# microfinance INDIA

Hotel Ashok, New Delhi
"Formal Financial Institutions and Microfinance
The Challenges of Depth and Breadth"

9-10 October, 2007

# Conference Report


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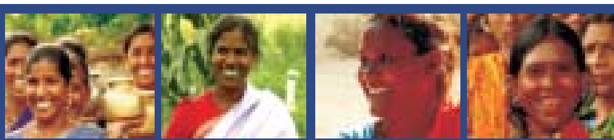

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# Conference Report

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# Contents

## Resource persons for the conference

**Inaugural session**

Mr. P Chidambaram, Hon'ble Finance Minister
Ms. Deirdre Boyd, Country Head, UNDP
Mr. R M Malla, Chairman, SIDBI
Mr. N S Sisodia, Former Secretary, Ministry of Finance
Mr. Remo Gautschi, Deputy Director General, SDC
Mr. Vipin Sharma, CEO, ACCESS Development Services.

**State of the Sector Report**

Dr. Bimal Jalan, Member of Parliament, Rajya Sabha
Dr. Prabhu Ghate, Author, State of the Sector Report
Mr. Sanjay Sinha, Managing Director, M-CRIL,
Mr. Rakesh Rewari, Deputy Managing Director, SIDBI
Mr. Rajesh Srivastava, MD, Rabo Bank

**Financial Inclusion**

Mr. Vinod Rai, Secretary, Department of Financial Services, Ministry of Finance
Mr. Vijay Mahajan, Chairman, BASIX
Ms. Soundara Kumar, CGM, SBI
Mr. Sandeep Dikshit, Member of Parliament, Lok Sabha
Ms. Kate McKee, Senior Advisor, CGAP.

**Breakaway Sessions - Addressing Outreach: Role of FFIs:**

**'Priority Sector Norms' and Microfinance: How are They Linked?**

Mr. Amitabh Verma, Joint Secretary, Ministry of Finance
Mr. N Srinivasan, former CGM, NABARD
Mr. Ravindra Yadav, CEO, OBC Rural Foundation
Mr. V K Nagar, GM, Priority Sector Division, Punjab National Bank
Mr. A Bhowmick, Chief Manager, Priority Sector Division, Bank of India

**Downscaling Financial Services through Business Correspondents**

Mr. H R Khan, Regional Director, RBI
Mr. Sidhharth Chowdri, Country Head, India, ACCION
Mr. Kishore Kumar, Head- microfinance, HDFC Bank
Ms. Maneesha Chadha, Assistant Vice President, ABN AMRO
Mr. S Kathiresan, CEO, KAS Foundation
Mr. K C Mallick, CEO, BISWA

**RRBs and Cooperative Banks: Reforms, Mergers, and Refinance - How does this Affect Their Roles?**

Mr. K K Gupta, Chief General Manager, NABARD
Mr. G C Mishra, Chairman, Prathama Bank
Mr. Sanjay Sinha, Managing Director, M-CRIL
Mr. Ajay Nair, Consultant, World Bank
Prof. B R Konda, Faculty, DCCB, Bidar
Mr. Vipin Iswar, Chairman, Sarai Ranjan PACs, Samastipur

**The Role of Multinational and Private Sector Banks**

Mr. Alok Prasad, Country Director, Microfinance, Citibank
Ms. Robin Ratcliff, Vice President, ACCION International
Mr. Ranjan Ghosh, Regional Head (S Asia), Financial Institutions, Standard Chartered Bank
Mr. Gregory Chen, Country Representative, Shore Bank, Pakistan
Mr. Somak Ghosh, President, Yes Bank

**Equity in Microfinance** - do well, do good, or do both ?

Mr. Vineet Rai, CEO ,Aavishkaar
Mr. Mark Stoleson, President, Legatum Capital
Mr. Vikram Akula, CEO, SKS Microfinance
Ms. Caitlin Baron, Country Director, MSDF
Mr. Alex Counts, CEO, Grameen Foundation
Mr. Tor Gull, Managing Director, OIKO Credit
Mr. Blaine Stephens, Director of Analysis, MIX Market

**15 Years of the SHG Movement: What Next?**

Mr.Y C Nanda, Ex. Chairman, NABARD
Mr. Aloysius Fernandez, Executive Director, MYRADA
Mr. Narendra Nath, Program Director, PRADAN
Ms. Sudha Kothari, Chairperson, Chaitanya
Mr. C S Reddy, CEO, APMAS

## Resource persons for the conference

### Livelihood Finance - Challenges and Opportunities

Dr. Nachiket Mor, Deputy Managing Director, ICICI Bank

Dr. Sankar Datta, Dean, Livelihood School

Mr. Damodar Mall, CEO, Innovation & Incubation, Future Group

Mr. Jawhar Sircar, Development Commissioner, MSME, Govt. of India

Mr. Biswajit Sen, Consultant, World Bank

Mr. M K Khanna, Member Planning Commission, Govt. of India

### Impact & Social Performance

Ms. Kate McKee, Senior Advisor, CGAP

Mr. R M Nair, General Manager, SIDBI

Ms. Jayeshree Vyas, Managing Director, Sewa Bank

Dr. Smitha Premchandar, Founder, Sampark

Ms. Frances Sinha, Executive Director, EDA Rural System

Ms. Usha Padhi, Director, Mission Shakti, Government of Orissa

Ms. Annie Duflo, Research Head, CMF

### Breakaway Sessions: Missing Services and Products

### Social Security: Micro Insurance, Pensions

Ms. Vijaylaxmi Das, CEO, FWWB

Mr. Marc Socquet, Senior Specialist in Social Security, ILO

Mr. Francois Xavier Hay, Consultant to GTZ

Mr. Anil Mehta, Director, Group Business, Max New York Life Insurance Co. Ltd

Mr. Gautam Bhardwaj, Director, Invest India Economic Foundation

### Remittance & Money Transfer

Mr. Sitaram Rao, Former CEO, SKS Microfinance

Mr. Gopinath, Director, Postal Staff College India

Mr. Kartik Mehta, Head-Microfinance, DCB

Mr. Rajiv Khandelwal, CEO, Aajeevika Bureau

### 'New' Rural Housing

Mr. R B Verma, Executive Director, National Housing Bank

Mr. Ashish Karamchandani, CEO, Monitor India

Mr. Harsh Moily, CEO, Moksha-yug

Mr. Bhramanand Hegde; Head of Rural Operations, Fullerton India

Ms. Radhika Haribhakti, Director, DSP Merrill Lynch

Mr. Arjun Murlidharan, CEO, Grama Vidiyal

### Technology in MicroFinance: Past, Present and Future

Mr. Wim Van Dar Beek, Partner, Goodwell Investments

Dr. Pawan Bakshi, Head, M-Commerce, Bharti-Airtel

Mr. Mathew Titus, Executive Director, Sa-Dhan

Mr. Maneesh Khera, CEO, FINO

Mr. C V Prakash, CEO, Gradatim Ventures

### Addressing the Regional Skew

Dr. C Rangarajan, Chairman, Economic Advisory Council to Prime Minister of India

Ms. Vasundhara Raje, Hon'ble Chief Minister of Rajasthan

Mr. Som Pal Shastri, Vice Chairman, State Planning Board of MP

Ms. Nirmala Buch, Chairperson, Mahila Chetna Manch

Mr. V. S. Vyas, Chairman, Institute of Development Studies, Jaipur

### Valedictory Session

Dr. C. Rangarajan, Chairman, Economic Advisory Council to Prime Minister of India

Mr. Brij Mohan, Chairman, ACCESS Development Services

Mr. N K Maini, CGM, SIDBI

Prof. Malcolm Harper, Professor Emeritus, Cranfield Institute of Management, UK

The year 2007 was marked by another landmark for the microfinance sector in India with three million self help groups linked to the formal financial institutions and an outstanding loan of Rs. 10640 crores. The bulk of microfinance loans in India are linked to formal financial institutions and this makes the Indian microfinance unique and distinct from microfinance programmes in other parts of the world. Given the extensive and impressive institutional infrastructure of FFI's in India, stipulations for priority sector lending and ownership of 80% of all banking by the government, perhaps not enough has been done for greater financial inclusion in the sector. The large part of rural as well urban poor continue to be outside the ambit of formal banking. And although impressive gains have been registered in terms of SHG bank linkage, the sector still continues to serve only about 10% of the poor in the country and only about 8% of the total estimated demand has been met.

The 2007 microfinance India conference, therefore focussed this year on "the role of formal financial institutions and microfinance the challenges of depth and breadth". This was the fourth event organised by the microfinance India platform which has been institutionalised within ACCESS Development Services, having transitioned from Care India. The conference this year attracted over 850 delegates from within and outside India and 90 resource persons constituting of thought leaders, senior policy makers, academicians and practitioners contributed to the debate during the conference.

An added feature this year was the organising of an Investment Fair in which ACCESS attempted to bring together leading private and social equity investors from across the world and potential microfinance institutions seeking debt and equity funds for growth and transformation. Over 22 investors and 59 investees participated in the Investment Fair. This initiative was largely organised as a response to a growing trend in private and social investor's interest in microfinance sector in India. During the year, two of the largest global investments in microfinance were made in India. To make the initiative meaningful, ACCESS in collaboration with CARE, Grameen Foundation, MIX Market and Intellecap organised investment readiness trainings for emerging MFI's and helped to develop their pitchbooks and business plans for possible negotiations with the invited investors.

Another feature of the microfinance India conference was the setting up of Knowledge Fair during the period of the conference. Several stakeholders put up their booths to share and disseminate their experiences among the delegates attending the conference.

A significant accomplishment of microfinance India was to bring out in time the second edition of the State of the Sector Report. Encouraged by a highly positive response to the 2006 State of the Sector Report it is proposed to continue the initiative and bring out a comprehensive report on the sector each year. The 2007 State of the Sector Report was released by the Hon'ble Finance Minister.

The conference organisers are extremely grateful to the overwhelming support to the microfinance India conference by many stakeholders from the sector. This year 18 sponsors supported the conference. These include two apex organisations, viz Nabard and SIDBI; two donor agencies, viz Ford Foundation and SDC; the largest public sector bank in India, viz State Bank of India, other commercial banks including ICICI Bank and Citibank; insurance company, Max New Year Life, and technology solutions organisation, Gradatim Ventures.

## *Inaugural Session*

The session was graced by the presence of Hon'ble Finance Minister Mr. P Chidambaram, Ms. Deirdre Boyd, Country Head, UNDP, Mr. R M Malla, Chairman, SIDBI, Mr. N S Sisodia, Former Secretary, Ministry of Finance, Mr. Remo Gautschi, Deputy Director General, SDC, Mr. Vipin Sharma, CEO, ACCESS Development Services

The annual Microfinance India conference was attended by over 850 delegates, 90 sector leaders and 18 conference sponsors. It was also associated with the release of the State of the Sector Report.

