CHAPTER-1

INTRODUCTION

1.1 INTRODUCTION

Definition and the Relevance of Micro Credit

In recent years, most of the countries across the globe are in a sweeping mood to promote micro finance institutions not only as a positive rural development intervention but also as a rural development panacea. Allured by the success of micro credit institutions in developed countries, the developmental economists in under developed and developing economies have increasingly become enthusiastic in the promotion of micro credit as a rural development intervention by tying it neatly with post-liberal development ideology. In the Indian context, the frenzied promotional activity of the micro credit institutions derive in part from the political slogan of ‘Garibi Hatao’ of the Union Government in mid 70’s by the establishment of Grameen Banks which were the offshoot of the putative success of Developmental Financial Institutions in the West. Although the basic philosophy behind the micro credit movement is to eradicate poverty as it stimulates the growth of micro enterprises by developing new markets and by promoting a culture of entrepreneurship, it involves minimal state intervention, thereby shifting the focus of attention away from the society towards individuals. The experience of micro credit schemes in Asia, Africa and South America describes altogether a different story by negating this particular aspect of development intervention. This serves the starting point of the present paper in considering micro credit as the limiting factor of rural development intervention. No doubt, the limits arise from the individualistic focus of the intervention. Keeping consistency with the title of the paper, it not only explores the limitations of micro credit as a rural development intervention through a survey of literatures but also makes an attempt to bring to the focus the concept of rural micro finance in which the issues of credit markets and the poor are explored. The objective of bringing the above discussion to the forefront is to assess the potential impact of micro finance institutions as development interventions. Finally, attempt is made to look at the conditions which limit the effectiveness of micro finance institutions as development interventions in different parts of the globe including India.

Despite the vast expansion of the formal credit system in the country, the dependence of the rural poor on moneylenders continues in many areas, especially for meeting emergent requirements. Such dependence is pronounced in the case of marginal farmers, landless labourers, petty traders and rural artisans belonging to socially and economically backward classes and tribes whose propensity to save is limited or too small to be mopped up by the banks. For various reasons, credit to these sections of the population has not been institutionalized. The studies conducted by NABARD, APRACA and ILO on the informal groups promoted by non-governmental organizations (NGOs) brought out that Self-Help Savings and Credit Groups have the potential to bring together the formal banking structure and the rural poor for mutual benefit and that their working has been encouraging, hence the concept of Micro Credit has evolved and has gained momentum with the passing of time.

According to Oxfam, micro credit consists of "very small scale financial services, including savings, loans for emergencies, day-to-day living, and investment in productive activities." Credit is usually provided to groups of individuals or village organizations that use joint-liability (a.k.a. peer pressure!) to enforce loan repayment. Through group savings and loans, poor people very often increase their economic security and well being. Micro Credit has been defined as the provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards. Micro Credit Institutions are those, which provide these facilities. The Asia-Pacific region is home to many micro credit institutions, and the majority of programs are directed at women in rural areas. Targeting women as clients of micro credit programs has been an effective method to ensure that the benefits of increased family income are directed towards the general welfare of the family, and particularly the children.

Special features of micro credit lending:

1. Defining criteria is the size of loans

2. Targeting population contains micro-entrepreneurs especially women, from low-income households.

3. Laying down other conditions like attendance at weekly member meetings, which discourages the really non-poor from taking the loans.

4. The concept of group borrowing is driven by the idea that solidarity among the like-minded people living in similar social and economic conditions is crucial to the success of the programmes.

5. The bank insists on putting the loan to use within a specified period of time usually seven days.

Three C's of Credit

- Character: means how a person has handled past debt obligations: From credit history and personal and background honesty and reliability of thr borrower to pay credit debits is determined.

- Capacity : means how much debt a borrower can comfortably handle. Income streams are analyzed and any legal obligation looked into, which could interfere repayment.

- Capital : means current available assets of the borrower, such as real estate, savings or investment that could be used to repay debt if income should be unavailable.

Classifications

Traditional informal micro credit (such as , moneylender's credit , pawn shops , loans from friends and relatives, consumer credit in informal market , etc.). Microcredit based on traditional informal groups. Activity – based micro credit through conventional or specialized banks (such as , agricultural credit , livestock credit, fisheries credit , handloom credit , etc.).Rural credit through specialized banks.

- Cooperative micro credit (cooperative credit , credit union , savings and loan associations , savings banks , etc.).

- Consumer micro credit
- Bank – NGO partnership based micro credit.
- Grameen type micro credit or Grameen credit.
- Other types of NGO micro credit.
- Other types of non – NGO non – collateralized micro credit.

Micro credit as a tool of rural development through the development of micro enterprises was introduced to the economy because formal credit institutions (capital markets) and informal lending system either failed to deliver the goods or is not very much conducive to the growth of micro enterprises. As we know the economic giants of the world developed their economies by relying on formal credit institutions through the development of their capital markets. But these formal credit institutions have on the whole failed to provide credit to the poor in the underdeveloped countries for many obvious reasons (Von Pischke 1991, pp.143-168):

Firstly, formal financial institutions are removed, in a number of respects, from the lives of the people. One need simply enter the foyer of any commercial bank to get an immediate sense of this. For instance, formal financial institutions tend to require literacy and often have little knowledge of how business operates in rural areas, i.e. the complex interaction of business and social obligations. For the rural poor, transacting with formal financial institutions often involves time consuming journeys away from the village and transactions conducted during office hours with unfamiliar faces in unfamiliar surroundings (Devereux et al 1990).

Micro-credit has become a major tool of development, and is fast developing as an international industry, with its own trade associations, dedicated finance, training and other support organisations, research and journals. In a phase in the international development endeavour in which ideology is out of fashion, the search is on for practical, workable solutions to the deep-seated challenges of poverty. Micro-credit seems to provide just such a solution. By delivering financial services at a scale, and by mechanisms, appropriate to poor people, micro-credit can reach them. By providing poor people with credit for microenterprise it can help them work their own way out of poverty. And by providing loans rather than grants, the micro-credit provider can become sustainable by recycling resources over and over again. In other words micro-credit appears to deliver the ‘holy trinity’ of outreach, impact and sustainability. No wonder the development sector has become so excited.

When the formal financial institutions are a state run organization, it may be driven by a range of socio-political organizations, in addition to considerations of the client’s ability to repay. Credit provision for development of rural micro enterprises may not be an appropriate way of facilitating rural development, and if the provision of credit is determined mostly by factors other than ability to repay the loan, it is unlikely that the micro-enterprise will be self-sustaining. In such a circumstance micro credit institution is likely to cease providing credit.

The transaction cost of the provision of credit to rural micro enterprises may prove prohibitive to large formal financial institutions. Rural micro enterprises are dispersed over large areas. Transactions involve relatively small amounts and they require relatively large amounts of non-interest earning cash to serve their clients (Von Pischke 1991, p.147). Von Pischke claims that, “Obligations to formal institutions may not be accorded very high priority …. especially when institutions are not responsive to clients”. In some instance, the opposite may be true. For example, when a non-government organization (NGO) that was known in the past for providing grants moves into providing loans, the recipients often see the NGO as a soft target. Loan recipients recognize that the NGO would be unwilling to put pressure on lenders who defaulted and would certainly be unwilling to force the sale of collateral (Imagine the furors that would occur if commercial/micro credit institutions sold the household implements of rural women who defaulted on their loan).

Formal credit institutions deal frequently with a large number of clients who are often unknown to them. They rely on well developed financial and legal markets to obtain information about their clients, for example, institutions that collect information on bad debts and organizations that give credit ratings. Such institutions do not exist in rural areas where information about credit worthiness needs to be extracted on a more personal basis. In assessing an enterprise, formal financial institutions tend to rely on financial profitability and cash flow analyses. These are expensive and are often inappropriate ways of assessing rural micro enterprise projects. They do not take account of social factors influencing production and distribution in rural enterprise projects in developing countries.

