MICROFINANCE IN DELHI

-AN ILLUSION

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ABSTRACT

The number of poor in Delhi is humongous and ironically the number of MFIs catering to it is a handful. During the research while talking to some eminent officers forms different field involved in micro financing it came to fore that the problem for the lack of availability of financial resources not only comes from the demand and supply side but is also due to the lack of the State government's support. There are plethoras of welfare scheme initiated by the government outlaid with crores of rupees but only a fraction actually reaches the true beneficiaries. Despite huge demand for credit by the poor the problem of exclusion still exits. The Delhi government needs to play a pivotal role in enhancing the activities of the MFIs and to rule out the loopholes from the system through their incentives.

INTRODUCTION

As per census 2001, about .5 to .6 million people migrate to Delhi every year from the rural areas in search of better living. As these people lack financial resources many of them settle as squatters and start doing all kinds of menial jobs. Over a number of years such persons living in unauthorised and squatter colonies has swelled to as many as 3.5 to 4 million with about 1100 slums in Delhi. Thus all in all about 1.5 million Delhi poor live below the poverty line.

Despite the demand for finances being huge from the weaker section the banks were reluctant to disburse loans due to their economically weaker status and low collateral. Thus to bridge this gap between the demand and supply of financial resources the micro finance played a pivotal role by bringing financial services within the reach of the poor. Microfinance is defined as the provision of thrift (savings), credit and other financial services to the rural, semi-urban and the urban poor to enable them to create productivity out of the given resources to develop their sustainable livelihood.

The system of micro credit started in early 80's when Muhammad Yunus, a Bangladesh based economist started his "Grameen Bank (village bank)" founded on the principle of trust and solidarity. His foundation gave loans at lower rates to help people come out of poverty. Its popularity began to spread by late 80s to the other parts of the world. In India the advent of microfinance was more in the south catering to the rural population but gradually by the 1990s it spread to the other parts of the country and started serving the urban poor.

The microfinance revolution started with the recognition that poor people needed access to loans and that they could use these funds productively. It has also changed the perception that poor people are not credit worthy. Records have shown that, instead, they are a good risk, with higher repayment rates than the conventional borrowers. It has been observed that the recovery rate in this sector has been as high as 99.5%.

There are different faces to it. The microfinance has been able to reach only the 10% of the Delhi poor i.e. out of a total of 90 lakhs plus Delhi poor only 9 lakhs have been touched. There has been a huge problem of exclusion. Many of the Delhi slums are untouched with people living in degraded conditions. There can be multiple reasons for it but the vital being the poor support extended by the Delhi government, unlike the governments in the southern states where micro finance has been a huge success story. Other meagre problems involved are that of high interest capital, less amount of the loan disbursed, the problem of multiple loans, multipurpose borrowings by the poor etc.

Thus with the increasing influx of population from the rural areas the civic services are bursting at the seams. Thus the challenge of fighting the urban poverty can only be met jointly, by pooling all resources that are or could be available from all sources along with the government administration.

MODELS OF MICROFINANCE

1. **SHG- Bank linkage model**: launched by NABARD and under this model the SHGs are directly financed by the banks viz. Commercial banks, regional rural banks, and co-operative banks.

   SHGs or self help groups are the groups of 10-20 people preferably with the same economic background. These groups can be registered or unregistered. The loan is given to the group as a whole, which is then on-lend to the members within the group. The group members are also liable to save and deposit with bank within the group's name and the deposited money is later used for internal lending making them self sufficient. Once the SHG has accumulated savings for about 3-4 months, the members may be allowed to avail loans against their savings for emergency consumption and supplementary income generating needs.

   Since the SHGs consist of people from different segments including the poorest of the poor thus it is basically targeted to reach the very poor which are bypassed by formal banking system. SHGs can be all-women, all-men or mixed groups. But it has been observed that all-women SHGs are much more successful because women are considered to be much better in finance management.

   Here peer pressure acts as an important weapon for collateral.

2. **MFI-Bank linkage model**: this model covers financing of MFIs by the banks for on-lending to the SHGs and other small borrowers.

3. **Joint Liability Model**: this is a comparatively newer model. These are small groups of about 5 members and many such groups come together at the

centre level. Thus as many as 25-30 members are catered to at a time. The meeting is held fortnightly where the money is lend and recovered from the people. The group is also not liable to save unlike the SHGs. The group members here are held liable for each other and thus the liability acts as collateral here.

