

Microfinance : Today's Need (With Reference to Rural Institute : Tribhuvandas Foundation)

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ABSTRACT

Microfinance focus on very poor families with very small loans (micro- credit) to help them engage in productive activities or grow their tiny business.

Microfinance has come to include new in broader range of service e.g. micro credit savings insurance etc. and as we have come to realize that the poor and very poor, that lack access to traditional formed financial institution require a variety of financial product.

M.F. is not merely extending credit but extending credit to those who require most for their and family's survival. It cannot be measured in term of quantity but due weight to quality measurement. How credit availed is used to survive and grow with limited means.

Creation of micro finance

- In business there are two class
- One, who has surplus money where to invest it.
- Second, who required money for mention current balance.
- Some financial against help second class business entrepreneur to satisfy there need to operate business, with the commitment (promise) to replace fund (loan) in future, microfinance (enterprise) are working as information.

"Micro clients" those are money leaders. They have information who is calling to supply many and who is calling to borrow money those have all this information they are called micro client", like... co-operative institute, self help group (SHG's) rating from donor agencies consultants and commercial banks to specialized and multipurpose non government organisation (NGO).

Microfinance has proven powerful in combating poverty, but extra care is required if, a microfinance institution is to establish services in area of very disperse population or an unstable social context. Being it post war, lack of G. Being it post war, lack of basis social and physical infrastructure, a society seriously hit by epidemics in high risk for future crisis, successful microfinance, scale, outreach and financial sustainability these are crucial elements in order for an MFI to top into the financial market the only market with enough resource to serve the world demand for microfinance services.

When it comes to the millennium development goals, microfinance contributes through reducing the poor vulnerability towards income and expenses fluctuations. A stronger household economy enables poor families to meet expenses for schooling, nutrition and health in better way.

➤ As a tool for combating poverty

A decade or two ago, the expectation for microfinance as the decisive tool in combating poverty were high. Empowerment or marginalized groups in general, with special focus on women, was among the non monetary impacts on hoped M.F.. would bring about. By providing access to credit at reasonable conditions it was believed that poor people would increase their income, create more jobs and gradually lift themselves away from poverty after the "first love" had drift away, there has been a gradual shift towards building sustainable institutions that through a strong focus on financial sustainability would assure the permanent of these services to the poor. As mentioned in the general report from the micro credit summit campaign.

One financial services sometime think about own share or benefit and secondly there is biggest difference between demand and supply. The world demand is so high that it is unrealistic to think that this can be met by donor capital. The push for financial viability might challenge the wish to reach the poor. Basic economics tells us that lending a small amount of money to a person with no collateral.

Considering recent development in the field, data from micro credit summit held in Washington in November 2002, suggests that the number of clients reached with micro finance products have increased considerably over the last years. Considering the fact that the industry has matured, and that more funds have been made available also through commercial channels this should not come as a surprise. The interesting thing mentioned in this report is the increase in the number of poor reached through micro finance activities.

After focusing more on reaching the poorest it seems now that many actors are spending less effort on distinguishing

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between the poor and poorest among Norwegian actors the question have been raised whether a micro credit scheme is more apt for 'second' poorest and that one through fomenting micro entrepreneurs can generate a certain trickle down effect benefiting the very poorest M.F. should probably not reach every body but saving process are for every one there should be not doubt about the fact that M.F. remains a very powerful tool in improving the livelihood for many poor.

➤ **Types / services product of M.F**

Microfinance is for many the most well known product. Many institutions worth only with credits and there are many experiences showing its power.

A credit can take many forms the most common are:

- (i) Purely individual loans
- (ii) Individual loans with group collateral and group loan
- (iii) A typical credit is small with a relatively short payback period.
- (iv) Saving
- (v) Micro insurance

Saving is the other main product. A variety of studies show that the demand for adequate saving produce often exceeds the demand for credit. This highlights the fact that the demand for credit and saving basically stem from the same need, the need of access to larger lump - sums of money. Coping with life cycle events seasonality in income and expenses, smoother consumption and investment opportunities can be done through saving small amounts prior to (= saving) or after (=credit) the lump sum is needed

Micro insurance is a more recent development that aims at reducing poor people vulnerability towards unforeseen event like major illness, death of main income generator, loss of crop etc.