Unlike their larger formal counterparts, entrepreneurs who start micro enterprises typically lack assets, especially marketable ones to use as collateral for loans (Otero et al 1994, p.13). Many rural micro enterprise projects tend to be agricultural enterprises that are dependent on vagaries of nature and are therefore risky. The loans are often used for purchasing seeds, fertilizers, pesticides and herbicides which can not be recovered in case of crop failure. Because of all these reasons formal credit institutions have tended to stay away from lending to rural micro enterprises The vast majority of societies with money lending economies including India has, or has had, some form of informal money lending. Very often the money lenders have been despised members of the community. In all societies with malicious money lenders are usually believed to extract exorbitantly high interest rates because of the weak bargaining position of the borrower. Highly publicized cases of high interest rates have very often prompted governments to outlaw informal money lending through the passing of usury laws which set the ceiling on interest rates. These actions of the governments have gone, of course, against the thought of Ohio School (Von Pischke, et al) which argued high interest rate to be a real reflection of the opportunity cost of the loan. Even they tried to justify their arguments by stating that high interest rate often included payment for a range of services such as storage facilities for the produce, payment of market taxes, etc provided by the money lenders.

Despite having a wide network of rural bank branches in India which implemented specific poverty alleviation programmes that sought creation of self-employment opportunities through bank credit for almost two decades, a very large number of the poorest of the poor continued to remain outside the fold of the formal banking system (National Bank for Agriculture and Rural Development, 1999). Therefore a need was felt for alternative policies, systems and procedures, savings and loan products, other complementary services, and new delivery mechanisms, which would fulfill the requirements of the poorest, especially of the women members of such households. As a result National Bank for Agriculture and Rural Development (NABARD) in India launched its pilot phase of the Self Help Group Bank Linkage programme in February 1992. In India as also in other countries, Self Help Groups have been recognised by the policy makers as the effective conduits for accomplishing the distributional objectives of monetary policy. Group model as developed by India Grameen Bank is by and large followed in most of the South East Asian Countries. India has adopted somewhat a similar model to India Grameen model (Vasanthakumari and Sharma, 2002). The SHG-informal thrift and credit groups of poor came to be recognised as bank clients under the pilot phase. The strategy involved forming small, cohesive and participative groups of the poor, encouraging them to pool their thrift regularly and using the pooled thrift to make small interest bearing loans to members, and in the process learning the nuances of financial discipline. Subsequently, bank credit also becomes available to the Group, to augment its resources for lending to its members. It needs to be emphasised that NABARD sees the promotion and bank linking of SHGs not as a credit programme but as part of an overall arrangement for providing financial services to the poor in a sustainable manner and also an empowerment process for the members of these SHGs. The NABARD led Pilot Project commenced with the support of the Central Bank of the country, i.e., Reserve Bank of India, from 1992 onwards aimed at promoting and financing 500 SHGs across the entire country, the SHG- bank linkage strategy has come a long way. The strategy includes financing of SHGs promoted by external facilitators like NGOs, bankers, socially spirited individuals and government agencies, as also promotion of SHGs by banks themselves and financing SHGs directly by banks or indirectly where NGOs and similar organisations act as financial intermediaries as well. Through the Self-help bank linkage programme the Reserve bank of India and National Bank for Agricultural and Rural Development Bank aimed to improve relations existing between the poor and bankers with the social intermediation of NGOs (Bansal, 2003).

STATEMENT ABOUT THE PROBLEM

This Project is going helped me to gain knowledge about various aspect of Micro credit system. There is an urgent need for micro credit providers to shift from a minimalist approach – that is offering only financial intermediation – to an integrated approach to poverty alleviation taking a more holistic view of the client including provision of enterprise development services like marketing infrastructure, introduction of technology and design development.

A combination of primary and secondary research techniques was used to meet the objectives. The primary research was made survey among different banks in NCR Delhi, more emphasis was laid on to know as to how they are implementing this micro-credit system and what are the developments they are expecting in the near future. As a reserach outcome of this exhaustive thesis, I can undoubtedly support that, Microfinance helps people to escape poverty by giving them collateral-free loans and other financial services to support income-generating businesses. As each loan is repaid, the money is redistributed as loans to others, thereby multiplying its impact.

Emergence of Innovative Micro Credit Institutions

India is a vast country with great diversity in terms of socio-economic conditions.

However, in most of the places the condition of poor people in rural and urban areas is almost same. Even after 61 years of independence, the country is still fighting to eradicate poverty and to improve the socio-economic condition of the poor. Government has launched many schemes to eradicate poverty from time to time, especially from the beginning of 70's a lot of efforts are being made in this direction. In 80's Government realized the importance of micro-credit as tool for poverty alleviation and substantial work has been done in this direction mainly by the Government agencies.

Grameen Bank (GB) has reversed conventional banking practice by removing the need for collateral, thus creating a banking system based on mutual trust, accountability, participation and creativity. GB provides credit to the poorest of the poor in India without any collateral requirements. Professor Muhammad Yunus, the founder and managing director of Grameen Bank, reasoned that if financial resources can be made available to poor people on terms that are appropriate and reasonable, "these millions of small people with their millions of small pursuits can add up to the biggest development wonder." The "Grameen Bank Project" (Grameen means "village" or "rural" in Bengali) came into operation with the following objectives:

1. To extend banking facilities to poor men and women;
2. To eliminate the exploitation of the poor by money-lenders;
3. To create opportunities for self-employment for the vast number of unemployed people in rural Areas;
4. To bring the disadvantaged, mostly women from the poorest households, within the fold of an organizational format that they can understand and operate; and

To reverse the age-old vicious cycle of "low income, low savings, low investment" into an expanding cycle of "low income, credit, investment, more income, more investment, more income."

In the initial stage many state or donor sponsored DFIs proved successful in assisting rural people to start and profitably maintain rural micro enterprises. It was possible on the part of DFIs by evolving a few methods to take care of the problems faced by the formal financial institutions under the categories- access, screening and incentive (Hulme et al 1996, p.8). In respect to access problems, two methods were evolved to ensure that the poor were targeted. The first was to supply very small loans that the poor only would be interested in borrowing. The second was to allow loans only on the basis of a minimum amount of assets and/or income. This approach was taken by a number of DFIs, most notably the Grameen Bank. As far as screening was concerned, three methods were evolved to assess the borrowers' credit worthiness. The most common was to lend to members of a group who were jointly and severally liable for the repayment of loans made to each member of the group. Screening was facilitated by self selected groups. This ensured that only people whom the rest of the group took to be credit worthy, were allowed in. Such groups have been euphemistically called 'solidarity groups' (Berenbach et al 1994, p.127). This was by far the common approach, although it did not necessarily attest to its efficacy. Charging market interest rates and obtaining character references were the other two selection tools commonly employed by DFIs. Perhaps the greatest innovation in providing financial services to the rural poor came with respect to the manner in which the DFI ensured repayment. Most of the DFIs reviewed by Hulme et al supervised their clients so intensively that the Grameen Bank was criticized for acting paternalistically. In addition to close supervision of borrowers, some banks even offered incentives in the form of rebates to borrowers who repaid loans regularly and lent greater amounts of loans to them for repaying their loans on time. Finally almost all groups insisted on their borrowers saving money, at least initially. This was designed to provide evidence of financial management skills and to provide a small amount of collateral in some cases.

Multilateral development banks, in an era of budget cuts and disbursement reductions, are embracing micro-credit as an opportunity for them to move away from the capital-intensive "development as charity" model to the potentially more profitable "development as business." But perhaps most significantly, the financial community has woken up to the fact that there is a great deal of money to be made in micro-lending, where interest rates can range from 20 to 100 percent. Micro-credit is often portrayed as a "win-win" option, wherein investors profit handsomely while the poor gain access to resources that allow them to help themselves. The reality, however, is not always so rosy. In India, a number of self-help groups (SHGs) were created in the 1980s to provide credit facilities to the poor, especially women, in both urban and rural areas. These SHGs stumbled upon a surprising finding: by targeting women, repayment rates came in well over 95 percent, higher than most traditional banks. Impressed by the repayment rates, institutions like National Bank for Rural Development (NABARD) and the Small Industries Development Bank of India (SIDBI) began increasing their lending to SHGs in India. However, the lending rates of SHGs to borrowers were not cheap. For example, (SIDBI) lent to NGOs at nine percent; NGOs were allowed to lend to SHGs at a rate up to 15 percent; and SHGs, in turn, were allowed to charge up to 30 percent to individual borrowers. Although such high-interest credit is touted as a vehicle for poverty alleviation, wherein the poor use the funds to undertake commercial ventures, various studies have found that the loans are largely used by poor people to meet their daily consumption needs.

