

**Proceedings of the Seminar on “Microfinance in North East” organized by
BIRD in collaboration with IIBM on 28 and 29 January, 2011**

Background to the Seminar

The issues in microfinance in the north eastern region of the country are diverse and varied. The National Seminar on Microfinance which is being conducted by CMR, BIRD as an annual feature, has not been able to address the issues of north east effectively. However, taking the needs of the tribals in the region into account better microfinance products have to be developed by the practitioners in the region. Keeping this in mind, it was felt by CMR, BIRD that an exclusive seminar on microfinance for the north eastern region was necessary and accordingly, the same was organized on 28-29 January 2011 in collaboration with its sub centre at the Indian Institute of Bank Management, Guwahati.

The Programme Schedule of the Seminar is given in Annexure-I.

The List of Participants are given in Annexure-II.

The proceedings of the seminar is given as follows.

Section I

Day 1 : 28 January 2011

Proceedings of the Inaugural Session

The inaugural session started with the introduction of guests on the dais. The session was presided over by Dr. A K Bandyopadhyay, Executive Director, NABARD. Dr. Jayanta Madhab, Chairperson, RGVN, was the distinguished Guest of Honour. Shri C. C. Mitra, Director, IIBM and Shri R.K. Das, Joint Director, BIRD were also present.

Welcoming the delegates Shri C. C. Mitra, Director, IIBM, briefed the participants about the seminar. He thanked Dr. Madhab for readily accepting the invitation to be the Chief Guest of the seminar. He said that our country is growing at around eight per cent per annum which is almost three times the global growth rate. Whether this growth has penetrated to all sections and parts of the country needs to be looked into. Many are excluded and one-third of the population is not in the formal financial section. It is here that microfinance has a role to help those who are outside the formal sector. So far we do not get more powerful instruments, we have to rely on microfinance. Microfinance enables poor to work away from poverty with less governmental intervention. It allows women empowerment. Though interest rates are higher, beneficiaries get timely credit. However, excessive profiteering by certain MFIs has to be addressed. Corporate governance in MFIs has to improve. These concerns can be addressed through formal regulation, peer pressure and self regulation.

Shri A. K. Srivastava, CGM, NABARD, Assam Regional Office, in his address said that microfinance is more important for North East than in any other region of the country. Regarding microfinance he raised three questions, firstly, is microfinance at crossroads? We are still debating on margins, returns, etc. Most successful credit intervention that has taken place is micro credit. Secondly, is there an alternative to microfinance? If not, we have to find out a right jacket for it. It has to be part of formal system. Despite best efforts it is not possible for banks to reach all the villages. In North East, there are localized communities which are yet to be financially included. Thirdly, are we in tune with requirement of rural sector? Whether the KYC norms are enabling inclusion or acting as a limiting factor? Credit does not work in isolation. It has to be converged with health, education, insurance, etc. He felt that technology of mobile phone would be leveraged for extending financial services especially to the poor and in the remote areas of the country. He also stated that NABARD has been in the forefront of the microfinance operation across the country and also in the North East where they have been supporting the SHG Bank Linkage Programme in a huge way. They have also experimented with VDBs (Village Development Boards) in Nagaland for expanding financial outreach in the state.

Dr. A. K. Bandyopadhyay, ED, NABARD in his presidential address mentioned that in the absence of formal financial institutions, moneylenders have a greater say in the village economy. The transaction costs of financial institutions are high due to the large area of operation. This has to come down considerably by strengthening the formal institutional network. NABARD is a pioneer in microfinance. He also distinguished NABARD's model of SHG which is totally different from that of Bangladesh Grameen Bank model. As the microfinance sector has evolved, many issues have arisen. Questions have been raised about SHGs. There is also criticism that SHG model itself is not cost effective. So, microfinance as a discipline is assuming a lot of importance. He also spoke of the problems of rural lending particularly due to the issues of informal asymmetry and moral hazard. He illustrated how microfinance has been able to take care of these two problems in rural credit but he strongly stated that the high interest rate charged by the MFIs could lead to reverse resource transfer of the primary assets of the poor to the rich. This has been the normal process in the money lending market and the MFI should not also go in the same way. He also shared his experience in the North East Region when he was the CGM, NABARD, Assam RO where his understanding of the presence of social capital led him to ground the JLG concept for the first time in the country through the Assam Gramin Vikas Bank. He also noted that North East Region has a large number of strong Traditional Institutions which needs to be leveraged for a sustainable financial inclusion in these parts.

Dr. Jayanta Madhab in his keynote address congratulated BIRD and IIBM for organizing such a seminar and getting people from all parts of North East. He spoke of the history of microfinance starting from the Grameen Bank in Bangladesh. He provided a glimpse of its working and how different it was from

the products and delivery process of the commercial banks. It is this innovative methodology and loans without any physical collateral which had led to a microfinance revolution in Bangladesh. He felt that we can use the same principles and processes as microfinance has a high potential for expanding outreach especially in the rural North East areas. He also recounted his interactions with Prof. Muhammad Yunus during his days in Asian Development Bank (ADB) when the latter was grounding the Grameen Bank in Bangladesh. Citing his experiences in Philippines, he said that there is a system called 1-to-4 in Philippines in which if four pesos are lent in the morning, the borrower has to pay back 5 pesos in the evening. Most of the moneylenders involved are Indians. Despite the high interest rate, they had a successful business.

Dr. Madhab said that the microfinance model pioneered by Prof. Yunus of Grameen Bank-fame, has shown that women are credit worthy, trust worthy and also that microfinance is not philanthropy or usurious. He further said that microfinance is about livelihood. Wherever it is only for consumption, it will fail. Microfinance has travelled from subsidy-driven to market-driven. About 95% of funds required for microfinance is sourced from banks. Large MFIs have done financially well. In South, there were more successful MFIs. MFIs must have high discipline to regulate themselves. Presently they adopt coercive methods for recovery. For actions of a few MFIs, bulk of others have to suffer. The main charges against MFIs are that they are charging exorbitant interest rates, not disclosing full information to the clients, resorting to multiple lending and unethical practices. These have led to the suffering of clients.

