

How They Did It

Stories on Changing the Lives of Poor People
through Micro Finance



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Illustration:

There is an inspiring story in every illustrations given in this book.



How They Did It

Stories on Changing the Lives of
Poor People through Micro-Finance

By

Anil K. Singh



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Dedication

To those who with unwavering nerve and inexhaustible
zeal, advance social and economic enterprise
throughout India through the powerful bow-wave of
micro-finance

अखिलेश यादव



मुख्य मंत्री
उत्तर प्रदेश

मुख्य मंत्री कार्यालय, उ०प्र०
संख्या-612 / पी.एस.सी.एम. / 2012
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लाल बहादुर शास्त्री भवन
लखनऊ

दिनांक : 26 अप्रैल, 2012

संदेश

मुझे यह जानकर प्रसन्नता हुई है कि उद्यमिता एवं आर्थिक विकास केन्द्र (नीड), लखनऊ निर्धन तथा कमजोर वर्गों के उत्थान के लिए कार्य कर रहा है। संस्था द्वारा अपने कार्य क्षेत्र के प्रासंगिक एवं सफल उदाहरणों पर आधारित कहानियों के संकलन को प्रकाशित किये जाने का निर्णय निश्चित रूप से प्रशंसनीय है।

मैं आशा करता हूँ कि पुस्तक में गरीबी उन्मूलन, स्वरोजगार प्रोत्साहन सहित समग्र विकास के सम्बन्ध में उपयोगी सामग्री का समावेश किया जाएगा।

पुस्तक के उद्देश्यपरक प्रकाशन हेतु मेरी शुभकामनायें।


(अखिलेश यादव)

This is the message that we have received from the Chief Minister of Uttar Pradesh, Shri Akhilesh Yadav, complimenting our work. Every member of NEED, from our staff members to the associates at the grassroots, would like to sincerely thank Akhileshji for this messages that will keep us inspired...



MF Supported Community Health Service Provider as Social Enterprise



Farmers Club Supported by MF in a Training Programme

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- **Every member of NEED's Governing Board team** and associated members of the community from rural and urban slums for their valuable feedback that pushes my team to continuously improve on their performance.

-**The entire team** of SIDBI, NABARD, and other public and private financial institutions for extending support to NEED, because of which we are able to empower artisans and clients through microfinance.

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-**Oiko Credit**, Netherlands, an international organization on microcredit through social enterprises, and its India Regional Office, Hyderabad, for continuing their partnership with us. They also supported us in the production of a documentary film, "**Need of the Hour**", the first ever film to tell the story of NEED's quest to

incorporate social dimensions like health, education, livelihood promotion and fair trade under its umbrella through a non-profit mindset.

-International experts, volunteers, interns and faculty groups from both India and abroad, including from Harvard University, of Business School IIMs and IITs, who spent days and nights both in the villages and NEED's field offices, understanding NEED's manner of functioning in reaching financial services to the 'bottom' level, comprising millions of people.

-Every writer who contributed an article or chapter to this book, right from senior Policy Officials of the Government and Banking Institutions to consultants and friends who've come forward to bless this book.

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I end my acknowledgment by profusely thanking my wife Pushpa for her infinite and unconditional love, and for bringing stability into by personal and work life. As Development Manager (Fair Trade) at NEED, her commitment has kept this department growing. I also thank my son Annu for teaching me right from wrong, and my daughter Kitty, who often becomes a 'trainer' to me, giving me reality checks time and again...

Anil K.singh

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*Social & Economic Enterprises
always go hand in hand in MF Operation*

Preface

This book is the product of my urge to pen down the experiences of my sixteen year journey through this surging field of microfinance and community mobilization. When I set up the Network of Entrepreneurship and Economic Development (NEED) at Lucknow in 1995, microfinance as a movement and practice was becoming firmly rooted in India. During this process, India had borrowed many lessons from the success of the Mohammad Yunus' and the Bangladesh Grameen Bank's pioneering vision of poverty alleviation through small loans for the poor, mostly women. The Self Help Group, which was the unit through which microfinance was channelled, had sprung up in many parts of India too, and the signs were encouraging. Groups of poor, mostly rural women could save together, and they could draw from this collective saving for their needs. With more discipline and maturity over time, they became eligible to avail of loans, and were then linked with banks or other financial institutions, such as Microfinance Institutions (MFIs). Portfolios expanded, and hundreds of poor women availed loans to set up their own enterprises, through which they earned an income. To a fair extent, it brought stability to their income levels that had so far depended on the monsoon (in case of agriculture), or on their husband's capacity to earn and manage the income. This way, the SHG became the core of the microfinance movement. Microfinance Institutions too set up their own models based on various criteria – what rate of interest they would charge, what the repayment schedule should be, and how they would deal with defaulters. And yet, at NEED, we did not pick out any single model from the range of existing models of MFIs. Rather, we've gone through our own ways of internalising microfinance.

My years in this sector only reinforced the belief that although we microfinance institutions have certain common goals and objectives, the philosophy and approach we choose to follow are very much our own. Only through years of trial and error have we been able to perfect the balance between our financial goals on one hand and our social commitment on the other. For NEED, these two aspects always complemented each other as two sides of the same coin. One side

simply does not survive without the other.

Ever since the microfinance movement in India took root in the 1990s, it has enjoyed a more or less steady growth. Then came a phase where the rate of growth soared, motivated by quick profits. As it often happens, the boom was followed by a bust when news of disturbing incidents such as suicides by some borrowers of certain MFIs in the state of Andhra Pradesh surfaced. A few MFIs, who had gone over the top with their profits, had managed to taint the image of the sector as a whole. It is at this point that my convictions just got stronger than ever: that microfinance is a human and social endeavour. Money is just the conduit.

While it is possible to make profit through microfinance, I believe it can very well be done without cornering the poor into debt traps or charging them unreasonable interest rates. Why should the poor have to bear the burden of our organizational costs, for which MFIs are free to access grants? The whole point of writing this book is only to share our experiences in walking this much-talked-about tight rope between providing credit to the poor at a reasonable rate, and at the same time, earning enough profit to run our organization successfully. Fifteen years is good enough time to see whether our model has worked. And if it has, perhaps many in the microfinance sector and the social sector would be interested in understanding how. I'm glad to say this philosophy has stood the vagaries of time and its external forces; but at times I wonder if we also stand as a counter point to the image of a typical MFI. I leave that decision to you. The hope remains the microfinance will continue to be an engine of growth; and a tool of empowerment that it was envisioned to be.

In this book, we have tried to catalogue the stories and experiences of our clients to highlight the grassroots reality of microfinance provision. Days were spent in the field, gathering information from a number of villages. Through one-to-one observations and interactions, the stories began to take shape. Thanks to the frankness of the poor people, their values and knowledge has enriched us with valuable lessons which have been collected and present in this book. However, besides documenting the successes and achievements of the poor, it was also felt that the book should address several other issues debated within the microfinance community. It therefore aims to raise concern

for low accessibility of financial services for the poor, their meagre bargaining power, paltry entitlements and issues of direct participation. NEED would also like to share both its achievements and learning experiences. I hope this book gives the reader more insight into the dynamics of microfinance provision.

This book is divided into four sections.

Section 1 spells out NEED's historical context, its experiences in mobilising communities, the establishment of a variety of social interventions, failures and triumphs, our own organisational set up, and finally leads to the larger questions that the microfinance sector faces. It ends with a note on the meaning of financial inclusion, tied up with the upcoming endeavours of NEED.

Section 2 is a set of case studies, the microcosm within the macrocosm, providing a glimpse into how individual lives have been transformed. Hundreds and thousands of such transformations bring about change at the community and societal level. An MFI's repertoire is incomplete without them, but I assure you these stories are certainly colourful and truly celebrate the human spirit.

Section 3 contains the memoirs of NEED's professional associates with whom NEED has worked over the last several years. Our associations with them may have been long or short, but the mutual learning has been immense. We take this opportunity to specially thank all our contributors who willingly sent us these articles.

The final part,

Section 4 is a subsection with comments and contributions from our patrons, who have weathered storms with us, and celebrated the calm. Again, I thank all our contributors for sharing their thoughts and ideas with the readers. I hope this book makes an easy read, above all. Even if it is about our microfinance programme, there are no complicated economic theories, because it is meant to be open to anyone from the development sector.

I hope you enjoy the NEED story!

Anil K. Singh

SECTION-1



Pre- Micro Finance Operation



Post- Micro Finance Operation

Name: Sarita Verma

Age: 19 years

Marital Status: Single

Occupation: Student and *Chickan* work



Family: Lives in Ramuapur with parents & five siblings Father is a farmer and mother is homemaker (Agriculture the only source of regular income for the family)

- She has been a member of the SHG for last two years and is now the treasurer of the SHG.
- She learned the *chickan* work at a camp organised by NEED and works 3-5 hours a day
- She contributes Rs 50 per month as savings each month from her own income, which she generates from the chicken work that she do on part time basis in her free time.
- She is now studying at an undergraduate college and takes credit from the SHG to pay her college fee

Sarita says

- *“I started working to support my education, as my family couldn’t afford it and now I am earning along with my studies and feel much confident. Thanks to NEED for training me and helping me get work, else I would not have continued my education”*
- *“I feel that the group is there to constantly support me as and when I need any help—financially or socially.”*

Prelude : Learning to Dream

NEED is as much a result of my earlier years and struggles as it is of my experiences. More importantly, I look at NEED not as my success but an opportunity that helped me pursue some of the things I wished to do.

I come from Bihar, considered to be one of the most backward States in India. My parents and grandparents struggled to give me a good education - my father worked in the fields while my mother, who is currently suffering from Alzheimer's disease, used to do house hold and farm related jobs for a pittance of an income. In those formative years, farm work was part of my life even though my parents tried their best to get me schooled. Those years retain their hold even today despite changes in my lifestyle. As I grew up, there was this feeling of poverty and the uncertainty of tomorrow. In such a life, a government job was what people dreamt of as a source of security. Still fewer could live that dream. The white ambassador car, a regular income and a permanent job were far cry from the bullock cart and the vagaries of farmlands and nature. I think my parents dreamt of such a lifestyle for me and that kept them going.

I went on to study and advance research at Xavier Institute, Ranchi, and then the Indian Institute of Management (IIM), Ahmedabad. I also got to work with a one-of-a-kind grassroots project of the Industrial Development Bank of India (IDBI), mooted in India for the first time. This project dealt with extensive development of cottage and village industries, being carried out under the sponsorship of IDBI. My work regularly took me to rural areas. I started work at Chandauli Block in Gaya district of Bihar towards upgrading the skills of small artisans and marginal farmers. We installed community based Blanket Weaving Units, gober gas plants and smokeless chulhas. The emphasis was on exploiting renewable sources of energy and setting up eco-friendly cottage and village industries. Soon, the entire rural areas were declared 'smokeless' by the government. Our effort yielded results and the project was a big success. Through and through, I began to gain new perspectives of grassroots realities. By now, my parents were pleased with my life - a good, regular income and job security.

But these good things did not last. Because I was always in the field and these projects often upset caste hierarchies, I started receiving threats from groups backed by the zamindars (landowners) and upper castes. Apparently, marginal farmers becoming self-reliant were not in their interest. My beard added to my troubles, as I was sometimes mistaken for a Naxalite with links with the leftist outfits of Bengal. Fortunately, I was soon posted at Lucknow as Faculty Member and Training Cell Coordinator at Entrepreneurship Development Institute. Here worked on creating a model for bridging the technological gap in the rural sector. I first targeted the lock industry. In many renowned lock industries, the handle of the lock was moulded manually. We upgraded the technology in these units. During these years, it was an eye opener to see the level of exploitation of labourers in several such sectors. I savored these little successes, but under my feet, the atmosphere in the institution was becoming bureaucratic and stagnant. Soon, the space for innovation and experimentation began to shrink. It had been a decade and a half since I started working and I found myself suddenly questioning so many things I had taken for granted. The system held sway in such a way that for every innovation that gets accepted, there are innumerable bright ideas that get dissipated and rejected. Organisations are structured to ensure their sustenance but that very structure generates, at some point or the other, bureaucracies and power groups that begin to have a way of their own. Freedom of decision and choice become the biggest casualties in such situations. I had the choice to either accept the situation or get out of it and try something different and do what I would want. It was not easy - I was married and we were expecting our 2nd child. I had to return to uncertainty from the mundane life of certainty. I finally put in my papers and accepted the financial insecurity that came with it.

It was hard to give up the idea of being 'employed'. So, while I moved to social sector, I continued to look for a job. I began to work with the Sewa Mandir in Rajasthan. I was trying to see if I am cut to do the kind of work I set out to. Putting in my savings, I enrolled for the Faculty Development Programme at Indian Institute of Management, Ahmedabad. Prof. Ravi Mathai, the then Director of IIMA, was an

Prelude

unforgettable influence.

At this stage, I found myself questioning the reason why huge resources from various sectors did not reach the communities that they are meant for. I wondered why those who passed out from prestigious institutions never tried their hands at working at the ground level. I tried to reason, like many others in the sector, about the causes for such rampant poverty. I realized that the poor were never part of our planning process, even in case of the very schemes that were meant for them. I understood that this was not because of the poor people themselves, but because of the non-participative structures, and the execution process, perhaps. Is this why the nearly two lakh financial outlets remain inaccessible to 80 per cent of the population? And what was my chance, (as a social entrepreneur that I saw myself becoming), to bridge this gap in whatever small way I could?

By now, I realized that being 'employed' came with its own constraints—whatever the organization. More importantly, those organizations are set up with a purpose by whoever promoted them and that purpose need not converge with my ideas fully. So the question again cropped before me – if I should be employed or to have my own organization and do those things that I want to. Anyway, it looked the best way to do things my way – right or wrong.

Having grown up in rural areas, having been educated at renowned institutions and having come back to the grassroots communities, I thought I had the experience to do what I want - to work with rural and poor communities in improving their standard of living. It also meant that I had to focus on livelihoods and enterprise development. That is how I got into setting up NEED in 1995.

Anil K. Singh

Chapter -1

The Historical Perspective Of NEED And Its Microfinance Operation

The Genesis :

NEED was set up on 22nd May, 1995; and its overall vision is to work for the upliftment of the oppressed sections of society, especially women, artisans, farmers and children.

Today, NEED has a staff of 280, with 39 units and branch offices covering 6,200 towns/ villages and 32, 50, 000 members with which it works in various programmes.

But in May 1995, when we set it up, our office was in a garage. I held the grand position of promoter and full time employee. Mr. Ratan Singh Mehra, an ex-colleague, volunteered to help me with his inputs.

I conceived NEED with an idea to promote an organisation working with rural communities for their development. This obviously led me to focus on livelihood activities and micro enterprises- areas that would ensure economic development of the community in the long run. Other services would follow if income issues are addressed. My next agenda was to target Bihar and Uttar Pradesh-both states with large numbers of poor people. I knew these States; I could relate to its people and understand the working of the communities—a matter so important when working with grassroots issues.

NEED's approach was similar to that of many other leading NGOs of the day, all of which strive to improve the living conditions of the underprivileged sections of society. But it placed greater focus on capacity building through development training of the identified groups. Alongside, NEED sought collaboration by networking with similar organizations in India and abroad and drew from their experiences.

Organizing the Community :

On the ground, this meant that NEED started organising people from the rural poor communities and forming them into groups. Groups were formed for various purposes and they were also trained. The common goal of all this training was to empower communities to take collective action and find solutions to pressing issues. In the same vein, such a manner of organising people to come together for a common cause was the first step for NEED. We formed Self Help Groups (SHG), Mahila Mandals (MM), Water User's Group (WUG), Farmer's Interest Groups (FIG) and Joint Liability Groups (JLGs). For example, the Joint Liability Group (JLG) was a non-saving group with four to six members belonging to similar social and economic categories. The JLG is a group that can be formed quickly, and they usually come together to take loans to set up their own enterprise. Then there was the Water Users Group (WUG), whose job it was to manage the water resources of the village and provide irrigation for the crops. For example, a group could take a loan to install a bore well and a hand pump, and the members would share the expense as well as the resource, i.e., water. They were also allowed to sell water to non-members. The Farmers' Interest Group was another group that we set up. This group was to engage in increasing agricultural productivity by pooling together resources such as land, water, other inputs and reclaiming waste land, thus maximizing output in the attempt to reduce food insecurity. These groups comprised 5-6 members each with similar profiles. The groups also took up organic farming, diversification of agriculture, including in the domain of technology, horticulture promotion and intercropping. At the base of it all was a strong value system of transparent and participative execution of work. All groups put together, the membership added up to 19,000!

It took some time for the groups to grow out of their conventional mode of doing things. They had to try out intercropping, adopt new technologies and diversify their crops. Beyond that, they had to become aware of their rights as farmers and learn to take up responsibilities as a group rather than as individuals, and that was

precisely the challenge. These tasks included planning, execution, monitoring and follow-up credit linkages with banks, procurement of input supplies, disbursement of inputs and the like. In fact, caste politics had a role in the beginning, but with continuous interface between our team and the people, as well as planned administration, these problems began to fade. We kept these groups constantly motivated with on-farm demonstrations, capacity building, exposure visits and facilitating linkages with enterprises in their line departments.

Access to Service the Social & Financial Services :

NEED understood that the credit requirement for these groups was critical. They needed adequate social and financial services if their dreams were to be realized. At this point, NEED still had no knowledge or experience of microfinance, and this gap needed to be urgently filled.