Finance V/s Poverty:

International debate has been dominated by two schools of thought, which we call the finance school and the poverty school. Sometimes these schools have been in conflict with each other. The former celebrates the mainstreaming of micro-credit as a financial service (BancoSol, a micro-finance bank in Bolivia, has sold certificates of deposit on Wall Street), the latter emphasises the need to reach poor people and may be suspicious of financial sustainability, believing it is likely to lead a microfinance provider away from its focus on poorer clients. The micro-credit industry has sought to resolve the tensions between a focus on poverty and a commitment to sustainability by integrating them within a matrix defined by two axes, of outreach (or access) and financial sustainability.

WHY IS THIS PARTICULAR TOPIC CHOSEN

Micro Credit is defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. Micro Credit Institutions are those which provide these facilities.

With a view to facilitating smoother and more meaningful banking with the poor, A pilot project for purveying micro credit by linking Self-Help Groupswith banks.

While the SHG-bank linkage programme has surely emerged as the dominant micro finance dispensation model in India, other models too have evolved as significant micro finance purveying channels.

Keeping these validated models for delivery of credit to the poor and the unorganized sector in view, RBI is moving towards a systems perspective for providing effective policy support not only because a number of different institutions, viz. banks, MFIs, NGOs & SHGs are involved, but also because these institutions have very different institutional goals. With this in view, a series of initiatives is being planned in the coming months for putting in place a more vibrant micro finance dispensation environment in the country where complementary and competitive models of micro finance delivery would be encouraged to co-exist.

WHAT CONTRIBUTION WOULD THE PROJECT MAKE?

This Project is going to help various aspect of Micro credit system. There is an urgent need for micro credit providers to shift from a minimalist approach – that is offering only financial intermediation – to an integrated approach to poverty alleviation taking a more holistic view of the client including provision of enterprise development services like marketing infrastructure, introduction of technology and design development.

Combining outreach and sustainability

(Source: Mahajan and Ramola, 1996)

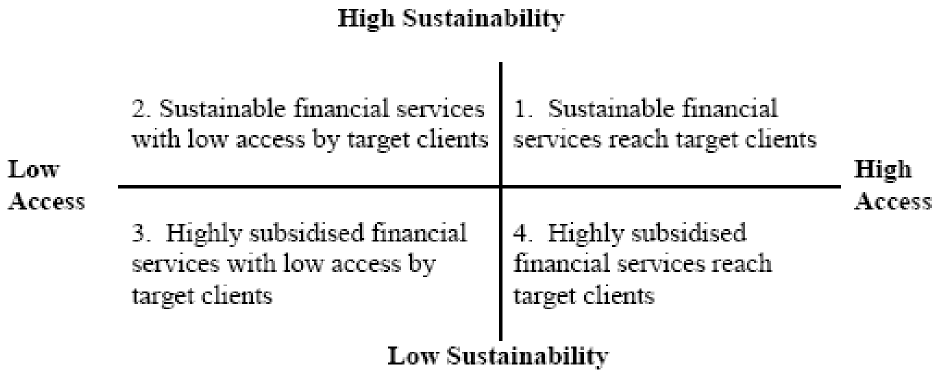


Figure 1.1 Combining outreach Vs Sustainability

Fortunately, micro-finance practice in India has much to offer on these dilemmas. Indian practice is extraordinary in its diversity, and not least in the development missions with which micro-finance is combined. As suggested above these include poverty alleviation, livelihood promotion, developing the local economy, empowerment, building people’s organizations, and changing wider systems and institutions within society. India is also fast becoming one of the largest micro-finance markets in the world, especially with the growth of women’s savings and credit groups (known in India as ‘self-help groups’) which are set to reach 17 million women by 2014. In India, an exclusive focus on micro-credit for micro-enterprise is the exception rather than the norm. It is no surprise that Ela Bhatt, India’s micro-finance pioneer who founded SEWA Bank in 1974, chaired a working group that produced a paper for the Micro-credit Summit entitled ‘Beyond micro-credit: Structures that increase the economic power of the poor’ (Bhatt, 1996). Indian practice therefore makes much clearer the diversity of potential developmental agendas for micro-finance, that go well beyond a financial tool. At the same time, most Indian practitioners have always worked from the assumption that developmental objectives need to be combined with financial sustainability. Take the example of SEWA Bank again, the oldest micro-finance organization in India. The bank has been sustainable throughout its history, because it is based on savings, while its mission is clearly focused on the empowerment of woman slum-dwellers.

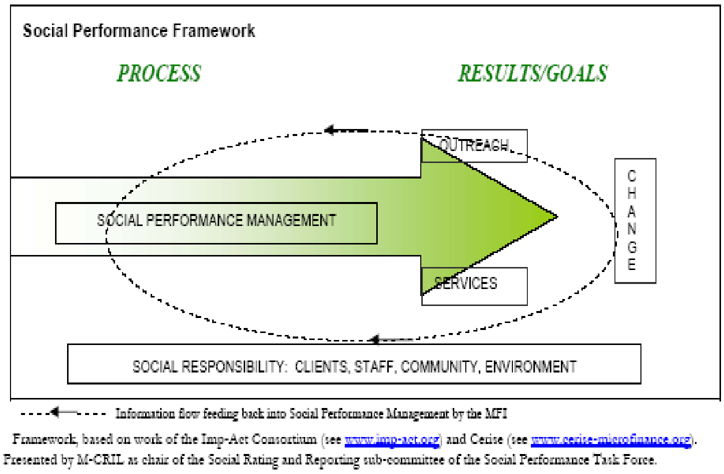


Figure 1.2 Social Performance Framwork

India therefore has much to offer, not only in terms of international debate on microfinance, but also in terms of combining micro-finance with development, and how organizations can achieve this in practice. In the process, for over 25 years Indian micro-finance organizations have developed a range of innovative products and services: insurance services; linking savings and credit groups to banks; integrating micro-finance into agendas for women's empowerment and local democratic organization; using money-lenders as intermediaries to change market prices; etc.

1.2 ABOUT THE INDUSTRY

- **Industry Introduction**

Microfinance institutions comes under the Ministry of micro, small & medium enterprises.

Microfinance has built a solid track record as a critical tool in the fight against poverty and has entered the financial mainstream. The rapid growth of the industry over the past 15 years has reached approximately 130 million clients according to recent estimates. Yet microfinance still reaches less than 20 percent of its potential market among the world's three billion or more poor.

Nearly three billion people in developing countries have little or no access to formal financial services. Financial services for poor people are a powerful instrument for reducing poverty, enabling them to build assets, increase incomes, and reduce their vulnerability to economic stress. Formal financial services such as savings, loans, and money transfers enable poor families to invest in enterprises, better nutrition, improved living conditions, and the health and education of their children. Microfinance has also been a powerful catalyst for empowering women.

The evolution of the industry has been driven by many factors which include the transformation of microfinance providers, the sizable supply gap for basic financial services, the expansion of funding sources supporting the industry and the use of technology. As the industry has developed, there has been a shift from specialized NGOs to an increasing number of regulated and licensed MFIs which stress that sustainability and impact go hand in hand. Furthermore, The World Bank Group is working with private microfinance institutions and stakeholders to incorporate responsible finance practices into all aspects of business operations. When done responsibly, private microfinance can have significant development impact and improve people's lives.

There are microfinance institutions which lend to individual borrowers, but these are very few and form a negligible proportion of the overall microfinance coverage in India. Most microfinance loans are extended through Joint Liability Groups (JLGs) or Self Help Groups (SHGs). These are described in detail below:

Members of a **Joint Liability Group (JLG)** self-select themselves; groups are not formed by any external influence. If any one or more member(s) in a group defaults in repayment of a loan, then other group members agree to jointly bear the responsibility of repaying such amount on behalf of the member(s) who has/have defaulted, or ensure that the payment is made by the defaulter, using peer pressure. Usually an institution providing loans to JLGs would ensure that there is parity of joint liability within the groups. For example, the difference between loan sizes within a group should not be too high as this might in turn dilute the joint liability or cause repayment problems for those who have to pay on behalf of other members.