Shri R K Das, Joint Director, BIRD then delivered the vote of thanks to the dignitaries of the inaugural session. He said that BIRD organized this seminar in North East as the National Seminar on Microfinance organized by BIRD did not focus on the issues relating to North East which is very important for effecting nation-wide Financial Inclusion. The XI Five-Year Plan envisages faster and more inclusive growth. Sri Lanka has high level of Financial Inclusion and hence less head-count poverty ratio. So, higher level of Financial Inclusion will bring reduction in poverty. In India, even with successive strategies for ushering in financial inclusion including the last one viz. SHG-Bank Linkage Programme, we are still left with a major chunk of our population outside the fold of formal financial sector. Probably, through MFI-Bank Linkage, particularly by harnessing the strengths of traditional money lending institutions in North East, we can give the necessary fillip in the direction. Every innovative way of doing things is wrought with accidents but that should not deter us from pursuing a right goal of our time.

Technical Session I

Dr. A. K. Bandyopadhyay, ED, NABARD chaired the Technical Session - I. Panelists were Shri Falguni Rajkumar, IAS (Retd), and former Secretary, North Eastern Council, Govt. of India, Shri A.K. Srivastava, Chief General Manager, NABARD Regional Office, Assam.

Presentation of Paper :

Title : Microfinance in North East : Identifying Issues by Dr. Gyanendra Mani, Faculty Member, BIRD

Objectives:

- (i) To analyse the status and effectiveness of formal microfinance programmes (SBLP) including SGSY in North East Region
- (ii) To analyse the behaviour and performance with special reference to unbanked areas Traditional microfinance forms, groups/ institutions and products (savings, credit, remittances, etc.) of North East Region and
- (iii) To find out the coping mechanism adopted for various risks arising on account of the natural, social and economic interventions viz., calamities, loss of earning family members (death), loss of productive assets, etc.

Major Findings :

- *There is huge demand for micro-credit. However, Penetration Rate is low.*
- *Lack of sufficient number of formal outlets to deliver microfinance products in NER*
- Most of the groups were not having much information about various financial products being offered by banks, MFIs, etc.
- Low confidence level of SHGs member to run an income generating unit.
- Poor or low understanding of volunteers/ people employed SHG promoting institutions about the SHG formation process has also been found one of the major reasons for poor nurturing of SHGs.
- Some banks in Manipur were reported to be putting a condition to SHGs to open a 'Recurring Deposit Account' for opening Saving Bank Account with the bank.
- Producing 'Domicile Record' by the SHG members is insisted upon by some banks in order to open a Saving Bank account.
- Banks generally not disbursing the full bank loan sanctioned to the SHGs formed under SGSY.
- The reasons for not taking up of income generating activity by SHG members include lack of market, poor infrastructure support (including electricity), problem in getting sufficient loan from banks, long process of documentation in banks, costly loan from other sources (NGOs/ MFI, money lenders), lack of awareness/ availability of institutions providing skill development training, etc.

- Most of NGOs/ MFIs are offering only credit and saving products to their clients. They consider other microfinance products like micro-insurance, micro-pension and remittance as commercially not viable, if offered on stand alone basis.
- The experiences gained from the success of the SBLP and other micro finance initiatives in India and abroad indicate that interfacing NGOs/CSOs and other socially conscious organizations/ persons between the banks and the ultimate customers would prove rewarding in terms of Financial Inclusion.
- However, the NGOs/ MFIs in North East need more support both in financial and non-financial terms to ensure their participation in a big way as the geographical situation in NER are not very supportive as compared to the other parts of the country.
- Further, the formal institutions could not do much to help the individuals/ families to take up some income generating activities and come out of the poverty.
- Traditional microfinance institutions working in different part of the region have been formed to cope up with various risks arising on account of failure or disturbances in the social, economic and natural systems. There is a need to document such traditional institutions for each and every state of the region and a state specific strategy may be prepared for convergence of these institutions with various developmental initiatives of government, banks, MFIs/ NGOs. Etc. in order to put these states on a higher growth.
- Most of the MFIs are not finding it as value for money to do the business with the product relating to social security aspects viz., micro-pension and micro-insurance, particularly in the North East Region of the country. The MFIs working in the North East need to be supported by developmental agencies.

Panel/Participants' views : Dr. A. K. Bandyopadhyay suggested that the author may also present the state-wise data in terms of some ratios in addition to what has already been presented in order to draw some more conclusions from the data. He also added that the kind of microfinance interventions being applied in the rest of the country may not be suitable for North East.

Shri Falguni Rajkumar suggested that a number of traditional institutions are existing in South East Asia which need to be studied and compared with those existing in India, particularly in NE Region. He also commented that we should be acquainted with what we require in the time of change. It is important to make a differentiation between banks and other informal institutions. Shri Falguni Rajkumar also suggested to NGOs/MFIs to focus on one livelihood programme at a time as it will facilitate in implementing the programme in a more comprehensive manner so that they can incorporate all the possible interventions in that programme in an effective way.

Paper 1: Relevance of Marups in Manipur: Issues and Challenges by Prof. N. Mohendro Singh, Former Member, Steering Committee, NER vision-2020

Objectives :

The paper discussed the origin and kinds of Marup and also elucidated their way of functioning. It listed out weaknesses and strengths of Marups and suggestions for making Marups to play major role in microfinance in Manipur.