Very soon, the women's' Self Help Groups too became part of the picture, but it took longer to get this group into action, as the motive was 'saving'. NEED trained these groups in various skills such as group management and promotion, the process of availing loans, of managing credit, of keeping proper accounts and records, of advice on livelihoods, skill upgradation and the modus operandi of setting up microenterprises. Similarly, groups of women, artisans and the youth were trained in many of the above aspects. During this time our operational costs and salaries were met by funding from Ford Foundation, MISEREOR, SIDBI and Empower Foundation.

Meanwhile, there were several rural development programmes launched by the government, Regional Rural Banks and the Scheduled Banks. We approached these banks in the hope of fulfilling the credit needs of these groups. Even project-driven departmental institutions like Khadi Gram Udyog and Pradhan Matri Yojna were approached. After a great deal of effort, we were finally able to facilitate loan procurement for many of our groups. This consequently led to a spurt in growth, as the groups were able to set up microenterprises and they flourished. In the course of time, as their businesses grew, came the

need for larger amount of financial assistance. The enterprises had reached the point where they needed recycling of credit. All in all, this demanded continuous and uninterrupted supply of credit.

It is here that the banking institutions fell short of the demand. On their side, the decisions were probably guided by fear of bad loans and lack of trust in the poor people's ability to repay. So the gap between demand and supply remained. But even during this time, NEED continued to train community groups as before. NEED began to implement projects by directly involving the community. The emphasis was on skill upgradation and linkages with public health initiatives. The modules included a host of themes like formation of SHGs, communication material, group conflict management, gender-sensitive production, entrepreneurship, participatory management, and on how to prepare a business plan and project report. These training programmes continued over three to four years, for which we obtained support from NABARD, SIDBI, DFID and MISEREOR.

While the results of all these inputs were encouraging, and the community responded well, the pressing problem remained that the enterprises which had been set up a couple of years ago needed working capital, and the banks were still unable to fulfill this need. More than anything else, the bankers and the potential borrowers could find no common ground on which to work out their requirements. From the perspective of the poor communities, they already come with the notion that banks are not meant for people of their social and economic status. Moreover, they had no collateral to offer. Most of the poor being only partially literate, were unable to go through the elaborate documentation procedures. The banks viewed the poor as illiterate and lacking discipline in adhering to banking procedures. Many who have tried have returned with unpleasant experiences, like being asked to come the next day and the day after. There are cases where even the sweeper in a branch has asked for his share of commission. Such incidences put off our prospective borrowers.

From the banks perspective, the loan amounts were too small to be economically viable, and it was difficult to carry out so many

transactions in branches that were understaffed anyway. This was despite the priority sector lending norms.

By this time, the enterprises that our groups set up ranged across many sectors. They included farming, service, repair, craft, jute, zardosi and handmade products. The fledging microenterprises, which had been set up by these villagers with much support, handholding and enthusiasm, were now reaching a point of stagnancy. They no longer had the money to buy inventory, expand the business or employ workers. To our great dismay, we saw them start to break up. Many of them were first generation entrepreneurs, who began to give up and return to their earlier, menial occupations. Some ended up pulling rickshaws, and others got into construction work and other kinds of manual labour. They sunk back into their earlier levels of poverty. Where they had started getting used to three meals a day, it was back to just one meal again. As incomes fell, children dropped out of school and were called in to supplement it. The members of NEED team watched in utter despair and helplessness. For us, it was ten years of hard work and toil going down the drain, simply because these people did not have access to working capital. All our hopes of trying to facilitate loans from banks had evaporated.

Were we just about to give up? Well, nearly. It was just as hard to let go. Paradoxically, at the same time, we received requests from branch managers of various banks to organise exposure visits to SHGs. The bank staff, it seemed, had developed an interest in understanding and learning from the SHGs and we saw this as an opportunity to bridge the existing gap between banks' understanding of the poor communities, and the poor community's genuine need for credit. Although there were staff members within the banks who were initially reluctant to join this programme, they soon fell in line.

These exposure cum training programmes turned out to be a great success, and the NEED team was rewarded with a heart-warming word of appreciation that “nobody taught us as much as the SHGs”. Mind you, this success did not make it any easier for us to facilitate loans for the poor, but at that time we were still savouring this achievement.

Team Response to Micro-Finance:

Despite NEED not having any exposure to microfinance, the insights that the team had gained, and the experiences over the last ten years proved useful. NEED started putting aside some money that could be used as a seed amount to start its own microfinance operations. This was done by putting aside a little from each of the existing projects, until it reached a sum of Rs. 6 Lakhs. The motivation to enter microfinance also came from our belief that SHG-based savings for consumption needs may not help communities to develop sustainable livelihoods, unless it was linked to provision of credit. Following on this idea, the first set of loans that NEED disbursed were to its meticulously appraised community members, at a rate of 12 per cent interest, on a yearly repayment basis. The loans amounts were between Rs.5000 and Rs.6000. This operation was undertaken with much caution, as we at NEED had a very sketchy knowledge of credit operations. We even felt afraid of internalising the “values of the money-lender” class we despised! Nevertheless, these initiatives gave us a feel of how microfinance actually worked among the rural communities, and our experiences were highly encouraging. Not only did we enjoy hundred percent recovery, but were delighted with the completely changed attitude among the borrowers. Many of them were those who had left their enterprises and gone back to casual occupations; others were first-time borrowers whose status had been well appraised. They had become enthusiastic entrepreneurs, and were even willing to take risks both in the local and mainstream markets. They began scaling up their operations, diversifying their products, involving their family members and unemployed youth into their businesses, and most of all, becoming self motivated. The mood at NEED was triumphant. We had arrived at a turning point with the success of this start-up microfinance venture. In this way, microfinance became an indispensable part of NEED's operations.

At this critical phase, I met my old friend Mr. Vijay, who was heading BASIX, a flourishing microfinance institution based at Hyderabad, Andhra Pradesh. No one could have advised better on how to go about this new microfinance arm. Vijay gave NEED the thumbs

up to keep at its own microfinance operations, rather than wait indefinitely for other sources. “Go ahead and fulfill the dreams of the poor”, said Vijay, who continues to be an inspiration and a guiding light for NEED.

In this manner, NEED's microfinance operations began in 2005-06, with a seed capital of Rs.5.35 lakh. Much of this was the money saved from the consulting fees earned from the assignments commissioned to NEED by DFID. These consisted of conducting training programmes for banks on topics like SHG, livelihoods, microenterprises, financial inclusion and gender issues. These were conducted across 13 states of India. It was this money that we distributed among one of the rural blocks, for a year. This was a period of apprehension because the team lacked experience. But as the year progressed, the team gained confidence and was soon ready for full-scale operations.

Institutional Development Support (IDS):

With this new-found venture to show, NEED was able to obtain Institutional Development Support from a host of funding organisations like the Ford Foundation and MISEREOR. This was a big leap forward, as it was in the form of both grants as well as in terms of building a good structure and system for the organization. We put in place many aspects like office timings, seating arrangement for the staff, customised software for our use, and were also taught how to create an operating manual. We extend our gratitude to Ms. Rekha Mehra of Ford Foundation and Mrs. Benazir Lobo Budder and Mr. Steffen Ulrich of The MISEREOR who helped NEED move ahead during this period. The technical aspects of the IDS were provided by BASIX, Hyderabad, and Microsave, Lucknow. It comprised several aspects such as:

Conducting a SWOT analysis and thus understanding the strengths and weaknesses of the organisation. This exercise was carried out in partnership with BASIX.

Capacity building of the Directors and senior management personnel of NEED

Capacity building and rigorous on-the-job training for the staff of NEED

Handholding support on how to adhere to an agreed plan and timeline

Promotion of Self Help Groups and their linkage with banks and microfinance institutions. Once we reach a stage where we are no longer in a position to supply credit to our borrowers (as their loan amounts keep increasing with the expansion in their business), these SHGs were to be linked with banks

Recruitment of staff and their training:

Creating and choosing technologies that are convenient and suitable to our use Exposure visits and interface with other organisations such as BASIX and Casphor at Hyderabad. This helped in learning and sharing experiences.

Internal Audit and Control, in which we received support from BASIX on how to conduct an internal audit

Resource mapping and counseling:

This exercise was undertaken to construct a projection of the quantum of future loan requirements to be ploughed into the field, and the corresponding manpower required to operate these loans

Institutional Dev. Support extended to NEED:

Issue	Intervention
Understanding the organization and assessing the strengths and weaknesses.	Diagnostic study by two experts Exposure visit of Directors and senior management
Capacity building of Directors and senior management	Three senior officers to be identified to implement the Information Technology-Institutional Development
Capacity building and on-the-job rigorous training	Intervention (IT-ID) to be sent to BASIX Hyderabad, who will be sent to different institutions in the field for 3 months
Vision building and developing an agreed action plan	2-day design workshop for 10 persons for 2 days
Hand holding and facilitating implementation of 18 month agreed plan	Quarterly review and consulting

With all our credentials and previous experiences in tow, NEED procured its first ever term loan from the Small Industries Development (SIDBI). The term loan support was accompanied by capacity building grants for the microfinance operation of NEED. Over the next three years, SIDBI provided us with a lot of guidance on team building, technology and software, Management Information Systems, audit and control, and grant support for skill upgradation. Our special thanks for this goes to Shri B.Seth, the then Deputy Managing Director, Shri Brij Mohan, the then Executive Director, Shri A.Vikraman, the then Chief General Manager, and Shri N.K.Maini, currently the Deputy Managing Director and then The Branch Head of SIDBI's Micro-Finance Mrs. Bhavana Srivastava, Shri Surendra Srivastava, then DGM SIDBI and many and many others. The continued guidance and excellent cooperation of SIDBI officials greatly helped towards improving the standards of microfinance operation at NEED-something we consider invaluable. SIDBI also facilitated mentoring support from Shri Vijay Mahajan, BASIX and Shri Vinod Jain, the Founder of Trust Micro-fin.

Having come this far, we felt we had really seen the light at the end of the tunnel. Structures and systems in place, and operations running smoothly was a comfort to experience after long years of struggle. Yet, the danger was of becoming complacent. We have always wanted to take pride in one aspect- which is to work with microfinance in a responsible way-in a manner sensitive to the poor people's lives. We tried to work out how it could provide maximum benefit to the poor. For example, we worked out repayment schedules that would match their cash flow. We ensured that the loan amounts were appropriate for the enterprises they wanted to set up. During this time, we also spotted those at the absolute bottom of the pyramid, particularly the artisans and the women, and identified their specific requirements.

The Linkages with Skill Training:

From here we understood that the way to move forward was not only to provide credit, but also skill upgradation, which would complement the benefits they obtained from credit. So we linked the artisans with new technology, students with education and vocational

The Historical Perspective of NEED and its Microfinance Operation

BECAUSE there is more than 87% of the people down the line in states like Uttar Pradesh & Bihar, who are completely unreached by the financial accessibility.

BECAUSE we can not keep a blind eye while delivering the services of micro-finance that the people in the community are severely suffering from consistent contagious disease and other nutritional services. These are more dangerous than hunger **This is the need of social capital**

After all these inputs and handholding exercises, we started to introspect and raise fundamental questions on what the purpose of the micro-finance division in NEED would be. As expected, the answers were revealed to us through our grassroots experiences. We could, at last, call ourselves a full-fledged microfinance institution (MFI), but unlike some examples of MFIs that we came across elsewhere, we were clear about functioning with social discipline and responsibility.

BECAUSE NEED always stand as a "Bridge Organization" between the formal financial institutions and millions of unreached people in order to functionally include them under "Financial Inclusion" fulfillment.

BECAUSE we can not keep a blind eye while delivering the services of micro-finance that every minute many mothers and blooming buds are dying in absence of timely preventive, referral and curative services. This is the need of social capital

BECAUSE we can not keep a blind eye while delivering the services of micro-finance from the mounting growth of population and hence, stabilizing the population through micro-finance is the need of social capital.

How they did it

BECAUSE Micro-Finance without connecting directly to promoting livelihoods & micro-enterprises are just like missing woods from the Jungle

The solution lies singularly in delivering the services of micro-finance in Creating Social & Economic Enterprises Hand in Hand and thereby ensuring the inclusive growth of MF clientele.

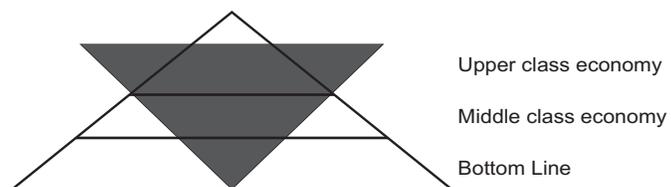
Because what we carry as product in our "Micro- Finance Bag" is not so important than how the product of the bag is delivered with Service Driven attitude and aptitude to the clientele..... Hence , the matured relationship with clientele is the social capital.

BECAUSE Social& Economic Enterprises go hand in hand in strengthening the daily living lives of poor community.

o Finance in NEED

The Historical Perspective of NEED and its Microfinance Operation

training, and so on. We found that many of the people went on to fulfill their dreams through a combination of loans and training. We also



The unequal distribution of resources is depicted by the two reversed triangles above. It is by way of its service-driven microfinance activities that NEED endeavours to serve the unreached communities of India and thus to unify both pyramids into one in such a manner that everyone is benefiting from its resources.

How they did it

Our Vision

At NEED, we envision a society where Filling the livelihood gaps by Meeting Fair Financing (F3) requirements to the under-privileged section of community in a very Transparent, Timely and Target Manner (T3) towards ensuring the client Safety, Security and Sustenance (S3) is at the nucleus of Micro-Finance Division of NEED.

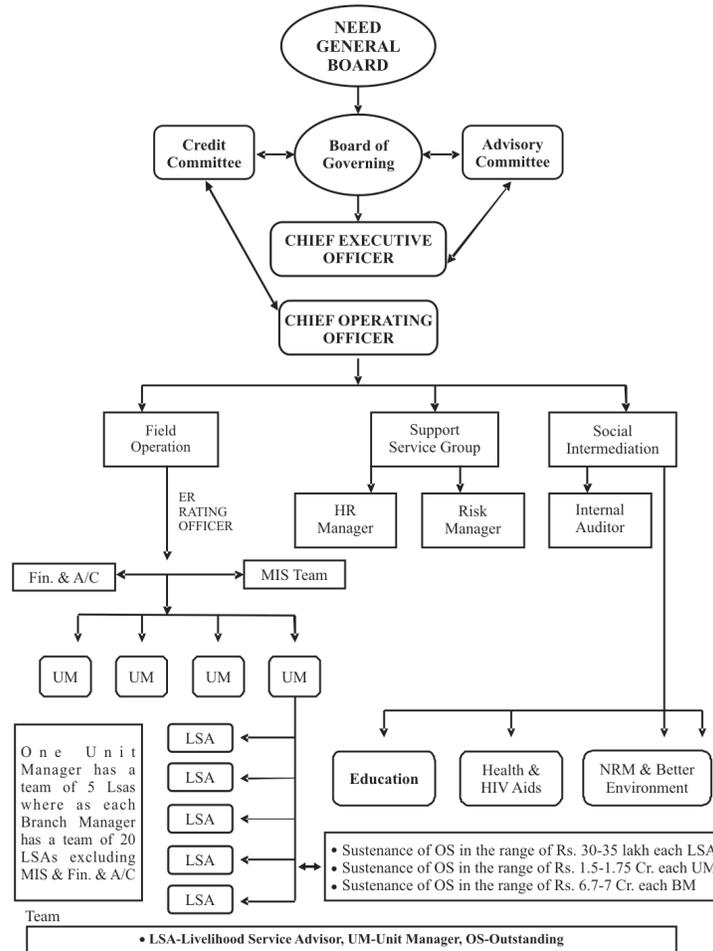
Our Mission

We purpose our mission by internalizing the strength of vision, the mission is to create Social & Economic Enterprises hand in hand in the lives of these people.

resources that exist among them. NEED helps to develop their creative capacity for improving their living standards and establishing their own comprehensive community-management system. To help develop such systems, NEED's model provides training, feedback and ongoing support to help budding entrepreneurs not only to meet the initial challenges, but also the long-term sustainability questions associated with micro-enterprise.

This model also became the theme for a film produced by the United Nations Fund for Women's Development, New Delhi. The UNIFEM South East Asia Chief has strongly recommended implementation of the model in Southeast Asian countries. We are developing the delivery mechanism of various aspects such as credit, capacity building, livelihood and micro-enterprise development, etc. for women's Self Help Groups in 32 districts of Uttar Pradesh and networking with a large number of NGOs. We are happy that 27,000

ORGANOGRAM OF NEED FOR MF OPERATION



SHGs all over the country use the tools developed by NEED. NEED has approximately 14,500 SHGs under its operational network. Another 1.5 million women and men, including youth, have been directly benefited through its programmes, and another 1.75 million have benefited indirectly.

In our next chapter, we delve more deeply into our experiences

How they did it

of mobilising communities—the art of bringing people together for greater common good.