4. **Lending to the individual by the banks or MFIs**: in this the MFIs or the banks give loan to the individuals who are then themselves responsible for the repayment of the loans. This is similar to the conventional methods used by banks to give away loans.

SHG bank model in Delhi

Total No. of Groups	**716**
No. of Members (Approx.)	16000
	(in Rs.)
Total Saving	40,63,926.00
Loan given	26,48,375.00
Total recovery	10,01,844.00
Interest received	82,848.00
Default	11
Bank Account opened	282

*://dcw.delhigovt.nic.in/SHGs%201.htm

AGENTS OF MICROFINANCE

Informal institutions that take microfinance services as their main activity are called microfinance institutions. MFIs are mainly in the private sector.

BANKING SYSTEM: microfinance services providers include the apex bodies such as NABARD (National Bank for Agricultural and Rural Development) and SIDBI (Small Industries Development Bank of India)

NABARD is expected to re-finance the rural portfolio of the banks and cooperatives. The other role that NABARD performs is to manage the Rural Infrastructure Development Fund (RIDF). In case the banks are unable to achieve the priority sector lending targets for agriculture, the banks are expected to deposit the shortfall with NABARD under the RIDF. This fund is used by NABARD to fund rural infrastructure projects. While the banks falling short of their targets have been depositing the amounts with NABARD, NABARD has not deployed these funds effectively. NABARD has disbursed only around Rs.13,000 crores out of the total corpus Rs. 23,000 crores available under various phases of RIDF. Therefore the amount that should have rightfully reached the rural economy has not reached them, either directly or indirectly.

It also plays an important role in the facilitation of the SHG bank linkage programme through their priority sector lending.

At the retail level we have Commercial Banks, Regional Rural Banks; Cooperative Banks etc play a major role.

WORKING OF MICROFINANCE INSTITUTIONS: microfinance institutions in India can be broadly divided into the following categories.

Legal form of MFIs in India

Types of MFIs	**Estimated Number***	**Legal Acts under which Registered**
Not for Profit MFIs		
a.) NGO - MFIs	400 to 500	Societies Registration Act, 1860 or similar Provincial Acts Indian Trust Act, 1882
b.) Non-profit Companies	10	Section 25 of the Companies Act, 1956
Mutual Benefit MFIs		
a.) Mutually Aided Cooperative Societies (MACS) and similarly set up institutions	200 to 250	Mutually Aided Cooperative Societies Act enacted by State Government
For Profit MFIs		
a.) Non-Banking Financial Companies (NBFCs)	6	Indian Companies Act, 1956 Reserve Bank of India Act, 1934

NGO MFIs: There are a large number of NGOs that have undertaken the task of financial intermediation. Majority of these NGOs are registered as Trust or Society. Many NGOs have also helped SHGs to organize themselves into federations and these federations are registered as Trusts or Societies. Many of these federations are performing non-financial and financial functions like social and capacity building activities, facilitate training of SHGs, undertake internal audit, promote new groups, and some of these federations are engaged in financial intermediation. The NGO MFIs vary significantly in their size, philosophy and approach. Therefore these NGOs are structurally not the right type of institutions for undertaking financial intermediation activities, as the byelaws of these institutions are generally restrictive in allowing any commercial operations. These organizations by their charter are non-profit organizations and as a result face several problems in borrowing funds from higher financial institutions. The NGO MFIs, which are large in number, are still outside the purview of any financial regulation.