Major points of discussion :

i. Some of the strong points of Marups are :

- Spirit of co – operation, Transparency, Accountability, intimacy and fair understanding.
- Improved financial discipline – hard work, investment and savings; and capital formation
- Close to the poor People:- (informality and easy approach).
- Potential for a partner of inclusive finance.

ii. Some of the weaknesses of Marups are :

- Lack of proper documentation.
- High interest rate charged by them.
- Low relationship with banking institutions (only 34% open account).

iii. The presenter put forward the following suggestions for better utilization of the traditional institution of Marups :

- The Marups should be classified into different categories based on their functional areas of operation or geographical spread for better functioning . the possible classification could be –
 - Basic Marups (restricted/confined to one locality and local members),
 - Self-Help Marups (beyond one locality and local members),
 - Self-reliant Marups (connected with big business establishments and banking institutions)
- Proper documentation.
- Marups could play the role of Business Correspondent for Banks
- Strengthening of Marups as SHPIs.
- Opening of separate wings/counters for Marups/SHGs in all banks.

Panel/Participants’ views : After the presentation, Dr. S.L. Kumbhare expressed that attempts should be made to involve Marups in the formal financial system.

Prof. N. Mohendro Singh came forward and gave an overview of present position of Banks in Manipur and put into words that people has lost confidence in Banks as only 19 out of 100 adult population open account in Banks. People have to make long queues for realization of a small cheque in Imphal itself, whereas 22 sub divisions in tribal areas don't have banks at all. He added that people have got purchasing power and they have no other option than Marups to make

investment. Failure of Banking services in Manipur made Marups rise so high since 2005. Prof. Singh also said that no realistic study or research has been undertaken in Manipur due to which no one has any clear picture about that area so far.

Dr. A. K. Bandyopadhyay commented that formal sector has lost its credibility in Manipur and that is what should be done and achieved and asked the forum to find out how to bring it back.

Prof. N. Mohendro Singh suggested that hard work need to be done on delicate issues like finance also keeping into account their social aspects. He also suggested to make a detailed study on all aspects of Manipur and also study the various kinds of Marups like Basic Marup, Self Help Marup, and Self Reliance Marup. Prof. Singh also said in reply to one of the participant's question that there are various kinds of Marups and one or the other kind of marup is present in every locality of Manipur.

Paper 2: Traditional Mechanism of financial Services in Lower Assam - The Xonchois of lower Assam by Prof. Abhijit Sharma, IIBM, Guwahati.

Objectives

Xonchois as an informal institutional mechanism is used extensively in the Lower Assam. "Xonchois are association of people voluntarily coming together with a sole objective of building up a common fund with monthly equal contribution by each member for a fixed term. This is then used to provide credit facility to its members. When the term expires, the fund is distributed amongst its members and closes to be started all over again".

The study intends to understand:

- a) The spread and the depth of outreach of these institutions in the rural areas
- b) Their operations including membership and products
- c) Their strength and their weakness

Major Findings :

The features of *Xonchois* were presented as:

- The *Xonchois* are totally informal setup which are formed by villagers members.
- The sole aim of *Xonchoi* is to provide savings and credit services to its members
- Normally a *Xonchoi* exist for a specific term as decided by its members.
- One household may have multiple shares in one *Xonchois*.

- The key person in a *Xonchoi* is the manager who operates it by maintaining the records and ensuring that the collection and disbursement of money is maintained as per the norms.

The *Xonchois* are used extensively by rural households from across all walks of life for savings purposes. As can be seen from the table below, *Xonchois* cover nearly 90% of the households as compared to 39% by banks and 43% by SHGs in Nalbari. This reduces as the spread of the *Xonchois* decreases.

Similarly, the households which are using it for credit purposes are also quite high for Nalbari (77%), Kamrup(41%) and Goalpara (57%). In comparison, banks constituted only 5%, 10% and 2% respectively. Even SHGs which have been promoted so vigorously by different agencies had only 19%, 19% and 9% penetration in these districts respectively.

Strengths and Weaknesses of *Xonchois*

These can be marked out into three major heads:

1. Easy to start up
2. Easy to manage
3. Benefits clearly marked out
4. Using it as an effective coping mechanism

However, there are also some weaknesses of the *xonchois*. These are:

1. Over reliance on the manager
2. Meeting only basic cash flow requirements of households

Learning's from *Xonchois*

There are some learning's for the microfinance sector from the operations of the *Xonchois*. These are as follows;

- i) The fixed tenureship of the *Xonchois* ensures that the balancing of the funds is undertaken on the pre-determined date. This ensures transparency and also keeping the funds under manageable limits. It also allows the members to know the take away amounts, based on their contribution made, at the end of the terms, thus helping in the financial planning of the households.
- ii) Breaking the group at fixed intervals gives a time for the group to make decisions whether they would like to continue with the existing members or would like to drop-out and form another group with different members-thus ensuring fresh blood or scope for discarding out non-performing members.

Some recommendations for the suppliers of microfinance

It is seen that the members of the SHGs are slowly getting disinterested in the workings of the group. One manifestation of this has been an increasing

delinquency in them. The SHGs could take a leaf from the *Xonchois* by deciding on a fixed date for paying some portion of the corpus fund as lumpsum at the end of the period. This would help the household immensely in meeting certain requirements of the households. This would also ensure more interest from members and their active involvement in the operations of the group, thus increasing the scope for sustained operations.

Panel/Participants' views : Dr. Sharma's presentation was highly appreciated by the participants along with the chairman and panelists. Shri Rajkumar suggested that while traditional institutions like *Xonchois* and *Marups* were present in the valley regions of north east, almost 70% of the region which is hilly not so well covered by these institutions. In order to cover them we should have some other mechanisms which could be also traditional. He commented that all Traditional Institutions plays an important role in the society and it is important to find a system to link these Traditional Institutions to the Formal Institutions.

Paper 3: Traditional Microfinance Institutions In North East Region with special reference to Manipur state by Kh. Somorendro Singh.

Objectives : The study "Traditional Microfinance Institutions of North Eastern Region with special reference to Manipur State" makes an attempt to study and examine the savings and credit behavior and performance of the programmes of a micro-finance promoting Institution operating in Manipur, the NCUI-Women Cooperative Education Project (WCEP), Imphal. The study is based on primary data collected through a sample survey of the 80 women SHGs spread over 5(five) districts out of 9(nine) districts of Manipur and secondary data from different sources were also referred viz, publications and bulletins of DICs, Department of Commerce & Industries, Department of Economics and Statistics, Govt. of Manipur and publications of NABARD.