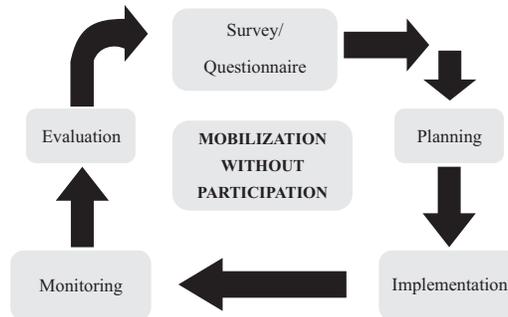
I wanted to give my daughter a good education, but my husband was always opposing due to poorness of my family, but when he heard about the minimal fee education programme of the NEED, he proposed me to send Pinki to this school. Now, in just a minimal fee, we are giving our daughter such level of education that have never imagined and its all credit goes to our community school set-up by MF support of NEED.

-Pinki says

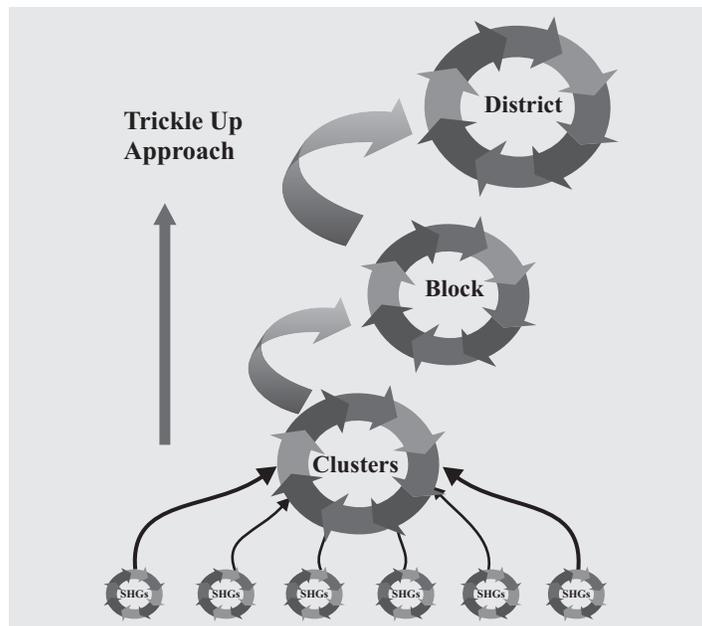
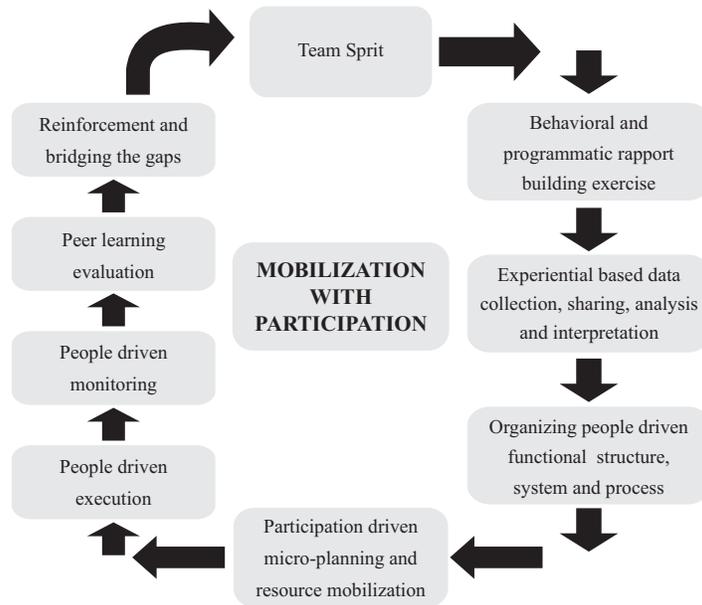
Chapter-2

Mobilizing Communities Is The Key To Effectiveness In Microfinance

Community mobilization is at the heart of all endeavours at NEED. I am sure most of you have experienced the peculiar texture of rural society in India. People know how to come together quickly when someone is in need. But look at it from another perspective- communities are scattered, divided by caste, by economic and social status, cultural norms, religious identities, and many other factors. Take a simple example- if there is a wedding in the family, the relatives are teeming around the household, helping with various chores. Somebody welcomes the guests, someone organizes the cooking, many chip in to cut the vegetables, and somebody else is busy decorating the house, and so on. But if a water pump in the village gets dysfunctional- it becomes nobody's business. With the present system of Panchayati Raj Institutions, the situation has improved in some places, but in most, it still leaves a lot to be desired, because people have not learnt to get together to help themselves. How can a society even hope to go forward without first organising itself? As in all unorganised societies, exploitation by an external force becomes an easy possibility. We learnt from experience that community participation and involvement makes all the difference in the implementation of the programmes meant for them.



How they did it



This was our thought when we began our work in community mobilization. The first village we started out was Dashari in Lucknow district of Uttar Pradesh. When we first approached the people, they were curious to know who we were, and what we were here for. But their trust was not easily gained, for several NGOs and government agencies

Mobilizing way to Empower:

- Empower within: Individual changes in confidence levels and awareness
- Empower towards: Increase in skills, abilities, including earning an income, access to market forces and networks.
- Empower over: Changes in power relations within households, communities and at the micro-level.
- Empower with: Organizing the 'powerless' to enhance individual abilities and ability to challenge and change power relations; thereby leading to the creation of one's identity, recognition and dignity.

had already made forays here, and none of their schemes or programmes had benefited the people. So we were in no kind of virgin territory, but rather in some sort of suspicious territory! We began by visiting homes and organising meetings, trying to transmit our message of self help, collective work, and greater common good. This is how NEED came to set up the Self Help Groups (SHGs), the Joint Liability Groups (JLGs), the Mahila Mandals (MMs), the Water Users Groups (WUGs), the Farmers Interest Groups (FIGs), and others.

Before going into NEED's experiences in community mobilization, here's a quick recap of the purpose and functioning of 'groups'. The most common kind of group formed at the village level, for the purpose of savings and credit, is the women's Self Help Groups. Let's look at a few motives behind the formation of such group:

1. Local organisations are the priority because they understand and appreciate local issues, resources, constraints, etc, in a better manner.
2. It is because of this that focus is on strengthening the local organisations such as Panchayati Raj, etc.
3. Local organisations can be effective when the grassroots

participation and involvement is strong, and when their needs, strengths and their achievements are central.

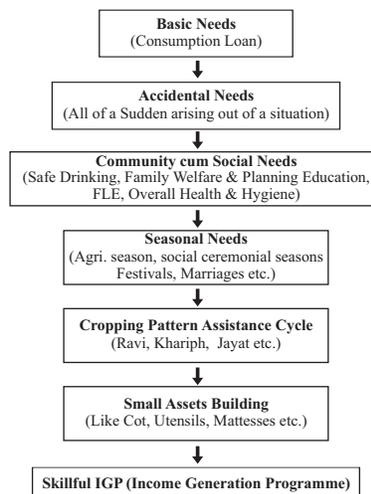
4. Membership in a local organisation offers people access to resources in a variety of ways, including pooling of assets, group collateral to access loans, joint marketing strategies, group mechanisms for delivering and accessing social services.
5. It's unlikely that women will gain full economic, social and political empowerment without belonging to and controlling their own local organization
6. Organising women is the most important first-step in collective bargaining for higher wages, lobbying and advocacy for policy changes.
7. Organising women often promotes not just group solidarity and power, but also individual confidence and power.
8. Organising women leads to multi-sectoral development by bringing together a host of issues.

We can say that the roots of the self help group lie in the villagers themselves, particularly among the women, as their faith is based on mutual cooperation and collective interest. The cohesive energy among the group members becomes the **social capital** of that group. Social capital may arise from various factors, including belonging to a similar caste or occupation. MYRADA, Bangalore, expressed that it is imperative to understand the characteristics of a village and its people before starting any kind of action, like forming a group and selecting the members.

What is SHG ?

If more than two people with similar needs come together to do

SHG Way to meet their needs.



something with a real sense of concern and cooperation, they can be called a 'group'. Because there is a common purpose, self help groups help by rediscovering the potential of human resource in a collective spirit of leadership and responsibility for the growth and development of the community. The emphasis is on ensuring that the group members are capable of helping themselves – self help. This amounts to empowerment of the group in the long run. The concept of Self Help Group (SHG) lies in the understanding of how our society functions from home to mohalla (Hamlets), mohalla to village and from village to larger areas like panchyat, block, sub-division and district.

As long as the poor people at the base of society remain unorganized, the vicious cycle of poverty will continue.

Why should we form an SHG ?

- SHG, is a powerful tool in the fight against social, economic and political marginalization. Several instances all over the country have shown that over a period of time, this has provided them with access to higher positions.
- The power and capacities of people are higher if they are organised. SHG can play a role in facilitating many development activities in the village.
- A sense of solidarity is developed when people make collective decisions and have equal opportunities.
- The spirit of cooperation makes members more responsible towards their duties.
- In a group, the resources of a project are maintained more responsibly.
- It becomes easier for the group to access banks, etc, due to collective strength.
- Group savings facilitate entrepreneurship activities among its members.
- In the process of taking collective decisions, members become aware of other's problems.
- There is peer pressure to save money each month, apart from

sharing of skills and knowledge.

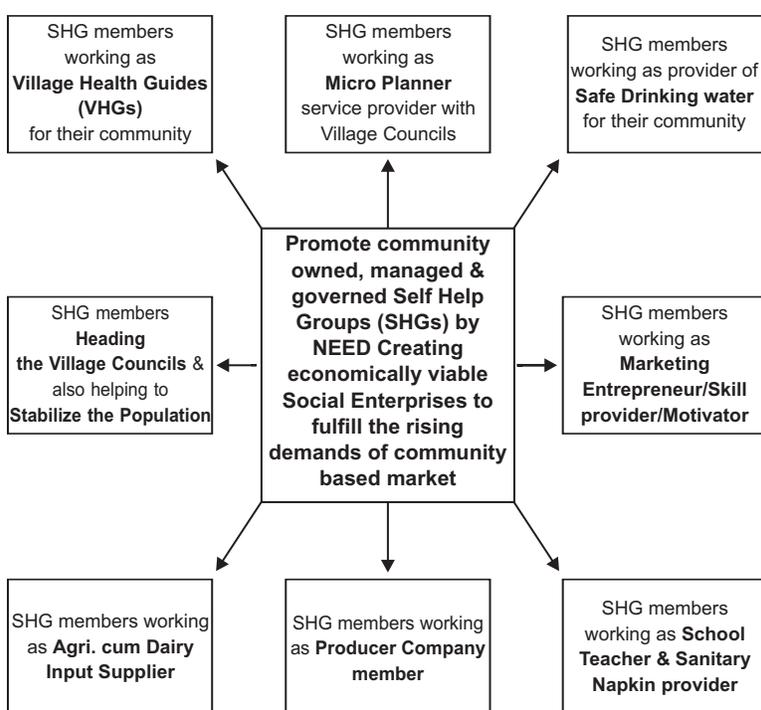
These points indicate that mutual cooperation in an organisation or group is decisive when promoting a noble cause. Our task was to set their minds towards achieving a common goal, rather than individual goals. The participation is obtained through a conscious and logically guided commitment to an ideology, which benefits the members individually and also collectively as a community.

How should we form an SHG ?

1. The group should comprise of 10-20 members.
2. The amount and period of saving must be determined by the group. The members have to deposit their saving every month at the time of the meeting.
3. The SHG elects its president and treasurer from the nominated members. These office bearers open an account in a nationalised bank and manage affairs regarding collection of savings and withdrawal of money. These posts are revolving and are filled in by a new member each year, ensuring that every member gets a chance.
4. The group may lend, from the savings collected, to its members for eligible purposes.
5. The group itself determines the rate of interest for its members. The interest rate might be 2-3% per month. In certain cases such as illness, the group can excuse the interest, provided that the loan amount is repaid on time.
6. If the groups have functioned smoothly for 6 months, they are entitled to avail of loan from any nationalised bank. The loan amount is usually four times the deposit amount.
7. The group has to pay 12 per cent interest per annum (one percent a month) for the loan sanctioned by the bank, while each member pays an interest of 2 per cent per month to the group.
8. Each member of the group is given a passbook, which is a detailed record of the amount deposited, loan taken, interest payable, and penalty. This ensures that all members are well

informed of their account.

- Groups hold two meetings every month where they review the amount loaned to the members with its repayment management followed by collective goals, which are other than credit and savings.
- The group can exert collective pressure on the member who does not pay back on time.

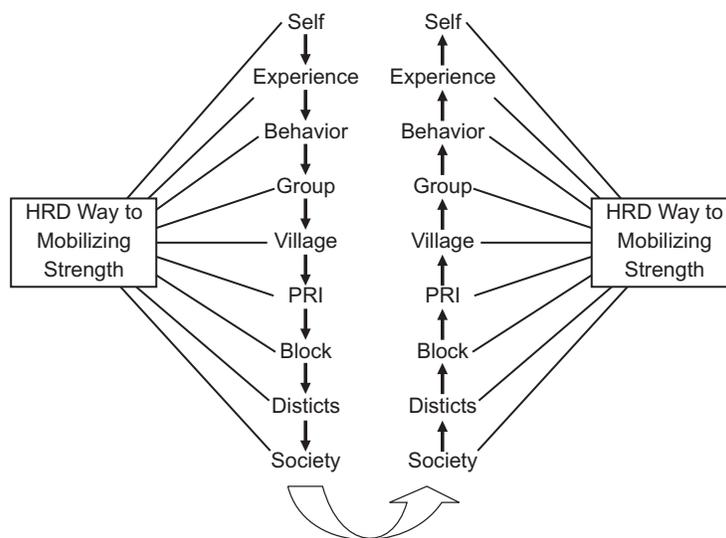


Who does the SHG serve ?

An SHG serves women residing in the same village and generally belonging to a locality. Given the nature and purpose of an SHG, women from low income households and small marginal farmer households are generally found to be members of SHGs in our operational areas.

What are the characteristics of an ideal group?

- Regular meetings with a minimum 80 per cent attendance – to ensure that the group meets regularly and systems are built over time.
- Taking decisions collectively through majority or consensus
- Maintaining accounts regularly and in an organised way
- Participating in informal education programmes

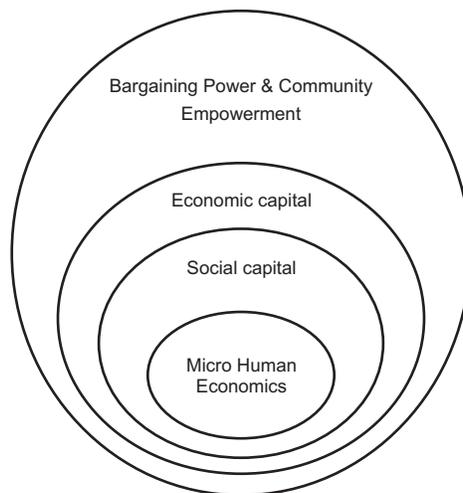


- Developing competence through extensive training programmes according to the requirements of the group. These programmes included accounting, procedures to be followed by the group, skills required to set up microenterprises, marketing and on how to manage the group's bank account.
- Being in constant contact with various development institutions and Govt. departments and to make use of its schemes and projects Ensuring that there is at least one collective group activity at any time.
- Keeping some ready cash with the group after lending and deposit (Control point for keeping cash).
- Ensuring that all members repay all their loans.

Mobilizing Communities is the Key to effectiveness in Microfinance

- Conducting group discussions and exchange experiences.
- Running at least one programme that would lead to increased income within the group
- Following group rules in a disciplined way
- Conducting elections every year to ensure rotational leadership
- Ensuring that politicians do not interfere with the affairs of the group

SHG Way to widen their Reach



Having become familiar with the functioning of SHG, NEED too managed to develop certain resource manuals and case studies. But more than anything else, we kept in constant touch with the grassroots. We strongly believed that women's capacity building and skill development must be an on-going process, and we carried them from village to village. A women's centre was set up at every village within our project areas. This centre was used for training, information sharing and networking. The motive was that the women borrowers could enhance their skills in producing and marketing their products. For newcomers interested in setting up their own enterprises, this centre was a starting point. Yet, the process may not be as smooth as it sounds. For example, in one of our project areas, we were disturbed to

find that many of the women, though extremely skillful in creating their products (such as chikankari, zardosi, bags, etc), were unable to directly sell their products to the customers. Because of their situation, they were socially alienated, were not used to going out of their homes, and lacked the skills to negotiate the market. In the process, they were being forced to sell their products to vendors or middlemen, thus gaining only 20 per cent of the value they created. In order to ease this bottleneck, NEED set up Nari Shakti Kendra (women's marketing outlet) within the premises of its district headquarters at Mehmoodabad. Apart from functioning as a marketing centre, it also functions as an advanced level skill training centre, with separate sections for tailoring, embroidery, and computer graphics and printing. The women are also imparted marketing skills. This way, the women were able to eliminate problems of the middlemen. NEED believes that this was a good way to expand women's participation in commercial activities beyond credit, gradually scaling its activities to national and international levels.