### Key highlights

One third of the world's microfinance beneficiaries are in India, revealed by the fact that the total credit access has increased from Rs. 10 crores to Rs. 18,000 crores and the SHG-Bank linkage model has outreach to 41 million households. Recent highlights include the Microfinance Bill, NABARD's equity fund, and the recent efforts to revitalise credit cooperatives. However, there are still key challenges like the quality of SHGs, overlap of memberships, regional skew, weak bank linkages, and poor capacity building.

*A step in the right direction has been taken by Government of India with the formation of Committee on Financial Inclusion led by Dr. C Rangarajan, Former Governor, Reserve Bank of India. Union Finance Minister Mr. P Chidambaram revealed that the Interim Report proposes the creation of two funds - the Financial Inclusion Fund and Financial Inclusion Technology Fund - each with Rs. 500 crore corpus.*

However, to meet the needs and aspirations of the poor, in addition to financial / economic inclusion, social and political inclusion is also important. For formal financial institutions this challenge of breadth can be met by upscaling and this requires offering a range of products, the most important being micro-insurance. Microfinance should also aim to reduce multiple vulnerabilities for households and not just those pertaining to women.

For institutions like SIDBI, "microfinance is a passion". The Bank has made a paradigm shift from focusing on sustainability of social mission to sustainability of MFIs. To ensure increased participation of formal financial institutions in microfinance, SIDBI has taken a leading position – commissioning ratings, providing transformation loans, playing a proactive role in formulating the Microfinance Bill, supporting the setting up of the School of Microfinance Training in Mangalore and creating a separate cell for the underserved states in India.

*I recognise that the Microfinance Bill is limited but it's a beginning. I think passage of this Bill will bring legitimacy to the non-profit part of the sector and will greatly facilitate them in providing credit to the poor. The for-profit institutions should also be regulated but what form should that regulation take and who that regulator should be is indeed a subject that remains open for discussion. The fact that they have not been regulated does not mean that the Bill that has been presented in the Parliament should not be cleared.*

**Mr. P Chidambaram, Hon'ble Finance Minister, Government of India**

The Microfinance Bill will only regulate not-for-profit organisations that act as facilitators of credit and can collect savings from members. The Bill would bring legitimacy to this part of the sector. Banks too have a larger role to play by maintaining "no frills accounts", overdraft facilities, and one time settlement schemes for small borrowers; they should also continue to work with SHGs and NGOs as intermediaries.

### Conclusion

Quality of SHGs and regional skew continue to appear as key challenges in microfinance and this is an area that needs immediate attention. Innovative products are needed for financial inclusion of those un-reached and the poor. The sector should promote exchange of best practices and learning. The Microfinance India conference provides a platform for the much needed exposure to underserved areas and this year the focus is on Madhya Pradesh and Rajasthan. The Finance Minister concluded by saying that "I do not believe one size fits all, each initiative has to be measured with its own benefits". There is a role for every stakeholder and it should be realised to its fullest extent to ensure maximum impact in terms of both upscaling and downscaling.

**Highlights**

- One-third of world's microfinance members are in India
- SHG-Bank linkage credit access to 29,34,708 SHG with cumulative loan disbursed to them to the tune of Rs. 18,145 crore
- SIDBI will host the Micro Credit Summit 2011 in India
- The Microfinance Bill, NABARD's equity fund and the recent efforts to revitalise credit cooperatives are positive developments.

### *Technical Session I: State of the Sector Report*

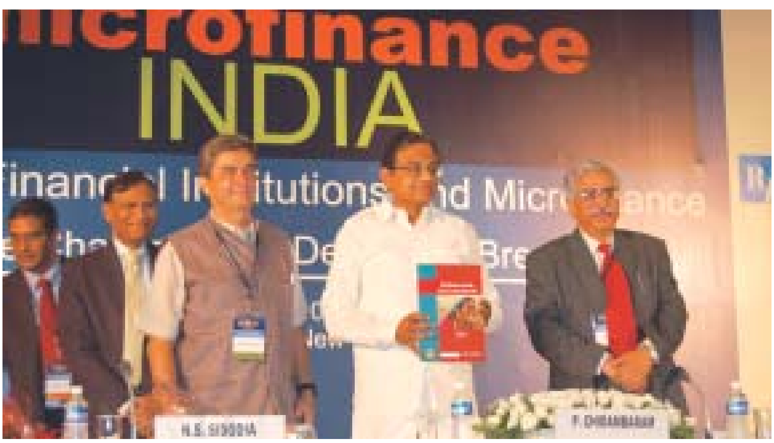
Resource Persons: Dr. Prabhu Ghate, Author, State of the Sector Report, Mr. Sanjay Sinha, MD, M-CRIL, Mr. Rakesh Rewari, DMD, SIDBI, Mr. Rajesh Srivastava, MD, Rabo Bank

Chair: Dr. Bimal Jalan, Member of Parliament, Rajya Sabha

*As a sector, microfinance has shown very fast growth across the country in terms of geographical coverage, increased clientele, portfolio, institutional involvement etc. Increasingly more and more promoting organisations, financial institutions, donors and clients are getting associated with the programme, mainly because of its contributions to alleviating poverty and empowering women. In order to document the progress and also the emerging challenges in the sector, Microfinance India has taken initiatives in preparing a State of the Sector Report annually and sharing it with various stakeholders in the sector. The second successive Sector Report was released by Mr. P Chidambaram, Hon'ble Finance Minister, Government of India during the conference this year.*

**Key Highlights**

- The year witnessed a phenomenal growth of the microfinance sector. While SHG model alone experienced 31% growth, the MFI promoted microfinance attained 42% growth during the period. There are 37 million borrowers created by all the models out of which 26.3 million are covered through their respective SHGs.
- Having experienced horizontal growth, the sector needs to give equal stress for enhancing the depth of outreach especially through SHG methodology. While continuing to utilise the services of the NGOs, steps should be taken to build the capacity of the SHGs, grade them periodically, aggregate and provide them with appropriate nurturing support so that they can achieve sustainability.
- Spreading the benefits of microfinance programme to the poorest of the poor has still been a major challenge for the




*From (l to r) Mr. Vipin Sharma, CEO, ACCESS Development Services, Mr. N S Sisodia, Former Secretary, Ministry of Finance, Dr. Prabhu Ghate, Author, State of the Sector Report, Mr. P Chidambaram, Hon'ble Finance Minister and Mr. R M Malla, Chairman, SIDBI* sector, as only 22% of them have been covered so far. Concerted efforts from all the stakeholders are therefore required to attain the real financial inclusion of this vulnerable group of people. MFIs must redouble their efforts to cover the un-reached poor through special projects, cross subsidisation from profits, innovative products etc.

- The sector experienced a slow pace in overall lending during the year as some of the major lenders withheld their lending for a temporary period. The gaps, however, were partly filled up by some other banks entering into microfinance and by the entry of private equity firms.

- Gathering momentum for the proposed Microfinance Bill has been a positive development in the sector, especially as it will introduce thrift and facilitate an orderly growth. Hopefully the Bill will be passed and made law by the next conference.

- The remarkable growth of the microfinance sector could attract not only public and private financial institutions in the country but also foreign investors. The microfinance community should encourage mobilisation of private equity funds and CSR funds along with the mainstream finance. The MFIs should issue Bonds, if needed, to raise resources for the sector as this is being practiced by many MFIs in other parts of the world. Rabo Bank confirmed its interest and willingness to get involved in microfinance and to help strengthen the sector further in collaboration with other stakeholders.

- Some of the key study outcomes of Indian Microfinance Review 2007 were shared; these confirmed the findings of the sector report. One of the positive findings during the year was the decline in the PAR 60 days, which indicated an improved portfolio quality in the sector. The OER and monitoring costs have, however, experienced a hike. The contributions of the MFIs were appreciated, especially those of the NBFC promoted microfinance programmes (membership - 73% & portfolio - 71.3%), which have played a key role in the overall growth of the sector.

*Government institutions like NABARD, SIDBI etc should create a credit enhancement structure where they can enhance the bonds or instruments to be issued by the MFIs to raise money from public at large. This could really catalyse further investment in the sector and ultimately lead to lowering of interest rates charged to the end borrowers.*

***Mr. Rakesh Srivastava, MD, Rabo Bank***


*Dr. Bimal Jalan, Member of Parliament, Rajya Sabha*

- Some of the underlying challenges in the sector were also highlighted. The regional skew in terms of its programme coverage means that there are still many underserved areas, especially in the remote pockets, where people hardly get any financial services. NGOs/CBOs should be encouraged and supported to start their operations in these un-reached and underserved areas. Also the question of transparency in disclosing the interest rates and other service charges, inadequate quality HR and capacity building inputs, use of new technologies, the issue of regulation etc still pose great challenges for the sector. All these together demand a collaborative effort by the stakeholders.

- Looking at the growth of the sector, all the stakeholders should ensure effective management with a thrust on the quality aspect. Microfinance is a sensitive programme, especially since it deals with public deposits and small loans for the poor; hence the stakeholders have to maintain utmost transparency in all the transactions. In view of the low affordability of the poor, there is need to improve the efficiency level and to keep the cost of funds at a relatively lower level so that they can have easy access to microfinance services.

*You can't put external limits on the interest rates. The rates should be capped by the competition, by self-regulation and above all by the MFIs itself.*

***Dr. Bimal Jalan, Member of Parliament, Rajya Sabha***

**Way Forward**

- **Enactment of the Microfinance Bill** All the microfinance stakeholders should collectively urge the government to enact the proposed Microfinance Bill at the earliest so that the MFIs are in a better position to provide financial services to the poor
- **Enhancing the depth of outreach** As SHG model has been widely adopted by many of the microfinance stakeholders and as it is making a fast progress, there is a need for deepening the growth in terms of its quality, portfolio, capacity building etc.
- **Managing growth** No doubt that growth is important which is also happening in the microfinance sector at its own pace; it is equally important to manage that appropriately through improved efficiency, quality HR, healthy portfolio and adoption of new technologies.
- **Reaching the unreached** Despite the large-scale growth of the sector, a sizable population of the poor is still deprived of getting the benefits of microfinance services. So, serious attempts must be made by all the stakeholders to reach the underserved areas and provide the services to the very poor through innovative microfinance products.

## *Technical Session II: Financial Inclusion*

Resource persons: Mr. Vijay Mahajan, Chairman, BASIX, Ms. Soundara Kumar, CGM, SBI, Mr. Sandeep Dikshit, Member of Parliament, Lok Sabha, Ms. Kate McKee, Senior Advisor, CGAP.