- In addition an increasing number of MFI are entering into partner with health insurance providers. In the latter case the client will pay the premium.

➤ **Other product / types**

For millions of poor families, a transfer from family members abroad is their main source of income. Thus, reliable and effective ways of transfer is important. In Bolivia, Prodem provides both transfer and smart card facilities for microfinance clients. It is an important element in lifting the social status of marginalized group, and thus increasing the level of participation and respect micro leasing is another example of an innovative product.

MFI handle transaction of people income live pensions and subsidies to pay the expenses like, water bill, electricity bill, telephone bill etc. MFI as a delivery channel for all kinds of financial services, either by passively passing on products and services provided by others or as active partners in selling new products / services.

➤ **Challenges / needed for successful M.F.**

- 1. Long time perspective - permanency
- 2. Reaching large numbers of clients - scale
- 3. Depth of outreach
- 4. Financial suitability

1. Permanency

There is an increasing focus on building viable local financial systems that work for the poor, in other words a long term perspective on the permission of financial services. A short term program might have an immediate impact but in the long run, this kind of program might have negative impact for their clients, clients get used to living with financial services and organize their businesses and lives thereafter. If these services are taken away the impact for this type of clients can be severe in addition, short form programme will almost always have repayment problems poor people as all people take advantages of the situation, cashing out their loans without paying back. It is hard to imagine a well functioning society as of today without access of financial services for the majority of the people as an intrinsic part. It is also hard to imagine an economic growth that really benefits the poor without including financial systems that works for the majority.

2. Scale:

The notion of small is beautiful is well known in many contexts. Does this also apply to microfinance without underestimating the good work done by many small organisations it remains clear that in order to make an impact beyond the individual level, quantity matters? The relation between size, competence and operational costs indicates that smaller institutions have a bigger challenge in providing quality services at a reasonable cost in the long run. The millennium development goods (MDG) where reaching a large proportion of the poor is one of the goals, support this view.

3. Out reach

Being an alternative to the formal sector and with an overall perspective of inducing growth for the poor, dept. of outreach is questionable as an criterion for success. Having said this, there is a debate on the targeting of the poor versus the poorest, how to identify them and to what extent microfinance institutions should specifically target the poorest. One can argue that the very poorest often will not be eligible for credit, due to lack of stable income and assets one the other hand, as is further discussed below, experience shows that important shares of the client of many successful M.F. line below the absolute poverty line. In any case, we are convinced that targeting the poor without necessarily identifying the poorest provides more than enough argument for this basic tenet. When it comes to savings, another way of getting access to lump sums even the poorest are eligible clients and should be targeted by MFI.

4. Financial Sustainability.

This is a more controversial issue. Is it in line with principles of aid and ethical values to expect that poor people shall finance this kind of operations should we not provide these services free of charge and cover operational costs through other mechanisms are believe. That in order to assure a long term commitment in providing financial services for the poor, we need to build viable institutions in a world with limited donor funds the only way to assure this is to cut the dependency on donor and help the MFI to enter the financial market. Another strong argument is that aiming at financial sustainability also gives strong incentive to cost effectiveness. The presence of effective institutions is a cornerstone of the society. As part of developing the society of large.

About Micro Finance Institutes (MFIs)

Quite simply, a Micro Finance institution is an organisation that offers financial services to the very poor. Most MFIs are non governmental organisations committed to assisting some sector of the low income population. Almost all of these offer micro credit and only take back small amounts of savings from their own borrowers, not from the general public. Within the Micro Finance Industry the term Micro Finance Institution has come to refer to a wide range of organisations dedicated to providing these services - NGOs, credit unions, co-operatives, private commercial banks and non-bank financial institutions some that have transformed from NGOs into regulated institutions) and parts of state owned banks.