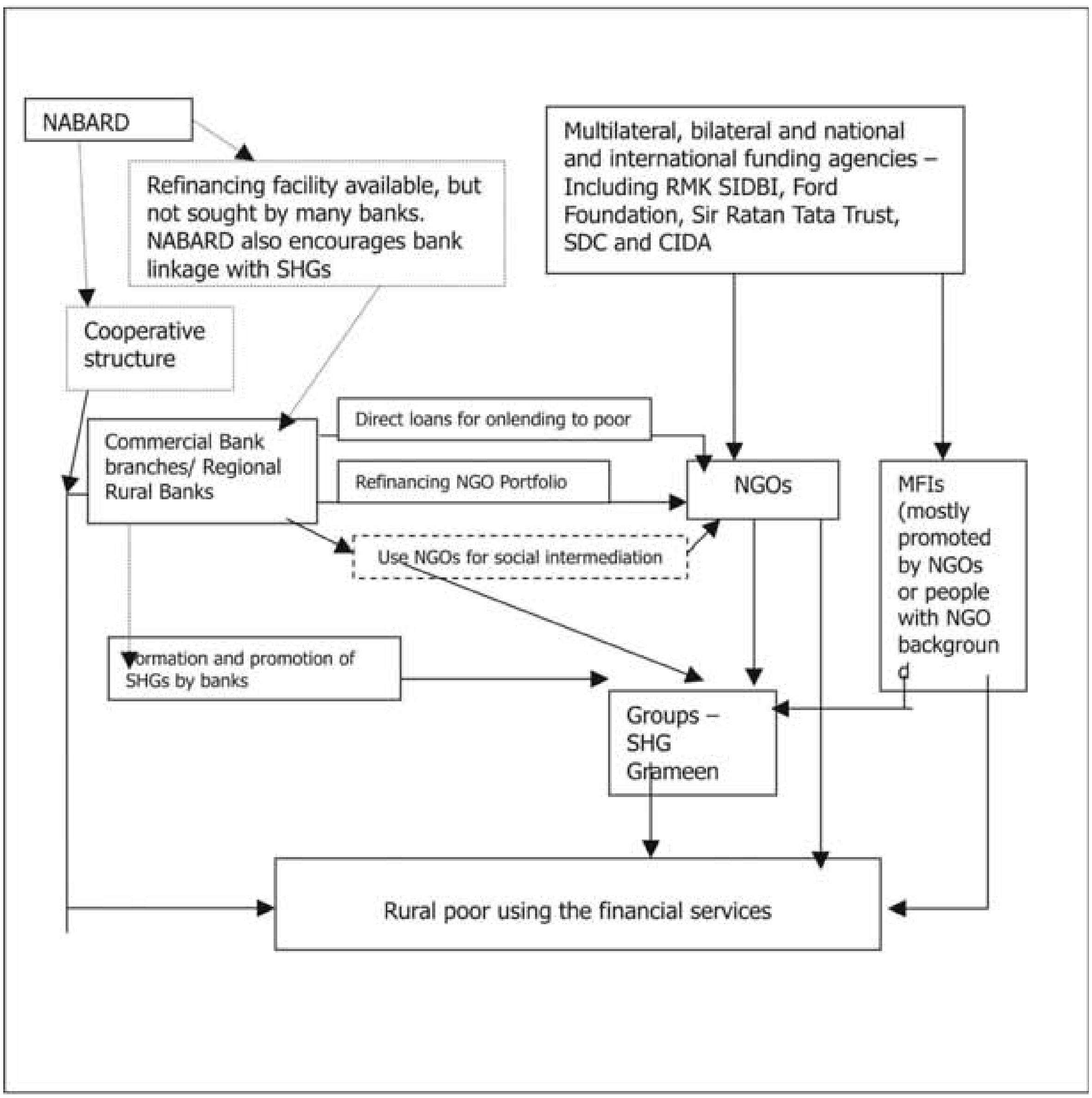
	Trust	**Society**	**Section-25 Comapny**
Statute/Legislation	Relevant State Trust Act or Bombay Public Trusts Act, 1950	Societies Registration Act, 1860	Indian Companies Act, 1956
Jurisdiction	Deputy Registrar/Charity commissioner	Registrar of societies (charity commissioner in Maharashtra).	Registrar of companies
Registration	As trust	As Society In Maharashtra, both as a society and as a trust	As a company u/s 25 of the Indian Companies Act.
Registration Document	Trust deed	Memorandum of association and rules and regulations	Memorandum and articles of association. and regulations
Stamp Duty	Trust deed to be executed on non-judicial stamp paper, vary from state to state	No stamp paper required for memorandum of association and rules and regulations.	No stamp paper required for memorandum and articles of association.
Members Required	Minimum – two trustees. No upper limit.	Minimum – seven managing committee members. No upper limit.	Minimum three trustees. No upper limit.
Board of Management	Trustees / Board of Trustees	Governing body or council/managing or executive committee	Board of directors/ Managing committee
Mode of Succession on Board of Management	Appointment or Election	Appointment or Election by members of the general body	Election by members of the general body

Non-Profit Companies as MFIs: Many NGOs felt that combining financial intermediation with their core competency activity of social intermediation is not the right path. It was felt that a financial institution including a company set up for this purpose better does banking function. Further, if MFIs are to demonstrate that banking with the poor is indeed profitable and sustainable, it has to function as a distinct institution so that cross subsidization can be avoided. On account of these factors, NGO MFIs are of late setting up a separate Non-Profit Companies for their micro finance operations.