Chair: Mr. Vinod Rai, Secretary, Department of Financial Services, Ministry of Finance.

**Key highlights**

The discussion on Financial Inclusion has gathered a different colour; it is no more solely about the rural-urban divide, but rather increasingly also about microfinance for the non-poor versus the poor. Financial Inclusion can be defined as near universal access to wide scope of financial services – starting from having a bank account, savings (most fundamental), insurance to reduce vulnerability, credit (both consumption and investment), remittances, asset financing and micro-pensions. There is a correlation between access to these financial services and


*(l)Mr. Vijay Mahajan, Chairman, BASIX and (r) Mr. Vinod Rai, Secretary, Department of Financial Services, Ministry of Finance*

*There is a need to distinguish between financial inclusion and inclusive growth. In fact, financial inclusion is one of the conditions to be met for inclusive growth. Formal Financial Institutions feel that the existing banking structure may not be able to cater to the expectations of financial inclusion, hence partnerships would be necessary.*

sustainability of the household and the microfinance sector itself.

Outreach is a challenge and there are limitations in terms of the role that existing bank branches can play in financial inclusion. "Banks cannot do financial inclusion on their own with the existing branches," remarked Ms. Soundara Kumar, hence for largest commercial bank such as SBI, the Business Correspondent model is very attractive. However, the Bank has not been able to make much headway due to operational difficulties like payment systems, cash management, MIS-technology compatibility.

*I offer five suggestions to enhance financial inclusion:*

- *Establishing a supportive legal and regulatory framework*
- *Strengthening multiple institutions to provide financial services to the poor*
- *Developing new products and channels, focused on the poor*
- *Using technology to enable existing financial institutions to be more inclusive*
- *Building the capacity of the poor to use financial services to improve their lives*

**Mr. Vijay Mahajan, Chairman, Basix**

Financial Inclusion also entails development of new products and product delivery channels and there is a need for improved service quality, transparency and inclusive growth with a focus on financial products that would help more people to participate. There is a need to create services around the clients and a need to develop products relevant to youth.

*Really successful Financial Inclusion needs contribution from Public/Government Sector, Private Sector and Civil Societies. The ways should be explored for greater coordination among the three to develop new products and delivery channels.*

**Ms. Kate Mckee, Senior Advisor, CGAP**


(l) Ms. Soundara Kumar, CGM, SBI and (r) Ms. Kate Mckee, Senior Advisor, CGAP

*The Microfinance Bill will not be a product of the government but something which has been crafted after getting 360 degree review from everyone involved in the sector and it seeks to be as comprehensive in structure as possible.*

***Mr. Vinod Rai, Secretary, Department of Financial Services, Ministry of Finance***

## Conclusion

The focus of financial inclusion should be from the perspective of "Financial Value Chain", hence there is need for dynamism, institutional pluralism, stronger apex institutions and healthy competition between NGOs/MFIs. For formal financial institutions, such as banks, partnerships with MFIs, NGOs, post offices and so on is the key. Improving service quality through new products that enable participation of more people will also lead to financial inclusion. The government's position is very sensitive to the aspect of financial inclusion, the Microfinance Bill is getting a 360 degree review and the government would partner with good NGOs to reach the 36% of poor households that are not being served by the formal financial institutions.

### Highlights

- Financial inclusion should help the poor to get empowered
- For Formal Financial Institutions, Business Correspondent model is a promising prospect for financial inclusion
- Equally important is to have good financial products that cater to the needs and expectations of many

## *Breakaway Sessions III - Addressing Outreach: Role of FFIs:*

### *Session III a: Priority Sector Norms and Microfinance: How are They Linked?*

Resource persons: Mr. N Srinivasan, former CGM, NABARD, Mr. Ravindra Yadav, CEO, OBC Rural Foundation, Mr. V K Nagar, GM, Priority Sector, PNB, Mr. A Bhowmick, Chief Manager, Priority Sector, Bank of India.

Chair: Mr. Amitabh Verma, Joint Secretary, Ministry of Finance.

*There are constraints of credit flow to sectors which support a large number of livelihoods. A bias exists, there is preference for industry, commerce, trade and security based financing. There is a need to realise the public value of banking services in India and credit as a universal service obligation.*

### Main body of the discussion

Quantitative targets for priority sector were introduced in 1969 and the stipulation of 40% target was introduced in 1985. Narasimham Committee II and recent review by RBI Internal Working Group in 2005 supported the continuation of the targeting. However, there are changes in economic environment – the service sector is expanding rapidly and share of agriculture as contribution to national income is declining.

Changes in lending norms have an impact on lending to priority sector and to small borrowers. For example, raising the ceiling limits of loans and units led to a preference for larger loans; small loan accounts declined by 26 lakhs between 1992 and 2004. Similarly, ceilings on interest rates for small loans have led to shift to focusing on large loans (average loan size Rs. 1.17 lakhs).

There is also a huge concern about quality of compliance to priority sector commitments, due to the following reasons:

- Some states and regions are underfinanced
- Agriculture sub-targets ensured sustained share in flow, while small scale industries sector suffers
- Indirect finance and investment in bonds of SIDBI and NABARD are preferred
- Small loans are not a priority for banks
- Monitoring requires improvement

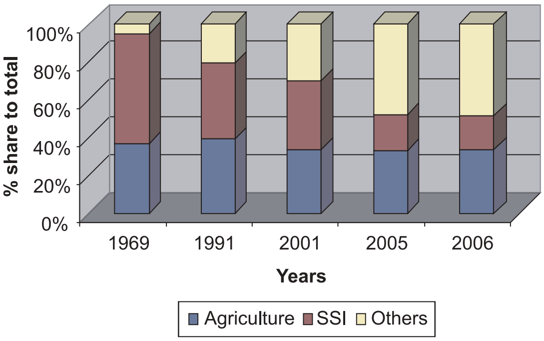
However, banks too face limitations. These include stringent prudential standards, interest rate and pricing, collateral requirements, borrower selection, government sponsored programmes and network and staffing constraints. Network constraints of banks make lending to microfinance an edge for priority sector lending. Business correspondent

**Priority sector loans by commercial banks – outstanding (Rs. crore)**

| | 1969 | 1991 | 2001 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| Agriculture | 162 | 16750 | 51922 | 125250 | 172292 | 230180 |
| SSI | 257 | 17181 | 56002 | 74588 | 90239 | |
| Others | 22 | 8984 | 46490 | 181638 | 247379 | |
| Total | 441 | 42915 | 154414 | 381476 | 509910 | 632647 |

model is an ideal option that would facilitate banks and microfinance interface. Through microfinance, 29 lakh SHGs have been covered under SHG-Bank linkage programme, with credit flow of Rs. 6,640 crores last fiscal year. There are no shortcuts, "banks will have to work hard to achieve targets" and banks should consider lending to federations under micro-credit portfolios.

Changes in composition of PSL




*The priority sector could now be redesigned to take on acquisition of new clients in underserved areas as its mandate. The focus need not be credit alone, but of financial services.*

**Mr. N Srinivasan, former CGM, NABARD**

### Conclusion

While there are limitations and constraints observed in priority sector lending, microfinance is not a substitute to priority sector lending. Microfinance loan volumes are about 1% of priority sector lending portfolio. There is need to review targets for each economic sector. The objective of financial inclusion needs to be integrated with priority sector lending. There are 112,000 Primary Agricultural Cooperative Societies in India, micro-leasing model may help in reviving them and also fulfilling the mandate of priority sector lending.

- Time to review targets under each sector
- People and regional focus required
- Inclusion objective to be integrated with PSL
- Tighter monitoring and effective enforcement
- Need for a sunset clause – with achievement of full financial inclusion?

### Highlights

- Banks must support vulnerable and unglamorous sectors
- Business correspondent model can help in Bank and MFI interface to obtain better results for priority sector lending

## *Session III b - Downscaling Financial Services through Business Correspondents*

Resource persons: Mr. Sidhharth Chowdri, Country Head, India, ACCION, Mr. Kishore Kumar, Head, mF, HDFC Bank, Ms. Maneesha Chadha, AVP, ABN AMRO, Mr. S Kathiresan, CEO, KAS Foundation, Mr. K. C. Mallick, CEO, BISWA

Chair: Mr. H R Khan, Regional Director, RBI

### Main Body

In order to reach out to the isolated poor, banks need to create franchise branches run by business

*Mr. N Srinivasan, former CGM, NABARD*

*The business correspondent model evolved after a comprehensive research study by RBI, which led to the creation of the Khan Committee and RBI guidelines. The model was created to overcome problems that banks face in offering their services to the poor. It was acknowledged that 41% of the people are currently considered un-bankable due to poor infrastructure, high cost of branch expansion, high transaction costs, cumbersome procedures, financial illiteracy, lack of customised products, lack of credit history of the poor and unfavourable staff orientation.*

correspondents in remote areas. These business correspondents would be local NGOs that would form and promote SHGs, offer training and manage group dynamics, as well as aggregate loan proposals, disburse and recover loans and prepare the MIS. The advantages of this model are independence in decision making, human resource flexibility, product innovation, participation of strategic partners, specific assistance programmes and a lower cost of capital.

Even private banks like ABN AMRO have adopted the business correspondent model, despite the fact that they are not bound by priority sector lending norms, because it is seen as a profitable model. HDFC Bank is a good example with approximately 150 business correspondents across 14 states. As an NGO which has utilised this model with ICICI Bank, KAS Foundation had positive experiences as a business correspondent extending services to 1.4 lakh people across 8 States of the country.

The panel identified the main risks to the banks involved: the first is the risk of loss of reputation, integrity and soundness, which can be mitigated with due diligence and by conveying qualitative and quantitative parameters to the business correspondent. The second is compliance/ operational risk, which can be mitigated with the appropriate use of technology. The third is system risk that can be mitigated by setting exposure limits. The last risk is the exit strategy/legal risk which can be mitigated by active involvement of all stakeholders and legal advisers.

The panel also expressed some of the concerns that NGOs have regarding the model. Firstly, banks are not offering the business correspondents adequate compensation for their services. Secondly, the high cost of the necessary technology interventions for the model may be overwhelming for the MFIs. While the poor are benefited with this model, MFI's may lose their identity.

## Highlights

- The business correspondent model is a partnership based model that has successfully allowed NGOs to help banks to downscale.
- The model creates several risks for the banks and the NGOs; however, the benefits are considered to outweigh the potential risks. Different strategies can ensure that the risks are effectively mitigated.
- The model's success depends on use of appropriate technologies, commitment from all stakeholders, and modifications to the existing regulatory environment.