➤ Review Literature

- Microfinance is buzzing world, used when financing to micro entrepreneurs used when financing for micro entrepreneurs.
- Concept of microfinance is emerged in need of meeting special goal to empower under privileged class of society, women, and poor, down trodden by natural reasons or social cast, creed, religion or otherwise.
- The principles of microfinance are founded on the philosophy of co-operation and its central values of equality, equity and mutual self help.
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- The principle concept of human development and the brotherhood of man expressed through people working together to achieve a better life for themselves and their children by getting M.F
- Micro enterprises make an important contribution to economic output and employment in developing economies.
- Those institutions like to provide microfinance to need person this institution known as micro enterprises.

- From the basis of recent work by the World Bank suggests that almost 30% per cent of employment in low income countries is generated by the informal economy.
- Microfinance small and medium term enterprises together contribute 63% percent of the GDP.
- In the 1920s, Malcolm Darling remarked that the Indian peasant is born in debt, lives in debt and dies in debt", sixty year after independence, this is still true the national sample survey (NSS) on the situational assessment of farmers undertaken in 2003 reported that on an average 48.6% of farmer households, in the country were indebted, with the percentage being as high as 82 percent in Andhra Pradesh.
- Despite major structural changes in credit institution and form of rural credit in the post independence period, the exploitation of the rural masses in the credit markets is one of the most pervasive and persistent feature of rural life in India. There is a vast literature documenting the imperfections of the rural credit market and its impact on access to credit particularly among the more disadvantaged. The credit needs of rural households are multiple and include credit for production purpose, and microfinance for meeting basic consumption needs including food, housing health and education.
- Micro Finance has been received a significant amount of attention all over the world, especially in developing countries if it felt that by providing micro credit to the poorest of the poor". The gap in the formal rural credit sector can be filled. A majority of such projects are now being controlled by non government organisations in the hope that they will be able to overcome the weaknesses in the banking system. However, while small-scale rural credit is necessary, overall credit policy must build on the strengths of the banking system in India as its main stay.

➤ Frame Work

The Indian state put stress on providing financial services to the poor and under privileged since independence. The commercial banks were nationalized in 1969 and were directed to lend 40% of their loanable funds, at a concessional rate, to the priority sector. The priority sector included agriculture and other rural activities and the weaker strata of society in general. The aim was to provide resource to help the poor to attain self sufficiency. They had neither resources nor employment opportunities to be financially independent let alone meet the worker consumption needs.

To supplement these efforts, the credit scheme integrated rural development programme was launched in 1980. But these supply side programs aided by computer and leakages, achieved little further, the share of the formal financial sector in total rural credit was 56.6% compared to the informal finance at 39.6% and unspecified source at 3.8%. Not only had formal credit flow been less but also uneven. The collection and paperwork based system shield away from the poor, the vacuum continued to be filled by the

village money lender who charged interest rates of 2 to 3% per month. Seventy percent of land less farmers did not have a bank account and 87% had no access to credit from a formal source.

It was in this cheerless background that the M.F. revolution occurred world wide. In India began in the 1980s with the formation of pockets of informal self help groups (SHGs) engaging in micro activities financed by M.F. But India's first micro finance institution Shri Mahila Sewa Shahkari Bank was set up as an urban co-operative bank by the self employed woman's association (SEWA) soon after the group (founder Ms Ela Bhatt) was formed in 1974.

The first official effort materialized under the direction of NABARD. The Mysore resettlement and development agency sponsored project on saving and credit management of SHGs was partially financed by NABARD 1986-87".

Basically the MFIs in India of three categories (i) Next for profile MFIs, which include the WGO, (ii) mutual benefit MFIs, which include mutually aided co-operative credit and (iii) for profit MFIs which include the non banking financial companies.

NABARD refines the financial institution engaged in M.F. to the extent of actual disbursement. NABARD, SIDBI are "bulk financiers" who cleverly leverage resources obtained from a variety of sources.