A **Self-Help Group (SHG)** comprises a set of persons generally from a homogenous socio-economic background who voluntarily form a group to save regular sums of money in a common fund, and use the pooled funds as well as external resources from banks and microfinance institutions to take loans for mutually agreed purposes. The group members use existing knowledge of one another for a mutual credit assessment and employ peer pressure to ensure proper end-use of credit and timely repayment. The characteristics of SHGs which differentiates them from JLGs include:

1) Group members are not liable to take financial responsibility for one another's loans. Responsibility is only to the extent of exerting peer pressure on fellow group members. Private and Confidential

2) Not all members may borrow - some only save with the SHG.

3) Groups may be linked to loans extended by third parties (banks, microfinance institutions), other than the institution which mobilized the SHG.

4) Book-keeping and maintenance of group records may or may not be performed by the members themselves. Often it is outsourced to a capable person in the locality for a small fee.

Who provides microfinance in India?

Microfinance is largely provided by specialized "microfinance institutions" or MFIs. A microfinance institution (MFI) is any institution which offers microfinance services to poor, under-served or financially excluded persons. In India, microfinance institutions are registered as Non-Banking Financial Companies (NBFC-MFIs), Section 25 (Not-for-profit) Companies, Trusts, Societies and Cooperatives. However, most of the large, multistate operating companies function as NBFC-MFIs as this legal form provides for ease in raising equity, and has the benefits of recognition and regulation by the Reserve Bank of India (RBI). Microfinance is also provided by banks - which undertake microfinance activities through Self Help Groups (SHGs), primarily funded through a special NABARD-linked programme called the SHG-Bank Linkage programme (SBLP). Sometimes these programmes also get additional support through subsidized interest, capacity building and incentives for good performance from the state government. There were 44.51 lakh SHGs in India by end of FY 13 and outstanding loans to SHGs amounted to Rs. 394 billion1. The SHG Bank Linkage programme forms a sizeable portion of the overall microfinance outreach in India. In the course of this document we will be focusing exclusively on NBFC-MFIs, when elaborating on delivery of microfinance services.

Who regulates MFIs?What are the regulatory frameworks in place?

The Reserve Bank of India (RBI) regulates MFIs which are registered as NBFCs and NBFC-MFIs. However, MFIs registered as Section 25 companies, Trusts, Societies or Cooperatives do not come under the ambit of RBI regulations, although a few of these institutions voluntarily comply with RBI's directives. After an event of mass default in the state of Andhra Pradesh known as the A.P. crisis (covered in detail later in this section), the Reserve Bank of India set up a committee called the Malegam Committee to investigate the activities and impact of MFIs across the country and to make recommendations on improvement in their functioning. Post the Malegam Committee report (released in January 2011), the Reserve Bank of India issued a set of guidelines to cover the operations of NBFCs functioning as MFIs in March 2012. These guidelines created a new category of Non-Banking Financial Companies (NBFCs) called NBFC-MFI and specified that all NBFCs undertaking microfinance business, having capitalization of Rs. 5 crores and having over 85% or more of their exposure in "qualifying assets" (microfinance portfolio) should apply for an NBFC-MFI license accordingly. These guidelines were further updated eventually, and the Master-Circular for NBFC-MFIs is available at the following link: http://rbidocs.rbi.org.in/rdocs/notification/PDFs/49010713MFIFL.pdf

What is the market demand for microfinance services in India?

India's microfinance outreach is the highest in the world at 30.3 million borrowers till March 2014, of which 27.9 million borrowers are linked with NBFC-MFIs. However, this covers only a small proportion of the total unbanked, underserved potential in the country. Out of a potential market size of Rs 1.5 trillion, the current penetration is only around Rs 600 billion. India still has 650 million adults who lack access to a formal source of borrowing.

CHAPTER-2

LITERATURE REVIEW

Wright (2000,p.6) states that much of the skepticism of MFIs stems from the argument that microfinance projects "fail to reach the poorest, generally have a limited effect on income…drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor". In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from "more pressing or important interventions" such as health and education (2000, p.6). As argued by Navajas et al (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. They state that governments and donors should know whether the poor gain more from microfinance, than from more health care or food aid for example. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty. Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits **(Chowdhury, Mosley and Simanowitz, 2004**).

Sinha (2008) argues that it is notoriously difficult to measure the impact of microfinance programmes on poverty. This is so she argues, because money is fungible and therefore it is difficult to isolate credit impact, but also because the definition of 'poverty', how it is measured and who constitute the 'poor' "are fiercely contested issues" (2008, p.3).

Hulme and Mosley (2006, p.109) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They state that "there is clear evidence that the impact of a loan on a borrower's income is related to the level of income" as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the "middle and upper poor" (2006, pp109-112). However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets (2006, p.118).

Mayoux (2011, p.52) states that while microfinance has much potential11 the main effects on poverty have been: ♦ credit making a significant contribution to increasing incomes of the better-off poor, including women, ♦ microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies. Hulme and

Mosley (2012) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves.

Johnson and Rogaly (2010, p.12) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction (ibid.) as this reduces beneficiaries' overall vulnerability.

Carney (2008, p.4) defines a livelihood as comprising "…the capabilities, assets (including both material and social resources) and activities required for a means of living." Chambers (2007, p.10) states that livelihood security is "basic to well-being" and that security "refers to secure rights and reliable access to resources, food, income and basic services. It includes tangible and intangible assets to offset risk, ease shocks and meet contingencies."

Lindenberg (2012, p.304) defines livelihood security as "a family's or community's ability to maintain and improve its income, assets and social well-being from year to year." Concern also state that livelihood security is more than just economic well-being as they define livelihood security as "the adequate and sustainable access to and control over resources, both material and social, to enable households to achieve their rights without undermining the natural resource base" (Concern, 2003). Livelihood security therefore, like poverty, is not just about income, but includes tangible and intangible assets, and social well being. Johnson and Rogaly (2007, p.122) state that "NGOs aiming for poverty reduction need to assess the impact of their services on user's livelihoods." They argue (2007) that in addressing the question of the impact of microfinance, NGOs must go beyond analyzing quantitative data detailing the numbers of users, and volumes and size of loans disbursed, to understanding how their projects are impacting on clients' livelihoods. They state (2007, p. 118) that the provision of microfinance can give poor people "the means to protect their livelihoods against shocks as well as to build up and diversify their livelihood activities". Therefore when analyzing the impact of microfinance the overall impact of the microfinance services on the livelihoods of the poor needs to be taken into consideration. That is the focus of this study.

CHAPTER-3

RESEARCH METHODOLGY

3.1 **PURPOSE OF THE STUDY**

To study the performance of micro finance institutions in Delhi in order to eradicate poverty and also to study the perception of the respondents towards the future opportunity and role played by these micro credit financing institutions.

3.2 OBJECTIVES OF THE STUDY

The present study revolves around the following objectives:

(i) To study the Issues and challenges of micro credit institutions in the economic development of rural and urban areas, particularly in the sector of poverty eradication (In selected areas of Delhi).

(ii) To study the viewpoint of the officials whether merely credit facility serves desired purpose or other assistance plays important role.

(iii) To identify the remedial measures taken for effective functioning of micro credit institutions in Delhi.

3.3 RESEARCH METHODOLOGY OF THE STUDY

3.3.1 Research design

Exploratory research, is research conducted for the problem that has not been clearly defined. Exploratory research helps determine the best research design, data collection method and selection of subjects.

Exploratory research often relies on secondary research such as reviewing available literature or quantitative approaches such as discussion with consumers, employees, management or competitors or through in –depth interview or pilot studies. The result of exploratory research is not usually useful for decision – making by themselves, but they can provide significant insight into a given situation. Although the results of qualitative research can give some indication as to the “why”, how”, and “when” something occurs, it cannot tell us “how often” or” how many”.

Exploratory research is not typically generalizable to the population at large.

3.3.3 Sample design

3.3.3.1 Sample size

50 numbers in all (officials of select microcredit institutions in Delhi)

3.3.3.2 Convenience Sampling

Convenience sampling is used to select the individual units for better productivity of the questionnaire. Officials dealing with Micro Credit Finance were able to reason out the questions in the better way.

3.3.4 METHOD OF DATA COLLECTION

This project consists of two parts:-

Primary Data

The second part of the study has been done using an exploratory research process and a structured questionnaire was developed for this purpose. For the collection of primary data this was the only method used.

The primary information collected through face to face interview, observation.

The primary source comprised of a set of structured and unstructured and open-ended questions, to elicit pertinent responses from the respondents.