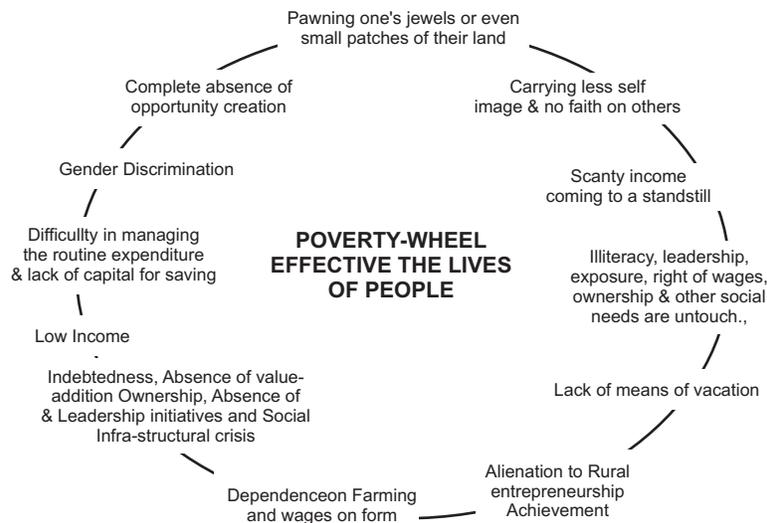
Several trades, both within and outside of India, take place at the cost of direct mass producers and such distortion is bound to continue unless there is aggregation of their products, skills and services.

Meanwhile, the women's centres at the village level were set up in several other blocks such as Mohidinpur, Shahpur, Noubasta, Kharagpur, Samsabad, etc. Some of the skill upgradation programmes are trade-based, such as for traditional embroidery like zardosi, chikankari, bag-making and rope-making. A master crafts (woman) is called upon to conduct this training. It is heartening to see that over time, some of our senior SHG members could function as trainers for the younger members. The products created by these women are now in great demand at both local and mainstream markets.

Similarly, an outreach action project has been initiated in four blocks of Jaunpur and Barabanki districts, through a tie-up with local NGOs. This programme worked towards building the capacity of local civil society organizations, including the Diocesan Christian Society, towards taking up women's empowerment activities that involve the local communities.

The Growth Trajectory :

As SHGs grow and evolve, they also reveal many areas of concern that exist among group members. For example, to begin with, we ensured that the groups met at least twice a month. Also, the saving continued to be regular. Those who did not know how to put their signatures learnt how to do it with the help of their group members. In our experience in upscaling then 25 SHGs of the Kakori rural block of Lucknow, we found that the women did not have a ready market for the goods and services they produced. So we created direct market linkages by way of building a skillful cadre of Women Marketing Entrepreneurs from these SHGs of producer groups that ultimately did away with the middlemen.



Impact of NEED's social mobilisation through SHGs

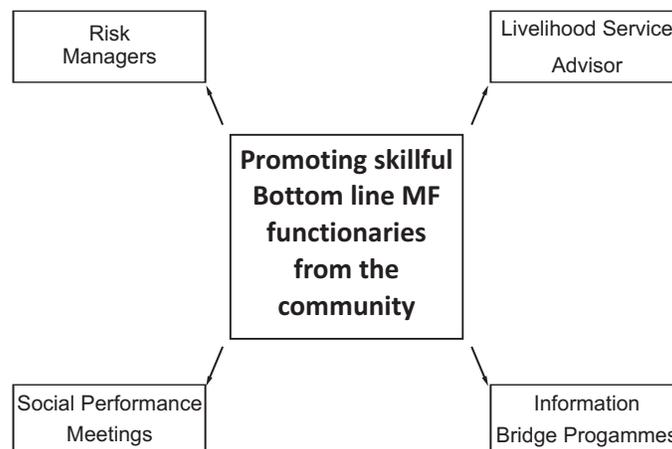
There are a few general conclusions we can draw from our experiences, as the outcome of mobilising SHGs:

1. Increased income from generating a product or a service
2. Improvement in their standard of life- especially with regard to diet, health, clothing, and general living conditions

3. Increased savings and assets like property, costume jewellery and items for domestic use
4. Decreased dependency on money-lenders
5. Increased business knowledge in crafts, book-keeping, business communications and management, networking with traders, bankers and entrepreneurs
6. Improvement in small businesses, and evidence of mushrooming small enterprises. This has been combined with elimination of exploitative middlemen, and improvement in working conditions
7. The creation of 'safety nets' for the women and their families' security through work insurance, health and life insurance, investments and fixed deposits.

Similarly, women's role in her society has changed as a result of her membership in the SHG:

1. Increased mobility when she makes trips to the market or outside the village, participation in SHG meetings, etc. Increased social networks as she is invited to events and functions outside her class and caste network, thus transgressing barriers.
2. Increased social networks through being invited to functions outside her family, class or caste, thus climbing the social ladder



Mobilizing Communities is the Key to effectiveness in Microfinance

3. Imbibing the capacity to address injustices that they often experience as a result of giving birth to more daughters, widowhood, illiteracy, divorce, etc.
4. Acquiring a sense of self-worth as daughter, wife, mother and daughter-in-law, setting examples for other members of the family, like sending their children to school, taking care of the family's health needs and enjoying an enhanced standard of living.
5. Decreased dependency on male relatives
6. Sense of increased bargaining power at home by being able to have an opinion, discuss, negotiate with, and extend advice.
7. Sense of being a potent force in the community to bring about developmental changes
8. Increased interest in not only their son's, but also daughter's well-being

With continued intervention, NEED has been able to mobilize communities towards taking collective leadership in village development.

S. No.	Sector Specific Mobilization	No. of beneficiaries
1.	SHG & JLGs Formation	1,17,000
2.	Panchayati Raj Institutions	10,350
3.	Fair Trade	1,10,000
4.	Health	1,05,000
5.	Education	48,000
6.	Micro Enterprise & Livelihood	3,32,000
7.	Micro credit & direct lending	68,000
8.	Watershed	2,00,000
9.	Media both National & International	1,000
10.	Advocacy and lobbying	1,20,000
11.	Capacity building & Training both at grassroots & macro-level	17000
12.	Institutional network members	41,000
	Total	1169850

Apart from this general transformation among the women, there are instances where the women of an SHG countered and addressed serious problems in their village. This is where we can confidently say

that NEED's initiatives had begun to bear fruit.

In the year 2006, village of Kalwapur faced the grave epidemics of Cholera and Jaundice. The largest number of victims was the girls and women. The women of the Saraswati SHG collectively confronted the village pradhan on his lack of initiative. Despite several such visits, the pradhan did not show much initiative, despite the women confronting him with questions like "are we human beings or animals?" The group of women then approached the Block Development Officer, and further, the District Magistrate. They were asked to submit a letter and draw up an action plan. The women mapped the entire village, marked out the localities where the roads and sewage drains were in a dirty condition. Along with the village administration, they executed the work in cleaning up the area. It was a seven-and-a-half month procedure, but the results brought about a sea change. As the focus had been on eliminating the root cause, i.e., lack of cleanliness, the epidemic subsided on its own. Not just the members of the group, but the entire village stood to benefit through this initiative. Such was the collective strength of SHG.

In 2005, Jyoti SHG was formed in the village of Sukhiapur in the Mehmudabad block of Sitapur. One of its members, Fatima, had a son who attended the nearby primary school. Being diligent in studies, he had been selected for a scholarship program which covered all costs of his education. However, the boy's teacher was keeping half the scholarship for himself. Fatima protested, but instead of returning the money, the teacher reminded Fatima of her vulnerable position in society- she was a poor Muslim woman; there was nothing that she could do. Fatima shared this problem with her SHG. Pooling in some money, the group members went to meet the Village Development Officer, and then the village Pradhan, but they all plainly dismissed her complaints. The group members were enraged and raised the issue with the Block Development Officer, who presided over 15 villages. Though he listened to them and promised to remedy the situation, days and weeks passed by with no progress.

The women pooled in some more money and rented a jeep to the office of the Subdivisional Magistrate in Mahmudabad. They were asked to submit a written complaint to the Basic Shiksha Adhikari and the District Magistrate. In the same jeep, they went to the District Magistrate's office and handed over the complaint to the Chief Development Officer. This time, stern action was taken. The teacher was permanently dismissed from his post.

A long way to a small triumph, Jyoti SHG kept up with its "can-do" philosophy. They wanted to pull up the village pradhan, who never showed interest in his duties. In fact, he never even convened the village council. So the women prepared a memorandum describing all the problems of the village, which were signed by the villagers. On Internal Women's Day on March 8th, 2002, 300 women from Sitapur district participated in a rally, which included members of the Jyoti SHG and handed over the memorandum to the Secretary, Dept of Women and Child Development, Govt. of U.P., who was presiding over the women's day programme. The memorandum was directed to the District Magistrate.

The District Magistrate immediately took up the issue with the village pradhan and requested him to mediate with the women to sort out the issues related to village development. Soon, a meeting was held in the presence of the Circle Officer. The village pradhan not only apologised to the women for having absconded from his duties, but started actively initiating many changes, such as streamlining the Public Distribution System, repairing hand pumps and providing access to drinking water and laying proper roads.

Jyoti SHG's name spread throughout the village for their determination in fighting injustice and facilitating much development in the village. Most of all, it created a system of working with the village pradhan in a way that was never experienced before!

As for its training and documentation needs, NEED has developed Action Learning Manuals, Case Studies, Tools and instruments for

record keeping and many area-specific learning manuals, library strengthening, information sharing etc. These materials are in operation at various levels and have been adopted by development practitioners across many states in India. A few other countries have also shown interest in adopting these learning tools in their respective situations.

Sharing these stories, I hope, have not given you the misconception that all our interventions have been for women alone. The areas of community mobilisation, as mentioned before, primarily have men members. These are the Water Users' Group, the Farmer's Interest Group and the Joint Liability Groups. In our early days, we found that women did not even want to come out of their homes, leave alone come to form a group. They would also be restrained before their male relatives. NEED staff had to make at least 3-4 visits to get them to gather together as a group. Secondly, explaining the concept of SHG and convincing them of their benefits took a great deal of time. Even after the groups were formed, many of the women were irregular to the meetings. We then laid down rules that membership would be granted only if a certain level of attendance was maintained. Slowly, the process began to fall in line. They developed a code of conduct to run the group. Since failure on the part of one member of these groups becomes the failure of the entire group, developing a sense of cooperative became imperative.

With the men, on the other hand, they were simply not prepared to listen to us. They conveyed that it would be difficult for them to leave their daily occupations and take out time for these meetings. They very clearly asked what the benefits of this group would be. It took a long time to finally convince them to be part of a group for the development of their own community.

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We had to preserve in our efforts; I'm glad to say our patience paid off. The groups that we set up had common principles to adhere to and goals to work towards. Continuing our journey forward, NEED finally made its foray into micro-finance. The next chapter is all about the way in which we integrated our social commitment into economic viability while engaging with micro-finance.

CHAPTER - 03

Ensuring Viability: Balancing Poverty and Profit

Credit without strict discipline is nothing but charity, says Professor Mohammed Yunus. If microfinance practitioners fail to protect themselves against loan delinquency, they will, in effect, prioritize social objectives at the expense of financial sustainability. On the other hand, when MFI operators are after quick profits, they hardly understand their role as promoters of inclusive growth, helping the economically disadvantaged, but potentially capable sections to get out of the poverty rut. Striking a balance between these two extremes requires a vision, discipline, and an open mind!

This chapter discusses NEED's experiences in walking the tightrope between the financial viability of its microfinance operations and its social commitment. Achieving this balance has taken years of trial and error, although its underlying philosophy remains intact. Our approach towards ensuring viability has been realized through a combination of field interventions and a set of clear-cut organizational practices. These two aspects are explained in separate sections **Field Interventions, and Organizational Practices.**

Poverty and Access to Credit :

Poverty has several dimensions; and by providing access to financial services, microfinance helps people to take advantage of economic opportunities-for their homes, their domestic environment and their communities. However, microfinance should not be mistaken for a magic wand – it's a tool and can be used in both positive and negative ways. Imagine, NEED with its nearly 78,811 member clientele, still caters only to a miniscule percentage of the poor. Majority of the population is dependent on self employment and small businesses – more so as the poor do not have access to a formal education to make them employable. In such cases, they need start-up

capital and working capital. These needs remain largely underserved, given the reality of financial services for the poor. The poor can afford only a certain amount of credit and that needs to be serviced. For the sake of ensuring a livelihood, the poor need access to working capital, and these needs remain largely underserved. If one can learn anything

from the recent financial meltdown, it is that collaterals by itself do not guarantee repayment. The most valuable lesson that NEED has learnt is to invest continuously in building a mature and lasting relationship with the borrower.

On our early visits to the villages, armed with the plan to implement microfinance operations, we were dismayed at the conditions under which people lived. Here we were, trying to bring in big deals like financial inclusion and inclusive growth, when most of the population earned only a pittance of an income, and that too, was variable and uncertain. A good chunk of what they earned also went into treating illness, as epidemics broke out often. The maternal mortality rate (MMR) stood at an alarming 359 per lakh live births in Uttar Pradesh and 261 in Bihar, against a country average of 256. Very few children attended school- again, due to a host of reasons like frequent ill health, distance from home, pressure to help out with earning livelihood or household chores.

We put our kits down and re-laid our plans. Unless some improvement was brought in the ground realities, there would be no point in providing loans or other financial services. How would they repay the loans? The people were also not in a position to think about what they could do with the loans, never having been exposed to any kind of steady income-earning activity. The NEED team members brainstormed and debated on that path we should take. It took us nearly three months to come to a decision. Our conclusion was that while it was most imperative to invest in improving base levels, we could not possibly stick our heads into everything. It needed a focus and a framework. So we chose four very key areas for our field interventions: health, education, livelihood promotion and fair trade, with capacity building as a basic component for each of these segments. Now a new journey was unfolding-there was a strong

How they did it

foundation to be laid before bringing out the microfinance manuals. Here's how it worked

Field Interventions -

Health :

In the year 2007, when we planned to launch some health interventions, we first took stock of the existing situation by carrying out a Community Health Baseline Survey. We understood why people's hard-earned incomes were getting wasted on medical expenses. The general environment being unhygienic, epidemics like Malaria, Cholera, Jaundice and similar communicable diseases would frequently break-out. There were open drains without proper waste disposal systems, and these were the greatest breeding grounds for the enemies of good health.

Sometimes the epidemics claimed many casualties, or else they would leave families cash-strapped. One of the observations of discipline of demography is that birth rate remains high when survival rate is low; and so people had large families with many children. This was precisely the case here. Also, due to the lack of a proper and balanced

Wake-up Call for Each one of Us

- 40% of default in micro-finance occurs due to health problems.
- Why not consider decentralized banking vs centralized health institutions services?
- 5% of GDP is spent whereas 75% from the pocket.
- 80% can be achieved by health, education and awareness.
- 2.3% of population in rural areas are covered in health sector.
- 87% use unsterilized cloth instead of sanitary napkins.
- 1400 lives are lost every day in India due to water borne diseases

Utility

- Drinking water – 10%,
- Sanitation-40%,
- Bathing – 30%
- Food preparation & cleanness-20%)
- 30-35 million people are forced into poverty trap due to illness.
- The system works from the top (i.e. Dr. designing the functional approach to reach the recipient than encouraging recipient to reach the Doctor from the down).

State	MMR (Maternal Mortality Rate)	CDR (Crude Death Rate)	CBR (Crude Birth Rate)	MMR (Neonatal Mortality Rate)	CPR (Contraceptive Prevalence Rate)	LER Life Expectancy)	Sex ratio	TFR	UNF (Unmet Need for Family Planning)
U.P.	359	28.7	8.2	45	31.2	59.7	908	30	33.72
Bihar	261	28.5	7.0	32	32.4	61.05	916	32	37.2
India	212	22.5	7.3	35	54.1	63.1	940	26	21.3

diet, both maternal mortality and child mortality rates were much higher than the country average.

As all our interventions are carried out with people at the nucleus, here too we decided to identify change-makers from within the villages.

Currently running health interventions :

Community Level Interventions :

We provided training and knowledge transfer to a group of carefully chosen women, who would go out into the village with their “health plan”. This cadre of women was named **village health guides** (VHG). In every village, they were provided detailed training on nutrition, immunisation, pregnancy and child care, hygiene, contraception, and sanitation. Each of these training sessions would be carried out over a period of 7 days and were conducted by trainers who were specially chosen doctors and other health workers of the Primary Health Centres. These programmes were conducted at village clusters. At Lucknow too, these trainings were conducted by doctors from the State health system. On beginning duty, they would be provided with

vaccines, sanitary napkins and contraceptives to be distributed among the households in the village. These materials were accessed from both public and private institutions. Dressed smartly in yellow coats, the women cycle their way through, starting off at the local headquarters of NEED. Through the day, they would visit schools, immunise children and supervise the cleanliness and hygiene levels. They would also visit homes and advise the women on nutrition, diet, and the use of sanitary napkins and contraceptives. Advice on nutrition would be simple and practical such as adding more pulses, and a bit of jiggery (for iron content) to their meals. Pregnant women were specially taken care of, and urged to go in for a check-up every trimester.

Individual Level Interventions :

Safe drinking water kits: With many of the contagious diseases being water-borne, it came to a stage where the poor had to buy bottled

drinking water. At this point, NEED introduced cheap water-filters through a tie-up with a water-filter manufacturing company, at the cost of Rs. 700 a piece. These water filters, with its water purifier cartridges, were sourced from Ion Exchange India Ltd, Mumbai. This

suggestion was provided by one of NEED's board members, Mr. Vijay Sardana, who was interested in safe drinking water in the village communities. This product was introduced by organising a demonstration and a campaign. There is no need to boil the water, and the purifier cartridge removes the impurities and colour. Subsequently, many households invested in these water filters, thus reducing their expenditure on bottled water, while ensuring safe drinking water. Ten thousand such drinking water kits have been installed. The repair and maintenance of these drinking water kits are also managed by the communities themselves at a nominal cost to the supplier. As a result, there is an overall reduction in water-borne diseases. Now, two other types of water filters are being proposed—one which can be used through a bucket and another that can be directly fitted to the hand pumps that service clusters of households.