➤ **Assessment of Microfinance**

Assuming that a need assessment process concludes that there is excess demand for microfinance products and services, and that the situation is such that setting up a microfinance institution is adequate, what are the main steps forward?

Considering the fact that a wrong set up might do more harm than good there are several considerations to be done.

- 1 Market Analysis, competition and products.
- 2 Institutional capacity and competence.
- 3 Plan for reaching financial sustainability
- 4 Funding.
- 5 Monitoring system
- 6 Reporting, audit and rating,
- 7 Structure and ownership

1) Market Analysis

Various tools for market analysis have been developed; see for instance for different methods and experience in the field. The main challenge is to capture the demand from potential clients and address actual and potential competition.

2) Institutional capacity

Seen from a donor's point of view, the first step would be to consider the potential in working with already existing organizations. Do they have the capacity of providing what

the market asks for in a professional way, or is setting up a new institution a better way As indicated above, most of the organizations involved in microfinance are multipurpose, and have microfinance as one of their activities, We then need to verify how they are organized, and if necessary challenge them to separate microfinance from other activities. It is of crucial importance to identify real costs and income on microfinance activities, regardless of the level of financial sustainability. Some argue that due to the nature of target groups, local economics etc. financial sustainability is merely a dream, indicating the need for subsidizing operations also in the longer run. Regardless of this argument, it is necessary to separate flow of capital due to loan activities from other transactions. In any case, if sustainability is not perceived as a possible end goal, reengineering of the institution and/ or abandoning microfinance activities should be considered.

3) Financial Sustainability

Financial sustainability is must be a long term goal for a MFL. In order to address this issue, a checklist for budget for microfinance activities is useful.

- Identify operational costs.
- Projection on financial cross (Interests losses)
- Projections on income (donor funding operations)
- Define horizon for back even.
- Calculate interest rate.

Professional partners must be willing to charge interests rates that in the long run can make the institution sustainable. Micro credit services are expensive because of the costs involved of handling a large amount of small clients. A sustainable interest level is therefore likely to be above the local interest level in the formal market.

4) Funding

In the initial face, most MFI have received donor funding for setting up the organisation. The long run goal must be financial self sufficiency, but in order to reach a large number of clients it would generally be necessary to access loans from capital providers on commercial terms. Thus the analysis of funding includes both potential donors as well as financing partners.

5) Monitoring System

In Norway, in a joint effort by the Norxegian Development Network (Bistandsorget) NORAD and the Ministry of Foreign Affairs (MFA) guideline for appraisal and monitorying of microfinance projects have been elaborated (Clausen 2002) These build among other on the more elaborate Cgap tools, and aim at combining the need for specific information with the necessity of a tool that is not too complicated nor costly to use.

The development was based on there basic criteria;

- The formers should be simple with information strictly on a "need to know" basis

- The information required should be easily available by microfinance projects to limit the transaction cost for them in meeting donor appraisal and monitoring requirements.
- The performance indicators should be simple and easy to interpret but at the same time provide comprehensive overviews of overall performance of the microfinance project.

Three sets of indicators must be considered.

- Outreach indicators efficiency number of clients and poverty bracket (using average loan in percent of GDP per capita). Savings can be added when pertinent.
- Institutional indicators focus on effectiveness; defined as productivity of staff (loans per staff) financial productivity (Administrative costs per loan) and efficiency (administrative costs over portfolio)
- Financial performance portfolio risk, that is sustainability books at operational sustainability (income versus expenditures) portfolio yield and portfolio quality (arrears)

All of the above indicators do provide important information regarding the different aspects of an MFI.

6) Reporting and Audit Procedures.

Proper reporting is an intrinsic part of a well designed monitoring system. In addition to this external audits are necessary to establish institutional credibility.. In many cases this will be a legal requirement; it is also becoming more and more a pre condition for potentially new financing partners. Due to the nature of microfinance, the audit procedures required are different from those of a "regular" Ngfo Handbooks for these purposes are elaborated by a.o. Cgap.