Findings :

1. As the micro-finance has the capacity to create more products like micro-insurance, financial literacy, training for empowerment of women, skill training, health care, use of IT which facilitate the poor and many more unfold into massive phenomenon. If micro-finance as we already mentioned can be a solution to poverty reduction, the transaction cost should not be very high. They should cut the transaction costs that are beyond the reach of the poor in several contexts.
2. The main activities undertaken by women SHGs are agarbati making, papad making, shoe making, silk yarn spinning, shawl embroidery, silk dyeing, tailoring-cum-embroidery, fruit processing and multi-products from waste materials according to the report of the NCUI-Women Cooperative Education Project (WCEP).

3. Most of the members are in the age group, 25-35 (43). The group members earn Rs. 500 to Rs. 2500 per month after joining the micro finance programme supported by NCUI project as against Rs 385 on average in a month before joining the group.
4. Women SHGs having micro-enterprises and those women who are members in the SHGs are able to access credit easily. Women SHGs are well placed to help poor people especially those in the areas dominated by commercial banks.
5. Promotion of new quality women SHGs to be taken on a large scale in coming years, especially in eastern, northern and other backward states, by converging human and financial resources already available under various donors/government support social donors/ government supported social sector programmes.
6. SHG-Bank linkage did have a significant impact on the income levels of the members of SHG even without subsidies. The subsidies under the Swarnajayanti Gram Swarozgar Yojana (SGSY) are distorting the healthy growth of the micro-finance movement in India. The Government should divert a larger part of these subsidies for capacity building of the poor, the SHGs and the NGOs and also for providing micro-entrepreneurial development support to the groups.
7. More than 98 per cent were accounted for by the self employed persons, with the old culture of self employment, the SHGs in Manipur may be exposed to better apparatus of production and networking. The economic heritage of self-employment may now be groomed into modern entrepreneurship.
8. At the moment, there is not much forward and backward linkages. Only credit will not produce everything. Credit is just one of the means. A well planned business strategy may be a way out.
9. In order to make the concept of micro finance sustainable and qualitative, there is a need for effective coordination with organisation development intervention (ODI) to make women SHG credit linkage commercially viable.
10. Microfinance has to graduate from credit linkage to self-reliance so that micro-financing can be sustainable and growth is inclusive.
11. The study suggests that for women, training can play an important role in developing the next generation of business leaders and enhance their careers. Women entrepreneurship training initiatives in addition to other entrepreneurship courses, together with mentoring and coaching, could make a significant difference. Women SHGs could thus develop hand-on-techniques for running a business in a socially acceptable and culturally viable environment.

Panel/Participants' views : Dr. A.K Bandyopadhyay commented that first it was important to know the sensitivity of the people and then try to find out how to

mainstream and assist them to work properly. More work should be done on this to get an answer.

Technical Session II

Prof N. Mohendro Singh, Former Member, Steering Committee, NER Vision-2020, DoNER, GOI, Imphal, Manipur, Chaired the session. Panelists were Shri C.C. Mitra, Director, IIBM and Dr. Amiya Sharma, ED, RGVN as panelists.

Paper 4: Status and performance of Self-Help Groups in Assam: Evidences from Field Study by Ms. Dimpri Chakravorty.

Objectives :

- To analyze the status of SHGs in the two sample districts i.e. Dibrugarh and Sibsagor in matters of bank linkage, performance in income generating activities etc. and
- to access the effectiveness of the sample SHGs in increasing the income levels of the members

Findings in overall perspective:

- 97% of SHGs were funded by District Rural Development Agencies (DRDAs), the contribution of SIRD (1.5%) was found to be very nominal.
- Most of the SHGs (23%) were formed in 2003, which denotes that they are five years old SHGs; whereas, the SHG formation was very less in the year 2008 i.e only 3%.
- Women occupy the dominant place having 93.48% share in the total members. It was even more amazing to find out even in groups having male members, important positions i.e. president, secretary, record keeper are held by women.
- Weaving remains the dominant primary activity for about 21.5% of the sample SHGs, which is followed by goatery (18.5%).
- 45% SHGs have no secondary activity at all.
- Interestingly, interest earning is the primary activity of 16.5% SHGs and secondary activity of 19% of the sample SHGs.
- 67.5% of the sample SHGs has not received any amount of loan, whereas 10% of the SHGs has received loan worth Rs. 2 Lakhs.
- Micro credit has proven its potential to generate results. However, these results are generally short-term and vary significantly among borrowers.
- It was observed that, the average annual increase in income stood at Rs. 2529.27 (the per capita annual income being Rs. 6098.01 which was Rs. 3568.74 before joining the SHGs).
- An annual income worth of Rs. 6098.01 is hardly sufficient for any member; which denotes the need for alternative/ secondary occupation for group members.

- Development strategy should be suitably modified to take the changing trend in women into account.
- For SHGs to have a marked and sustained impact on poverty, it is necessary for them to adopt a more encompassing approach with various community-based organizations & programmes by laying far greater focus on processes, capacity building, convergence with various on-going programmes etc.

Paper 5: “Self Help Group and Micro-enterprise Development towards Savings Habits with special reference to Manipur” by Dr. S. Dilan Singh, Institute of Coop Management, Imphal.

Objectives:

The paper explores the following areas:

- (i) The Income Generation initiative taken up by the SHG Members.
- (ii) The saving habits of the SHG Members.

Major Findings :

SHG are small but a powerful change agent by itself. The SHG- Bank Linkage programme has catered the neglected groups of the society such as women, poor and deprived sections of the rural areas. Though there is a significant progress in India, there is a regional imbalance in the share of SHG linkage with the banks. The share of North Eastern region of India is very small. The SHG linkage momentum is fairly increasing in the state of Manipur but could not achieve that of the developed states like Andhra, Karnataka and Tamil Nadu.

