sector Report highlighting the microfinance scenario of the state. The operational costs of the Karnataka state chapter will be shared by Sa-Dhan's head office and the state members.

Tamil Nadu

Sa-Dhan circulated the Terms of Reference (ToR) for the state forums to members within Tamil Nadu. Members from the state expressed their concerns regarding dilution of group quality, group discipline, interest rate, multiple lending and client poaching. Sa-Dhan was informed that due to the competition from newer MFIs the members are forced to reduce their gestation period for loan eligibility, which in turn can have an adverse effect on repayment performance and group quality. In this context, it was advised that Sa-Dhan should only have those members who adhere to the philosophy of community development finance. Sa-Dhan was recommended to collect data on effective interest rate in the state in terms of cost to clients and group formation, and also to generate a state level report. It is only with these measures that the state chapter will evolve and bring together all members on the issues of social performance.

Engagement with BIRD for Strengthening the SHG Bank Linkage Program



The SHG Task Force recommended an institutional collaboration based on Sa-Dhan's mandate to strengthen the provision of microfinance services within the country and the scope of work of Bankers Institute of Rural Development (BIRD). A meeting was held with the Joint Director and head of research and training from BIRD. The areas of discussion were spread over Sa-Dhan's involvement in the design and development of BIRD's training programs for bank staff and MFIs, involvement of practitioners as resource persons in training programs, collaborative research on aspects of SHG bank linkages, facilitation of participants at BIRD's training programs by Sa-Dhan and utilizing BIRD's nation-wide infrastructure as a platform for Sa-Dhan and its members to conduct their programs.

A direct result of the meeting was Sa-Dhan being invited to participate in the Syllabus Committee Meeting of BIRD, wherein inputs are sought on the design and module of training programs being planned for the coming year.

cial attention needs to be given on credit plus products such as insurance, non-formal savings and remittance.

- The lack of understanding, inefficiency and corruption are some of the biggest reasons for the failure of well thought out schemes planned otherwise for the enhancement of human resources.

- Exclusion needs to be understood not only in the context of finances but equally importantly in the context of

social and cultural practices.

- In order to produce the most viable solutions it is essential to create interdisciplinary forums of governmental, academic and financial bodies.

The Interface gave an opportunity to integrate these, and many other outcomes, into developing programs specifically addressing the challenges of financial exclusion. The unanimously agreed upon challenges dur-

ing the Interface were to understand and define the various kinds of social and financial exclusions and analyze why they occur and achieve a convergence between social development initiatives and financial inclusion. Also, the poor and marginalized must be regarded as clients and not beneficiaries. There was a common agreement to understand the ground realities in depth.

HEALTH COVER GAINING FAVOUR AMONG SHG MEMBERS

A.J. Vinayak, Mangalore, April 15

The need for health insurance programme is gaining momentum among the members of the self-help groups (SHGs), if the developments in the Sampoorna Suraksha health insurance programme implemented by the Dakshina Kannada-based NGO - Shri Kshethra Dharmasthala Rural Development Project (SKDRDP) - are any indication.

Rising Awareness

RISING AWARENESS		
Year	No. of families covered	No. of families subscribed
2004-05	54000	186000
2005-06	77078	195600
2006-07	146722	403828
2007-08	223389	721203
2008-09	252542	932682
2009-10	294374	1176948

SKDRDP, which has formed SHGs in nine districts of Karnataka, launched the programme with 1.86 lakh members in 2004-05. It enrolled 16.57 lakh members for the Sampoorna Suraksha health insurance programme in 2010-11. Dr L.H. Manjunath, Executive Director of SKDRDP, attributes this success to factors such as increased awareness about the health insurance among the rural people, good service by all the stakeholders in the programme and to the credit facility to the SHG members to avail of the health insurance coverage.

Creating AWARENESS

Dr Manjunath told Business Line that many people lack awareness about the availability of good government schemes. Sampoorna Suraksha programme was successful in creating much-needed awareness about the health insurance scheme among the rural people. For this, SKDRDP has set up 70 dedicated staff for implementing the programme.

Stating that servicing of the scheme plays an important role in its success, Dr Manjunath said the service is assured in this programme. "We have negotiated with insurance companies for liberalizing their insurance policies, like for pre-existing diseases they have negotiated a price. With this, the treatment is available from the first day itself," he said.