Mutual Benefit MFIs: Several State Governments therefore enacted the Mutually Aided Co-operative Societies (MACS) Act for enabling promotion of self-reliant and vibrant co-operative Societies based on thrift and self-help. MACS enjoy the advantages of operational freedom and virtually no interference from government because of the provision in the Act that societies under the Act cannot accept share capital or loan from the State Government. Many of the SHG federations, promoted by NGOs and development agencies of the State Government, have been registered as MACS. Reserve Bank of India, even though they may be providing financial service to its members, does not regulate MACS.

For Profit MFIs: Non Banking Financial Companies (NBFC) are companies registered under Companies Act, 1956 and regulated by Reserve Bank of India. Earlier, NBFCs were not regulated by RBI but in 1997 it was made obligatory for NBFCs to apply to RBI for a certificate of registration and for this certificate NBFCs were to have minimum Net Owned Funds of Rs 25 lakhs and this amount has been gradually increased. RBI introduced a new regulatory framework for those NBFCs who want to accept public deposits. All the NBFCs accepting public deposits are subjected to capital adequacy requirements and prudential norms. There are only a few MFIs in the country that are registered as NBFCs.

Figure 2: Players in the microFinance Market and their Linkages



PERFORMANCE OF MICROFINANCE SECTOR IN DELHI

The scenario of microfinance in urban states in India particularly Delhi has been poor. Comparing to the large size of poor population in need of finances, the availability of capital is low. This is because of the late advent of these institutions here as compared to that in other states particularly in the south. The microfinance activities in Delhi began to start from mid 90s. This was when the MFIs began to realise the opportunity for large profits and optimism by catering to the urban population. **Also the number of MFIs in Delhi is insufficient**.

Active MFI players in Delhi as per the last NABARD report:

1. Aajeevika trust – registered as a society
2. AIAMED- registered as a society
3. All India women's conference- registered as a society
4. Asian society for entrepreneurship and development- registered as a society
5. CARE India- trust
6. DEEPALAYA- society
7. INDICARE trust- trust
8. Lok capital- ltd
9. PRADHAN- society
10. Project concern international India- society
11. Satin Creditcare network Limited- NBFC
12. SEWA Bharat - society
13. Society for promotion of youth and masses – society
14. Ujjivan Finance Service pvt. Ltd- NBFC
15. BASIX – section 25 company
16. SKS microfinance private ltd - NBFC

One reason pertaining to this can be the **lack of awareness** in people here. The level of education amongst the women is higher in the south than in the northern states, due to which the women here were not able to compete in the male dominated markets. Thus the adaptability of such a system by the communities in Delhi was low because of low participation rates from the women (SHGs need women participation to a large extent).

Not only this, the **transitory nature** of the population amongst the Delhi poor was also looked upon as a disincentive to provide credit, as it increased the risk involved said a correspondent from the BASIX. But aren't these just the illusions? On an average the slum dwellers in Delhi do not live in the conventional tent houses but proper brick houses having all the necessary amenities with them. While making a visit to the Jagdumba camp slum, Malviya Nagar, Delhi it came to face that people there have been living in those slums for past 35-40 years. Still there has been no facility for microcredit to those people.

The population in Delhi is mainly of the service class. People in the slums work as daily wage earners or as household servant i.e. are basically self employed and thus have irregular flow of income. Despite the fact that their need for capital is subdued and is left to mainly that of the consumption need the availability of a credit window will create goodwill and help bring optimism in the market. But it is also very necessary for the MFIs to identify their beneficiaries correctly. In this respect the SHGs play a very important role where the peer pressure acts to monitor the productive use of the capital given.

The interest rates: people from different strata of the Indian society are treated differently even in this segment. While the big corporate houses get loans at an interest rate of about 10-14%, those from the marginalised sections get a loan of few thousand rupees at a rate of 30-35%. In a way the poor has to pay a price for coming out of poverty himself. One of the reasons for such high interest rates by the MFIs is to incorporate the high administration and transaction costs. “This is because the microfinance is a low margin high volume business. One person is required for processing any loan worth either a few thousand or a few crores. For distributing a loan of Rs. 1 cr in values of Rs. 10,000 each, an MFI, for instance, will need 1000 persons which will push up administration cost. Contrast this to a commercial bank where a single person can distribute loans worth a few lakhs to a several crores. “ - Samit Ghosh, CEO Ujjivan, sited Dare Magazine.