For the sustenance of SHG, microenterprise development of members is a must. The programmes enlightened the members with new knowledge and skills. Limited skill, knowledge, technology, resource, and other inputs are the major barriers. Transportation being a bottleneck, raw material cannot be purchased timely and at the same time finished product cannot be sold timely which may lead to low profitability. Systematic market information are not available which pose problems in the supply chain. Lacks of infrastructural facilities like power, working sheds, communication etc are hurdles for the growth of the SHG units. Availability of substitute products, price fluctuation, competition, social ailments are the challenges.

The uneven distribution of banks in Manipur is one major factor in the slow pace of the financial inclusion in Manipur. Apart from the saving mobilization of SHG a greater saving habit has been developed among the women SHG members. The financial education imparted by the SHG operation gives a positive impact on the saving strategies of the SHG members. The resultant components show that SHG members do perform various types of saving approaches

Panel/Participants' views : After the presentation, Dr. Amiya Sharma commented that comparative statement should be included in the study, data should be comparable with the national data to visualize its proper position so as to make the study interesting.

Paper 6: “SHG-Bank Linkage Programme & Rural Credit: An Impact Assessment” by Ms. Sakiya Khan & Ms. Anamika Deka, Gauhati University

Objectives :

- To Study of the SBL programme coverage.
- To quantify the changes in savings and borrowing pattern among group members due to the programme .
- To study the impact of SGSY on SHG-Bank linkage programme.

Major findings of the study :

- The SC/ST and Backward class constituted (78.67) percent of the sample.
- There is perceptible change in the savings habit and borrowing pattern among the sampled members. The quantum of monthly saving were found increasing from Rs. 10 to 50. The share of production oriented credit has increased and dependence on moneylender and relatives for credit has decreased. It was observed about 82.6 percent of the SHG members borrow from SHGs and about 10.4 percent from friends and relatives during post SHG situation.
- Out of 223 SHGs, 60 percent of the sample SHGs had joined SGSY scheme in view of the subsidies being offered under the programme.
- It was observed that a major (71.75 percent) chunk of the linkage is account by Model 1 due to the limited involvement of NGOs, Model II and III account for only 10.76 percent and 17.47 percent respectively.
- Most of the sample members of existing SHGs (60 percent) Joined SGSY programme to get the subsidies being offered by the government. The SGSY programme has a negative impact on the direct bank linkage programme.

Emerging Issues :

- Though there was perceptible change in the borrowing pattern among the sample members, most of the (64.87 percent) reported that the internal loans were borrowed for consumption purposes. A very low percentage of credit were used for investment only external loans were used for income generating activities.
- The amount and frequency of loans availed by SHG members was very low to graduate to the economic activity stage.
- In the field level study it was observed that the NGOs overall, had lagged behind in the SHG promotion and intermediation.

Conclusion and Policy suggestions :

It is generally agreed that the impact of microfinance on upgrading the poorer sections of the society has been significant. The forgoing discussion on SHG bank linkage revealed that there were positive changes in the saving habit and borrowing pattern of the SHG members. It was observed that the share in the formal finance appear relatively better under the SHG bank linkage programme. The Key to the success of the SHG-Bank linkage programme lies in the proactive involvement of stakeholders such as NABARD, financial institutions, NGOs and Government. It becomes necessary for massive involvement of NGOs in promoting and intermation of SHGs. There should be understanding of SGSY programme of the Government and NABARD's concept of SHG-Bank Linkage programme among bankers and Government Officials. The amount and frequency of loans availed by SHG members should be adequate to graduate the economic activity.

Technical Session III

Dr S L Kumbhare, CGM, MCID, NABARD Chaired the session. Panelists were Shri Dilip Sarma, CEO, CHD and Dr. P C Sikliger, Faculty Member, NIRD, NER.

Paper 7: “Microfinance in Assam: An Overview” by Dr. Debabrata Das & Ms. Pinky Dutta, Tezpur University.

Objectives :

The objective of the study is to analyze the current status of formal and informal mode of microfinance in Assam. This paper will give an understanding about different formats of MF providers in Assam, their functioning and the problems faced by them in operating.

Major Findings :

- Micro finance industry in the State is in initial growth phase. Microfinance is witnessing a faster growth in the state which is reflected in the increasing number of microfinance providers and quantum of finance provided.
- There are different types of microfinance providers in Assam. Many National level MFIs are emerging in the scene recently (Bandhan, ASHA, etc).
- Major role is played by the banks. The role of RRBs is very prominent in financing SHGs in relative terms.
- A few local MFIs have stepped strongly in the sector.
- Informal microfinance practices are very strong and active in lower part of Assam.

- Most of the informal microfinance providers are not having any legal status (except one which was registered as NGO).
- The interest rate charged by informal microfinance providers is very high. It ranges from 36 percent to 48 percent per annum whereas in case of formal MFIs it ranges 7.5 percent to 30 percent per annum.
- Availability of credit is given preference over the cost of credit by the borrowers.
- Demand for micro credit is very high and a wide gap of demand-supply is observed specially in the rural areas.
- Most of the MFIs are deviated from the social mission to commercial goal.
- Unethical competition led to multiple lending.

Microfinance in Assam, although started late, has been growing at a very faster pace in recent years. Many new local and national level microfinance providers have emerged. Informal microfinance providers and practices are equally strong in rural areas. This is perhaps because of the gap between the demand and supply side of the micro credit and uneven outreach of microfinance. It seems that many local informal microfinance providers had emerged as a new form of moneylenders. It also observed that unhealthy competition amongst the MFIs was leading to multiple borrowing. Suitable legal provisions are needed for enabling the MFIs especially the small ones to work for the poor.

Panel/Participants' views : One participant raised a question whether these types of informal financial institutions are allowed to take deposits under RBI's regulation? The answer was 'No'.