Sample Size: 50

Sample Area: Delhi

Secondary Data

The first part is a study of the industry, online marketing using secondary data sources. This secondary information has been sourced from the internet and from business related magazines and newspapers. Secondary Sources:

- Books
- Journals
- Reports of the Reserve Bank of India
- Other government and non-government publications relevant to the problem of the study.

3.3.4.1 INSTRUMENT FOR DATA COLLECTION

Questionnaires:A questionnaire consists of a set of questions presented to respondent for their answers. It can be Closed Ended or Open Ended

Open Ended: Allows respondents to answer in their own words & are difficult to Interpret and Tabulate.

Close Ended: Pre-specify all the possible answers & are easy to Interpret and Tabulate.

3.3.4.2 Drafting of a Questionnaire

TYPES OF QUESTIONS USED IN THIS PROJECT

Open ended Questions

To know the opinion of the people regarding various matters in their own words.

Close ended question

To know the opinion in one word so that easily get interpreted.

Dichotomous Questions

Which has only two answers “Yes” or “No”?

Multiple Choice Questions

Where respondent is offered more than two choices. This is done to know the choice of the people regarding different matters.

3.3.5 Limitations

Limitations were:-

1) Sample Size:-

The size of samples greatly affects the survey results, but the size may not be substantial, may be too short for the conduct of survey in area.

2) Time:-

Time constraints were a great barrier as the work was to be completed in a given time period.

3) Information May Be Biased:-

Respondent’s answer may be biased; it may be influenced by other factors such as they consider their organization as good option to help people in financing.

4) Limited Area of Study:-

The area of study is also greatly affecting the study done; this study is done in limited area.

5) Other Limitation:-

- To find out the respondent who have an association with micro finance institution and their availability.

- The research will only study the officials perception towards microfinance facilities and problem solving not the really people who are using the micro finance or loan facilities from them.

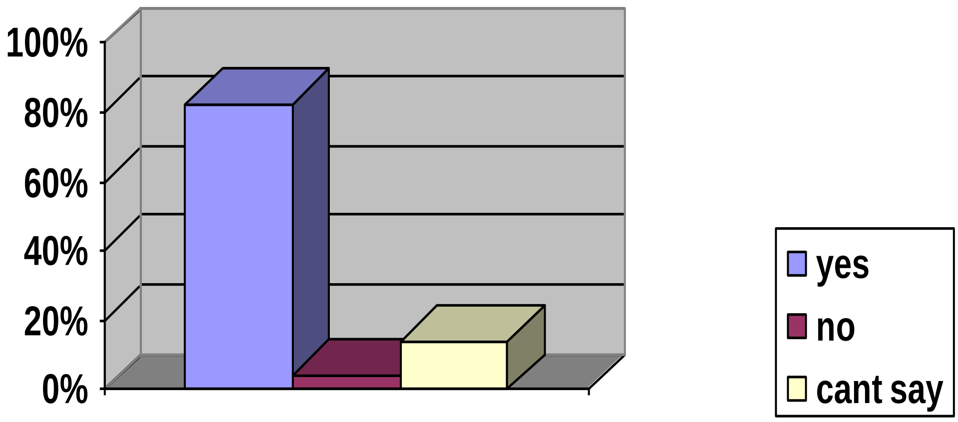
CHAPTER-4

DATA ANALYSIS & INTERPRETATION

4.1 <u>DATA ANALYSIS & INTERPRETATION</u>

Q-1 Do you think the innovative methods & Initiatives taken by Micro Finance for micro credit promotion in Delhi is going to achieve desired goals?

- Yes
- No
- Do not know/ Cannot say



yes	82%
no	4%
cant say	14%

Figure 4.1 Interpretation of Question 1

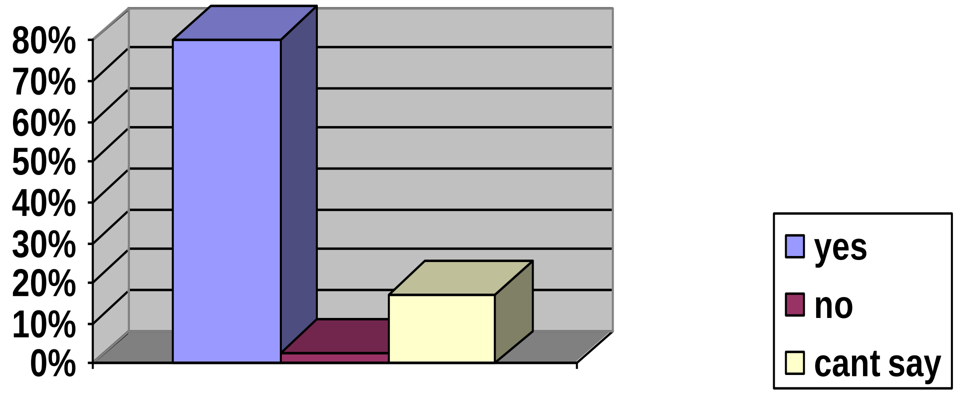
Interpretation:

82% of respondents answered "Yes", 4% of respondents answered "No" and 14% had no opinion about it.

Institutions strategy is to focus microfinance services in urban rural areas and help the poor both economically and socially, along with its commitment to make a tangible impact measured by tracking social indicators of progress e.g Michael & Susan Dell Foundation is sharing its expertise and holding a seat on the board to help shape and guide micro credit institutions operations as it expands to reach more women and improve their families' lives.

<u>Q-2</u>Does a Non-Government Organization (NGO) play any role in approaching needy people?

- Yes
- No
- Do not know/ Cannot say



yes	80%
no	3%
cant say	17%

Figure 4.2 Interpretation of Question 2

Interpretation:

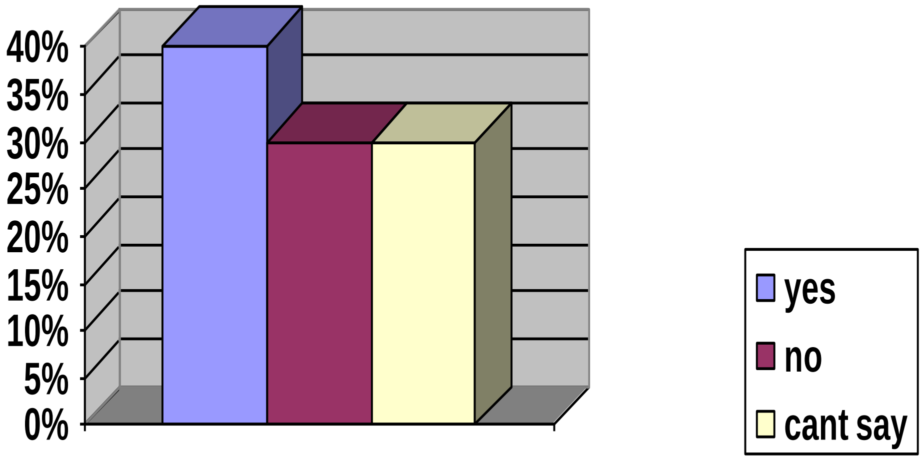
80% of respondents answered "Yes", 3% of respondents answered "No" and 17% had no opinion about it.

Role Played by NGO's are:

- NGO's make available credit facilities by educating the poor people.
- Act as linkages – Borrower and Banks or Microcredit Institutions.
- Motivating the rural/urban rural people.
- To help the People in identifying raw materials and local resources.

<u>Q-3</u>Do you think Foreign Direct Investment should be allowed in Micro Credit Projects?

- Yes
- No
- Do not know/ Cannot say



yes	40%
no	30%
cant say	30%

Figure 4.3 Interpretation of Question 3

Interpretation:

40% of respondents answered “Yes”, 30% of respondents answered “No” and 30% had no opinion about it.

- Foreign Investment is applicable to NBFC’s and Section 25(Under Societies Registration Act 1860) companies to obtain FDI as equity subject to prior approval by Foreign Investment Promotion Board (FIPB).
- Private Equity funding from foreign players has provided much needed ease of funding for Micro Finance Institution sector plus it has also helped in improving the delivery channel with adaption of good management practices

brought about by foreign players. Eg. SKS Microfinance has raised 350 million via IPO in Capital Markert.