Sanitary Napkin and Pregnancy Financing: Encouraging the use of sanitary pads/napkins by women and adolescent girls is a major component in the health and sanitation programme of NEED. In order that sanitary pads are available at reasonable prices to rural women and adolescent girls, NEED tied up with an agency at Kolkata for supply in bulk quantity through a contract with a Boston-based firm. A manufacturing unit at Coimbatore has been contacted for supply as per requirement. The use of sanitary napkins has increased to significant levels in the target districts. The demand for sanitary napkins is on the rise and the challenge is to maintain supply at a reasonable price.

The village health guides earn a monthly stipend of Rs. 1250; but

Throughout the Year, I was wasting lots of money over treatment for different types of water borne diseases. Doctors advised to use water filter, but it was very costly in the market. When I heard about the water filter sold by NEED, I was amazed, because, its price was less than half than the market price. Now, problem of water borne disease has been completely solved.

Meera, Godhouri

more than anything else, they've developed a sense of self-worth when the community turns to them for advice. They are known faces in the village, being addressed in a friendly way as 'didi' (elder sister). Where most women of their status would stay home, the village health guides cycle along the villages, spreading the message of good health. The matriarch among them is Asma Begum, an illiterate Muslim woman who's past fifty, and learnt cycling simply to fulfill her job requirements! With her graceful strands of grey, Asma Begum is especially cheerful when the younger women in her group crowd around her for guidance.

More than half my income used to go into medical treatment - especially during the rainy season, especially because of water-borne diseases like- cholera. I was unable to invest such a big amount on a water filter. The one from NEED cost so much less that I just grabbed it. Thanks to the Safe Drinking water programme of NEED

Ramawati, Sehjani

Meanwhile, special camps on health and immunisation, and family planning are conducted for the village health guides. Action training for traditional birth attendants is taken up along with nutrition sensitisation and kitchen gardening programmes. Further, they also lead such initiatives as construction of sock pits, cleaning of draining and construction of hand pumps. In order to simultaneously generate awareness, hands-on learning manuals on integrated health services to women, adolescent girls, health guides and children are provided. There are also periodic campaigns for using organic foods such as rice, jiggery, eggs and vegetables. Apart from this, handbills, posters and charts are used for mass publicity and awareness on these issues.

But NEED's health interventions are not just about providing advice or being a conduit to distribute contraceptives or sanitary napkins. Under its scheme known as pregnancy financing, loans are provided to pregnant women and their families, to be used during the period of pregnancy and delivery. The loan amount ranges from Rs. 5000 to Rs.25,000 and can be repaid in a period of 12 months. NEED's motive was to ensure that babies are born healthy in the first place, so it is easier to keep them healthy. It's a commitment to the next generation. So far, nearly 500 women have availed of this type of loan.

Pregnancy financing is expected to be a suitable measure to bring down the maternal mortality rate (MMR).

Another kind of enterprise that NEED promotes is the community health centre. An entrepreneur can come forward to be trained, and then take a loan to set up such a health centre. This does not need a separate building to set up; it can be within a house or any other premises. Although there is no doctor as such, the centre stocks first-aid material, contraceptives, water filters, sanitary napkins, and medicines for common ailments. One of NEED's young entrepreneurs is an eighteen-year old called Shailendri Verma. Her studies were stopped when she was only thirteen, as her family prepared to get her married. Once that decision is made, many families stop the girl from going out of the house, and this was Shailendri's fate as well. She gradually became associated with an SHG, and then began attending their meetings. As time passed, and because nothing untoward had happened, her father relaxed the rules. The SHG members pressed her to take up this enterprise. They told her it was a way she could stay around the house, and at the same time, take up a cause that was meaningful both to herself and the community. The village health guides too constantly interact with her at the centre. Today, NEED has 105 entrepreneurs who have set up such health centres across Uttar Pradesh and Bihar. The loan amounts total up to Rs.80,000 with a 24-month repayment schedule. One thing to be said about such interventions is that it helps people help themselves, instead of depending on government schemes and programmes, which go through elaborate implementation procedures, yet with uncertain results.

As a result of NEED's health interventions,

- The nutritional levels of women and children are improved, followed by greater knowledge and awareness.
- Trained women health guides are always available in the village as the contact point to provide guidance and promote nutrition.
- There is remarkable decline in IMR and MMR.

- The overall environment in the village is much healthier with better water and sanitation facilities.
- The occurrence of communicable diseases have greatly reduced.
- Children are no longer left out of immunisation.
- The community has internalised the value of information and health services.

These developments were possible through funds from multiple sources including NEED's microfinance, village and block level technical participations, grants from the departments of government projects and NEED's project grants. These results have been not just sustainable, but also enjoyed a multiplier effect in the project areas.

Education :

Children are the citizens of tomorrow; and children are at the heart of the community's needs for survival. This was the context in which NEED launched a programme called Rural Community School Financing. Along with the support of the panchayat, this was an effort in bridging the educational gap among the children in the poor rural communities.

Comparative Status in Brief (approximate figures)

Social Development Indicators in Rural Schools	1990-95	2005-08
Undernourished children	76%	78%
Underweight children below 10 years of age	60%	45%
Underweight children above 10 years of age	31%	48%
Mortality rate of children under 5 years	19%	17%

Existing Scenario of Public School Institutions (PSIs):

While modular furniture and colourful ambience may be the typical setting in city-based primary schools, the rural schools present a rather dismal scenario. During the monsoons, only a limited number of schools are accessible by teachers and children. Such functional inaccessibility pushes children to drop out of schools, and those from the deprived sections are the first to go. Poor maintenance leads to the spread of infectious diseases, and even become a shelter for stray

animals. Moreover, 78 per cent of the schools do not have toilets, and the remaining ones are poorly maintained. More than 90 per cent of these schools lack safe drinking water, and more than half have the building itself in shambles. The indifference of the community is visible when these become centres for community members to gather and gossip.

Missing Teachers are India's Weakest Link

The remarks of the current Human Resource Development Minister is apt, that India is short of 1.5 million teachers; 42 million children aged between 6 and 14 do not go to school, roughly 55 per cent of all villages do not have primary schooling facilities and 37 per cent schools have just one teacher. In Uttar Pradesh and Bihar, 60 per cent of the teaching posts still lie vacant. India's average student to teacher ratio is 1:42, a high figure by international standards. In Bihar and Uttar Pradesh, the ratio is as high as 1:83. Though student enrolment has gone up in recent years, the dropout rate has kept pace. There is also a gender disparity, with girl students much less encouraged to go to school than boys.

It is in this context that NEED launched the Rural Community School Financing (RCSF) scheme with the following objectives:

- Promote RCSF at a cluster

I wanted to give quality education to my granddaughter, but due to the scarcity of fund I sent her to the government school. As we all know, the level of education in the government school is much below the standard, but I was helpless. Then I heard about the minimal fee quality education scheme from NEED in this school, I thought it is like some government projects which will be completed in one or half years, but when I took proper information from the principle of the school, I became very happy and thought that now the dream of quality education for my granddaughter may be fulfilled. Now, she goes school daily and she has lots of in just an year. I am very thankful to school as well as the NEED Family.

Pammi, Semra

We have only two daughters and we wanted her to become an educated citizen of the country. There are various programmes like Sarv Shiksha Abhiyan and so on, but these all for publicity – but does not provide quality education. Still, we kept sending our daughters to the government schools due to scarcity of the fund. When we heard about the minimal fee education programme of NEED, we were surprised. My neighbour told about me about its benefits. We visited the school and got our daughters enrolled. All credit goes to School and NEED Family.

Sagun & Neha, Molhepur

Ensuring Viability: Balancing Poverty And Profit

of villages as secured investment for the future generation.

- Engaging existing mature SHGs within the scheme.
- Promoting rural community schools as a centre of excellence.

I have no words to thank NEED for giving quality education to my daughter. I have never imagined that we can give our daughter such an education with such a minimal fee. Now, our family can utilize the right to education without any extra burden and its all credit goes to the School & NEED Family. Thanks to NEED Family.

Himanshi, Jhariyapur.

- Integrating nutrition, safe drinking water, sanitation and other health related inputs directly with every school

A set of guidelines are also put in place to manage the schools, such as: The schools are proposed to be promoted as an initiative of the SHGs or person(s) interested in managing the school .

- The SHG or person(s) draw up an agreement to manage the school for the stated purpose in a sustainable way as a social enterprise for and with the community.
- The required land would be provided by the matured SHG or enterprising person concerned.
- NEED extends grant support through the school's management account.
- RCSF proposes to have a Children-Guardian Committee.
- Every child of such a school is proposed to be linked with subsidised insurance as a social safety and protection net.
- NEED facilitates the registration of these schools, so that all community schools can operate under its banner.
- The day-to-day management of the school is the responsibility of the SHG/community.
- Increasing enrolment of girls in the formal schooling system
- Locating schools closer to communities.
- Making school timings and holidays flexible to accommodate the agricultural cycle in rural schools

- Increasing community participating in the management and supervision of schools

This is how NEED's intervention in the field of education became linked to its microfinance programme. Educated members of the village community, mostly women, are encouraged to set up community schools, which cater to about six to eight villages. To start with, one or more social entrepreneurs must be willing to invest in land (land could also be accessed from gram sabhas), along with some initial investment. Secondly, grants/revolving funds are available from NEED to set up basic infrastructure. Thirdly, soft loan support for operating expenses is available. Finally, there is also an education quality improvement and standardisation programme.

Teachers are employed, each with a salary of Rs.1000 to Rs.2000. The Principal, who sets up the school, gets a salary of Rs.1500 per month. A fee of Rs. 30 to 50 is charged from each student, which is what the communities can afford. The loans are repaid over a 12-month period. Take the case of Geetha Verma, who runs the school at Jhariapur in

Uttar Pradesh. An educated woman, she was just married, and without a meaningful occupation. Teaching turned out to be a viable option because it is considered safe and respectable for women. These realities cannot be completely ignored in rural or even urban centres. Of course, Geetha could have remained at home as a daughter-in-law. But then, she took a loan of Rs.10,000 to set up this school. After

How they did it

The word education was not in our vocabulary—because we are agrilabourers and whatever we earned would go into our daily needs. When we heard that the NEED school charged only a minimal fee, I was surprised. Their facilities were also good. Now, we too can dream of making our children doctors and engineers. Thanks to the NEED Family.

Ranjeet, Village: Rahilamau

Rehana says:

"I wanted to study further but after I completed my class X, I was not allowed to continue with my studies as the school is far off and my parents refused to send me there." "My two elder sisters couldn't even complete their class VIII, as the village school then was only upto Class VIII. They were also not sent to the school in town. They are both married now. The younger sisters and my brother are still going to the villege school.

repaying this, she took another loan of Rs.25,000 towards expansion of the school. The school has classes from I to X, and will soon have an intermediate section with classes XI and XII. The school encourages girls to enroll, and also keeps a tab on drop-out rates.

Another example is the primary school at Bathna in Bihar. Ms. Savita Singh set up the school in her own house, as there was no possibility of finding alternate premises. It's more a class of around 12 than a school, where very young children are taught their first lessons. Yet, this is the only option for many parents in the village, who cannot think of sending their children far away at such a young age. But for this school, they may simply have remained without preliminary schooling. On the other hand, the school at Dharampur in Bihar is conducted under the shade of trees. It's a quiet and peaceful ambience surrounded by wheat or paddy fields.

So, there is no single prescribed model, but all in all, these schools are supplementary to the government schools, ensuring that there is a higher percentage of school-going children than otherwise. Among the communities, there is a growing need to educate children. These schools have served to fill in the gap in landscape where government schools are far-between, and sometimes difficult to access.

We have observed that the communities prefer schools near their villages. A community school such as the one at Jhariapur have around 250-300 students on an average.

Usha Devi is a house wife. She lost her husband two years ago and now works in her brother-in-law's factory, where she makes handmade flowers. She thus earned Rs.30 for a dozen flowers. She then took a NEED loan and started making these flowers on her own, which she sells at Rs. 120 per dozen in the market. Three of her four children are going to school and she is happy.

Usha Devi, Kaswa Mehsi

Over the last 4 years, about 65 rural social entrepreneurs have set up schools through NEED's MF programme in Uttar Pradesh and Bihar, with total student strength of 3955.

Rural Housing :

NEED recently introduced collateral-free loans for selected

borrowers in Mahmoodabad Block of Sitapur district in U.P. The rural housing microcredit to the extent of Rs.50,000 per borrower is being provided to the Joint Liability Groups (JLGs) of 4 to 6 persons for repair, maintenance and additional construction. The product is not designed for construction of new houses or for purchase of land for housing. The product has received high acceptability among the borrowers in its initial phase. The product has been promoted through financial support from the National Housing Bank (NHB), and is expected to widen its reach in future. The conditionality for availing this housing loan is that the clients should already be existing borrowers in the second cycle of their loans. The interest charged is also limited to 14 per cent (per annum) at reducing balance.

Sunita Devi is a home maker. She took a NEED loan and invested it in growing vegetables in the small plot of land and is able to earn Rs. 3000 to 4000 a month. All her 4 children are going to school. She is very thankful to NEED.

Livelihood Promotion :

The need to have a regular income strongly felt than during our early visits of these villages. Although families had their traditional occupations, they were failing due to lack of working capital which has to be constantly ploughed to make any venture successful. Some of these occupations were agro-based; while others were cottage industries. NEED's strategy was to revive those enterprises that were dying out, while also introducing new ventures. But there was one crucial difference: instead of promoting individual enterprises, we put in all our energies into the cluster-based approach. There is a cohesive power within a group of people that NEED has always believed in; so this idea began to take root.

Sunita Devi, Madhopur

Arif says-

-- I am happy to be a part of NEED and have taken loans four times in the past. Now my shop is well set and I have also renovated my house.

-- I no longer have to go on trucks which was very risky and the life there is too difficult, I am happy working and earning, though little less (laughs) but I am at my home with my family.

Farmer's bank :

A small but significant step to ease the crisis-ridden agrarian sector was to set up a kissan (farmer's) bank. One of the greatest problems faced by the farmers was that they were at the mercy of the monsoons, the input

supplier, and the middleman who takes the produce to the market. They were also trapped by big multinationals in the name of hybrid variety of seeds. Besides, they were dependent on the irrigation canals that had begun to dry up. Though these villages were heavily populated with farming communities, each felt a sense of isolation, for there was no one to turn to ask for help or advice. Neither were they united, as each toiled on their own, with not much to show by way of results.

The kisan bank located at the edge of the village in Dharampur, Bihar, might look like a little shed that stocks fertilisers, seeds, organic manure, and other inputs, but what it has done is to put the farmers in touch with each other and the outside world. Once a week, in the evenings, the farmers have a kisan ratri pathshala (farmer's night school), where they discuss issues that need a solution. On these overcast, sultry evenings, these farmers are gathered on a camp cot, around the kisan bank, neck-deep in their discussions. This is followed by a pre-arranged phone-call to a known agricultural scientist, who provides them with options and solutions. The phone is connected to the loudspeaker for all the members to hear. The person in charge of running the kisan bank procures all supplies from reputed suppliers at a discounted rate - there is no question of their exploiting farmers by quoting unreasonable rates. The kisan bank is also promoting organic farming in a big way. There is much awareness generated on the ill-effects of chemical fertilisers and pesticides. Farmers seem to recognise that agricultural produce must become a case of quality against quantity, if it must fetch a fair price in the market. Each of the 1700 farmers linked to the kisan bank can speak about its benefits. This is a strategic step in the direction of transiting this functional structure into a full-fledged producer company.

The menthol farmers :

Menthol is a medicinal herb, widely used in the production of peppermint. There is an elaborate procedure of extracting menthol oil from the leaves, for which machinery is financed through NEED. Therefore, NEED provides loans for both cultivation and machinery for oil extraction. This oil is sold in the market; and goes on to be used

for the production of peppermint.

When the agricultural scenario became difficult for the farmers due to the uncertain monsoons, many farmers switched to menthol cultivation. At first they approached the mainstream banks for loans, but were unsuccessful. Menthol cultivation too followed seasonal patterns, and unless the inputs were invested at the right time, the crop would be lost. It was at this stage that NEED entered the villages of Sitapur, Barabanki, Fatehpur and many others in Uttar Pradesh where menthol was being cultivated on a large scale. With the timely loans, more farmers began cultivating menthol. One hundred and eighteen extraction plants to extract oil from medicinal and aromatic plants have been set up by farmers with direct and timely support of micro-finance by NEED. With access to machinery that all farmers of the group share, oil extraction too happens without having to hire out separate machinery.

Rinku Devi is become our borrower on 19/12/2009 and invest the loan amount in poultry form. She is working with her husband. Before the loan she is just a homemaker. Her husband is not earning much. She has two children and all are going in a government school. But after the loan her family is very happy. She is earning five to six thousand per month. Now her children are going in a good school. She is very happy and satisfied to her life.
-Rinku

The farmer's groups often meet to debate on issues like pricing in the market. Now that they are a group and not farmers working in isolation, they feel they have the bargaining power to obtain the right price.