7) Structure and Ownership

When a MFI grow, the question of structure and ownership becomes more important. As in any business or organisation, the main stakeholders will determine the long rut. Strategy and the way the organisation is structured and managed will be determinate for the long run performance. Thus these are key factor in assuring the permanent provision of financial services.

➤ **The Millennium Development Goals**

- 1 Eradicate extreme poverty and hunger
- 2 Achieve universal primary education.
- 3 Promote gender equality and empower women
- 4 Reduce child mortality
- 5 Improve maternal health
- 6 Combat HIV/AIDS malaria other diseases
- 7 Ensure environment sustainability
- 8 Develop a global partnership for development.

Profile:

Tribhuvandas foundation integrated rural health and development program is an unique and outstanding example of the co-operative moment. T.F.promote and give primary health care and health education in the rural areas through and with the help of AMUL and the Dairy Co-Operative Societies of the villages. This is the core of T.F. work. Doctor V. Kurien set up the Tribhuvandas Foundation. The aim was to provide primary health care and education to villagers.

A farewell gift was collected and presented to the Founder Chairman, late Tribhuvandas Patel and he gave it over for the health of the families of the milk producers. This gave the impetus to Tribhuvandas Foundation to begin work in 1980.

AMUL had developed a network of veterinary services for milch and other animals of the milk producers which proved very effective and popular. Tribhuvandas Foundation begun to provide health care to the families of the milk producers. Tribhuvandas Foundation has been assisting woman for economic betterment, nursery care and environmental senetation and similar activities.

T.F. has extended its work to more than 600 villages, through T.F. Anand, Kapadwanj, Balasinor, Kheda and Tarapur sub centres. T.F. provide primary health care to members and families of the milk societies, for an annual fees of Rs. 25/- & 1,62,22,847 families benefit from these services. The village health workers, with the help of the milk societies, provide these primary health care. This village health workers are given regular guidance and training by the sub centres doctors and field workers. The female health workers of the villages are chosen by the Dairy Co-operatives society of the villages. After initial training she receives refreshers and further training once a month and is the person to provide the primary health care and health education.

Achievements

- ☞ Tribhuvandas Foundation Start in 1975 and UNICEF Adopt it for 7% Consecutive up years 1975 to 1982.
- ☞ 1975 there were 180 villages Covered for social Floweriness from MCH (Maternity and Child health care)
- ☞ Unicef provide primary care Medicine Baby Food and Other equipmen's to poor and villagers
- ☞ T.F. start in 1980, village health worker who get first training and then take charge of particular village and daily checked the villagers who need it.
- ☞ T.F. also start in 1980 nutrition rehabilitation center for child diseases
- ☞ Regular checking of blood test, H.B (health satisfied them primary need).

- T.F. also arrange for film Show in village for awareness for health care and safety.
- T.F. arrange family planning programme and for men they provided condom and for women Copper - T etc. and arranging operation of miss carriage facility to villagers. And also provide healthy food and medicine to patients.
- T.F. starts to provide services of T.B. and cancer, awareness camp and operation, which are major step to be taken for social welfare.
- Balwadi, patch work and environmental sanitation provide to villagers arrange employment program for the villagers.
- In 1999-2000 Tribhuvandas Foundation got award from NASA Institute of Ahmedabad for their best services to society.
- In 1992 Tribhuvandas Foundation got National Award.

Anand Dairy Society Contribution in T.F.

Anand Dairy Society Contributions in T.F.

Year	Rs.
05-06	2410000
06-07	2280000
07-08	2145051
08-09	2133000

Total income of T.F.

Total income of T.F.

YEAR	(RS) Income
05-06	19143270
06-07	19734501
07-08	28541258
08-09	19688529

Total Expenses of T.F.

Expenses of T.F.

YEAR	(RS) Expense
05-06	22512735
06-07	22249720
07-08	25867866
08-09	18870706

Collection of Membership Fee of T. F.

Membership Fee in T.F.