Q-4 **Do you think Microcredit is the Answer to Poverty Eradication in India?**

- Yes
- No
- Do not know/ Cannot say

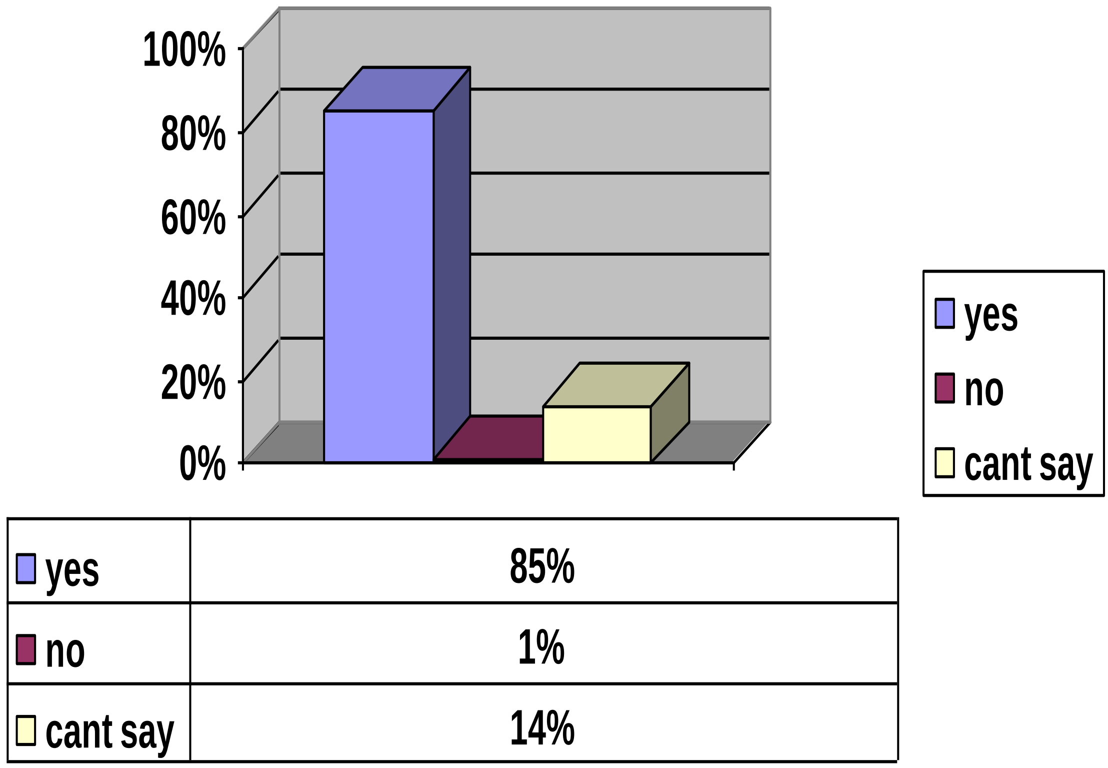


Figure 4.4 Interpretation of Question 4

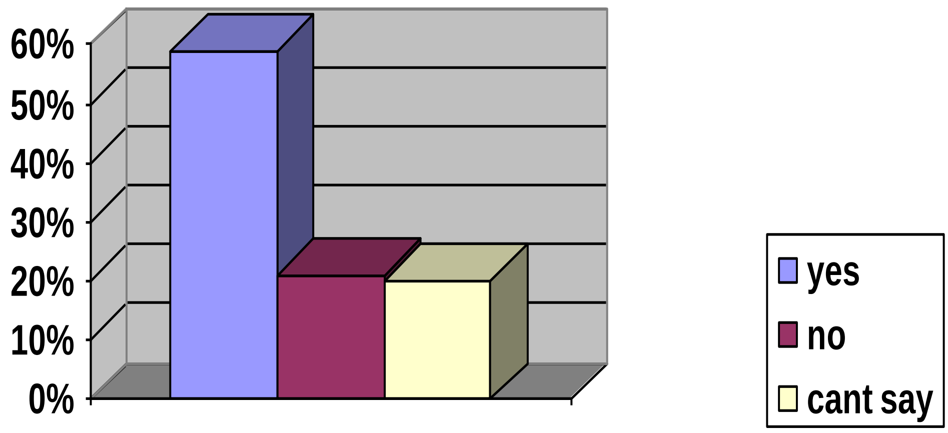
Interpretation:

- 85% of respondents answered "Yes" that micro credit funding is helping people below poverty line to eradicate the poverty by recognizing the importance of empowering all people by increasing their access to all the factors of production, including credit.

- 1% of respondents answered “No” and thinks poor households simply become poorer through the additional burden of debt and 14% had no opinion about it.

Q-5**Financing through SHGs has certain advantages? Kindly express your opinion.**

- Yes
- No
- Do not know/ Cannot say



yes	59%
no	21%
cant say	20%

Figure 4.5 Interpretation of Question 5

Interpretation:

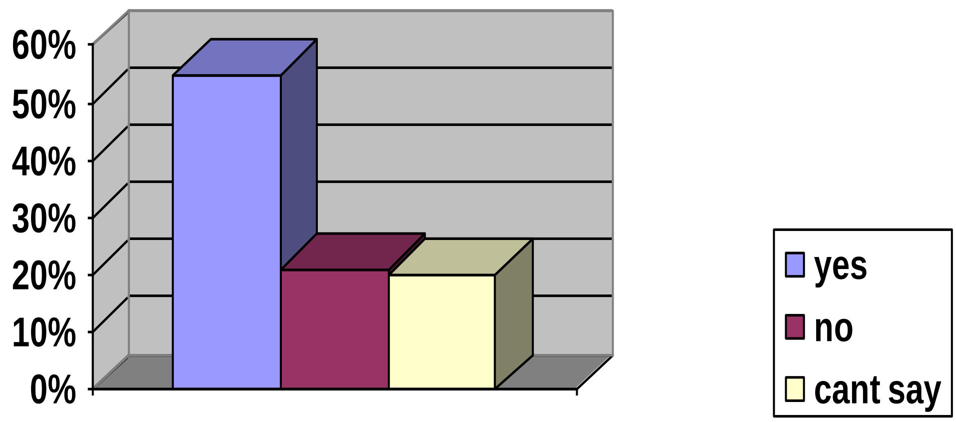
- 59% of respondents answered “Yes” to the fact that SHG’s (Self Helping Groups) are beneficiary for the people below poverty line particularly the women; it has increased their income and also improved their living standard by performing various economic activities independently.
- SHGs have benefited from approximately Rs 69 billion in financing. There is no doubt that there has been greater outreach of financial services to the poor

through SHGs nut in South India only. However, there outreach has been limited in the rest of the country. In addition to the financial analysis of SHGs, the non-financial areas such as social security and gender dynamics are also affected by the SHG Movement.

- Whereas 21% of respondents answered “No” and 20% had no opinion about the above question.

<u>Q-6</u>Can Micro-credit movement be taken as a mission?

- Yes
- No
- Do not know/ Cannot say



yes	55%
no	21%
cant say	20%

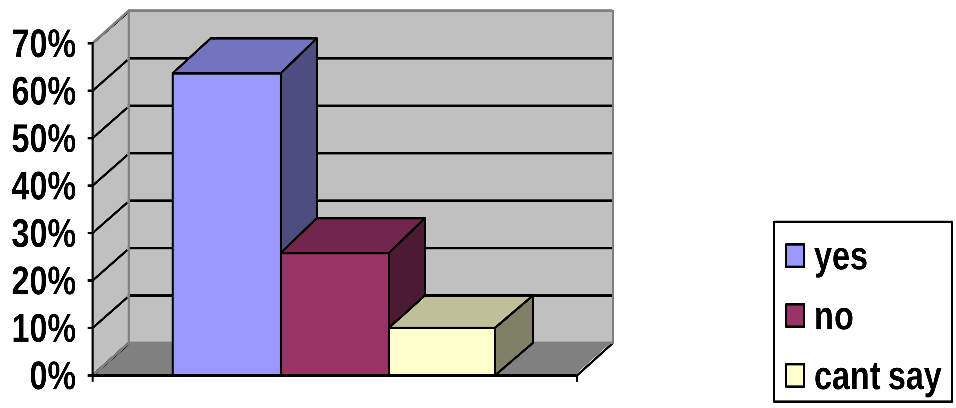
Figure 4.6 Interpretation of Question 6

Interpretation:

55% of respondents answered "Yes" microfinance enable poor people to increase and diversify their earnings from economic activity. This can help them make choices to invest in a wide range of assets: 'better nutrition, improved health, access to schooling, a better roof on their homes and expansion of their small businesses'. 21% of respondents answered "No" as there is not enough of infrastructure and social services around them and most of people have lost their traditional land and 20% of sample size had no opinion about it.