## Conclusion

The session detailed the history and key elements of this model as well as some of the most important challenges, issues and success of the model. Several recommendations were made for the future, which are as follows:

- The guidelines for business correspondents should be widened to include NBFCs and corporates, which are currently barred
- The interest cap should be eliminated
- A credit information bureau should be set up
- There needs to be active local government support and facilitation, and a collaborative approach among FFIs
- There should be more of a reliance on IT to improve reporting
- There is a need for commitment from the bank's top management to the MFI
- Banks need to minimise response time delays due to operational inefficiency
- There is a need for greater utilisation of business correspondents for money remittance services

**Commitment action**

- Greater use of business correspondent model for remittance through mobile
- Collaborative approach by all the MFIs
- Credit information bureau is a must

### *Session III c : RRBs and Cooperative Banks: Reforms, Mergers, and Refinance - How does this Affect Their Roles?*

Resource Persons: Mr. G C Mishra, Chairman, Prathama Bank, Mr. Sanjay Sinha, MD, M-CRIL, Mr. Ajay Nair, Consultant, World Bank, Prof. B R Konda, Faculty, DCCB, Bidar, Mr. Vipin Iswar, Chairman, Sarai Ranjan PACs, Samastipur

Chair: Mr. K K Gupta, General Manager, NABARD

*One of the core objectives of creating a chain of Regional Rural Banks and Cooperative Banks was to provide much-needed banking services to people especially in the rural areas. Sponsored by various commercial banks, they started their operations in the rural pockets and extended financial services to the rural population. In the process, some of them performed very well but a majority of the RRBs and Cooperative Banks fell short of delivering the desired services because of various reasons. Increased NPA due to large number of defaults and its impact on the operating cost is said to be a major factor that prompted the merger of many of the RRBs and Cooperatives recently.*

The session on the RRBs & Cooperative banks was started with an introductory note and discussions were held on the experiences of banks, promotion of microfinance in different areas, international experiences with cooperatives in different countries, field level realities and the national perspectives based on various study findings.

**Key Highlights:**

- **Reaching rural communities through wider coverage:** Having set out to operate close to the community, the RRBs and Cooperatives try to provide much needed financial services to the women SHG members, marginal farmers, petty businessmen, vendors etc in their respective operational areas. Prathama Bank, the first RRB in India and the DCCB in Bidar, Karnataka State were highlighted as successful examples. The experiences abroad in countries like Brazil, Burkina Faso, Kenya & Sri Lanka too have been quite positive in this regard.
- **Generating internal resources to strengthen operations:** Mobilising savings or deposits from its members and public has been one of the important services that the RRBs and Cooperatives offer to the common people. Having the bank branch at their villages or at a walking distance encourages the general public to make their savings in the banks.
- **Meeting the credit needs of members on a priority basis:** The mobilised savings amount has been largely used to meet the credit needs of members who seem to be happy with the services of these institutions, as these are available in and around their local area and also at a comparatively lower rate of interest. In addition, insurance services are also made available to the members. Prathama Bank has even issued Credit Cards for its SHG members with a maximum credit limit of Rs. 5 lakhs.

- **Promoting Micro-enterprises along with Microfinance:** Considering micro-enterprises as the next level of key services required by the clients, RRBs and Cooperative Banks give equal importance to promoting these among their members. The borrowers are encouraged and trained to take up both farm and non-farm economic activities, thereby improving their household incomes.
- **Issues & Challenges Encountered:** The key challenges are with regard to their governance & management, growing NPA, higher operational cost, lack of proper facilities to use new technologies, inadequate HR etc which have not only slowed down the growth but also led the authorities to push for merger and amalgamation of these institutions.
- **Impact of the amalgamation:** As the amalgamation and merger process is a recent one, its differential impacts on the sector have not yet been fully felt. However, the quantitative reduction to 80 from nearly 200 RRBs may affect their outreach as well as lead to a change in their previous lending priorities. On the positive side however, the process brings greater coordination, facilitates cross learning among different branches and also minimises operational cost. A suggestion was made to carry out a study to document the impact of RRBs and Cooperative Banks so far and also give pointers for future perspectives after the amalgamation was made.

*The logic behind amalgamation of RRB's as proposed in reforms process based on the assumption that there are huge economies of scale in the functioning of rural banks, which means larger banks that can serve the needs of the poor, escapes me.*

**Mr. Sanjay Sinha, MD, M-CRIL**

### Way Forward

- **Managing change** - As the merger and amalgamation process is likely to continue for some more time, the authority may take proactive measures to deal with and manage the issues that emerge. Therefore, all stakeholders need to extend their maximum cooperation to strengthen the new structure and operations of these institutions.
- **Harnessing Efficiency** - Operating independently over the past so many years, each RRB and Cooperative Bank has gathered rich experience. Based on the lessons learnt, new inputs can be provided to the existing HR for improving their efficiency so that the bank as a whole is able to deal with competition in the market.
- **Re-working on NPA** - Growing NPA in some of the RRBs and Cooperative Banks was no doubt a big worry for the authority. In view of this, possible solutions to this problem need to be found and care needs to be taken to keep NPAs in control in the future.

### *Session III d: The Role of Multinational and Private Sector Banks*

Resource Persons: Ms. Robin Ratcliff, Vice President, ACCION International, Mr. Ranjan Ghosh, Regional Head (South Asia), Financial Institutions, Standard Chartered Bank, Mr. Gregory Chen, Country Representative, Shore Bank, Pakistan, Mr. Somak Ghosh, President, Yes Bank

Chair: Mr. Alok Prasad, Country Director-Microfinance, Citibank

*One of the most encouraging trends in microfinance is that the world's largest banks and insurers are becoming interested in the so-called 'bottom of the pyramid'. Big business has so far largely ignored a huge number of people who have very little money but nevertheless represent a potentially lucrative market. Their interest so far has been driven by corporate social responsibility or community development departments, not their core for-profit banking operations. However, multinationals, like Citibank, who believe that microfinance can become a valid profit making business are entering the market; their experiences may encourage other private and multinational banks to also penetrate the market soon.*

The session was devoted to deliberating on the role of multinational and private sector banks in downscaling financial services to the financially un-reached.

**Key Highlights**

- The major issues discussed in the session were the limited outreach by private and multinational banks and the necessity of designing a business proposition to attract all financial institutions to serve the sector.
- Since the nationalisation of banks, public sector banks are into the space of maximum banking but unfortunately the 'bottom of the pyramid' is still un-served and institutionally excluded.
- Micro-financing should be looked upon as a lucrative business opportunity. The historical image of charitable industry needs to be replaced by the image of profit making financial service industry run by experienced business leaders.
- Standard Chartered Bank pointed out that there is high market growth potential for private and multinational banks in microfinance. However, there is a need to introduce the same process of grilling and disciplined conduct that the mainstream financial market follows.
- Yes Bank stated that in 35 years of microfinance intervention, only 4-6 % of the potential market has been explored. The regulatory framework should be designed such that it helps banks establish specialised units of small financing to propel sectoral growth, instead of imposing interest rate controls on small loans, which make it unprofitable for private banks to serve rural customers. Yes Bank informed that its partnership with ACCION would provide a platform to the bank to experiment and do research on issues related to micro finance scale and inclusive growth.
- ACCION International made a presentation on how ACCION operates and addresses the issue of scale and sustainability. They noted that it was important to enhance efficiency with automation, broaden product offerings and ensure core banking systems.
- Shore Bank described itself as a double bottom-line bank based in the USA, investing in the local community to create economic equity and a healthy environment. The effectiveness of the service company model used in Latin America for delivery of a whole bouquet of microfinance products needs to be verified.
- The Chair of the session summarised the discussions, highlighting that pricing is an issue that the sector is facing for quite some time and if operations need to be sustainable, funds should be accessed only at commercial rates.

*From (l to r) Mr. Alok Prasad, Country Director - Microfinance, Citibank , Mr. Gregory Chen, Country Representative, Shore Bank, Pakistan and Mr. Somak Ghosh, President, Yes Bank*

*Commitment from board and management, strong internal champions, and alignment with the bank's core commercial strategy are key factors for success/sustainability for banks in microfinance space.*

***Mr. Alok Prasad,***
***Country Director- Microfinance, Citibank***

## Conclusions

- Graduation from micro credit to the whole range of microfinance services – The forum strongly felt that private and multi-national banks should think beyond institutional linkage and address individual needs of micro-savings and micro insurance facilities as well.
- Capital market product can be brought into the mF sector.
- Corporate governance could be explored.
- Challenge is to attain 75-80% penetration within next 35 years.
- Regulator role is to be redefined.
- Reduction in cost of operation through economies of scale.


*From ( l to r) Mr. Mark Stoleson, President, Legatum, Mr. Alex Counts, CEO, Grameen Foundation and Mr. Blaine Stephens, Director of Analysis, MIX Market*

### *Technical Session IV: Equity in Microfinance - do well, do good, or do both?*

Resource Persons: Mr. Mark Stoleson, President, Legatum Capital, Mr. Vikram Akula, CEO, SKS Microfinance, Ms. Caitlin Baron, Country Director, MSDF, Mr. Alex Counts, CEO, Grameen Foundation, Mr. Tor Gull, Managing Director, OIKO Credit and Mr. Blaine Stephens, Director of Analysis, MIX Market

Moderator: Mr. Vineet Rai, CEO, Aavishkaar

Mix Market made a graphical presentation to analyse the changing portfolio structure and emerging trends in equity investment, with the following findings for Indian MFIs:

## Key Highlights

- Leading Indian MFIs, both large and small achieved highest growth rates of any microfinance market globally
- Projected client outreach would be an astounding 48.7 million by year 2012.
- Projected portfolio growth would be 6.3 billion US dollars
- Commercial debt and managed portfolios fuelled growth in lending among leading Indian MFIs, leaving no capital cushion and creating unparalleled leverage
- Capital requirement in 2012 would be Rs. 243 billion out of which Rs. 221 billion would be infused through debts and the rest Rs. 21 billion would be equity investment
- Faced with rising cost of funds and legal provisioning of loan loss, leading profitable MFIs maintained slim profits keeping low interest rate for clients

Legatum Capital mentioned that they are in the market with basic capital for the last two decades. They noted that MFIs must design their products and services, including pricing, to better suit the emerging needs of the clients.

The Grameen Foundation and SKS noted that while profit maximisation has always been a core objective of any MFI, organisations must give equal attention to social performance and client level sustainability. MFIs should use their profits for the client level education, capacity building, including in small and micro enterprises.

SKS explained that one way to accomplish the profit mission might be to raise the interest rates, but with equal emphasis on enhancing institutional efficiency so that ultimately costs of operation are reduced. Maintenance of utmost transparency is required to educate promoters of the organisations.