Some SHG members may find it difficult to pay premium at one go. For such people, the SKDRDP extends loans to purchase



the policies, he said, adding that these members pay back the amount on weekly installment basis. Under the Sampoorna Suraksha programme, the hospitalisation cover is reinsured with insurance companies. The companies after receiving the premium settle the hospital claims submitted to them by SKDRDP.

More than 100 hospitals in Karnataka state have been identified as network hospitals where the members of Sampoorna Suraksha receive cashless in-patient treatment, he said. Sampoorna Suraksha is available to the members and their families of SHGs promoted by SKDRDP in Dakshina Kannada, Udupi, Uttara Kannada, Shimoga, Chikmagalur, Kodagu, Dharwad, Gadag and Haveri districts of Karnataka.

Dr Manjunath said that 36.16 lakh members have enrolled to Sampoorna Suraksha in the last six years by paying premium of Rs 53.22 crore. Of them, 2.37 lakh members have availed a total benefit of Rs 73.51 crore making it a unique claim settlement activity, he added.



NABARD to assist 10 lakh small farmers using self-help group model

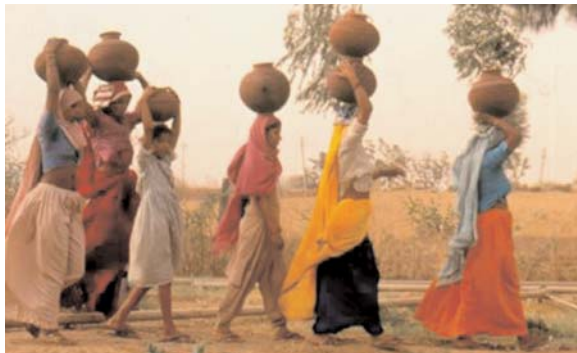
Business line, April 13, 2010 Mumbai

The National Bank for Agriculture and Rural Development (NABARD), in a bid to step up its focus on the farm sector, plans to bring together about 10 lakh small and marginal farmers across the country in 2010-11 along the lines of the self-help group (SHG) model.

This will help farmers harness their collective bargaining power to access credit at competitive rates, improve productivity using quality inputs, and realise better price for their produce in the market, said Mr Umesh Chandra Sarangi, Chairman of NABARD. The development bank, whose primary objective is to facilitate flow of credit for agriculture, rural infrastructure and rural development, and supervision of rural financial intermediaries, will organise joint liability groups (JLGs) comprising 7-10 farmers in the small and marginal category, he said.

"We have set a target of forming one lakh joint liability groups in the current financial year. About 10 lakh farmers will benefit by becoming members of the groups," said Mr Sarangi. In the last couple

of years, NABARD had organised around 30,000 JLGs across the country. Pointing out that most of the farmers in India owned less than 2 acres of land, the NABARD chief said that by becoming a member of the JLG, small and marginal farmers who generally depend on infor-



mal sources of financing at usurious interest rates, can get credit from banks on competitive terms.

Ever since the SHG-Bank linkage programme was conceptualised and launched by NABARD in 1992, about 47 lakh self-help groups (as of March-end 2009), predominantly comprising poor women, have been able to access the formal banking sector in a sustainable and cost-effective man-

ner. By handling savings and internal lending, the SHGs have matured, acquired creditworthiness for themselves and earned the confidence of banks. As of March-end 2009, banks had an outstanding exposure of Rs 22680 crore to 42 lakh odd members of SHGs.

NABARD is not averse to setting up a bank provided this does not interfere with its primary mandate of facilitating flow of credit for agriculture, rural infrastructure and rural development, said Mr Sarangi. In his reply to a question on whether NABARD would leverage its long-standing experience in rural lending to get a banking license from RBI, the NABARD chief said, "Without compromising our primary mandate, which is refinancing and supporting the needs of the agriculture sector in the country, we will not be averse to any new ideas." Recently, NABARD appointed global management consultancy firm Boston Consulting Group (BCG) to prepare a report to restructure and diversify its operations to leverage its expertise in refinancing. The development bank is also seeking to implement a core banking solution.

SNIPPET

Development of

HR Manual

Identifying the problem of non-standardized HR systems across Indian MFIs Sa-Dhan has responded to the needs of its members by developing an HR manual. The process involved the responses from 31 members; through questionnaires, and direct interaction with eight members. This initiative was taken keeping in mind their need to understand suitable recruitment methods, training and adopting appropriate systems of incentives.

Sa-Dhan is in the process of bringing out a User Guide on HR for microfinance institutions and NGOs. The guide will help organizations design appropriate HR models specific to their needs. The manual will be finalized and ready to be implemented soon.