Year	Rs.
05-06	2170807
06-07	1325967
07-08	1164365
08-09	1232489

Maternal and Child Health

Details	Year	Anand	Kapadwanj	Balasinor	Kheda	Tarapur	Total
No. of villages covered	05-06	138	113	135	111	107	604
	06-07	125	109	131	108	102	575
	07-08	123	102	125	106	100	556
	08-09	126	104	127	106	99	562
No. of population covered (Family members)	05-06	21417	11749	13238	10603	20825	86832
	06-07	8165	11338	5463	11194	16878	53038
	07-08	530522	216413	277519	291491	290653	1606598
	08-09	564024	210536	261739	291491	295057	1622847
Patients and other individuals covered by VHVs and F.Ws	05-06	209595	113708	130142	134006	212251	799702
	06-07	174119	112112	135533	137480	206595	765839
	07-08	174318	108441	122706	133660	179688	718813
	08-09	160069	96844	108424	125705	182083	673125
No. of pregnant women who were provide care at home	05-06	14649	4777	6567	6999	6802	39994
	06-07	11147	4157	6830	6384	5955	34473
	07-08	11531	3151	5615	5677	4451	30425
	08-09	10271	3118	4449	5284	4943	28065

No. of infants and children treated at the subcentres	05-06	249	143	128	11	85	616
	06-07	231	220	170	—	93	714
	07-08	116	102	71	—	37	326
	08-09	148	44	26	—	20	238
No. of patients treated of OPD	05-06	7189	6830	5762	6049	4145	29975
	06-07	234	730	729	915	736	3344
	07-08	5353	6147	13192	6708	3516	34916
	08-09	7723	6712	14442	7069	2642	38588

Immunization

No	Immunization	Year	Anand	Kapadwaj	Balasinor	Kheda	Tarapur	Total
1	BCG	05-06	51	85	157	17	100	410
		06-07	2	8	96	25	52	183
		07-08	1	173	176	68	24	442
		08-09	19	241	121	59	4	444
2	Triple Vaccine	05-06	11	30	51	17	57	166
		06-07	40	92	85	30	54	301
		07-08	12	53	50	28	40	183
		08-09	45	511	269	79	110	1014
3	Polio	05-06	11	30	51	17	57	166
		06-07	39	55	82	36	54	226
		07-08	13	53	50	29	43	188
		08-09	45	495	248	83	110	981
4	Measles	05-06	10	38	67	11	33	159
		06-07	16	44	24	32	36	152
		07-08	14	46	39	35	29	163
		08-09	6	184	47	56	16	309
5	Tetanus	05-06	222	149	644	80	188	1283
		06-07	18	114	122	84	35	373
		07-08	98	224	520	96	125	1063
		08-09	34	394	428	124	77	1057
6	Anti rabies vaccine	05-06	305	146	210	232	475	1368
		06-07	143	116	167	25	112	557
		07-08	123	154	148	101	72	598
		08-09	811	603	751	96	166	2427

Family Welfare Program

No	Particulars	Year	Anand	Kapadwaj	Balasinor	Kheda	Tarapur	Total
1	Tuberctomy operation	05-06	256	185	425	24	100	990
		06-07	—	—	—	—	—	—
		07-08	90	176	410	—	78	754
		08-09	75	151	177	—	—	403
2	Copper-T inserted	05-06	51	133	19	108	69	380
		06-07	5	—	—	4	6	15
		07-08	3	—	—	—	7	10
		08-09	—	—	—	—	13	13
3	Distribution of contraceptive tabs	05-06	812	2873	719	1317	1667	6071
		06-07	816	2718	1018	1034	1528	7159
		07-08	1007	1548	97	1200	1170	5092
		08-09	1143	1547	812	1258	1292	6052
4	Laparoscopy operation	05-06	507	—	—	14	9	530
		06-07	531	—	—	—	—	531
		07-08	516	—	—	—	—	516
		08-09	—	—	—	—	—	—
5	Distribution of Nirodh	05-06	1422	3853	1265	4171	3582	14293
		06-07	1161	3189	1755	4413	3163	13681
		07-08	1575	2253	1991	5146	2858	13823
		08-09	2278	2945	1832	5156	2496	14707

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