*The microfinance sector in India is attracting great interest from institutional, private and social equity investors. It's felt that there is an investment gap in the Indian microfinance scenario, which could be due to lack of funds coming from local sources. Since foreign investors find the Indian rural economy far too opaque and complex, acquiring equity stakes in existing MFIs possibly makes sense. The sector is also evolving from being predominantly grant driven to a stage where it is looking forward to attracting commercial capital. MFIs have successfully used commercial debt fund and are increasingly looking forward to access private equity. Equity capital is essential to strengthen MFI balance-sheets to satisfy capital adequacy norm. Equity investment is also required to upgrade information systems, hire and retain talented management staff and broaden product offerings.*

| Do's | Dont's |
|---|---|
| Pick your investor extremely carefully | Avoid investors who are interested in short term profit maximisation |
| Decide what kind of investor you want | Avoid investors who are interested only in profit |
| Be doubtful on all terms and conditions | |
| Invest in professional entity | |
| Negotiate well before signing agreement | |
| Pick investor who waits for long term benefits | |

*I think there's no conflict in social mission and for-profit mission if we think from a holistic perspective. Long term profit maximisation schemes can lead to economies of scale which can effectively serve the needs of more poor people.*

***Mr. Vikram Akula, CEO, SKS Microfinance***

*Investing in for-profit MFIs at this key stage of the sector building offers a unique opportunity to work closely with management teams to help develop the sector's ability to maximise both financial and social returns. The introduction of market discipline and competition will bring greater competition, efficiency, lower costs, better governance and best practices.*

***Mr. Mark Stolesen, President, Legatum Capital***

## Conclusion

- Corporate governance is a win-win situation for both the investors and investees.Good governance ensures a high degree of trust in external stakeholders
- Institutionalisation of independent management board is emerging to ensure the MFIs attain their mission objectives
- Professional management ensures high degree of efficiency and man-oeuvrability
- Do's and Don'ts for MFIs


*(l) Mr. Vikram Akula, CEO, SKS Microfinance and (r) Mr. Tor Gull, Managing Director, OIKO Credit*

*Faced with rising costs of funds and loan loss provisioning, leading profitable Indian MFIs maintained slim profits, keeping low interest rates for clients.*

***Mr. Blaine Stephens,***
***Director of Analysis, MIX Market***

## *Special Session: 'What's Wrong with Microfinance' by Prof. Malcolm Harper*

The presentation highlighted the good and bad of microfinance. Microfinance has brought formal financial services to about 100 million households, covering about half a billion people. Though the services are limited in scope, and of very low quality, but are (usually) better than nothing. It is growing fast, and sometimes getting better, ***but there is a lot wrong with it!***

For its clients, microfinance promotes debt, not thrift and often excludes the poorest. It does the least for the poorest whom it does include, and in fact can seriously injure them. Its empowerment effects are short-lived and it is too expensive except for petty trade, and particularly for farming. It forces clients into time-consuming and oppressive groups and offers un-remunerative, inflexible and unsafe savings facilities. It is monopolised by women, who employ themselves but do not create jobs.

The MFIs are unclear and confused about their aims and their need for subsidy and “crowd out” banks and community-owned institutions. Most of the MFIs are not transparent, and fall foul of politicians' need to protect their constituents from usury

In the economies where it operates, it runs contrary to development history, which starts with savings, and then proceeds to consumption credit. In Bangladesh, it has created a donor and debt-dependent petty trading economy. In Bosnia, it has de-industrialised the economy and destroyed social capital.

Its impact is poorly measured, and opinion is based on heart-warming stories of success, not on rigorous assessments of reality. It is not the service that poor people need most; it creates unviable self-employment rather than jobs, and can crowd out livelihood assistance. It does not include housing finance or small business finance, and crowds out institutions which might do so.

*Microfinance Sector suffers everywhere from exaggerated expectations.*

***Malcolm Harper, Professor Emeritus,***
***Cranfield Institute of Management, UK***

*Malcom Harper, Professor Emeritus, Cranfield Institute of Management, UK*

## *Technical Session V: 15 Years of the SHG Movement : What Next?*

Resource persons: Mr. Aloysius Fernandez, Executive Director, MYRADA, Mr. Narendra Nath, Program Director, PRADAN, Ms. Sudha Kothari, Chairperson, Chaitanya, Mr. C S Reddy, CEO, APMAS

Chair: Mr.Y C Nanda, former Chairman, NABARD

**Main body of the discussion**

SHG movement has grown and among the prominent factors are, thousands of institutions

*"To convince Bankers was not easy. Self Help Groups are not primarily credit institutions, but are for management of savings and credit – in this people gained confidence". While the next logical step for SHG movement appears to be federations, there is need to realise limitations of SHGs and pragmatically assess what federations can do.*

***Mr. Y.C. Nanda, ex Chairman, NABARD***

**Definitions of a *federation***

*"An association of autonomous bodies uniting for common perceived benefits"*

*"Federation is a network, association, and coalition of primary organisations to collectively achieve what they cannot do alone"*

*"An association of primary organisations. Primary organisations may federate to realise economies of scale or to gain strength as an interest group"*

***SHGs have weakened, why?***

1. *Government driven – target approach by NABARD, subsidies under programmes such as SJSRY are not well managed*
2. *Government is utilising funds allocated for capacity building for other purposes*
3. *Assessment of SHG performance started late*
4. *Subsidies by social class and caste affect group homogeneity*
5. *SHGs increasingly being used as political capital by politicians*
6. *Using SHGs for state programme – last linkage, exhausting the potential of SHGs*
7. *Some bankers are yet to be convinced*
8. *There are different interpretations of SHG – organisation and structure*
9. *SHGs cannot eradicate poverty, while financial institutions drive on this one aspect*
10. *Stress on numbers and not on quality*
11. *SHGs breaking - to cater to requirement of government programmes that provide larger loans and MFIs selectively providing loans to some SHG members.*

**Mr. Aloysius Fernandez,**
**Executive Director, MYRADA**

promoting SHGs, capacity building incorporated in SHG promotion and facilitation, importance of SHG-Bank Linkage programme, acceptance of rules and regulations of SHGs and continuation of programmes by state governments even after multilateral programmes came to a close. But we need to take a close look at the programme now.

The next logical step for the SHG movement is formation of Federations; there are already nearly 70,000 Federations of which around 12 can be called as Apex. Federations can provide economies of scale, reduced transaction costs, livelihoods promotion, while also playing a useful role in linkage programmes. However, sustainability remains an important issue for federations, as they continue to depend on their promoter.

*Mr. Aloysius Fernandez, Executive Director, MYRADA*

**Regional Spread of SHG Federations as on September 2007**

| | | No. of SHG Federations | | | |
|---|---|---|---|---|---|
| | **Region/State** | **Primary** | **Secondary** | **Apex** | **Total** |
| A | Northern Region | 121 | 26 | 0 | 147 |
| B | North Eastern Region | 122 | 10 | 0 | 132 |
| C | Eastern Region | 5,745 | 107 | 0 | 5,852 |
| D | Central Region | 487 | 334 | 0 | 821 |
| E | Western Region | 663 | 1 | 0 | 664 |
| F | Southern Region | 59,172 | 2,093 | 22 | 61,287 |
| | **All India Total** | **66,310** | **2,571** | **22** | **68,903** |

## Conclusion

There is a greater need to recognise that SHGs are a separate institution of people power that enables them to overcome obstacles. Key policy initiatives that support SHG-Federation model are the NABARD circular of 17 September 2007 and the 11th Plan document. In order to ensure sustainability of SHGs (and Federations), there is a need to focus on three aspects – governance (better control), credit linkage and promotion of second tier institutions that are people owned. The income enhancement potential of SHGs and federations should be explored.

## Highlights

- Weak SHGs and unsustainable federations continue to be an issue
- States should provide demand based schemes for federations
- No thorough studies on SHG movement

## *Technical Session VI: Livelihood Finance - Challenges and Opportunities*

Resource Persons: Dr. Sankar Datta, Dean, Livelihood School, Mr. Damodar Mall, CEO, Innovation & Incubation, Future Group, Mr. Jawhar Sircar, DC, MSME, Mr. Biswajit Sen, Consultant, World Bank, Mr. M K Khanna, Member, Planning Commission, Govt of India

Chair: Dr. Nachiket Mor, Deputy Managing Director, ICICI Bank

*With the growth of microfinance, many clients are increasingly demanding a more comprehensive package of livelihood services. As a response to this demand, some MFIs have attempted to partly integrate the livelihood services with their on-going microfinance programme; however, these efforts have not been given priority compared to their lending activities. Identifying various livelihood opportunities in a planned manner, providing business development services for the clients, and financing the livelihood programmes has been done in a very limited way. Thus, there is a gross mismatch between the supply and demand side of livelihoods services in the sector.*

The session was devoted for deliberating on various challenges and opportunities of livelihoods finance.

## Key Highlights

- While microfinance has been able to enhance the household income of the poor to some extent, it has had very limited impacts on their overall livelihoods. This is mainly because the poor often live in areas characterised by a lack of infrastructure and investment opportunities, and poor access to market and market information. In addition, the poor often have no marketable skills. Microfinance, with its thrust on financial services, has not been able to address these problems significantly.

- Therefore a separate set of interventions is required to create lasting impact on the life and livelihoods of the poor. Fortunately the environment too is changing to suit livelihood financing. For example, a host of private investors are investing in infrastructure building in the rural areas, corporate houses are facilitating forward and backward linkages, and local level institutions like the Panchayats are engaging themselves with a wide range of livelihood activities. Microfinance is a powerful tool that can guide the clients to take maximum advantage of the changing scenario.

- The Planning Commission informed the conference about the Government of India's 'Bharat Nirman Programme'. The programme has substantial resources for building roads, community centers, market places, tele-connectivity etc. Capacity building programmes like training, exposures, skill upgradation etc can also be undertaken through the financial assistance of this programme. MFIs and promoting institutions were invited to work closely with the government for creating sustainable livelihoods opportunities for the poor.

- Future Group talked about the positive experiences that the company gathered in creating various livelihood opportunities for the urban poor dwelling in slums and outskirts of the cities. The importance of conducting market research, designing the products to suit the demand, orienting the producers with an emphasis on quality, and developing tie-ups with the supply chains to market the finished products were emphasised. Future Group offered it's technical as well as marketing support to help MFIs re-design their programmes to focus on livelihoods.

- Development Commissioner, MSME advised MFIs to adopt the cluster development approach with a well-knit BDS in their livelihood interventions, stressing the importance of sustainability.

- Citing some of the positive impacts created by the World Bank supported projects in MP, AP and other parts of the country, the MFI fraternity was encouraged to give equal importance to building and sustaining various livelihood opportunities for their respective clientele.