The breakup of interest rates is as follows-

- Loan cost by the banks is about 11-12%
- Cost of delivery and transaction is about 12-13%
- Added risk of about 1-2%

Hence the overall rate of interest charged by the MFIs becomes as high as 25-28%. However this rate can be reduced by carefully managing the transaction costs. But since MFIs are by far on their own, they are less concerned about reducing the overall costs as these can be incorporated and presented as the higher interest rates charged by them. Hence in certain manner the MFIs make huge profits in the name of priority lending.

The lack of **financial literacy**: Financial literacy is the ability to process financial information and make informed decision about personal finance. Households that are not familiar with the workings of a bank, for example, are unlikely to open a bank account and may instead choose to store cash in the home, or invest in other store values (like gold) which may give unattractive returns. Thus they remain unaware of the importance of saving in the bank and earning interest on it.

Also the results show that small borrowers are able to identify the size and duration of the loan and their weekly instalment on their loan. However, they know very little about the interest rate and total interest expense on the loan.

While interviewing a lady form the Samgam Vihar Slum, Delhi, she knew only that for a loan of about 10,000 to a SHG group consisting of 10 women each had to pay a sum of Rs. 250 each week for a period of 3 months. While asked about the interest rate she had no clue but just mentioned that “the rate are fine and we are told to pay this much”. Thus we see that the people are unaware of the profit making interest rates charged by the MFIs.

Multiple loans: the massive growth of the microfinance sector has led to multiple financing by banks and multiple loans by the clients. This will pose a high risk to the financial institutions. There are two faces to it again.

Since the loans disbursed by the banks are small, the clients if in need of more money approach multiple banks to fulfil their credit needs. But the other aspect is that they acquire such loans without looking at their ability to repay. Secondly sometimes in order to pay back the loan in one bank people approach other bank for loans and thus ultimately fall into the debt trap. Since the **banks do not have unique identity of clients** it becomes a challenge to regulate multiple loans. Most MFIs are not regulated and collection of credit information from them may be very difficult.

Another problem from the supplier side is the easy spread of rumours amongst the poor. For example, from an experience of Nirmaan Bharti, an important MFI working in urban cities, shared that the rumour spreads very easily in context of the bankruptcy of an MFI. Thus people become callous and don’t come forward to pay their dues. Thus the process of extracting money from them becomes difficult and costly.

EFFORTS BY STATE GOVERNMENT OF DELHI TO PROMOTE ECONOMICALLY WEAKER GROUPS

- **DEPARTMENT OF WOMEN AND CHILD DEVELOPMENT**

1. It is planned that there will be generally 10-15 women members in a self-help group. Such groups will be assisted in formation through ICDS networking and from among beneficiaries of various govt. programs like GRC, Stree Shakti Camps, ICDS, and other community development schemes. So in order to cover 12 lakh women, there will be 80,000 women self-help groups at the rate of 15 women members in each group. The scheme aims to cover such 80,000 groups over a period of 5 years. Hence in the first year, the target will be to assist 16000 groups or say indirectly 2,40,000 women beneficiaries. The self-help groups will be encouraged to undertake community based training cum productive activities in order to create of pool of resources and to supplement their income out of profitable activities.

2. The scheme provides for intervention at two stages. The state govt. will provide a one time grant to each registered self-help group with an initial incentive of Rs.5.000 towards formation and establishing a group as seed money. This amount will be helpful in procuring some contingencies, in completing modalities/formalities and for requirements of seed money. Thus, there will be an initial investment of Rs. 800 Lakh. After the formation of the groups, the state govt. will provide an equal matching grant towards the net savings of such groups as per the norms. It has been estimated that the

amount of net saving of such group will come to Rs. 20,000 annually. Therefore, the state govt. share will be matching equal share of Rs. 20,000 annually. Thus there will be a liability of Rs.3200 lakh spread over a period of one year. Thus there will be a net expenditure of Rs.40 crores in the first year.

3. The scheme will be implemented through 10 District Offices of Social Welfare Deptt. And each District will be thus liable for promoting and assisting 1600 women self-help groups. In order to ensure effective implementation of the scheme, there will be requirements for additional staff and logistics/contingencies at the level of each district as well as at the level of Deptt.'s Head Quarter level.

But the sole reality remains dormant. The annual budget report of the department of women and child development Delhi was available as shown under:

Outlay (Rs.In lakh) for Previous Plans/Current Plan

Financial

SN.	**Year**	**Outlay**
1	11th FYP	1500.00
2	2007-08	200.00
3	2008-09	10.00

*http://delhiplanning.nic.in/PD/2008-09/Writeup/Wome%20&%20Child%20Development%20%5B232-245%5D.pdf

The annual budget just gives the outlay of the government but doesn't speak of exactly how much of this money has been actually utilized or how many SHGs have been created successfully.