Shri C. C. Mitra, Director, IIBM clarified that no one can raise public deposits without the concurrence of RBI. He explained in detail the provision under the non-banking finance company where there are detailed clauses on this. But Dr. Debabrata Das stated that informal institutions do take deposits and they should be allowed to do so as they are giving a service to the people.

Paper 8: "Microfinance and Socio-economic change: an Assessment of Meghalaya" by Shri Benjamin F. Lyngdoh & Shri A. P. Pati, North Eastern Hill University, Shillong, Meghalaya.

Objectives :

The objectives of the study are two-fold. Firstly, it aims to assess the status of women and microfinance intervention in Meghalaya vis-à-vis NER and secondly, to examine the impact of microfinance on socio-economic change.

Major Findings :

Women microfinance clients of Meghalaya form a small share in the microfinance map of the NER. At present, their physical and financial numbers are not impressive. Despite the shortfalls, the state has seen a promising development over the years.

Microfinance has had a positive impact on income, expenditure and savings of the clients. The clients have generated more and better income levels out of microfinance oriented microenterprise. This has subsequently led to the increased contribution towards family expenditure. It has led to overall self and family economic growth.

In addition, it has instilled a habit of savings and sound financial practice amongst the clients. This has led to an improvement in the asset structure, increased access to productive assets, increased the access to household property and greater say in household economic decision making ability.

Economic change trickled down to social change. Microfinance resulted in a meaningful influence on their social development. The clients had a better say in school/college decision making for their children, improved health status, influence on family planning decisions, improved the access to social amenities, influenced mobility, improved recognition and acceptance in family, increased awareness and participation in development programmes.

Microfinance has had a meaningful influence on the socio-economic well-being of women, both at the domestic and society levels, which is an epitome of women empowerment. Microfinance can further transform the livelihood of the underprivileged if it expands its width and reach in the rural areas.

Appropriate policies and action plans are required so as to ensure that this intervention measure is made accessible to a major target population. Gender mainstreaming, profitable products design, vast delivery systems, value added services, marketing services and group dynamics are important areas of microfinance and appropriate strategies are to be formulated so as to ensure synergetic operations and outcomes from microfinance.

Panel/Participants' views : Shri Dilip Sarma appreciated his presentation and congratulated him for such a fine paper and suggested him to work on a single point so as to make it more pronounced. There are two challenges for north east, i.e. how to bring the people to the scope of microfinance and how to make them to go for livelihood programme. By design, SHGs may not be able to run big enterprises. This requires business skill and attitudinal changes which have to be addressed.

Dr. Bandyopadhyay suggested that the processes and activities of traditional institutions may be documented and used in financial inclusion programmes in

the region. If any practitioner has a clear product design, he may come out with a proposal to NABARD for funding its experimentation.

Paper 9: “Micro-finance in the NER: Assam’s case study of Rural Transformation and Socio-economic Development through Skill Enhancement and Empowering Education” by Asmin Nath Hussain and Subhra Jyoti Bharali, ASOMI

Objectives : ASOMI, being a non-governmental organization providing microfinance services, has touched the lives of 50,000 families of Assam’s rural poor in the period last eight years from the year 2002 till date, not only by identifying and training the productive poor on an income generating skill, but also by handholding the rural entrepreneur through financial literacy and loaning at the appropriate time. This approach of sustainable growth through holistic development has led to a visible transformation of the socio-economic scenario, and empowerment of the rural population, especially the womenfolk. The observations made on the basis of a Case Study of 370 educated, unemployed, youths of the state, coming under Govt of Assam’s Employment Generation Scheme (EGM), is reported with some analysis and discussions. Few suggestions on further course of action are also offered to replicate the transformation in other parts of the region.

Findings : Entire rural Assam is being touched by ASOMI directly or indirectly so far, as there is no other institution of this structure in the region— around 2.2 crore population in 23 districts, covering an area of around 70,523 sq. kms, out of which 37% belongs to the age group of 01-15 year (Source: Planning Commission Report, 2008-09). Hence, the total number of persons expected to be directly affected is 0.814 crore during a span of 10 years down the line, when the child of 01 year becomes 10 years old and the adolescent of 15 years becomes a youth of 25 years old. This is what is proposed as the next course of action by replicating the Pilot Project.

In order to establish a linkage between academic, social, and economic activities, it is inevitable that innovative, interdisciplinary courses are designed and taught— maintaining a balance between (a) theory and hands-on skill, (b) value-based education and business management, and (c) social obligations and profit making. If the high-end research work in the field of Biotechnology could be linked with formation of Agri-clinics, Agri-business-hubs, and other field level activities, the gap between education and unemployment, or school enrollment and drop outs, may be minimised. This would ensure a holistic growth of the society through a self-sustaining cycle of **Education---Entrepreneurship Development --- Socio-economic Growth**, by which the rural youth would get all the necessary ingredients for an overall development of his / her personality through integration of body, mind and soul.

Panel/Participants' views : After the presentation, Prof. Sharma commented that keeping the people's need in view, new financial product should be designed but due to the lack of finance it has not been done.

Shri R. K. Das at this point enquired them if they can develop a micro pension design, which can turn into a very essential product.

Paper 10: "Microfinance-A key to successful financial inclusion" by Shri G. Mahesh Sharma, Dr. Mitrani Foundation , Imphal, Manipur.

Objectives :

The paper is a Study on Traditional Forms, Groups in Manipur and how microfinance acts as a key to successful FI through this traditional groups.

Major findings :

- The traditional way of financing should penetrate to the rural north east.
- Help is required from NABARD and various organizations to improve the traditional way of financing.
- Increase banking network in north east. Population per bank is very high even in Imphal city.
- Since banks branches are few, more emphasis is on MFI-SHG linkage
- The traditional agricultural loan in Manipur is typical.
- In the absence of banks, the agricultural loan to be provided through NGOs in Manipur.
- The Marup groups can be used to perform financial literacy.
- The Marup way can also be used in formal Microfinance through NGOs.
- Financial literacy to be the most important aspect.
- More promotional activities are required for financial inclusion.