*As no substantial investment has been made to enhance the capability of the poor with regard to their livelihoods, this is high time that institutional investments are made on them. Microfinance as a powerful tool can take initiatives and show path on that.*

***Dr. Sankar Datta, Dean, Livelihood School***

All the stakeholders were complimented on the growth of the sector and urged to make organised efforts for strengthening the livelihoods of the poor. MFIs were encouraged to come up with viable proposals so that Banks would approve them because credit always follows good proposals rather than proposals running after credit. Emphasis was given on the institutional building of the poor and effective delivery mechanism at the ground level.


*(l) Dr. Nachiket Mor, Deputy Managing Director, ICICI Bank and (r ) Mr. M K Khanna, Member, Planning Commission, Govt. of India*

*Given the opportunities and support systems available for livelihood finance from Government, Banks, Donors and other supporting agencies, the MFIs & PACs must take up the challenges of building an effective delivery channel at ground level to reach the benefits to the poor.*

***Dr. Nachiket Mor,***
***Deputy Managing Director, ICICI Bank***

## Way Forward

- **Graduation from Microfinance to Livelihood Finance** - In response to the increasing demand for livelihoods services by the clients, all the stakeholders involved in promoting microfinance should make collective efforts to design livelihood interventions for the poor.
- **Institutional building for sustainable livelihoods** - The poor are often fragmented and dispersed and, hence, fail to negotiate with the market forces. Aggregating them in groups and building their own institutions like PACs, Cooperatives, Federations etc will bring not only greater solidarity among them but also enhance their bargaining power.
- **Getting markets closer to the poor** - Markets and market related information play a key role in any livelihood intervention, but unfortunately the poor have hardly anything to offer in terms of quality products, scale, or durability that will attract markets. Thus, they never experience the benefits of the mainstream markets. In view of that, the promoting institutions should prepare, aggregate and educate the poor on market demand and provide them with inputs to produce quality products with scales so that market comes down to the poor.
- **Coordination of efforts and resources** - All stakeholders should coordinate their efforts so as to ensure better impact and sustainability.

## *Technical Session VII: Impact & Social Performance*

Resource persons: Mr. R M Nair, GM, SIDBI, Ms. Jayeshree Vyas, MD, Sewa Bank, Dr. Smita Premchandar, Founder, Sampark, Ms. Frances Sinha, ED, EDA Rural System, Ms. Usha Padhi, Director, Mission Shakti, Government of Orissa

Chair: Ms. Kate McKee, Senior Advisor, CGAP

*Social impact is integral to the microfinance movement. There is a need to create synergies to promote economic activities for the urban poor. In terms of outreach of microfinance, the poor and very poor are still largely left out. Provision of savings is important to bring this category into the microfinance fold.*

## Key Highlights

SIDBI is engaged in a long term impact assessment study, that clearly reveals the need to improve outreach to the poor and very poor. To maximise social impact for this category of clients, savings is regarded as an important product. To increase social impact there is also a need to constitute "multi disciplinary team", such engagement can happen in projects like the National Rural Employment Programme.

There are also negative impacts of microfinance– indebtedness (where women's burden increases) and humiliation in case of non repayment of loans. Various platforms like "Solutions Exchange" can be used where MFIs/NGOs can register and forward case studies that help understand microfinance impact better. There is sometimes confusion on attribution of impact -"which brick did I donate?" (the donor dilemma).

The presentation of EDA Rural Systems included pertinent and quick-fix aspects to enhance social impact. It was stressed that social performance is a management aspect that includes generating useful and practical data, adopting Sa-Dhan's code of conduct for MFIs, mission clarity on target group and poverty definition, and undertaking social reporting together with financial reporting.

Thinking about social impact will begin with our concern and efforts in the following directions – employment, improving working conditions, building assets, housing, child care, health care, nutrition, leadership and children's education. The key aspect would be how much the microfinance institution can take up and where multidisciplinary action teams are required.

> *Clients, particularly the 'poor', are increasingly resorting to loans from MFIs due to their availability at the doorstep, less cumbersome procedures, timely and easy processing and convenient repayment terms.*
>
> ***Mr. R. M. Nair, Deputy General Manager, SIDBI***

*Mr. N K Maini, CGM, SIDBI*

### Conclusion

Lead studies reveal low outreach of microfinance to the poor and very poor, who require special targeting and provision of flexible savings services. "Women SHGs cannot be panacea for all problems, but do help in poverty alleviation". There is a need to have multi disciplinary teams by bringing in civil society-government programme coordination. Social impact enhancement needs specific measures that have to be proactively undertaken by microfinance practitioners and other stakeholders. There is a need to stress on social reporting along with financial reporting.

### Highlights

- Social impact is integral to microfinance movement
- Low on outreach to the poor and very poor
- In terms of social impact we need to get "*chak de* results"
- Social Performance Assessment rating by EDA Rural Systems reveal that average 30% of new clients are below poverty line, however this ranges from lowest 13% to maximum 68%

## *Breakaway sessions VIII: Missing services and products*

### *Session VIII a: Social Security - Micro Insurance, Pensions*

Resource persons: Mr. Marc Socquet, Senior Specialist in Social Security, ILO, Mr. Francois Xavier Hay, Consultant to GTZ, Mr. Anil Mehta, Director, Group Business, Max New York Life Insurance Co. Ltd, Mr. Gautam Bhardwaj, Director, Invest India Economic Foundation

Chair: Ms. Vijaylaxmi Das, CEO, FWWB

> *When we speak on social security, the most important products that are missing are related to medical care and maternity benefits. Social security benefit is a universal human right propound.*

### Main body of the discussion

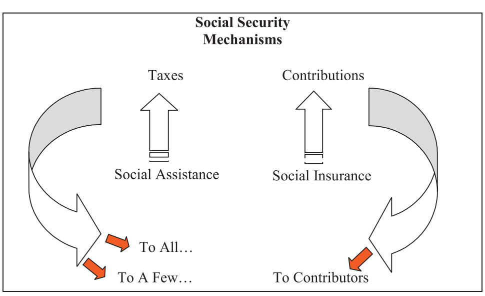
Diversity is a feature of the Indian ethos and this is reflected also in terms of social security or insurance provision. In India, the Social Assistance Programs for BPL households are operated under government guidelines and the micro-insurance programmes for the unorganised sector follow IRDA (regulatory authority). While both the programmes target different sets of clients, they depend on the same service providers. There is a doubt about social concern and objectives of the insurance service providers.

The session discussions raised some concerns over role of government and public policy per se in social security provision. It was illustrated that the pension bill for Government of India is Rs. 100,000 crore annually, and mechanisms can be devised to make social security provision when people are young. MFIs can play a role in collecting small amounts for retirement and they can be a ground for mean test. It was felt that the microfinance sector can work jointly with the government.

Max New York Life Insurance Co. Ltd., highlighted the role of public policy. It was insisted that there is a need to have more insurance products that cater to health needs in a holistic way and also need to create infrastructure such as public hospitals. Dissemination of right to information is important for creating awareness and enhancing access, and all goods should be driven by public policy.

*Mr. Anil Mehta, Director, Group Business, Max New York Life Insurance Co. Ltd*

**Social Security Mechanisms**




> *An important challenge in broad-basing social security arrangements to the MFIs and cooperatives who reach millions of low income workers across the country has been the heterogeneous IT and administrative capacities of these MFIs and cooperatives.*
>
> ***Mr. Gautam Bhardwaj,***
> ***Director, India Invest Economic Foundation***

## Conclusion

Both public and private sectors combined, there are 22 players, the missing link is the rules of the game. India is trying hard to offer social security to its citizens, and the panel felt that this was good compared to several other countries that have yet to think about it. There is need for public and private partnership.

## Highlights

- 0.5% of GDP allocated to social security programmes
- India will find a solution to its diversity

## *Session VIII b: Remittance & Money Transfer*

Resource Persons: Mr. Gopinath, Director, Postal Staff College India, Mr. Kartik Mehta, Head-Microfinance, DCB, Mr. Rajiv Khandelwal, CEO, Aajeevika Bureau

Chair: Mr. Sitaram Rao, Former CEO, SKS Microfinance

> *With growing migration of the rural poor to urban centres, as well as the continued migration in search of employment to other rural areas, the poor are in need of remittance services through which to send money back to their families in the villages. While there have been some formal means available, like the government's postal money order facility, the gap in the supply of these services is being explored by microfinance institutions, some of whom have designed innovative remittance products for their clients.*

The session started with a deliberation on remittances and money transfer with an introductory note. While DCB shared its experiences on remittances, Director, Postal staff College India talked about the wider postal network and their facilities for money transfer. The CEO of Aajeevika Bureau shared his organisational learning in the remittance process.


*Mr. Sitaram Rao, former CEO, SKS Microfinance*

**Key Highlights**

- **Distressed migration among poor** - As a rough estimate, more than 20 million poor people migrate every year in search of employment opportunities. States like Orissa, Rajasthan, and Bihar experience large-scale migration to Maharashtra, Gujarat, Punjab etc. A few alternatives available to send their money are the post offices, banks, friends and relatives, informal private agencies. However, the access, convenience, timing, cost and risk factors involved make the situation more complex.
- **Indian Postal system offers the largest network** - The department of posts and telegraphs offers the largest network facility in the country for money transfer from one place to another. With nearly 155,699 post offices (>89% in rural areas) with doorstep delivery mechanism, it provides an easy and inexpensive money order facility for the general public. It manages more than 96 million money orders in a year. In addition, the Indian Postal Department has initiated a pilot project in Tamil Nadu on remittances for the poor in collaboration with NABARD, in which SHGs and microfinance institutions are involved to ensure easy and safe remittances. Insurance services are also being clubbed with remittance to meet the unforeseen risks.
- **Remittance - an innovative and cost effective means** - Despite the large-scale presence of postal facilities, many of the migrant labours who work in the interior parts of the projects are not able to avail them. In order to help them in this regard, microfinance institutions have opened their field offices right at the project sites; they facilitate regular savings and remit the deposits to the respective villages within a short span of 2-3 days. The mechanism helps save the time and wages on the part of migrant labour, and allows them to send money to their family members in a safe and inexpensive manner.
- **Involvement of Banks and other stakeholders** - Rendering effective remittance services for the poor migrants demands the involvement of all stakeholders in the process. As it involves transactions of cash, banks' association is quite inevitable. Use of new technologies in the process call for inputs from the IT professionals and software companies. Experiences like Adhikar in Orissa, Aajeevika Bureau of Rajasthan and on-going programmes in other locations substantiate the fact that remittance is a collective effort.
- **Remittance is not a stand-alone service** - It was also felt that to make remittance a successful initiative, other related programmes must be undertaken simultaneously like health education, insurance coverage, banking services, technical inputs of IT personnel and BDS for the family members of the migrant labours.
- **Issues & Challenges Encountered** - Being a relatively recent development, remittance as a service is not yet organised or very well tested in the sector for replication and scaling up. Clients' education on the benefits of the

services and their responsibilities in the process is also inadequate at the moment. New technologies are also needed. In addition, the availability of the services at present still does not meet the demand.