Currently Delhi has about 1800 SHGs in the state while the potential is as huge as 80,000 SHGs.

4. The scheme of financial assistance to widows. It was realised that if we are to empower women especially the more vulnerable one it is important to accord them with a regular pension which can help sustain them without giving in to unwanted pressures. Therefore in order to maintain a continuous flow of money to the widows, a scheme of pension for widows was decided to be introduced which would provide a regular source of income to the women on a quarterly basis. Earlier the scheme of financial assistance to widows was started, whereby widows in the age group of 18 to below 60 years were given one time assistance to start some livelihood programmes. However it was noticed that in practice many few women were being able to utilise the assistance effectively. Thus that scheme was substituted for the new scheme.

Under this scheme a pension will be paid quarterly @ Rs. 600per month per head through ECS by RBI.

The people residing in Delhi for the past 5 years or are domiciled in delhi and those whose total family income from all sources does not exceed Rs. 48,000 per annum are eligible to avail the pension.

Outlay and expenditure (Rs.In lakh) for Previous Plans/Current Plan

S.NO.	Year	Outlay	Expenditure	Target	achievement
1.	2007-08	150.00(RE)	148.89	6000	6288
2.	2008-09	850.00		7200	

Again the same story we get to see here. There is no mention of the different schemes or the number of beneficiaries reached etc. Is the government trying to bluff people by this??

5. Financial assistance to lactating and nursing mothers belonging to weaker section of society. The objective is to provide financial assistance to the mothers of newly born children belonging to weaker section of society for nourishing meals, who cannot afford to have balanced diet after delivery because of high prevalence of malnutrition. The quantum of assistance will be Rs 500 only and will be restricted to the mother of one child only.

- **SAMAJIK SUVIDHA SANGAM**

The government of Delhi is committed to improve the quality of life of its citizens especially the most vulnerable and disadvantaged sections of the society. For this it has initiated mission convergence called Samajik Suvidha Sangam on august 2008 to converge various welfare entitlement schemes and services with the objective of making entitlements reach the poor through a single window system in a hassle free manner. The scheme mission convergence was launched my our chief minister Mrs. Sheila Dikshit.

Samajik Suvidha Sangam will be the interface between departments, DCs office and Nodal Agencies and NGOs.

Objective: the mandate of the Mission is to bring together to a common platform the plethora of schemes to eliminate duplications, error records and strengthen the implementation mechanism by use of IT enabled system, rationalize administration, and incorporate partnerships with civil society organisations for more effective delivery.

Departments: under the mission convergence program 9 government departments have been taken into account with their current entitlement schemes. Each participating department has a nodal officer, who is accountable to their department for program implementation. At district level, Deputy Commissioner (DC) have been designated as the district in-charge to guide the mission. At community level the local NGOs have been involved for implementation. At the district level, the Deputy Commissioner heads the district nodes. The Deputy Commissioner through the help of Mission Convergence provide required secretariat, monitoring and other incidental assistance for smooth implementation of the Project. DC will be the head of this programme at the district level and will issue necessary instructions to all converging departments through the principal secretaries of the converging participating departments.

Participating Departments

1. Health & Family Welfare Department
2. Education Department
3. Women & Child Development Department.
4. Social Welfare Department
5. Food and Supplies Department
6. Labour Welfare Department
7. Urban Development Department
8. Revenue Department (Divisional Commissioner)
9. SC/ST/OBC/Min Welfare Department
10. Information Technology - *is a facilitating partner for IT systems*

WORKING: Samajic Suvidha Kendra would function as a single window service for implementation of 42 different schemes of the above stated 9 departments involving an outlay of Rs. 6.5 billion per year was inaugurated. Under this scheme about 7.5 million low income group people in the capital will get multipurpose cards to avail themselves of various government schemes. The SSS card will be like all in one card. Like earlier the poor had to carry several cards for different services but now they will just have to present this card. In Delhi, families with an income of Rs. 24,000 per year or less fall in the below poverty line status.

According to the findings of the comptroller and auditor general “Delhi’s social welfare department did not spend a single rupee on several of its welfare schemes during the first seven months of 2007, according to documents accessed by a leading English daily. As a result, funds for schemes for the physically challenged, destitute women and children, the elderly, and several educational programmes lie unutilised as the department has failed to identify beneficiaries”.