<u>Q-7</u>"Credit is the main financial service needed by the poor", Does the argument holds good in your view?

- Yes
- No
- Do not know/ Cannot say



yes	64%
no	26%
cant say	10%

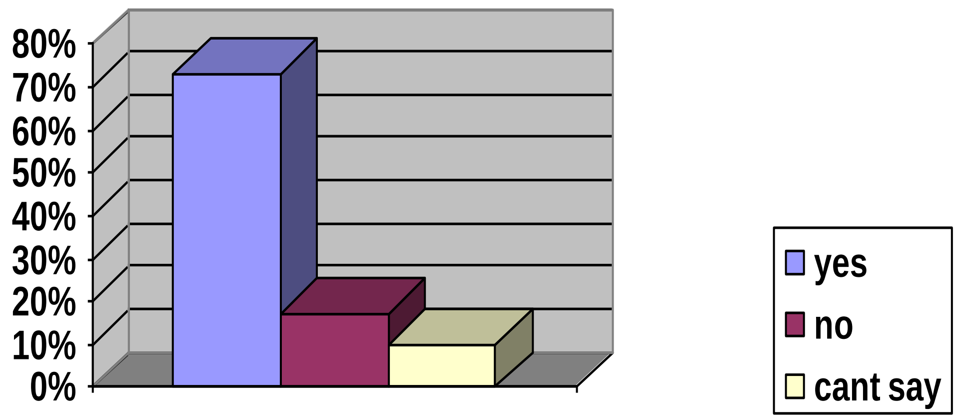
Figure 4.7 Interpretation of Question 7

Interpretation:

- 64% of respondents answered “Yes” financial services as the main services needed by the microfinance institutions.
- 26% of respondents answered “No” that with financial services the other things like education, social networks and infrastructures also plays an equally important role, rest 10% had no opinion about it.

<u>Q-8</u>“Credit can automatically translate into successful micro-enterprises”, Does the argument holds good in your view?

- Yes
- No
- Do not know/ Cannot say



yes	73%
no	17%
cant say	10%

Figure 4.8 Interpretation of Question 8

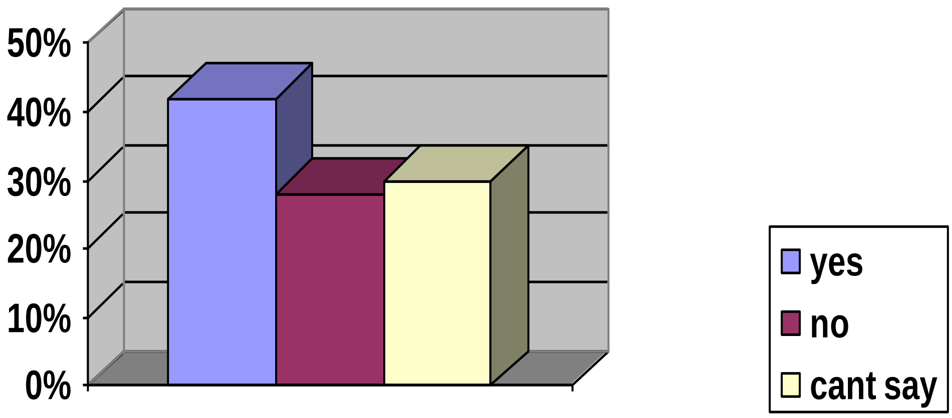
Interpretation:

73% of respondents answered “Yes” that Credit can automatically translate into successful micro-enterprises

17% of respondents answered “No” that in order to convert credit into successful micro enterprise other factors are also needed like education, training, healthcare, and other social services, and 10% had no opinion about it.

Q-9 **“Those slightly above the poverty line do not need Micro-Credit and giving it to them amounts to misdirecting”, does it hold good in your view?**

- Yes
- No
- Do not know/ Cannot say



yes	42%
no	28%
cant say	30%

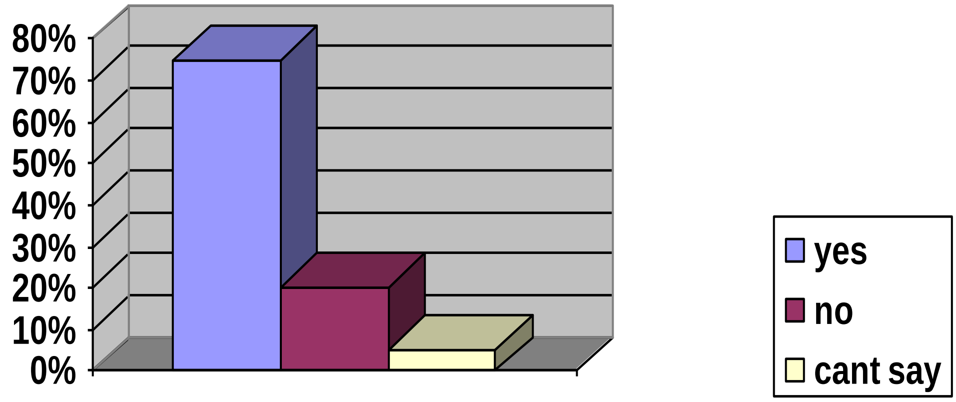
Figure 4.9 Interpretation of Question 9

Interpretation:

- 42% of respondents answered “Yes” that hose slightly above the poverty line do not need Micro-Credit and giving it to them amounts to misdirecting.
- 28% of respondents answered “No” as Microloans are more beneficial to borrowers living above the poverty line than to borrowers living below the poverty line. This is because clients with more income are willing to take the risks, such as investing in new technologies that will most likely increase income flows. Poor borrowers, on the other hand, tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed capital, or the hiring of labor.
- Now MFIs can disburse loans to a borrower with a rural household annual income of Rs.100,000 as compared with the earlier limit of Rs.60,000. In case of customers in the urban or semi-urban regions, the annual income limit has been raised to Rs.160,000 from Rs.120,000 earlier. Clearly Government policy are favoring the borrowers and want to include who were left in earlier limit.
- 30% have no opinion about it.

Q-10Is there any risk in pushing Micro-Credit for poverty eradication?

- Yes
- No
- Do not know/ Cannot say



yes	75%
no	20%
cant say	5%

Figure 4.10 Interpretation of Question 10

Interpretation:

- 75% of respondents answered “Yes” that there is high risk associated with micro-credit lending, these risk involve:
  - Credit Risk: Whenever an MFI lends to a client there is an inherent risk of money not coming back, i.e. the client turning into a defaulter, this risk is called the Credit risk. In case a client default the MFI does not have any asset to meet its loss, which makes the credit even riskier.
  - Transaction risk: A borrower may not be trustworthy and capable of repaying loan which will result in loss of loan. All loss of loan related to delinquency of individual clients which can be because client’s migration, willful defaulting, business failure etc is called transaction risk.

- 20% of respondents answered “No” whereas 5% had no opinion about it.

<u>Q-11</u>What needs to be done to make micro-credit work in India?

Micro credit programs are not suited to all poor people equally. Poor people with good oral math skills tend to participate more in micro credit programs, while those with poor oral math skills tend to gravitate towards subsidized wage employment programs, such as public works projects. Studies also suggest that the poorest of the poor are more likely to seek subsidized wage employment when they want to improve their economic situations.

That being said, micro-credit can still have a place in the arsenal of poverty reducing techniques. While not every poor person is a budding entrepreneur, it is still true that some of them are. In India, as much as 1% of the population is composed of new entrepreneurs working their way out of poverty each year. This is better than nothing. The fewer people in poverty, the easier it will be to tackle to problem.

It has helped some families out of poverty and increased the store of knowledge as to what poverty is and how it operates. It has also given some insights into what not to do when trying to relieve poverty. These are all valuable contributions. But the hype surrounding micro-credit is unwarranted. It will probably not be a major factor in the overall reduction of world poverty

<u>Q-12</u>What are the terms & conditions for accessing micro credit through Micro Finance?