Summarising the discussions, the chair of the session provided his key observations. In view of the growing migration of the poor, all the stakeholders and especially MFIs were urged to give equal importance to remittance services, especially since it is a self-sustainable service. Highlighting the huge demand for the services, he called for a collective and concerted effort by all in the sector to enhance the supply side.

| Year | Transactions | Payout Amount (Rs. Million) |
|---|---|---|
| 2004-05 | 345,398 | 9,880 |
| 2005-06 | 898,003 | 15,660 |
| 2006-07 | 2,140,241 | 37,440 |

*With its largest postal network in the country, the Department of Posts & Telegraphs, India offers one of the safest, economic and quality remittance services for both domestic as well as international customers and the poor can also make use of that.*

***Mr. Gopinath,***
***Director, Postal Staff College India***

*We all are migrants in one - way or another. But when the poor migrate to far off places in search of employment opportunities they encounter multiple problems and lack of remittance service is a key constraint among them.*

***Mr. Sitaram Rao,***
***Former CEO, SKS Microfinance***

**Way Forward**

- **Effective coordination among the stakeholders** - Remittance cannot succeed as a stand-alone service and an effective coordination among different players in the planning process and delivery mechanism is required.
- **Use of New technology** - In view of the dispersed geographical coverage and huge demand for the service, use of technological inputs is strongly felt for better monitoring and management of the programmes.

### *Session VIII c: 'New' rural housing*

Resource Persons: Mr. Ashish Karamchandani, CEO, Monitor India, Mr. Brahmanand Hegde, Head of Rural Operations, Fullerton India, Ms. Radhika Haribhakti, Director, DSP Merrill Lynch, Mr. Arjun Murlidharan, CEO, Grama Vidiyal and Mr. Harsha Moily, CEO, Moksha-yug

Chair: Mr. R B Verma, Executive Director, National Housing Bank

There is a clear demand but no supply chain to cater to these needs of the masses, though the people are ready to pay for the services.

*The basic objective of the session was to look at the issues, opportunities and challenges for the role of finance in rural housing and with it the emotional, social and economic issues that surround the masses. It also discussed the importance of locating sustainable and replicable rural housing models. And finally, whether MFIs are the right organisations to address the issue of rural housing.*

**Key Highlights**

- **Quality of Rural Finance** - Large demand but very little credit from the sector, thus the challenge would be to gauge the need of the people, which depends on the earnings and the livelihoods variance. Since people need finance for house repair and do spend a lot on it, there is scope for private players to make a dent. In the context of the above, some questions crop up:
  - Is there a sizeable opportunity today?
  - Are MFIs the right kind of organisation to address the issue?
  - If yes, then in what way would they have to engage themselves?

### What Inhibits the FFIs

- Non performing loans are high
- Banks are diversified in lot of other sectors
- In rural areas, other infrastructure development is given high priority
- Micro housing finance has its relevance in both mF and mortgage finance, thus it can be called micro mortgage plan

### The Dichotomy

- Housing needs come where there is a surplus in the household
- So, is this going to be acceptable to the masses? Can it be mass marketed? Can it be a profitable venture?
- The opportunities are colossal but the systems, products and processes need to be very well defined and structured.
- Thus the crux of the challenge is to design appropriate products and processes

*A huge potential opportunity exists for banks/ MFIs to provide housing loans to households with monthly income between Rs. 4,000-Rs. 6,500. The need is high as many live in poor quality housing and they can afford loans of Rs. 50-80,000 with 5-7 year tenures. This segment will consist of 15 million households living in "semi pucca" / "kucha" houses and 16M households living in "pucca" housing, some of these would also like to upgrade.*

***Mr. Ashish Karamchandani,***
***CEO, Monitor India***

### Issues & Challenges Encountered

- We need to build capabilities on the supply side so that the institutions, who will be supplying the services, will get strengthened.
- The opportunities are huge but complex
- The disadvantage of MFIs in the housing context is the loan size being handled by them; there are issues of capital structure and operational structure
- The housing business is complicated. MFIs are in the right position but they have to upgrade and change themselves in the areas of their structural change aspect
- If it has to be successful then the banks need to come in between the supply and demand and should not only restrict themselves in the area of providing loans. Thus there has to be a partnership and role demarcation between banks and MFIs and there has to be risk sharing between both the parties
- Lastly MFIs are good in networking but they have to re-orient themselves business-wise
- The larger MFIs can do it but the smaller ones may not

### Conclusion

MFIs that want to enter housing finance should get engaged but by doing the following:

- Graduating from group loan to individual loan
- Experimenting with mid term loan ticket
- Integrate systems to adhere to the new business vertical
- Establish risk mitigation strategies
- Should start with a pilot
- The MFIs can think of taking mortgage when giving housing loan
- Forming partnership between MFIs and banks
- Group housing should be tried out with partnership, which would be ideal. For example financial institutions would provide finance, construction company would construct the house and MFIs would complement the partnership and do monitoring of loan and construction and the risk would be lowered in the process

## Session VIII d: Technology in Microfinance - Past, Present and Future

Resource persons: Dr. Pawan Bakshi, Head, M-Commerce, Bharti-Airtel, Mr. Mathew Titus, Executive Director, Sa-Dhan, Mr. Maneesh Khera, CEO, FINO, Mr. C V Prakash, CEO, Gradatim

Chair: Mr. Wim Van Dar Bek, Partner, Aavishkaar Goodwell

### Main Body

The panel discussed possibilities of an E-Learning Platform for remote learning to fill the gap that

*Role of technology in the microfinance sector is large; the sector needs to understand its current uses and ascertain areas of technological advancements. The use of software has brought increased efficiency in the sector but still holds more potential for improvement, for this standardisation in systems and processes is required. Usage of smart phones has just begun, but it still is not a very cost effective mode as mobile technology is built around the business of airtime. Biometric technology has cut a lot of credit risk, but it still is not very widely used.*

has arisen from the non availability of trainers. Remote learning can be used to deliver basic course material, success stories and best practices. The panel members stressed that there is a need to share credit information by creating an effective client information exchange. The IT framework would allow MFIs and other stakeholders to interact according to standard protocols and code sets. There is a need of engagement of all the stakeholders, employees, regulators and investors. FINO discussed a few hurdles in microfinance, such as the information gap, the lack of use of KYC data to have a foolproof identity, illiterate populace, lack of infrastructure, accessibility and reach. Offline solutions are already there, but online solution is the next step to follow. Use of ISO template cards is one option.

Airtel described the benefits of using smart phones in the microfinance sector. These devices are mobile phones that can also be used to send data. Smart phones can be used at the point of sale, in order to facilitate enrolment and provide doorstep service to a larger number of people at a lower cost. Mobile phones can also be used as a Biometric Authentication Tool to provide security and safety to microfinance operations and can be used as a tool to authorise financial transaction by customers.

Three main challenges were identified by the panelists. The first is the problem of arriving at a common technology standard. The sector needs to decide what technology to use and which interface. Secondly, there is the impact on costs, as the cost of operations shoot up by Rs. 60-70 per SHG per transaction by using mobile technology. Right now mobile technology is using airtime, but more suitable and cost effective plans can be devised for microfinance. Such plans would reduce costs while accelerating operations and outreach. The third challenge is data ownership, the panelists suggested that there is a need to put up a repository of the data, but MFI's cannot own the data, because the privacy of customers must be respected. The credit bureau, which is allowed to scan all the transactions by law, is a good model for the sector.

*India is one of the fastest-growing mobile phone markets in the world, adding 7 million new subscribers a month. It is expected that we will cross 450 Million subscribers by 2010 but there are a large number of different mobile phone devices and it is a big challenge for MFIs/banks to offer mobile banking solution on any type of device.*

***Mr. Pawan Bakshi,***
***General Manager, M-commerce, Bharti Airtel***

## Conclusion

A few impediments in microfinance, such as the information gap, lack of use of KYC data, illiterate populace, lack of infrastructure and accessibility and reach should be tackled. There is a need to develop an IT platform where knowledge can be shared with all the stakeholders. A level of standardisation is required to achieve a low cost IT enabled service. Mobile service providers should be willing to evolve a technology for microfinance operations to cut high costs that are currently incurred due to the usage of current technology suited for airtime.

## Highlights

- The remote nature of microfinance operations means that operations could become far more efficient by using smart phones as a means to collect data at the point of sale

- There are concerns about the costs of using technology on the field, however, leading technology providers show a willingness to adapt their plans to make their services more affordable
- There are ethical concerns about what to do with data that is collected, but there are existing models that can be used which are not invasive to people's privacy

## *Technical Session IX: Addressing the Regional Skew*

Resource persons: Ms. Vasundhra Raje, Hon'ble Chief Minister of Rajasthan, Mr. Som Pal Shastri, Vice Chairman, State Planning Board of MP, Ms. Nirmala Buch, Chairperson, Mahila Chetna Manch, Mr. V S Vyas, Director, Institute of Development Studies Jaipur

Chair: Dr. C Rangarajan, Chairman, Economic Advisory Council to Prime Minister of India

The session addressed the issues of the need for a shared long term vision for mF in the underserved states, which would provide a comprehensive perspective and enable the government and other stakeholders to facilitate a systematic growth of the sector and provide all those involved with a road map to follow to achieve a common development agenda. The main focus of the deliberations was why there are imbalances in financial inclusion; for example, Orissa has BPL percentage of 47% as compared to national average of 27%, while the financial inclusion rate in Orissa is as low as 18%.

The session started with a presentation depicting microfinance vision for Madhya Pradesh by Vice-Chairman, State Planning Board, Government of MP. The presentation discussed the positives that the State possesses in terms of microfinance expansion and inclusion of the marginalised. The following are the highlights:

### Why we have to move fast

- Reduction of poverty levels visible but pace is slow
- Third poorest state in the country
- Number of uncovered population and underserved poor very large
- Slow spread of microfinance

### Why we have to coordinate

- Wide variations in inter district coverage
- Uncoordinated efforts - producing partial impact
- Limited response from banking sector
- Huge unmet demand
- Demand not estimated

### Why there are positive factors

- A large untapped market
- Low competition
- Presence of institutions and service providers
- Government committed to reduce poverty
- Several projects for poverty reduction - DPIP, MPRLP etc with strong microfinance component
- Large national players too focusing on MP

### Backdrop

- Hardly 30 SHGs linked per rural bank branch
- 11 districts have less than 500 groups linked and another 13 have less than 1,000
- More than 2 lakh groups still unlinked, no coordination between group promoters and banks
- MFIs at a very nascent stage
- Need to make right beginning to get good results

The vision plan 2012 aims to include everyone out of 4.26 million people in MP who are institutionally excluded. Long term impact of financial inclusion would be impacting on poverty that would decrease from 37.4% to 32% in 2012.