Banks draw up 3-year plans to reach out to rural India

Anita Bhoir and Anup Roy

Mumbai, Livemint.com, 16 April 2010

Efforts by the Reserve Bank of India (RBI) to enforce its initiative of inclusive banking seem to be showing results, with a majority of Indian banks submitting their business plans for financial inclusion in the next three years.

The central bank had directed all commercial banks to submit by 31 March their plans to extend affordable banking services to the country's large population of disadvantaged and low-income earners. In response to RBI's directive, a majority of banks, including State Bank of India, Union Bank of India, Bank of India, ICICI Bank Ltd, HDFC Bank Ltd, Axis Bank Ltd, IndusInd Bank Ltd, Dhanalaxmi Bank Ltd and Yes Bank Ltd, have submitted their plans. "The Reserve Bank of India has asked banks to submit their three-year plans on financial inclusion by 31 March, which

includes how many villages the banks will cover and what products they would roll out," said Tilisa Gupta Kaul, head of micro credit and agriculture at Dhanalaxmi Bank.

RBI aims to reach out to remote villages to spread awareness about the economy, and the financial services that banks offer as well as the benefits of using such services. Banks have tended to neglect such sections of the population on the grounds that delivering services to them was not financially viable. Commercial banks have been using the bank correspondent model to tap the rural market. Under this model, the banking regulator allows banks to use non-governmental organizations, micro-finance institutions, a mix of retired bank employees and government employees, and many other civil society organizations.

According to data with the central bank, only 5% of 600,000 habitations in the country have a bank branch and around 50% of the population has a bank account. A mere 10% of India's 1.2 billion populations is estimated to have any kind of life insurance cover and 9.6% has any kind of non-life insurance.



Conceptualization and Development of Approach Paper on SHGs

Subsequent to the first task force meeting on SHGs, a recommendation was made to conceptualize and develop an approach paper that would define Sa-Dhan's work on SHGs. Several issues were addressed in the approach paper; facilitating fund flow to the underserved regions in the North and North-Eastern regions for financial inclusion, capacity building of local institutions, NGOs and government officials and the need for the coming together of institutions for enhancing the quality of SHGs.

Workshop on Social Performance Management

With the rapid growth of the microfinance sector, it has become imperative to sensitize and educate not only MFIs but also banks and investors on subject of social performance. Toward this end, Sa-Dhan, in association with the Microfinance Centre, Poland, organized a workshop in

March focusing on Social Performance Management.

The Quality Audit Tool (QAT), developed by MFC looks at process management, reviewing internal systems, assessing the status and effectiveness of the system for achieving social performance and indentifying necessary actions to improve performance. The QAT helps in gauging the fulfillment of the social facet of microfinance.

Social performance and the impact of QAT were the main points of discussion at the workshop that saw a total of 58 participants. The workshop was attended by training institutions, NBFC and other legal forms, support and rating agencies.

Human Resources for a Resurgent Sector

The unprecedented growth in the microfinance sector has led the experts in the field to dwell on some very serious issues. Of the many concerns, the requirement of skilled human resources apt for the particular needs of the sector and the appropriate HR systems to bring in trained workers becomes the biggest challenges. Recognizing the future growth, Sa-Dhan has taken the following initiatives:

Standard Microfinance Manual

Sa-Dhan being the custodian of the sector is concerned about distortion of information regarding microfinance by different people and has, therefore, produced The Standard Manual to guide people in a cohesive and structured manner covering topics which are critical to microfinance. The purpose of this manual is not to detail the subject or elaborate technical issues, but to point out the topics for introduction, provide a brief description of these topics, and outline their relationship with each other. The manual however, does give references of reading material, publications and websites.

The manual will guide teachers, trainers, speakers and all those working in the sector. It covers topics such as the definition of microfinance and services provided by microfinance institutions, revenue model of microfinance, microfinance models, and the evolution of microfinance and best practices and risks in microfinance. The manual has been finalized through a feedback mechanism in the course of the capacity building subgroup and will be circulated to interested educational institutes desiring to initiate a course on microfinance as well as in our educational workshops.