Some urban-focused microfinance institutions in northern India. It is reaching out to women, those in greatest need of family economic stability and in whose hands microfinance has proven to translate into better health care, education and living conditions for their children. By working closely with women through solidarity lending groups and educating them about various financial, insurance and support services available, these institutions are fostering a new holistic model of accessible, affordable micro-credit to help break the cycle of urban poverty.

4.2.1 FINDINGS

- From the data collected above we can observe that there is major population in India which is living below poverty line, and use micro credit finance to give a kick start to their small business which will serve as source of bread to them.
- There is also a huge risk involved in pushing micro credit for poverty eradication, as the paying back capacity of people in this segment is lower or many of them also cause default in the same.
- We also observed that people below poverty line are mostly illiterate and as a result they are mainly employed on daily wages basis instead of starting their own business, so it is also necessary to give them other assistance like knowledge, education and help them in starting project.
- Now micro-credit is taken as a mission in order to improve the economic condition of the weaker section of the society.
- We also observed that women are majority to avail this facility to start their own business.

The success of the micro credit programme would change the future of 320 million poor in India. In order to keep the non-bureaucratic characteristics and autonomy of these NGOs, it is imperative for them to have a self-regulatory organization [SRO]. Banks should deal with NGOs or MFIs that are members of the SRO and have better track record. This will encourage them to become members of SROs. With a view to arresting the mushrooming growth of unscrupulous NGOs, it is better to have this mechanism in place of formal regulation and supervision of micro finance institutions, rather than keeping them totally free. The experience of micro credit under the Indian context shows that the poor can save and use credit in a productive manner, provided appropriate institutional mechanism that are sensitive and responsive to the needs of the poor and specific products and services that meet these needs, are designed.

The efforts made by different agencies in documenting the performance of SHGs bring out the following positive impacts:

a) Increase in loan volume of SHGs reducing adverse selection,

b) Definite shift in the loaning pattern from consumption to production activities,

c) Highly reduced default rates

d) Significant reduction in transaction costs of lending and

e) Gradual increase in the income levels of SHG members.

In order to evaluate whether CGAP and other micro lending programs will actually achieve the goals they set for themselves, it is important to distinguish between the two types of micro lenders: those whose primary goal is empowerment of the poor and those whose primary goal is profit. The field is already crowded with micro lenders of the latter variety whose exorbitant interest rates keep the poor trapped in a downward spiral of debt. What is desperately needed are more micro lenders committed to the empowerment of the poor. The laudable successes of microcredit programs like the Self-Employed Women's Association (SEWA) of Ahmedabad was not won overnight nor was it derived from a simple process of making small loans to the poor. Micro lenders like SEWA combine low-interest micro loans with labor advocacy on behalf of women employed in the informal sector, with provision of health care, training and other services, thereby raising the wages, education and standard of living for the women it serves.

4.2.2 SUGGESTIONS

The banks should simplify the loan procedure and application forms to reduce the time gap between the intention to avail of loans and the actual disbursement of the loans. Branch Managers should have the authority to sanction and disburse the loans on the spot. Thus, empowerment of branch manager is also imperative. Business hours of the branch should be in accordance with the local conditions. The bank branches should be opened at the most appropriate and accessible time. The biggest problem in rural banking is time management by the commuters. Most of the staff members commute from the nearby towns. They usually keep their families at nearby town to avoid the hardships of the village life. Under these circumstances they are not in a position to establish close links with the village entrepreneurs. The way out is that branch should be manned by the local persons that have the required qualifications and attitude. This is possible only when banking subsidiaries or micro credit foundations are created by restructuring the rural branches. The local persons can work with comparatively lower salaries and allowances.

1) Micro-credit must have a flexible system of savings and loan repayment so that those with uncertain incomes can also participate.

2) Prior stipulation of amounts to be saved, amounts to be paid back exclude the poorest of the poor.

3) Micro-credit by itself can only have a limited impact and therefore programmes have to be packaged to provide other inputs as well, such as training and capacity building on a continuous basis.

4) Other inputs required are support for technologies which will provide value-addition and drudgery reduction, marketing support, storage facilities.

5) In the case of agricultural activities, the support package needs to include training on the manufacture and use of bio-fertilizers, bio-pesticides, provision for irrigation, land development, inputs like seeds, and special facilities for seed and grain storage, purchase or lease of land for the landless.

6) Micro-credit alone is insufficient to alleviate poverty. Women’s groups need their capacity built in end-to-end planning and execution of micro projects.

7) Knowledge is a key instrument of empowerment. Apart from micro-credit, women require information and knowledge related to livelihood options, finances and political processes.

Knowledge transfer has to extend beyond knowledge related to savings, book-keeping, accounting, investments and information about the banking system. Successful micro-credit programmes are those which mobilize women first on non-banking related issues and only once the social mobilization process has been strengthened, does micro-credit issues come up.

4.3 CONCLUSION

There is a serious necessity for credible enforcement and the need for formal regulation in the field of Micro Credits in India. At present, the MFI sector is being judged by its worst rule-offenders. Until those MFIs face the real threat of clearly defined and formally enforced sanctions for their misbehavior, their incentive to invest in better governance and accounting practices will be insufficient to prod them towards reform. Thus, formal micro credit regulation should impose and adequately enforce the following MFI transparency norms:

1. Uniform financial statements and reporting guidelines for all institutions offering micro credit. This must include unambiguous norms dictating how MFIs must treat non-performing loans.

2. Clear interest rate disclosure guidelines, including standards for disclosing loan processing fees, bad debt provisions, and all other ancillary and/or hidden charges.

3. Well-defined MFI staff behavior norms with clearly stipulated sanctions for rule breaking institutions.

4. Requirements mandating that all MFIs above a certain portfolio threshold be audited on an annual basis by a chartered accountant trained in MFI auditing practices.

- Some good examples are those of SEWA in Ahmedabad (that first organized women around issues of the informal economy) and SPARC (Society for the Promotion of Area Resource Centers) and NSDF (National Slum Dwellers Federation) in Mumbai (which first organized pavement dwellers on issues of land tenure and housing rights) and only later embarked on their micro-credit and banking for the poor.

- NGOs like SEWA and Lokadrushti (based in Nuapada district in Orissa) and UNDP SAPAP (South Asia Poverty Alleviation Project) set up banks for the poor, only when the mobilization work had gained momentum because the needs of the poor were not being met by the formal banking system.

4.4 LIMITATIONS AND FUTURE SCOPE OF THE STUDY

- All the analysis is not checked for the reliability as it is only based on research papers knowledge and secondary research.
- limitations with regards to availability & accessibility of various sources of the secondary data.
- Some responses may be not correct or responses may not be filled up with sincerity.
- Samples could be selected more carefully.
- For the future scope the sample size of the primary research could be increased and more number of questions could be framed.

CHAPTER 5

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ANNEXURE

ANNEXURE

1. **Do you think the innovative methods & Initiatives taken by Micro Finance for micro credit promotion in Delhi is going to achieve desired goals?**
   - Yes
   - No
   - Do not know/ Cannot say

2. **Does a Non-Government Organization (NGO) play any role in approaching needy people of Micro Credit?**
   - Yes
   - No
   - Do not know/ Cannot say

3. **Do you think Foreign Investment should be allowed in Micro Credit Projects?**
   - Yes
   - No
   - Do not know/ Cannot say

4. **Do you think Microcredit is the Answer to Poverty Eradication in India?**
   - Yes
   - No
   - Do not know/ Cannot say

5. **Financing through SHGs has certain advantages? Kindly express you opinion.**
   - Yes
   - No
   - Do not know/ Cannot say

6. Can Micro-credit movement be taken as a mission?

- Yes
- No
- Do not know/ Cannot say

7. ‘’ Credit is the main financial service needed by the poor” Does the argument holds good in your view?

- Yes
- No
- Do not know/ Cannot say

8. “Credit can automatically translate into successful micro-enterprises” Does the argument holds good in your view?

- Yes
- No
- Do not know/ Cannot say

9. “Those slightly above the poverty line do not need Micro-Credit and giving it to them amounts to misdirecting” Does it hold good in your view?

- Yes
- No
- Do not know/ Cannot say

10. Is there any risks in pushing Micro-Credit for poverty eradication?

- Yes
- No
- Do not know/ Cannot say

11. What needs to be done to make micro-credit work in India?

12. What are the terms & conditions for accessing micro credit through Micro Finance?