The key strategies would be:

1. Create a conducive mF environment
2. Raise the profile of mF and MFIs
3. Integrate livelihoods with microfinance
4. Welcome all partners by creating level playing field and allocating role for each of the stakeholders

If the above is to be addressed then the efforts of government and financial institutions have to be


*Ms. Vasundhara Raje, Hon'ble Chief Minister of Rajasthan*

fully coordinated and should aim at total integration of government programme and institutional credit support, ultimately providing full coverage to the poor.

> *The vision for 2012 for the state of Madhya Pradesh is "Ten million predominantly poor clients being served by a vibrant and sustainable microfinance sector in the state by the year 2012, achieving the goals of financial inclusion, improving access to finance for poor families and thereby opening livelihood opportunities supported by necessary linkages and capacity building".*
>
> ***Mr. Som Pal Shastri,***
> ***Vice Chairman, State Planning Board, MP***

Thereafter Hon'ble Chief Minister of Rajasthan, explained the situation in her state and also discussed the needed actions to address the issues of inclusion and development.

The following are the key highlights of her address to the target audience:

- SHG bank linkage programme - state standing is 8th. State should iron out a strategic guideline for the road ahead
- Credit linked to an extent of Rs. 370 crore under SHG bank linkage programme. There is still unmet demand of SHGs formed; in fact there are 5.5 crore people who still need credit and other financial support
- Pointing out the regional skew, she mentioned that 80 % of the groups formed are concentrated in 30% districts, mostly in eastern part of Rajasthan. There is an urgent need for expansion in other districts
- SHGs can play an important role in mitigating socio-cultural imbalance and economic empowerment of the female members leading to overall development of the state and that of the country, because 85% of SHG members are from SC/ST and OBC category. Also 50% of the members belong to BPL category. Social awareness by SHGs has positive impact in improving the IMR and MMR rate. In Rajasthan IMR is 65 per thousand and MMR is 45 per thousand.
- One startling observation is that in spite of natural calamity like drought, when there are several drought prone districts in the state, it has faced only few cases of farmer suicide. Acceptability of animal husbandry as main livelihood rather than agri- based livelihoods provides cushion in tough times and resilience to external shocks

> *The challenges we face as far as coverage of microfinance services is concerned are the paucity of information that is going out, very low financial literacy at grass roots and lack of skilled facilitators who can go out to people and make them join the movement.*
>
> ***Ms. Vasundhara Raje,***
> ***Hon'ble Chief Minister of Rajasthan***

**Future plan and strategy**

Key highlights for clear cut vision with regards to outreach and impact of mF in the state are as follows:

- 6,000 village facilitation centers to be handed over to women

- State level institute of SHGs, which would be one stop solutions for SHGs in the State
- Since civil society and banks are doing SHG promotion, government should shift its role from promoter to facilitator
- Training and capacity building areas are a huge challenge, so, inter-departmental synergy to be promoted for holistic development of SHGs
- Goods produced by SHG are exempted from sales tax

Convergence is required between major stakeholders: NGO, Government, Banks, and based on the above the strategy for growth would be as follows:

- Quality groups to be promoted rather than concentrating only on quantity
- Groups promoted by NGOs to be fostered and nurtured strongly
- Credit should be affordable and effective delivery mechanism is to be designed for downscaling services
- Micro credit is not for consumption but to improve livelihoods of the individuals because it provides command on community resources

The comments on the microfinance vision plan of MP recommended a vision for inclusive growth to be adopted, because expansion without inclusion would not improve things. Other points made are:

- In the vision document social, cultural and political history of MP has been overlooked which is of paramount importance, because it distinguishes the state perspectives from other states where microfinance culture is strong
- Borrowers' perspective is overlooked in the state as money is pumped into the clusters without verifying the credibility and setting examples of bad practices
- Without building capacity of the sector, infusion of money will paralyse the sector as has happened in Government programmes in the past
- Coordination and monitoring by Government agencies is strictly not acceptable

Some kind of institutional mechanism is suggested that would be autonomous and would take care of the above and the microfinance sector in the state of MP and would take care of inclusive growth with distinction and not by isolating it from the whole.

## Valedictory Session

Resource persons: Mr. Brij Mohan, Chairman, ACCESS Development Services, Mr. N K Maini, CGM, SIDBI, Malcolm Harper, Professor Emeritus, Cranfield Institute of Management, UK

Chair: Dr. C Rangarajan, Chairman, Economic Advisory Council to Prime Minister of India

The session captured the key highlights of the conference and lessons learnt. The eminent panel discussed what needs to be done in the ensuing year. The conference was declared as a grand success, with a renewed commitment to organise the next Microfinance India Conference and to


*(l to r) Mr. V S Vyas, Chairman, Institute of Development Studies, Jaipur, Ms. Vasundhara Raje, Hon'ble Chief Minister of Rajasthan, Mr. Vipin Sharma, CEO, Access Development Services, Dr. C Rangarajan, Chairman, Economic Advisory Council to Prime Minister of India, Mr. Som Pal Shastri, Vice Chairman, State Panning Board of MP and Ms. Nirmala Buch, Chairperson, Mahila Chetna Manch*

*(l to r) Dr. C Rangarajan, Chairman, Economic Advisory Council to Prime Minister of India, Mr. Brij Mohan, Chairman, ACCESS Development Services and Mr. Som Pal Shastri, Vice Chairman, State Panning Board of MP*

include new challenging topics such as Livelihoods Finance. It was declared that next year the conference would be of three days and the third day would be entirely dedicated to Livelihoods.

> *Two initiatives that will bring about a significant surge forward of the micro finance sector will be the growth of the bank-SHG linkage programme and the induction of individuals as business correspondents. These will constitute the main pillars of the future development of bank related microfinance, even as other forms of microfinance institutions will continue to grow.*
>
> ***Dr. C. Rangarajan,***
> ***Chairman, Economic Advisory Council***
> ***to the Prime Minister***

### Main body of the discussion

Dr. C Rangarajan reiterated his faith in the Indian banking system to accept the challenges of financial inclusion, with nodal branches to take this up on a priority and rural branches to go beyond provision of credit. The microfinance legislations and Business Correspondent Model would facilitate the efforts of banking sector. The microfinance NBFCs, 80% of whose assets are in provision of micro-credit should fall in line with the Microfinance Bill. Plurality of institutions is a fact to stay and hence "all legal forms should be encouraged".

There should be no conflict between social agenda and microfinance model and there should be no mission drift. Targeting equity investments, SIDBI has planned to reach 50 more MFIs in the next year and add to the current partnership of 100 MFIs. There is also a need to address the regional skew with aggregation of small farmers to gain a substantial volume and provide the raw material to companies like PepsiCo and Reliance Fresh.

Apex development finance institutions such as SIDBI should focus on technology solutions for microfinance. ACCESS Development Services would focus on strengthening intermediaries, initiate regular studies that cut across methodologies and carry forward the conference agenda of financial inclusion to inclusive growth.

> *Based on conference deliberations, we should expect the following improvements by 2008*
>
> 1. *The Bill should be improved in scope, clarified and completed*
> 2. *Business correspondent should take off as expected*
> 3. *Mechanisms to improve the quality of the SHGs*
> 4. *Improvement in measuring both the bottom lines*
> 5. *Livelihood promotion should be the major agenda*
> 6. *SHG movement and MFI movement should move to cover the urban poor*
>
> ***Malcolm Harper, Professor Emeritus,***
> ***Cranfield Institute of Management, UK***

### Conclusion

Challenge is to have financial inclusion with an inclusive growth. The banking sector can play a lead and proactive role in ensuring financial inclusion through SHG - Bank Linkage Programme and Business Correspondent model. There is a need for the commercial banks to be more considerate towards farmers. The Microfinance Bill should be able to create an enabling environment for all the microfinance service providers. SHG quality must improve, and all stakeholders need to work towards it. Use of technology would be a major driving force in the future as it would reduce cost, and there is a need to come on a common platform for that. In livelihood activities, focus should be given to have inclusive value chains. Urban poverty needs to be recognised and steps should be taken by the sector to reduce it.


## Highlights

The Microfinance India Conference keeps adding dynamic features every year - this year onwards two underserved regions/states would receive special focus for a year (currently Rajasthan and Madhya Pradesh) and next year the very new and challenging field of Livelihood Finance would be open for exploration, debates and as a logical step ahead to microfinance provision.

### *Other co-events:*

**Investment Fair:** An added feature this year was the organising of a first of its kind "Microfinance Investment Fair" in which ACCESS attempted to bring together leading private and social equity investors from across the world and potential microfinance institutions seeking debt and equity funds for growth and transformation. Over 22 investors and 59 investees participated in the Investment Fair. This initiative was largely organised as a response to a growing trend in private and social investor's interest in microfinance sector in India. During the year, two of the largest global investments in microfinance were made in India. To make the initiative meaningful, ACCESS, in collaboration with CARE, Grameen Foundation and Intellecap organised investment readiness training for 59 emerging MFI's and helped to develop their pitch-books and business plans for possible negotiations with the invited investors. MIX Market was the Technical Advisor to the Investment Fair, which was very well received by the Sector.

**Knowledge Fair:** Another feature of the microfinance India conference was setting up of Knowledge Fair during the period of the conference. 25 national and international stakeholders put up their booths to share and disseminate their experiences among the delegates attending the conference. Participants who set up booths in the Knowledge Fair included banks, technology solutions providers, technical

services companies and several international agencies linked to microfinance.

**ACCESS Microfinance Alliance Launch:**
Mr. Rakesh Rewari, Deputy Managing Director, SIDBI, officially launched the ACCESS Microfinance Alliance (AmFA) on the second day of the conference. Alliance has attracted 110 MFIs across the country with an aggregated outreach of over 2.2 million clients and a current aggregate portfolio of Rs 78 billion.

*(l) Mr. Rakesh Rewari, Deputy Managing Director, SIDBI and (r) Mr. Vipin Sharma, CEO, ACCESS Development Services*

It has been established as a strategic initiative to bring together microfinance institutions as a collective. The main objective of the AmFA is to address key issues of the institutions committed to the sector and help them in enhancing operations in order to assist the poor in accessing microfinance services. It will focus on the following key agenda points:

1. Provide structured training programmes
2. Facilitate funding support through mainstream financial institutions and the Livelihoods Innovation and Investment Fund (LIIF)
3. Create discussion forums among partners and other important stakeholders like banks and development institutions to address the emerging challenges and issues of microfinance institutions in the sector
4. Build information relating to the sector through website, newsletters and other communication
5. Enhance public reporting by microfinance institutions

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