Panel/Participants' views : Prof. Abhijit Sharma also agreed with him and he told that despite lack of finance to the agricultural sector, the productivity levels are high. He wondered whether this could be due to the informal agricultural loans that are existing in the area!

On completion of the presentations of the session, Shri Dilip Sarma commented that a new product should be designed that can serve the need of the people to the utmost.

Dr. Binay Singh, Director, NIRD also commented that North East is an area where there is lack of initialization.

Dr. Kumbhare said that traditional products are already there, and there is need to find out some ways to link them to the financial institutions.

Paper 11 : ‘The impact of MF accessibility through group initiative to Rural Women in Manipur – A case study’ by Dr K I Meetei, Faculty Member, VAMNICOM, Pune

Objectives :

- To study the development pattern of the NCUI-Women Cooperative Education Project, Imphal East.
- To examine the credit linkage activities under the initiatives of the project.
- To assess the impact of micro credit through SHGs on the socio-economic empowerment of women in Manipur.

Major Findings :

- NCUI-WCEP, Imphal East has delivered essential services of microfinance delivery to the needy rural women (7470 through 526 SHGs) during the last 10 years.
- Average monthly income earning capacity has increased from Rs 2414 to Rs 3346.
- Saving capacity and effective productivity of SHG-members have ensured better economic life of rural women.

Panel/Participants’ views : In the concluding part, panelist Shri Dilip Sarma told the gathering that NE region faces two kinds of challenges - product challenge and Market/technical skill challenge which have to be addressed. Dr. Kumbhare told in his concluding remarks to build a database for the entire NE region for the growth of SHG movement. Fund is not a problem from NABARD, if the project is viable.

Section-II

Day 2 : 29th January, 2011

The 2nd day of the seminar started with a warm welcome by Shri R. K. Das, Joint Director BIRD. Ms. Surekha Marandi, Regional Director, RBI was then felicitated and was requested to address to the participants. Ms. Marandi highlighted the status of Microfinance in India. She described about microfinance revolution since 2002. She also referred to the Malegam Committee report by RBI and mentioned the rules and regulations of RBI. She said that if an Institution takes deposit then it should be regulated. Balance sheet etc. of such institutions should be properly maintained. She even cited the trouble faced by Andhra Pradesh and hence explained the importance of maintaining some regulation. She also suggested NABARD to establish credit bureau to monitor the credit function.

“Microfinance in North East Region” Ms. Rajashree Baruah, DGM, MCID, NABARD, HO presented the paper on “Microfinance in North East Region”. She

gave an overview of the SHG Bank Linkage Programme, Issues and Challenges in North Eastern Region & NABARD's initiatives in NER. She gave a detailed presentation of the Savings of SHG with banks and Bank loan disbursed to SHGs agencywise. Ms. Baruah also specified the initiatives of NABARD in NER like Post Office linkage in Meghalaya, Consolidation and upscaling microfinance activities in Tripura, Income generating activities in Assam etc. She also mentioned about the first sub-centre of Centre for Microfinance Research in IIBM to take up research and studies relating to various aspects of microfinance sector.

Technical Session IV

Dr. A. K. Bandyopadhyay, ED, NABARD, was the Chairman of the Technical Session-IV. The other panelists were Dr. S. L. Kumbhare, CGM, MCID, NABARD, Prof N. Mohendro Singh, Former Member, Steering Committee, NER Vision-2020, DoNER, GOI, Imphal, Manipur and Shri Dilip Sarma, CHD. There were presentations by Regional Offices of North East on "Strategic Discussions of Future Action Plan for upscaling microfinance activities in North Eastern Region".

Presentation 1 - "Microfinance in Tripura"

Observations of R.O. : Shri R. Sundar, General Manager/Officer In-charge, NABARD, Tripura RO compared the position of Tripura within India and gave the details of the geographical area, its population, literacy rate, etc. He also highlighted the share of district-wise population. He then presented the progress of SHG in Tripura state and also displayed the agency-wise share of savings bank account in various banks. He explained that they have targeted to form 60,000 more SHG groups in Tripura. He put on view the various projects that are going on in Tripura which are SGSY, SHG-Bank Linkage Programme, Tripura State Support Project on SHGs, IGD Project, JICA Project, Bamboo Mission, Fisheries Department's project and Bee Keeping project (Proposed). He said that all these programmes have taken place due to the active initiatives of the Government of Tripura with the support from NABARD. He also suggested that while covering a larger population under SHG movement, the rigours of group norms viz. homogeneity, periodicity of conducting of meetings etc. have to be relaxed by the practitioners. He indicated that there was scope for promoting producer companies especially in manufacturing agarbathis using bamboo sticks.

Panel/Participants' views : Ms Marandi wanted to know as to how many producer companies have been established yet, for which he answered only one company has been established so far.

One participant asked about the Bangladesh Grameen Bank's effect on Tripura's economy. Another participant asked whether there was Govt. support to help the groups and SHG movement in the region.

Prof. Abhijit Sharma asked whether the active role of the govt. is actually a deterrent as the large scale delivery of subsidy through these channels actually distort the markets and create adverse selection problems.

Dr. Bandyopadhyay very lucidly replied that if govt. tried to take everything in the correct perspective then it will yield the desired results, otherwise it will not. In Tripura, the State Govt. is very proactive and hence the SHG programmes are successful.

One of the panelists asked him about Tripura State Supported Project on SHG.

MS Surekha Marandi advised him to come forward and place presentation in the SLBC and advised to tell them about the producer plan.

Prof N. Mohendro Singh asked him about District Credit Plan and District Economic Plan and the differences between the two.