The social welfare department has funds to provide scholarships to 800 disabled people a year. However, as of July 31, no one has benefited from this. And in another instance of callous disregard for the disabled, the department has not identified a single beneficiary or issued a single cheque for unemployment allowance that can be availed of by up to 2,380 disabled persons in the capital.

In the four remaining months of the financial year, officials will hurry to spend the money and will come up with ill-conceived schemes and give out doles to those who do not need assistance at all. It’s a dismal picture

Despite all these plans and schemes the government of Delhi has not played a significant role in promoting microfinance to the poor. Also Delhi doesn’t have its state trust act under the state government which is another problem for the MFIs to get registered. The process of registering becomes tedious this ways. Thus the trusts should be brought under the Delhi state trust act rather than that at the centre level so that the decisions can be made locally and effectively.

MICROFINANCE IN THE SOUTH INDIAN STATES

The microfinance institutions have been very successful in the south and the credit goes to the efforts taken by the state governments there. Nearly two thirds of the MFIs are situated in the southern states. The main impetus given to this system in these states was by the state government. Several successful schemes and innovative steps were been taken by the state which provided a conducive environment to the MFIs. Thus the role of the state government is to facilitate the working of the MFIs and not just by regulating them.

1. TAMIL NADU

The Nagapattinam District Administration has taken steps to promote various activities, like training for Adolescent Girls, entrepreneurship training for SHG women, workshop on women rights, etc. the efforts of the District Administration has contributed towards the achievement of the primary aim of the women empowerment in the society. The following data gives the SHG particulars in Nagapattinam district as in 2006.

Total No. of SHGs formed	:	11095
Total No. of SHG members formed	:	175495
No. of SHGs more than six months	:	11055
No. of SHGs rated as per credit guidelines	:	9969
No. of SHGs rated and eligible	:	9821
No. of SHGs Credit linked	:	9100
Total linked amount (SHGs)	:	Rs. 5288.76 lakhs.

*data given at the district Official's site-Nagapattinam District

PANCHAYAT LEVEL FEDERATION: at present, 434 Panchayat Level Federation (PLF) at all panchayats in the District. All the SHGs in a pachayat are pooled together and Panchayat Level Federation formed with one or two members from each group so a s to fulfil their economic as well as social needs through the organized setup.

SELF HELP GROUPS UNDER INCOME GENERATION ACTIVITIES: many income generation activities are initiated by the District Rural Development Agency for the rated and eligible SHGs. Certain activities such as production of country bricks at Thetthi Village, Thendral SH is running the Canteen at Collectorate Camous, paper cups are being manufactured by the Annai SHG at Sitharkadu.

LINKAGE OF PDS SHOPS WITH SHGs: some PDS shops are being run by the SHGs in the district, it has been proposed to allot some more public distribution Shops to SHGs in the district. This not only helps in providing accountability to the amount of rations coming into the village for the poor but it also creates a source of income for them. It is an innovative initiative by the Tamil Nadu government.

TRAINING PROGRAMMES: it has been planned to give skill training to 690 SHG women in various trades. So far 300 women have been imparted skill training in tailoring, candle making, Agarbathis manufacturing etc. also 30 aldoloscent girls have been selected and educated in entrepreneurship development programme, education related to health and hygiene and training in some vocational activity.

OTHER INCENTIVES: To encourage the banks to provide more credit to SHGs, the state government has instituted awards for banks that lend the maximum credit at the state and district levels.

- **ANDHRA PRADESH**

In Andhra Pradesh the state government and the banks has been lending life to the people through SHGs. They help babies to be born healthy and weighing better than their counterparts elsewhere, all for micro credit of Rs. 9,000 which the state provides to its pregnant women.

The microfinance scheme comes with two meals a day in the community kitchens specially set up for pregnant women by self-help groups in about 317 villages in 22 districts.

The cost of running the kitchen is met through the revolving fund of Rs. 2.5 lakh per kitchen which is provided by the government to the village organisation. The cost of the two meals comes to Rs 25 per day. The supplementary nutrition programme spends Rs 2.30 daily on pregnant women. The women under the Andhra state scheme can return the money in instalments in the size and period decided by them. The instalments can be as small as Rs 100 a month. The interest charged is 3 %, which is subsided by the government.

Thus with the help of Rs 9000 or 10,000 the government has secured that the future of India is healthy.

Thus we see that the microfinance schemes, have worked in the sphere where the crores of Rs spent by the National Rural Health Mission in government funded schemes have failed.