Engagement with Universities

Foreseeing the future HR requirement for the sector, Sa-Dhan had proactively engaged with the Indian Institute of Banking and Finance (IIBF) to develop the "Diploma in Microfinance" as a mechanism to attract quality HR to the sector. Considering the interest generated among academic institutions, several universities approached Sa-Dhan to help them launch similar courses or a subject in their existing curriculum. The strategy to introduce microfinance in the course curriculum has been very cautious. It is essential to orient the participants on the microfinance sector and its human resource requirement, apart from exploring solutions to meet



Bharat Microfinance Report 2009: Responsive Growth

In the context of the present sectoral scenario, the Bharat Microfinance Report 2009 was appropriately dedicated to elements of responsive growth. Based on audited financial data, this year's report received data from 190 MFIs across India as compared to 160 MFIs last year. Of these, data from 69 MFIs was found to be accurate under all parameters and was reported for two consecutive years i.e. 2008 and 2009, permitting data analysis. In the development of this analytical report, data from MFIs as well as NABARD's data on SHG bank linkages has been taken into consideration for analysis. The report was released at the Sa-Dhan National Microfinance Conference 2010.

Apart from usual financial performance analysis, the report also contains separate chapters on SHG performance, social performance, competition and MFI performance. The chapter on SHGs captures three aspects of the SHG programme namely; performance of the SHG bank linkage programme based on NABARD's quantitative data for 2008-09, the analysis of qualitative performance of SHGs based on Sa-Dhan's field work as well as review of some of the recent documents available in the public domain, and a brief account of Sa-Dhan's SHG standards setting and data collection initiative. The last chapter covers the emerging challenges and effect of competition in



the form of multiple borrowing and over indebtedness.

Currently Sa-Dhan uses a Data Acquisition Sheet (DAS) for collecting financial data of its members. Subsequently, the format of data collection has been revised to better understand both, financial and non-financial, aspects of microfinance. Providing a more comprehensive overview of the sector, the revised format was discussed with Mr. Subhashish Gangopadhyay India Development Fund, Dr. Savita Sharma, Ministry of Statistics and Program Implementation for their expertise in the field. Data collection will begin once Sa-Dhan has incorporated all relevant suggestions.

the HR requirement of the sector. Sa-Dhan organized workshops in Bhubaneswar and Hyderabad to provide a perspective on the sector as well as its HR requirements. The targeted participants of these workshops were decision making representatives of educational institutes, academicians, professors from economics, rural development, agriculture development, social/community work and microfinance practitioners.

Microfinance Education Program (MEP)

Organizations registered as Societies/Trusts face an uphill task to

mobilize debt and equity capital for lending largely due to their legal form. This makes it difficult for NGOs to mobilize funds to meet the demand of their poor clients. As a result, there is a growing trend of NGOs transformation into NBFCs or Section 25 companies due to capital raising advantage these legal forms offer. To provide perspective on this transformation, and in order to help NGOs to deal with it, more effectively, Sa-Dhan organized a three day Microfinance Education Program on



"MFI Transformation: Why, How and Impact" from 24th to 26th March 2010. The program's objective was to provide participants with a practical, hands-on, understanding of the issues and functional steps necessary in legally transforming from an NGO to a NBFC or Section 25 company. The program was attended by 33 participants from small and medium MFIs. In view of the feedback received from the participants it is envisaged that similar programmes will be organized in other regions of the country.

Sa-Dhan in collaboration with IIBF presents

A Diploma examination for Micro Finance Professionals

Objectives:

- ◆ To create a cadre of professionals in micro finance.
- ◆ To provide a thorough knowledge of the concept of micro finance and insight into the working of microfinance institution.
- ◆ To build capacity of those who are working in the microfinance sector on the perspectives on microfinance and its operational aspects.

Course Delivery:

This is a distance learning course; The Course will be delivered through a well structured-self study courseware (two books exclusively prepared by IIBF and Sa-Dhan) and recommended readings, and support of material through internet-portal. Where ever necessary class room (physical/virtual support will also be provided.

Eligibility

Candidates working in Microfinance/Banking for 3 or more years can be admitted without degree. Any other graduate in any discipline from a university.

Language

The examination will be offered in English, Hindi, Marathi, Malayalam, Tamil, Telgu, Kannada, Oriya, Bengali and Gujarati.

Examination Particulars	Members of IIBF	Employees/Members of Sa-Dhan	Non-Member
First two attempts	Rs.4000	Rs.4200	Rs.5500
For each subsequent attempt	Rs.2000	Rs.2000/-	Rs.2000

The examination will be conducted normally twice a year both in Offline & Online mode. The registration/application for the May/June application will be normally accepted up to the end of February of that year and application for November/December will be accepted up to the end of July each year.

Learn more about the Diploma in Microfinance:
www.sa-dhan.net or www.iibf.org.in