Betel-leaf and Parwal (the gerkhin) Cultivation :

The betel leaf is a heart-shaped medium-sized leaf that has much role to play in India's cultural and religious life. It's used during religious ceremonies and pujas and generally consumed with a mixture of lime and betel-nut. For many families in Bihar, betel-leaf cultivation had been a traditional occupation that was passed on through generations. At the time when NEED arrived in these villages, it was past the harvest season. Many of the cultivators did not have the money to erect the bamboo scaffolding over which creepers are planted to provide the appropriate condition of shade to the betel-leaf

crop. They were also facing stiff competition for their produce from outside markets. At this time, NEED intervened and formed the cultivators into clusters; each of which were provided loans for reviving this cultivation. Most cultivators are now on their second or third loan. They've not only repaid on time, but are able to channel the profits into a better diet, schooling for the children, renovating their homes or even saving in the bank.

The betel-leaf plant is a climber which needs ample shade as an ideal growth condition. It climbs along the bamboo scaffolding that is erected upwards. To provide shade, a bamboo scaffolding is also erected overhead. So a side crop of parwal or gherkin is planted and the scaffoldings support the creeper. Parwal or the gherkin is a favourite vegetable around these parts and a daily supply of a couple of quintals reaches the market from these villages. While some cultivators follow this multi-cropping system, others concentrate on the parwal alone. They too have used NEED's loans in the same way. The loans start at Rs.10,000 and go up to Rs.25,000.

The Button Industry at Bathna :

When you walk along the dusty lanes of Bathna, every other household sports the look of a Bathna's famous button manufacturing units. It's a cottage industry that has been revived through NEED's loans as well. Shells from the riverside are carefully picked and processed into beautiful buttons that are sold in the national and international markets. There are machines for cutting, polishing, colouring and texturing the buttons. Ranging from off-white and beige and peacock-blues and rusts, their catalogues are a treat for the eyes. Some sport a matte-finish look and some are fancy ones that shimmer in the light. But fine dust is generated from these cutting and polishing machines. So, NEED has procured masks for all the workers to protect their lungs from damage. Many women entrepreneurs too have come together to set up and run these units. Here too, the loans here range from Rs.10,000 to Rs.25,000.

Shakuntala out of NEED micro-finance produces natural sources called lac based bangles and ornaments due to which she is day by day enterprising in her endeavors alongwith proper education and health of children .

Shakuntala

The production is done in a systematic manner. On one side you see groups of women breaking the shells into the required size- then it goes into the cutting, shaping, polishing and texturing machines. So far, NEED has provided loans to 105 women to set up such units, amounting to a total of Rs. 1.5 Crore.

I am physically challenged because of the polio attack on my leg. My family too never gave me much importance. But now, because I'm earning, my family and society give me some respect. Thanks to the vocational training by NEED.

- Kranti Sukaipur

Floriculture :

Floriculture as an income generating activity was set up four years ago, with 200 farmers having taken to the enterprise. The flowers grown include rajni gandha, gladiolus, roses, asters and others. The flowers are sold as cut-flowers at florists in and around Lucknow. By directly selling to the market, the farmers can maximize their incomes. Loans towards floriculture units total to Rs. 2 Crore.

Craft-based units :

There are also other craft-based units such as zardosi and chikankari that NEED's livelihood programmes promote. These are the traditional styles of embroidery of Uttar Pradesh that were introduced during Mughal times. While zardosi combines chiffons and georgettes with gold, silver and copper coloured embroidery, chikankari is more delicate with pastel cottons with white or coloured embroidery. Where zardosi works to provide glitter, chikankari exudes a quiet elegance. While zardosi used to be worked upon by men, chikankari embroidery is done exclusively by women. NEED provided both loans and skill upgradation for groups to engage in these crafts. To some extent, the water-tight gender compartments have been broken. There are women's groups too engaged in zardosi, while men do the blocking and patterning in chikankari before the embroidery is worked.

I have one acre of land and my whole family depends on that. Even after all the hard work that my husband and I put in, the returns were low. After I learnt this skill from VST, NEED, I installed a frame in my house. It is easier for me to work in the fields and do the household work, because the returns are good. Thanks to VST, NEED.

Shahin, Ramuapur

The effort helps them with direct tie-ups with the markets, where they would earlier lose all their profits to middlemen. Here too, the loans range from INR 10000 to 25000. Thus far, nearly 28000 women/men's groups have availed of these loans.

Fair Trade :

Encouraged by the success of these craft-based units, NEED set up the Fair Trade Centre within the premises of its headquarters at Lucknow. Poor women are provided training in chikankari embroidery, bag-making and producing such similar products. Following the training, they are provided work and a stipend. The norms of Fair Trade are strictly adhered to. At times, designers are called in to try out new colour combinations and experiment with new fabrics such as jute and silk. The group takes orders to supply handmade files, folders and bags for seminars and conferences.

A great achievement of this group was to register for and finally obtain a Geographical Indicator patent for this traditional craft of chikankari. Their products have also found a place at well-known outlets like Fab-India, Novika and Central Cottage Industries Emporium.

The Value of Fair Trade

Interview with Pushpa Singh, Development Manager (Fair Trade), NEED

Pushpa Singh has been with the NEED team since its inception in 1995. She took charge of the office when NEED's team members spent long hours in the field. As NEED grew from strength to strength and diversified into various activities, Pushpa set up the Fair Trade section of NEED. She continues to take care of this segment of NEED which is now actively engaged in preserving and training women in the traditional craft of Chikankari that Lucknow is famous for. Excerpts from an interview with Pushpa:

On her involvement with NEED in the early days

NEED was in a nascent stage when I became a team member. While the rest of our team visited the villages often, I took charge of

the office. As time passed, I too began to visit the rural areas. I first started work in the village of Kakori. Those days, when we would visit, people would gather around us and be very curious about what we had come for. I really saw poverty: large families, with the children barely having any clothes on. But they were warm and welcoming. We began working to set up SHGs. During this time, we set up the SHGs in such a way that the members were of the same wavelength. We also found that pawning of gold jewellery, primarily for medical needs, was a common practice. Our focus was to ensure that they got a better deal at lower cost. Even after we set up the SHGs, we understood that the women needed a lot of guidance and orientation on various aspects. For example, the money from interest rates would get mixed up with the group leader's deposits, and so on. They did not know how to separate the group's money and their personal money. There were a lot of such issues on which they needed hand-holding.

On her getting involved with Chikankari

When we forayed into this venture, the women were already engaged in chikankari. It was their ancestral occupation but on a residual-time basis. Yet, they were in a difficult situation because the middlemen controlled all links with the market. The payment they received was marginal; and in case of any damage, it would be even less. There was callousness on the women's part too, especially in terms of keeping their material clean and tidy. Their craft needed to be perfected, and they needed to be taught all the 36 stitches that this craft comprises. Those days, they would make do with using just a couple of them. But we sensed that there was a willingness in them to learn. We provided them with training over three months. We taught them all the stitches and also helped perfect their handwork. We taught them to source the raw material directly from the wholesale markets at chowk in Lucknow. Gradually, they also learnt to negotiate for the right prices.

On the craft

It is about 500 years old, and was developed and introduced by the Mughal Empress Nur Jahan. At first, it was done to embroider

skull caps. Then it found its way into home furnishings like tablecloths and cushion covers. This craft had flourished under the Nawabs, the native rulers of Awadh, who introduced new styles, designs and applications. Even these days, when you go around examining the craftsmanship of the women, you find the elderly women of the Muslim community do very delicate work. But today this craft is practiced by the Hindu community as well. This is a very positive development, which means that chikankari has been able to expand its horizons.

On challenges while training the rural women

We had to build trust – and that's a long winding process. We had to make them understand that we were there for them. Simultaneously with our training programmes, we also took up community work like cleaning drains and facilitating the paving of roads in the villages. We had a continued presence there over two to three years. We also told them about the advantages of forming SHGs. We approached not just the women, but their husbands as well. Another sociological issue that came up was the caste and community factor. In the villages where we started training, there were both Muslims and Hindus of various castes. When we looked for a venue to conduct the training, we found that people refused to attend, if it took place in another community's territory. It took us some time before everyone agreed to the venue. At the end, the results of the training were very positive.

On Fair Trade

In Fair Trade, needy women are provided training, followed by work with raw material like fabric, threads, needles, etc, and a stipend. There are ten international fair trade norms that we strictly adhere to. We ensure that the work environment is conducive for the artisans. Child labour is strictly prohibited. There is transparency in costing, which means that everyone knows the cost of the raw material, the cost of labour, and the price of the final product. We also follow eco-friendly methods and techniques. Even if the women are not educated, they are trained to handle various situations through teamwork. They're taught the

value of completing an order on time. Now-a-day, we have started sending them out to seek orders. NEED's Fair Trade department was set up in 1999. In order to diversify our product base, we provided training to our women in working with jute. We are now able to provide export quality items like bags and folders, customised to orders. We have been experimenting with using chikankari on jute products. During our recent, six-month long, government-sponsored training programme, we developed various prototypes like cushions, lampshades, bags, curtains, sarees, tunics and other stuff. The jute-cotton mix with chikankari was very novel. Overall, it was a very exciting and productive process.

On some of the other activities conducted through the Fair Trade department?

We help the women with market exposure, and also display their products at exhibitions. All this is done so they can think of running their own business in future. They are linked with NEED's microfinance programme to avail of credit if required. The start amount is RS.10,000. Through this, they also learn to deal with banks. We've also organised a banker's meet, so the artisans have a direct interface with the banks. By this time, NEED has also instilled discipline in terms of repayment through the loans they may have availed earlier. We now supply our products to well-known outlets like Fab India, Novika and Central Cottage Industries Emporium. The highlight of our work is that our women travelled to Chennai to register for the patent for chikankari. I'm proud that chikankari has been granted the patent. When we began work, we did not imagine that we'd get so neck-deep into this craft. We have trained about a thousand women and 200 women work in this centre alone. We started with community mobilisation... and see where we have ended up!

On future plans

Well, I've always had a taste for design, and I'm able to realise it through this venture. My dream is to float our own brand, and set up independent retail outlets in India's big cities. That would take

the work of our poor women all over the country!

(As told to Shalini Raghaviah)

Challenges from within the community :

Working with rural communities presented their own set of complexities. Traditional societies are rigid, with people being divided on the basis of caste, community, religious practices, social status and occupation. Bringing people together for a common cause, even if for their own good, was fraught with obstacles. The barriers we have broken are the result of 15 years of continuous effort, so it's important to mention them here.

The most overwhelming of them was that women were always discouraged from going out of their homes. It's an expected behavioural pattern that daughters-in-law will stay at home, their heads covered in a ghunghat, take care of household chores, bear sons, serve the elders and the husbands, and carry the family line forward. So, when women are called upon to play such a key role in the community's development, we first had to drag them out of their homes. Fortunately, the concept of SHG as such had attained a respectable status in rural India, so, women expanded their horizons over time.

Secondly, both Hindu and Muslim communities were bound by traditions that created rigid structures, and this counters the development of a society. The Hindu society is divided on the basis of caste. Every caste is linked to an occupation, and the influence of caste can never go away. So a potter's son becomes a potter, a farmer's son will become a farmer, and so on. Although one can appreciate the value of traditional wisdom that will be passed on, this division into water-tight compartments without

My husband does some labour works in Mumbai and he sends some amount for sustaining the life of my family, but he has lots of bad habits and he cannot send me enough money for our life sustainability. Three months before, it was difficult for me even to feed my children and always there were scarcity of money in my family. Now, after taking training from VST, NEED I have installed Zardogi frame in my house and I can earn enough money to run my family. Since last two months my husband has not given me a rupee, because I have not demanded for that, but I don't have any problem.

Kamar Jahan

freedom to move into anything else can be binding and suffocating. In the cities, among the educated classes, the system is much relaxed, but in the rural areas, they persist.

NEED provided loans to young people who wanted to pursue occupations other than their familial occupations. Thus, many young people set up new enterprises, breaking the caste-barrier.

I was educated unemployed and at the time there were vacancy for Teacher. I went into that interview and there were long line of Candidates, who had even higher qualification than me, but I got Selected due to my driving spirit with micro-finance cum Skill Training imparted by NEED. **-Seema**

Similarly, among the Muslim communities, their religion prohibits them from taking loans. It has taken much tact to let them see for themselves, the need for practicalities. So when a group of women work on the zardosi adda (the equivalent of a loom), there will always be one in the group who is forward thinking. In the course of time, they're encouraged to think in terms of their business. Taking a loan would ensure that the business keeps up, or else, they should be prepared to shut down soon. Confronted with such hard choices, they mostly end up thinking practically, thanks to the peer pressure from surrounding groups.

Thus, the purpose behind all these field interventions was to ensure that people's standard of life is improved, their livelihoods are secure, and that their incomes are regular. Only at this point are they in a position to make maximum use of microfinance programmes. NEED experienced that majority of the borrowers in both urban and rural areas demonstrate such excellent entrepreneurial skills that the principal amount provided to them, increased by 400-500 per cent on an average. Thus we gained expertise to identify and select such potentially successful livelihood driven groups whose entrepreneurial behavior and skills can be harnessed to advantage. NEED's direct engagement with around 1,00,000 borrowers through microfinance has enabled us to gain grassroots insights, and has enabled us to understand that the poor largely require working capital support. Such are the field level issues. At the organizational level, the section below explains our practices. The two put together, is what has made NEED's

microfinance programme viable and sustainable in the long term.

Organisational Practices:

Apart from the field interventions mentioned above, NEED also follows a set of clear-cut organisational practices to ensure viability.

To begin with, the rate of interest charged is two per cent per month, totalling to 24 per cent per annum. Ensuring that the rate of interest is affordable takes the fear out of the poor people in availing loans.

Second, a great deal of effort is put in before the disbursement of loans, such as appraisals, all details of the client's credentials, vocational training undertaken, skill upgradation and so on. Beyond the MF too, there are follow-up initiatives to ensure that the purpose of the loan is maximized.

Third, we ensure that organizational development costs are not completely borne by the borrowers. These are met through grants accessed from donor agencies and hence, large percentage of ploughing back of revenue generated by NEED as per the Income Tax Act of Society Act of organizational entity is very sound.

Fourth, we ensure transparency of the entire costing and pricing of the loans. Passbooks with details of transactions are issued to every member. The borrowers are briefed with regard to all terms and conditions before they avail of the loans.

Fifth, NEED recruits many of its grassroots-level staff members from the client community itself. Most of these are matured borrowers with leadership skills who are trained by NEED, although they might be posted in villages outside their own. Experience shows that they also function as the best internal auditors, having been through the drill themselves, and also belonging to the community. This system has been a lot more viable than employing candidates from the prestigious B-schools who expect an unaffordable salary and also find it difficult to relate to the rural communities. Our core staff's remuneration is as per market rates for such skill sets, but is affordable to us.

Sixth, the practice of cashless transaction is at the base of

NEED's microfinance operation. NEED ensures that borrowers deposit their monthly installments in cash either at their nearest bank branch or NEED's collection centres. NEED has set up collection centres at every branch for the convenience of the borrowers. This practice of cashless transactions ensures that over a period of time, the borrowers are in a position to confidently deal with formal financial institutions. When we started with this practice, there were instances where some borrowers of the Mahmoodabad branch of Sitapur district had an initial inhibition, as they thought, thinking that collection centres would be very far, and that they would have to incur considerable transportation expense. When they were briefed about the procedures, they understood that any member could deposit the amount on behalf of the rest of the group. This was found to be in conformity with industry norms. However, NEED also opened new collection centres at some other places also, for the convenience of borrowers. 'Cashless transactions' also means that the loans are provided in the form of cheques, which the group members encash at the bank in person, after verifying themselves and putting their signatures on the cheque. Overall, this has inculcated a different kind of attitude towards banks and financial institutions among the financially excluded communities.

Seventh, repayment schedules are planned in accordance with the borrower's cash flow. This way, it is not only convenient for the borrower, but also assures full recovery of our loans.

Eighth, NEED builds a lasting relationship with its borrowers that go much beyond the provision of credit. As our staff is in touch with the developments in the borrower's lives, it is easy to check if a case of default, if any, is due to a genuine reason. In such cases, repayment schedules are redrawn. If the family has suffered a fatality like death of a member, the loan is written off. While this gesture may lead to minor losses for NEED, it builds trust in the long term. Regular interaction with the borrowers includes post microfinance utilization checks, remedial steps, appraisal and micro-planning.

Ninth, our staff is briefed that their behavior with the borrowers must be most appropriate. The poor expect to be treated with dignity

too, and this approach helps build rapport quickly.

Tenth, NEED organises regular 'grievance redressal meets' so that its staff and borrowers have a forum to ask questions and find solutions.

Eleventh, the provision of pre-MF and post MF support goes a long way in ensuring the strength of NEED's relationship with its clients. As a result of these efforts, borrowers mostly repay their loans on time. NEED particularly invests in 'marketing entrepreneurship' for the enterprising women SHG members of the target community. Supporting them with quality consciousness and market linkages helps create a chain in the same village. Thus poor artisan or craftswoman enjoys the benefit of appropriate return for their work and elimination of middlemen. They also spend less on conveyance. Besides, there is greater coordination among the group of entrepreneurs, all being from the same village.