- **GUJARAT AND MAHARASHTRA GOVERNMENT**

Under the government of Gujarat they have schemes for providing financial assistance to the poor minorities group. Under the scheme a subsidy of Rs 3000 or 33.33% of value is provided whichever is less, advanced by the nationalised banks.

Under the microfinance scheme of the Gujarat government a loan of Rs 25,000 is extended to the individuals belonging to the minorities working under area of respective NGO for small types of self employment. Loan given under this scheme, is to be reimbursed within 36 months. The loan is granted at concessional rate of interest. The institute is required to execute agreement and a security bond with the corporation. About 7 organisations are granted loans by the corporation under this scheme.

The Gujarat and the Maharashtra governments have organised a forum for the MFIs where the MFIs in the respective states are given a platform to raise their voices in terms of their needs and the problems confronted by them. This brings the government a step closer to the management system of the MFIs a bring involvement from all the segments of the society. This is an innovative measure taken by the government in the functioning of the MFIs.

RECOMMENDATIONS

The basic problem with the government schemes is that they have no accountability in terms of the number of population they have served or in terms of the benefits one has received. This gives rise to the problem of duplication i.e. same person enjoying double bonus whereas quantum of people don't even receive support. The Delhi government should learn from the other states governments like Tamil Nadu, Andhra Pradesh, Gujarat etc as discussed earlier in the paper, that by extending financial help through SHGs would lead to better implementations of the programmes. This will help to decentralise the government policies. For example the scheme for health security or pension to the old can be distributed through the SHGs which will help in accountability in the system.

But before this the problem of exclusion needs to be tackled. How can the government implement financial assistance when a huge population of poor is already excluded from the list? Many of the MFIs as we have seen in the research are reluctant to give finance in certain areas of Delhi. Here the state government has a very major role to play in order to provide incentives for these institutions. The government should create a forum in which all the major players in the MFIs can raise their voices and update the government in terms of the volume of credit disbursed, or the areas in Delhi they are catering to or certain problems (if any) they face which can be rectified with the help of the Delhi government. The Delhi government just like the Tamil Nadu government should provide different incentives to the MFIs so that their participation would increase. Incentives can be like the MFI disbursing highest capital to the SHGs or poor can be given benefits in the form of raised equity share etc.

Another policy can be to have a card issued by the central information cell to all the beneficiaries seeking financial help from the banks. The central information cell can be a part of the Delhi finance department where all the information of a person seeking financial help from any bank can be recorded in terms of the amount of loan, his background, area of residence, economic status, date of repayment etc. if a person goes to bank X he shall be issued a card from that bank and thus if he wishes to take his second instalment he is required to produce the same card before the bank. This will help to keep a track record of the person in terms of his credit worthiness. This creditor's information is to be maintained electronically and every bank should have an access to it. But you may say that this might lead to the problem of luring away the SHG groups by banks to gain money as the information of the active groups will be available to everyone. Thus to curtail this problem we can have a patent system here as well. For example if a bank or an MFI puts in its money to form a group then they shall be allowed to finance the group for a year or so and no other bank can be used to finance it unless the tenure is over. Secondly the MFIs out of their greed to earn money give away multiple loans. Thus it should be in a way made mandatory that the bank or the MFI who initially forms the group can give loans to the SHGs. But as it is also the case that many people are a part of many SHG groups within the sector and thus enjoy the benefits from all. Something similar to this has also been started by the government which is the issuance of SSS card for the BPL people. These cards can as well be used is client information card and any withdrawal or deposit of money can be tracked on the card itself. But now as we are focusing on disseminating the govt schemes etc through the SHGs they should be unique in identity. One person should not be made a part of two or more groups else the accountability will again be challenged. Thus if a person has a unique identity in an SHG group, he shall be issued a card on availing finance from the MFI or the bank and this information is to be available to all. This will not only make the system efficient but will also instil a sense of competition amongst the MFIs to cater to as many people as possible. This will also rectify the problem of risk involvement of the MFIs in terms of unstable population.

It is also very necessary that a person has minimal financial literacy required. Even if he is not able to calculate the actual interest rates, he should be made aware of the different schemes of savings available in the banks or the accessibility of different banks in the vicinity. This awareness can be extended through the MFIs as they are more decentralised than any other organisation.

Also minimal or zero savings bank accounts should be initiated for all the poor individuals and not only for the SHGs. The government can play a major role in this. This step would not only create a safe window for them but also help them to multiply their money. The government can probably come up with their scheme of providing subsidized loans to the banks from nationalized banks if they open up a particular number of accounts in a month etc.

All in all the government should keep an eye on the MFIs and facilitate their working.

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