Presentation 2 : “Status of Microfinance in Sikkim”

Observations of R.O. : Shri B.K Dey, General Manager/Officer In-charge, NABARD, Sikkim RO gave the details on the State profile, Banking Network and Agencies involved in Self Help Group promotion in Sikkim. He gave an account on the initiatives taken for SHG promotion like Training/Capacity building of stakeholders, promotional grants sanctioned, booklet on SHG in Nepali language etc. Shri Dey also presented the status of SHG promotion linkage as on 30/09/2010. He mentioned that SHG movement shows a very poor progress in Sikkim because of absence of credible NGOs, poor connectivity particularly during rainy & winter seasons, banks being not pro-active, absence of RRBs and above all, groups formed being taken away for SGSY financing by DRDA. From this view, bank personnel also were not very interested to promote SHG activities in Sikkim. Still Shri Dey stated that there is a potential for forming 10,000 more SHGs and placed his strategies as involving Farmers Clubs in SHG promotion, implementing IRV scheme, involving Aanganwadi Workers, making SHG promotion mandatory by any NGO and sanctioning of more SHPI schemes.

He also highlighted on -

- Initiative taken for SHG promotion like training/ capacity building for SHG promotion,
- Steps to literate SHGs in Nepali Language etc.

Panel/Participants’ views : Dr Bandyopadhyay asked about BPL table, literacy rate and percentage of SHG group formed. One of the participants asked about women involvement in SHG group, because women empowerment rate was high in Sikkim. Prof N. Mohendro Singh asked about the recovery percentage and he was informed that it was 56% and NPA was 17%. Shri Dilip Sarma suggested him to form SHG group which may work on eco-tourism and green state formation activities. Prof J Devi, FM, IIBM suggested that adaptability of project is not sufficient in NE Region, so there is a need for relaxation of BPL norms.

While concluding, the paper presenter informed the gathering that in Sikkim most of the contribution flowed from Govt. as subsidy and hence the people of Sikkim were not willing to take any loan from formal financial organizations.

Presentation 3 : “Micro Credit Innovations in Nagaland”

Observations of R.O. : As the representative of Nagaland RO could not reach the seminar, Shri K.V. Satyanarayana, AGM from NABARD, Assam RO highlighted the SHG Bank linkage programme of Nagaland. He also illustrated the potential for SHG formation in Nagaland. He pointed to some of the initiatives taken by NABARD as exposure visits to successful models in Assam, sanction of RFA of Rs.10.00 lakh and Rs. 14.00 lakh to two reputed NGOs, sanction of 17 training/capacity building programmes covering 495 SHG members, etc.

Panel/Participants’ views : One of the participants requested RBI and NABARD to establish more bank branches in Nagaland for the help of SHG members.

Presentation 4 : “Status of Microfinance in Mizoram”

Observations of R.O. : Shri Dilip Wadhvani, Manager, NABARD, Mizoram R.O gave the profile of Mizoram state and also the banking profile of the branch network. He also pointed to some of the reasons for slow progress in Mizoram as inadequate NGO-network, weak capacity of NGOs in terms of manpower, infrastructure, commitment and also lack of awareness among bank officials. He presented the steps taken by NABARD RO, and some of the NABARD supported SHPIs. He gave the details of their expansion strategy and their perspective plan.

Panel/Participants’ views :

One question came from the participants about the recovery rate. The paper presenter said that it was 70%. Another question was that ‘how many SHGs were dormant?’. This elicited mixed response as no one had the correct figure. The paper presenter informed the gathering that Self Help promotional activities, where NABARD had spent money in Mizoram, is absent in other NE States. Dr Abhijit Sharma suggested that capacity building is important for SHGs and market development should be the first preference.

Presentation 5 : “Micro Credit Innovations in Assam”

Observations of R.O. : Shri K.V. Satyanarayana, AGM, NABARD, Assam RO started his presentation by appreciating the progress of Microfinance in Assam. He stated that Assam has a great scope and potential and is going to rise further in the near future. He highlighted some of the SHG bank linkage and presented NABARD’s initiatives as :

- Capacity building/training programmes on an ongoing basis, (300+ annually)

- Exposure visits to successful models - National/International - Kerala / West Bengal / Bangladesh etc.
- Sensitizing all partners of SBLP
- Grant support under SHPI Scheme – RRBs, IRVs, NGOs, FCs
- Publication of micro finance booklet and brochures

He presented some of the studies conducted by NABARD in Assam and pointed to some of the issues and constraints in SHG Programme. He also proudly told that all the NABARD's promotional programmes for SHGs were successfully running in Assam.

He also expressed the potential for formation of further SHGs, Grant support under SHPI scheme to RRBs, NGOs etc. and conducting micro entrepreneurship development programmes (+50 annually) in the state.

He suggested that Books and booklet published by NABARD should be translated into local language for the benefit of the local people.

He raised some issues and constraints in SHG programme like lack of awareness and exposure from Bank and Govt. hampering the groups.

He brought the serious issue on non-registration of NGOs who are involved in microfinance.

Panel/Participants' views : A suggestion came from participants that BIRD and IIBM may jointly take some initiative to build the SHG-Bank linkage more effective in the region. Dr Bandyopadhyay concluded that all the problems couldn't be discussed in one sitting. Hence more discussions and seminars on this topic in the near future will help all.

Section-III

Conclusions and recommendations :

The following conclusions and recommendations were emanated from the two days' proceedings :

- The principles and practices of Marups may be researched further.
- Ways and means to enlarge the scope of microfinance initiatives for the benefit of the region in particular may be studied further.
- Encouraging formation of more producer group companies on SHG pattern and principles
- Continuous thrust on capacity building programmes to be given by NABARD.
- Sanction of more SHPIs and MEDPs in the region by NABARD
- Evaluation of Post Office Microfinance Programme of NABARD and extending it further in the north eastern states
- Granting of more licences by RBI for opening branches by banks especially in Nagaland
- Incentives for development of new microfinance products should be thought of.

Shri S Krishnan, Asst. General Manager, CMR, BIRD then gave the vote of thanks. Besides thanking the chief guest and the panelists for sparing their valuable time for the seminar, the paper presenters for making noteworthy efforts for a meaningful presentation of the happenings in the sector, and the delegates were also thanked for their enthusiastic participation throughout the deliberations.