My husband does some labour works in Mumbai and he sends some amount for sustaining the life of my family, but he has lots of bad habits and he cannot send me enough money for our life sustainability. Three months before, it was difficult for me even to feed my children and always there were scarcity of money in my family. Now, after taking training from VST, NEED I have installed Zardogi frame in my house and I can earn enough money to run my family. Since last two months my husband has not given me a rupee, because I have not demanded for that, but I don't have any problem. ...

Kamar Jahan

To share a case, 40-year old Suman, wife of

Shri Nanku, has four daughters and two sons. Her husband, being a manual labourer, earned very little, and they struggled to make ends meet. She decided to earn a little extra income for the family. She first availed a Rs.10,000-loan and began chikankari work. There are another 50-60 women involved in this work. This gives her a sense of being part of the larger group, which has a tie-up with shops in the neighboring market. Earning Rs.8000 a month out of this, she is in a position to afford a decent livelihood for the family.

Twelfth, our staff is our most valuable and respectable resource, who carry out all functions in NEED. We invest in them by building

their capacities, and provide them opportunities to grow and take on greater responsibilities within the organisational structure. Honesty and integrity of the staff receives utmost attention, and a case of fraud by any staff member is strictly dealt with. The baseline cadre of NEED staff, known as Livelihood Service Advisor, or LSA, have to take on multiple responsibilities along with the unit managers and branch managers of NEED in the overall interest of the borrowers and their communities. Therefore, NEED strengthens this bottom line through training, orientation workshops and meetings along with experience sharing with them. Although there is an additional cost involved in this, the advantages are that the LSAs can contribute towards pre and post MF assessments, livelihood generation and micro-enterprises promotion among the target communities.

In the Amethia Salempur village, for example, there was a woman called Guddi who came into contact with NEED workers. When the NEED facilitator persuaded her to join the SHG, she was reluctant at first, saying that she did not have enough money. But once she was briefed about the benefits, she became a member of the Muskan Self Help Group, and began saving Rs.20 a month. Later, she availed a loan of Rs. 1,000 for setting up a vegetable shop. She started by buying her supply from the nearby markets, but that gave her less profits. Later, she began buying from the main market at Lucknow, because of which her daily income is Rs. 100 per day. With this additional income, she is able to stand on her own feet, and is independent from her married brother.

Thirteenth, while we follow a hierarchy for the sake of administrative convenience, there are cases where such hierarchies may be relaxed during critical situations, particularly in the case of urgent situations.

Finally, identification of risk is a continuous process in NEED. Risks are assigned degrees, frequencies and priorities. Therefore, NEED plans in advance to monitor and control risks.

Thus, a combination of field interventions and organisational

practices has enabled NEED to achieve financial viability along with its social commitment.

Cost of Operations on Micro-finance in NEED

- (i) *Cost of Micro Finance Operations for the current months of Financial Year 2011-2012 {April 01, 2011 - March 31, 2012}*
- (ii) *Fulfilling Strict adherence to Regulatory Norms as per Reserve Bank of India (RBI)*

Particulars of Expenses	Total (in INR)	Total (in US \$)	% of Average Loan Outstanding	% of Total Expenses
Total Field level Units	21			
Total Months	12			
Director Manpower Expense	15016392	306457	6.88	35.51
Administrative Expense	454752	9281	0.21	1.08
Financial Expense	19317376	394232	8.86	45.68
Other Operating Expense	3987771	81383	1.83	9.43
Loan Loss Provision	3514077	71716	1.61	8.31
Total Expenses	42290368	863069	19.39	100.00

Particulars of Income	Total (in INR)	Total (in US \$)	% of Average Loan Outstanding	% of Total Expenses
Interest from Rural Group	44078867	899569	20.21	88.73
Loan Processing Fees from Rural Group	2645810	53996	1.21	5.33
Bad Loan Recovered	36160	738	0.02	0.07
Bank Interest	543132	11084	0.25	1.09
Total Operational Income	47303969	965387	21.68	95.22
Other Income	2376107	48492	1.09	4.78
Total Income	49680076	1013879	22.77	100.00

Average Per unit cost of Expenses and Income

	Total (in INR)	Total (in US \$)
Average Opt. Exp. Per Unit Per Month	2013827	41099
Average Opt. Income Per Unit Per Month	2252570	45971

How they did it

Hence, Operational Surplus	INR	\$
In Exact Amount (INR & \$)	73,89,708 i.e. 3.39% of average Loan O/S	150810
(In Percentage)		

Other Details of Economic

	Total (in INR)	Total (in US \$)
Operational Surplus @ per unit	351891	5,839
Operational Surplus @ Per unit per Month	29324	649
Loan Outstanding Portfolio as on March 31, 2012	175703836	3,566,112
Loan Outstanding Portfolio as on March 31, 2012	260585166	5,267,007
Average Loan Outstanding Portfolio as on March 31, 2012	218144501	4,416,559
Average Loan Outstanding @ Per Unit	10387833	210,312

Increase in borrower's income from pre Micro-finance to post Micro-finance

Sl. No.		Pre -MF	Post-MF
	CRAFT		
1	Dari	1500-2000	2500-3000
2	Zardozi	3000	4000
3	Chikankari	1000-1500	1500-4000
4	Jute	1000-1500	1500-3000
5	Hand made paper	700-1200	1200-1500
6	Bangles	1500-2500	2500-6000
7	Bamboo	1500-1800	1800-2500
8	Natural grass	1200-1500	1500-1800
	Organic Farming		
9	Parwal	2000	4000
10	Paan	3500	4000
11	Litchi	4000	5000
12	Vegetables	3000-5000	4000-6000
13	Floriculture	3500-5500	4500-6500
	Medicinal Plants		
14	Mentha	3000	5000
	Micro enterprises		
15	Of diverse profile	5000-12000	7000-15000
	Service sector		

Ensuring Viability: Balancing Poverty And Profit

16	Different	7000-15000	10000-20000
	Small Business & trade		
17	Various	4000-8000	5000-10000
	Animal Husbandry		
18	Dairy & cattle	3000-6000	4000-8000
19	Fisheries	6000	10000
20	Poultry	7000	12000
21	Others	2000-6000	3000-10000
	Social Enterprises		
1	Safe drinking provider	Zero	2000-3000
2	Agri. cum dairy's input supplier	Zero	5000-7000
3	Marketing entrepreneur		2000-3000
4	Motivator	Zero	2500-3500
5	Village Health Guides	Zero	1500-2000
6	Skill provider	Zero	4000-5000
7	School teacher	Zero	1500-2000
8	Sanitary napkin provider	Zero	3000-4000
9	Several service provider inputs	Zero	2000-3000

Yet, every lap of this journey has thrown up new questions. We are only too aware that we were part of a larger sector. We would, in due course, be faced with the same issues that the sector is faced with. Again, we had to look within for answers.

Source: Office of Registrar General of India, data released in 2011

- (I) Reference: Newsletter of Hope Foundation, June – Aug 2011
- (II) Reference: "Poverty plays the spoiler", book review by V.M. Rao of "The Journey of India Micro-finance: Lessons for the Future" by Ramesh S.Arunachalam, AAPT I Publications, Chennai. Book review published in The Hindu, Nov 1, 2011

CHAPTER-04

Debating The Larger Issues In Micro-Finance

Although at NEED we have worked out our own rules and are guided by a strong philosophy, we're only too aware that NEED's microfinance programme does not exist in isolation. Issues that affect this sector are as relevant to us as any other MFI. In this chapter we've debating and discussing a host of such issues that impact the sector as a whole. For the time being, it appears there are more questions than answers. But we've tried to introspect and answer them in accordance with our experiences.

Should the approach to microfinance be merely one of lending and recovery, or should it incorporate larger social goals ?

NEED visualises MFI's work as more than the sourcing and disbursement of credit to the borrowers, and then seeking repayment. It is viewed as a catalyst for sustained entrepreneurial activity. Our intention is to promote livelihoods and other microenterprises using both microfinance and other focused interventions including advocacy. NEED envisions MFI not only as a provider of credit, but also as a catalyst to structure livelihoods and livelihood patterns. Our perspective is that an MFI deals with the poor who do not have financial literacy like an industrialist financed by a bank. Hence, an MFI needs to handhold its customers and also ensure that they have the necessary skills to carry on the activity without falling into debt traps. This means that NEED supports the creation of a livelihood option and its growth and evolution. It aids both income generation and social enterprise by increasing the well-being that supports economic growth. NEED's experience is that the poor will avail of microfinance as long as it fits into the pattern of their lives, as well as complements their own cash flow. For example, we conducted a health survey and

found that many of our borrowers who earned by setting up zardosi units suffered from anaemia. We encouraged them to spend ten per cent of their income into improving their nutrition levels, rather than saving up that money. Our interest was to see that their health improved. Many of those who availed of our loans for pregnant women say that it's not a loan, but a "healthy child that you have safely put into our hands". Such a base level improvement would ensure higher security for their livelihoods. Therefore, boosting income levels must go hand in hand with improvement in the quality of life of the clientele. In many cases, the income levels of the clientele have gone up by 70-150 per cent. Apart from this, there is also a post-loan visit in order to understand the means of spending the income, on the ways in which the quality of life has improved, and also to check whether they have had any problems. The young people who had dropped off their studies midway availed of loans to continue their studies. On completion of their studies, they further invest in setting up their own enterprises.

We have also understood that the rural masses are no less capable of managing their enterprises as well as handling risks. Simultaneously, there is a need to bring capabilities of the staff of MFIs to levels of optimal efficiency.

Who should be our clientele and what should be the nature of our relationship with them ?

At NEED, we have nurtured our clientele from the weakest and the most vulnerable sections of the community. We have picked up our clientele after a detailed survey and appraisal which includes physical conditions such as type of house, meals, health and the conditions in which they live. Nearly forty per cent of our investment in this clientele comes before the introduction to microfinance, and another thirty per cent comes afterwards, leaving the investment during the microfinance period to be about thirty per cent of the whole. The reason why our services extend beyond the provision of loans is because it takes such a basket of services to pull the poor out of poverty, and thus bring convenience, technology, safety, security and sustainable livelihoods to the rural poor. The relationship with this

clientele is one of mutual respect and dignity, built on a long-term basis. The services are provided in a timely and convenient manner. Rather than appraising just an enterprise, we appraise the person and his/her competence-so it is more the person rather than the project that is financed.

When we begin, we find many of our clients not sufficiently financially literate. Many-a-time, they don't even know addition or subtraction. This is addressed by conducting trainings in financial literacy, and thus demystifying the whole concept. NEED also protects the private information of the customers, which can be accessed only by those who are legally authorised to use it.

We have also put in place channels of communication with our customers through which they can give feedback on the quality of service. This is a chance for both sides to learn and grow together.

Often, social exclusion is the biggest cause of poverty, with many social taboos adversely impacting their lives. NEED draws these minority groups into its microfinance programmes.

More than any other factor, the poor should be served in a humane manner. This is what the poor expects from us as well. Who are these poor people? Largely, they include migrant labourers, women, artisans, the youth, the farmers, small entrepreneurs whose businesses are shutting down, and the skilled and unskilled labourers. NEED strongly believes that micro-finance institutions, regardless of their legal status, needs to put in place ethical values and a service-oriented outlook.

How is the repayment schedule fixed ?

Repayment schedules are customised and fixed in accordance with the cash flow of the client. Some are on monthly, where as others are on annual basis. On the basis of our field experience, we decided to do away with the weekly repayment system. Also, borrowers must be given an opportunity to repay a larger amount if they choose to, especially during the peak seasons, so that they can repay the loan sooner, this too without charging any additional fee.

Should there be collateral for loans to the poor ?

NEEDs loans to the poor are collateral-free. As lending happens mostly to a group, the cohesive force within the group itself functions as the collateral, ensuring that the MF norms of NEED are adhered to. This not only takes the fear out of availing a loan, but the poor greatly value this sensitivity. Through our effort, we constantly reinforce microfinance as a social enterprise for the goal of poverty eradication. If a person displays entrepreneurial capacity and drive, these qualities function as the assets. Over a period of time, these borrowers become credit-worthy in the eyes of the bank.

How much rate of interest would it be appropriate to charge the poor? What are the criteria that we used to set our interest rates ?

NEED gives clients complete and comprehensive information about the cost they are paying for loans and transaction services. This is in alignment with the guidelines of RBI (Reserve Bank of India), the country's apex financial regulating body. Each client is provided with a passbook, which has their photograph and all details of their accounts. NEED charges an interest rate of 2 per cent per month; adding up to 24 per cent per annum. This does not provide excessive profits, but will be sufficient to ensure that the business can survive and grow to reach more people. When higher rates of interest are not viable with the rich, how can the poor be charged high interest rates? Unfortunately, this is the sad reality that the country has experienced.

What should be our processes before, during and after providing microfinance ?

Before entering into microfinance, one must

- Mobilize and organize the community, and then empower them to access organized public and private institutional services.
- Spend time with the target communities, understand the people's culture, profiles, behavior, constraints and problems.
- Understand the socio-economic conditions of the community and the villages.

- Assess the needs and credit requirements of the community members
- Identify target beneficiaries who are in need of credit and other components.
- Identify income-generating activities of the people.
- Create sub-sector or cluster based concentration of potential enterprising persons.
- Establish credentials and build rapport.
- Work with linkages from the unorganised to organised structures.
- Help position MF as a stepping stone to holistic financial inclusion.

Similarly, during implementation, one must

- Bring in a culture of change for development through peer pressure groups.
- Brief and facilitate clients to fulfil loan procedures such as mode of credit delivery and repayment procedures.
- Provide focused and useful capacity building & skill orientation.
- Provide space for matured borrowers to share their experiences.
- Provide an add-on loan amount for Social Enterprises too.
- Provide proper documentation and passbooks to the borrowers.

Finally, post microfinance, it is necessary to

- Carry out an internal audit of the entire MF operation.
- Conduct regular social performance appraisals.
- Reinforce Market Based Skill & Entrepreneurship Dev. (MBSSED) input.
- Inculcate functionally proven financial literacy through learning by doing.
- Provide technical guidance to the groups.
- Facilitate market linkages to the groups.

- Establish linkages with basic services such as health, sanitation and education.
- Examine borrowers' utilisation of funds.
- Inculcate the spirit of scaling up micro-enterprises and livelihood to the next stage.
- Involve regional networks and the media in policy and advocacy.
- Educate students on various aspects of MF both at school and college levels.

What should be our stand when it comes to the issue of multiple borrowing? Should we allow our clients to take more than one loan at a time? Would they be in a position to repay if they had multiple sources of income ?

NEED's appraisal of prospective borrowers are carried out in a thorough manner; and the loan amounts are in tandem with the cash-flow and repaying capacity of the client. However, there have been cases where more than one MFI operates within a given territory, and borrowers often adopt double standards when it comes to repayment. In most cases, this occurs when borrowers are not properly briefed with regard to the terms and conditions of the loan.

What should we do with defaulters ?

As much as possible, the possibility of default is minimized through the process of setting the repayment schedules in consonance with the client's cash flow. While there is energetic pursuit of the defaulters, NEED treats its clients with dignity at all times; and will not deprive the customers of the basis of their means of survival merely on the grounds of repayment. In most cases, the group takes responsibility of repayment. We also drive it into the client that there is a respect and worth that they earn by keeping to timelines. In our experience, this works much better than coercion. There are times when repayment schedules are redrawn as per the situation. Moreover, if the borrower's family is in crisis due to any fatality, the loan is written off. There is also a system of composite insurance that takes

care of three or four risk types, for an annual premium of Rs.150 to be paid by the client.

We've also seen the need to enforce a strict vigilance system to ensure that the staff and customers may not take advantage by submitting fake certificates.

How should MFIs involve local networks ?

The most sensitive stakeholder in the village being the village Pradhan, it is important to involve them in this development process. In most cases, MFIs neither interact nor make use of the local networks at the grassroots level. MFIs could also consider networking with the State Level Banking Commissions (SLBC) and policy officials of the government who hold the portfolios relevant to microfinance.

What cadre of staff members should MFIs recruit ?

An enthusiastic and qualified staff may be recruited from the mature borrowers from the community, the members of women's SHGs and even workers from mines. At a senior level, ex-defence personnel and others who have sought voluntary retirement maybe considered.

How do we keep a constant check on fraud ?

Fraud and financial infringement of low amount by the lowest rung of staff cadre and by the borrowers has been an area of concern for MFIs. Even in the case of NEED, some such cases have come to our notice. However small the amount may be, fraud demoralizes microfinance. Therefore, we encourage borrowers/clients to report even minute cases of fraud through PRIs/Group leader or on their own.

For example, a woman borrower from the minority community was illiterate and availed of a microloan from NEED, but during the repayment, the concerned staff member asked her to pay Rs. 50 per installment to him, rather than go to the collection centre. The woman refused, saying that she'd rather take the trouble and expense of paying it at the collection centre, than pay him under the table. She brought the matter to the notice of the branch

manager. The concerned staff member was issued a warning letter, and the matter also became a core issue that was discussed during the internal meetings of NEED.

How best can we deal with minority target groups ?

Targeting clients from the minority communities is a core issue for MFIs. For example, many of our clients from the Muslim community come from culturally strong backgrounds, but a majority of them are poor and illiterate. Many of them were at first hesitant to avail of loans, as they believe it is against their culture (The Sharia prohibits the fixed or floating payment or acceptance of specific interest or fees (known as Riba or usury) for loans of money. Investing in businesses that provide goods or services considered contrary to Islamic principles is also Haraam (forbidden). For many of these women, coming into the mainstream of income generation was difficult and challenging, particularly because they had to overcome obstacles from within the family and without. While NEED gave due consideration and respect to their values and principles, their involvement was a key concern for the growth and development of microfinance in their respective clusters. Gradually, practical concerns urge them to accept the regular practices of MF and micro-entrepreneurship. For example, one of our women entrepreneurs, who underwent skill upgradation in the zardosi craft was hesitant to avail of loan. Not only were the women in her family not agreeing to it, but there was also the fear of unaffordable interest rates. It took several sittings with NEED staff for her to be convinced of the benefits of availing the loan. The staff explained all details of procedures, interest rates and other details. Today, she is in the second cycle of her loan. The income that she earns from zardosi is also a valuable support to her family.

How do we react when other MFIs try to chip into our territory ?

We are confident that because of our method of operation (which includes approach, repayment schedules and relationship with our clients), our clients prefer to do business with us rather than with other

agencies. Since we do not allow multiple borrowing, our clients are also aware that they will not be drawn into a debt trap. NEED is an active member of the Credit Bureau, which provides a clear picture of MFIs that permit/do not permit multiple loans.

What should we do if other MFIs try to hack our staff ?

We insist that the staff member takes a No-objection certificate from us after a thorough discussion with us. The staff member also has to provide three months notice. Also, she should have cleared all dues in his/her name. Also, whenever any member of our staff continues to violate the prescribed code-of-conduct, information about the incident and the concerned staff member (with photograph) are circulated via email across the network of organizations working in MF and livelihoods. This works as a deterrent for our staff and sends out a strong message to stay out of such situations.

Are the poor to be looked upon as objects of charity or as bankable assets ?

We look at the poor absolutely as bankable assets. What we have experienced in the last few years is that poor people need not our subsidy, but responsible and transparent business services with social discipline and responsibility.

What should we do about the lack of research and resource material in the field ?

We should advocate for inclusion of a research and documentation wing among MFIs so that each organisation's experiences may enrich the others, from which we may be able to draw out a manual of best practices.

In what other ways has MF impacted rural life ?

One of the biggest impacts of MF on rural life is curbing of rural to urban migration. Due to poverty and lack of employment opportunities, men, women and even children are forced to migrate to urban areas in search of a livelihood. They take up menial jobs like

rickshaw pulling, manual labour and vending of goods of a very small scale. In the process, they are exploited by middlemen and contractors.

For example, in the village of Mahutwa in Raebareli district, there are several potters belonging to the Dalit community, who were dependent on middlemen to sell their products. Invariably, the middlemen get to keep a large amount of the profit. These potters lacked working capital, and gradually, many of them began to migrate to urban areas. NEED's microfinance programme was able to provide them with seed capital for their ventures. Also, they started selling their products directly to the market without the aid of middlemen. Because of the resulting increase in income, the community feels settled and comfortable in their respective villages. This way, the trend of migration to urban areas has faded out.

What should be our legal status? Do we have to transit to a Non-Banking Financial Company status?

Whether NEED transits into the NBFC status or not would depend upon the guidelines to be laid out by the Reserve Bank of India, which is awaited in the near future. However, NEED would also be working along the lines of the impending MF Bill of the Govt. of India.

Should the Media be involved in Microfinance ?

At NEED, we have constantly involved media personnel from both print and electronic media in our activities. The media have always played an important role in our meetings, conferences and advocacy camps at the national and international level. NEED was one of the organizations involved in the creation of a forum called State Resource Persons for its intervention called GRANITE (Grassroots Reachout and Networking on Trade and Economics in India), in which microfinance is a theme that is regularly discussed. This has greatly contributed to the transparency of our programmes and processes.

The other issues that are generally discussed in this context is as follows:

How can MFIs survive the cycle of boom and bust ?

By 2004, poverty alleviation was clearly being seen as profitable business, looking at the number of banks, even large ones like ICICI, which were willing to venture into MF. The same is also testified by the number of MFIs that sprung up in India (numbering around 500 at present). There has been a sudden mushrooming of MFIs – something similar to the Information Technology boom and bust. In the long run, those MFIs which have emerged out of a development background have shown higher chances of survival – given their understanding of the grassroots.

Yet, those MFIs that survived the recent financial crisis did so because of the following reasons:

- The capacity to view the poor not as objects of charity, but as potential entrepreneurs lacking capital.
- The capacity to harness the skills, trade and services of those at the margins and draw them into the mainstream economy.
- Introducing structures and products in such a way that the client can try out products and pay for it in accordance with their usage.
- Ensuring a manageable repayment schedule.
- Understanding that the core of microfinance is to start with a small loan first, repay the installment and go on to bigger loan amounts. (*Times of India* writer Akhileswar Ayer, in his article “What MFI can Teach Wall Street” bemoans the fact that our stunted financial system fails to reach hundreds of millions. *Microfinance has its merits, but is not enough. The big challenge is to move from micro-loans to mini-loans of Rs.50,000 to Rs.2 lakh. Such a step alone can transform poor borrowers from “objects of pity” to “objects of envy”*).
- Understanding that it is important to meticulously ensure the installments from borrowers with a cushion of time to ensure complete repayment.
- Understanding that a person's credentials are more important than the value of their assets.

- Lending to a group ensures a safeguard mechanism due to the cohesive pressure among its members.

Linking Micro-Finance with Basic Human Services

NEED's Unique Way....

In Kheria village in Mahmoodabad, Prema Devi took a micro-loan of Rs.10,000 for setting up a chikankari unit. Because of this additional income, the family enjoys a more nutritious diet. NEED has educated her on various aspects relating to health, hygiene and sanitation; and she is able to use this information to the benefit of her family. She's also able to send her children to school.

Shivrani, a resident of the village of Sarsanda, is a member of the Maa Durga SHG. She set up a shop through NEED's loan. With this additional income, she too is able to send her children to school.

Israr, a father of five sons and a daughter, is a potter at Kakor village. During the monsoons, he always had trouble transporting his goods to the market. He took a loan of Rs.10,000 to buy a cart for his horse. Now that his transport worries are solved, his business is no longer dull, even during the monsoons.

Bishundei's family lived in very poor conditions. They lived in the Bighu village in Kakori block. They had no other source of income other than casual labour. NEED provided them a loan of Rs.10,000, with which they bought a buffallo. Selling the milk has given them some extra and regular income, to meet some of the family's needs.

Priya, the wife of Vinod Kumar in Naubasta village of Kakori block of Lucknow, was quick to realise the importance of micro-credit. She took a loan of Rs.15,000 and opened a fruit shop. She now has additional income even after repayment of the instalments, with which she's able to send her children to school.

Jeetendra Kumar Roy of Babakuti Karimganj, runs a school

“Swami Vivekanand Shiksha Niketan”, with more than 200 students. He was able to do this through a loan of Rs.25,000 provided by NEED.

What the other external and internal influences on MFIs ?

As MFIs continue to operate in rural India, there are a host of external and internal factors that influence its functioning. To begin with, it is important to have self-regulation even before legal regulations. Self-regulation means internal checks and controls at the organizational level combined with client protection. (NEED's client protection guidelines are provided at the end of the chapter) In addition, there is much to be done before and after microfinance, with a clear emphasis on promotion of social and economic enterprises. This way, over time, it helps develop a relationship with the clientele, while at the same time building the credentials of the organization. While operating in the rural areas, it is necessary to respect the traditions, culture and texture of the society, which often plays the role of regulators. This means that we've got to understand and respect the communities' attachment to their traditional occupations—be it agriculture, or a craft such as chikankari or zardosi.

Meanwhile, the legal regulations are laid out as per the RBI guidelines, (presented at the end of this chapter) which NEED is adhering to. With increased competition among the MFIs, the need to bridge conceptual and operational gaps, as well as bring about rate parity between competitors is imperative. Also, with increasing demand for credit from customers means that MFIs have to expand their areas of operation, even while taking care of risks and maintaining smooth operations.

Some of the other external factors are:

Changes in Interest Rates :

Are MFIs being affected by changes in interest rates set by their competitors or by central banks? Such an impact would apply to both cost of funds and their loan pricing). The cost of operation should ideally be worked out through a development-driven framework

rather than trying to compete with the corporate sector. It is this mindset of corporatizing MFIs that compels them to charge excessive rates of interest, more on par with commercial rates.

Decreased Liquidity :

Will the current financial crisis constrain MFI's ability to obtain funds to run their businesses? What is the standard policy in MFIs for filling up working capital gaps? Since about 20-25 per cent of the MFIs within the legal NBFC structure control the entire capital flow, the majority of the NBFCs still need capital infusion. Banking institutions require much flexibility and decentralization in order that they consider disbursement for priority sector lending, i.e., MFIs. However, this does not happen in reality, therefore leading to a liquidity crisis. In addition, rules and regulations including those of External Commercial Borrowings (ECB) are so complex that a large number of MFIs hardly know the proper mode of its application.

Increase in Operating Cost :

Has the operating cost of MFIs increased as a result of commercially-driven operations, and to what extent is it putting pressure on MFIs? Are MFIs self-sustaining enough to manage capacity building and social costs on their own? What component of the total costs are social costs? In many circles, MFI is generally understood as a business, because of which a lot of skepticism is raised about the transparency and developmental aspects of microfinance.

Political Interference :

MFIs may face political pressure in the areas of interest rates and lending terms. How are these dynamics impacting the microfinance sector? Is there any kind of collective bargaining with the government agencies? In all, is the political environment hampering or supporting the MF sector? In the political circles, microfinance is often not understood in the right spirit. Also, in the absence of appropriate capacity building among top level stakeholders, it is the MFIs that pay the price. Besides, MFIs themselves hardly take the initiative to involve such stakeholders in their operations that allows for understanding its practical dimensions.

In order to disseminate information about its activities, NEED brings out an English newsletter women for change, and a Hindi newsletter called Vishwa haat mein hum kahaan? (Where do I stand in the global village?) We also periodically organize peer review meets, workshops, conferences and product exhibitions at the village and cluster level. Members of the clientele are always an important part of these gatherings. Also, award ceremonies for best performers always include State level leaders and officials.

Are there constraints on MF product development following the financial crisis ?

Although the peak phase of the financial crisis might be over, there is still a fear among the MFIs to lend, despite the circulars sent out by the RBI. Yet, it is necessary to promote product diversification. The new products identified needs to serve its select customer base – be it urban or rural.

Decreased profitability occurs in unforeseen circumstances when manpower and administrative costs go up or sometimes, when we have to pay higher interest expenses or financial cost against borrowings. At times, due to lack of management discipline, recovery of microloans does not happen as it should. The goal of not-for-profit is not the profit; but even then the surplus or profit is the key work for long term sustainability of the MFI, even in the overall interest of the clientele. Although profitability is not the aim, decreasing profitability overshadows the tempo of microfinance and this trend should be curtailed as much as possible.

Some of the other issues are also discussed below : Reduced Depositor Confidence :

The clients want and expect protection of their deposits. They want to be able to draw the money back when required. They also want interest and higher returns on their deposits. Still, winning the depositor's confidence is not easy when an MFI is seeking deposits out of the clientele's hard-earned savings. In the micro-sector, micro

deposits are still in their infancy and MFIs have a long way to go. The lack of legal protection also hampers players in this segment.

Poor Management Quality :

It is the sound management and strategic control over microfinance which ultimately helps to gain an upper hand over others. Without sound management, MFIs stand to lose, as poor management quality can result in drawback and hindrances in its growth. It is necessary not only to have effective control of staff through sound team management and HR practices, but also overall management of dealing with the external agencies and funding organizations. Winning the confidence of the clientele are equally important and within the domain of management.

Difficulty Refinancing :

A microloan is extended with the underlying notion that it will be repaid on time, on a regular basis. But in reality, this does not always happen, as borrowers may not have enough cash from their income generation activity to repay the loan. At such times, refinancing becomes the option. Under what circumstances can the borrowers prove that they can repay the increased amount of installment from the same activity? This becomes near judgmental on the part of the MFI to decide, and hence, decision-making is difficult. Therefore, refinancing is not an easy task to perform and is not always conducive either for the borrowers or for the MFI. It is very difficult to decide on refinancing an erring loan- i.e. a borrower on default.

Provisioning of loan loss :

Loan loss provision is done to set aside a small portion of loan portfolio to offset the risk in the highly volatile microfinance sector. There are always risks of client default or overdues in portfolio operations. Loan loss provisioning is generally to combat such a situation in advance without affecting the accounting or profitability in case of genuine losses on the part of bad debts which need to be written off against loan loss provisioning.

Exploitative technological vendors and too much distortion :

Microfinance is the business of financing of small amounts to a large number of people and it requires technological interface. But technology adoption may not always be fruitful for either the clientele or the MFI itself, given hindrances of high cost, unethical practices by vendors, etc. Similarly, distortion of information, the attempt to sell obsolete technology by vendors and unscrupulous methods being increasingly adopted by vendors are not in favour of the MFI sector most of the time.

Declining swing of asset/profitability :

There are generally two major sources of funds that established MFIs access for onward disbursement. One is the revenue which it generates in the form of repayment of principal and the surplus it earns, which is mostly ploughed back into further microloans. The other is of course, the credit funds. However, the lack of credit funds from financing sources or falling short of expected revenue from operations may result in a declining portfolio, thus leading to declining assets. Similarly, reduction in income or too much of expenses may bring down profitability. For an aspiring, ambitious MFI, both should be on the rise. Declining status means an obstacle in the path of progress or growth, and is generally never desired.

Status of Compliance of RBI norms :

(ref. Circular RBI/2010-11/505 RPCD.CO.Plan.66.04.09.01, dated 3rd May 2011, is as follows by Network of Entrepreneurship & Economic Development (NEED), Lucknow

No.	Norms	Compliance
1.	Bank Credit to Micro Finance Institutions extended on, or after, April 01, 2011 for on-lending to individuals and also to members of SHGs/JLGs will be eligible for categorization as priority sector advance under respective categories viz.,	The micro-credit wing of NEED extends micro-loans purely for the purpose of livelihood and income generation. Backward and forward linkages are fine-tuned along with micro-credit. Micro-loan is extended for

Debating The Larger Issues In Micro- Finance

	<p>agriculture, micro and small enterprise, and micro-credit (for other purposes), as indirect finance, provided not less than 85% of total assets of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of “qualifying</p>	<p>various purposes such as: Zardozi embroidery craft sector</p> <ul style="list-style-type: none"> • Chikankari craft sector • Cash crops such as Medicinal Plants, Pre & Post harvest technological inputs, • Trading cum fast non-farm growing sector, • Livelihood based on animal husbandry and livestock. • Vegetables & horticulture, floriculture and many cash crop driven products. • Handloom • Handicraft • Service cum job work sector • Agriculture based livelihood occupation • Value added livelihood sector • Manufacturing sector of tiny nature <p>More than 89% of total assets are in the nature of assets other than cash & Bank Balances and Investments. 86.3% of total assets consist of “Loan Outstanding”.</p> <p>Loan outstanding is in the nature of “qualifying assets” disbursed to borrowers in the form of micro-credit between Rs. 10 to 25 thousand.</p>
<p>2.</p>	<p>In addition, aggregate amount of loan, extended for income generating activity, is not less than 75% of the total loans given by MFIs.</p>	<p>The total loan disbursed is Rs. 71.72 crore of which 100% is extended for defined purposes of income generation. Due Loan appraisal in a systematic, pre-determined and authentic method by the senior staff at field level is carried out before sanction of micro-credit. Utilization checks are also carried out post-disbursement to check whether loan is being</p>

		utilized for applied and sanctioned purposes of income generation. Suitable assistance to the borrowers in various ways is also extended with regard to raw material requirement, entrepreneurship, marketing avenues etc.
3.	The loan is to be extended to a borrower whose household income in rural areas does not exceed Rs. 60,000/- while for non-rural areas it should not exceed Rs. 1,20,000/-.	The micro-loan is already extended by NEED in priority to People categorized under Below Poverty Line or Above Poverty Line without the household income of Rs. 60,000/- in rural areas or within Rs. 1,20,000/- in urban areas. Due weightage is extended to people in SC/ST/OBC/Minority categories.
4.	Loan does not exceed Rs. 15,000/- in the first cycle and Rs. 50,000/- in the subsequent cycle.	In the first cycle, NEED generally extends Rs. 10,000/- of micro-loan to be repaid in 18 monthly installments. In second cycle, NEED extends Rs. 14000/- of micro-loan after successful completion of all loan installments by the concerned borrower. In the third cycle, Rs. 25000/- of micro-loan has been extended by NEED to a few borrowers completing two cycles.
5.	Total indebtedness of the borrower does not exceed Rs. 50,000/-.	NEED has suitable checks on multiple borrowings and NEED ensures that the client is genuinely in need of micro-credit from NEED. In no case NEED extends micro-loan if the client is already availing loan from other MFI/Bank. Repaying capacity of the client is also assessed. Total indebtedness of the borrower does not exceed Rs. 50000/- as is ensued by NEED.
6.	Tenure of loan is not less than 24 months when loan amount exceeds Rs. 15,000/- with right to borrower of prepayment without penalty.	In rare cases, NEED extends loans above Rs. 15000/- to any borrower that too, only to very few borrowers in the third cycle. NEED has reduced loan

Debating The Larger Issues In Micro- Finance

		tenure from 24 months to 18 months from last one year on the advice of leading FIs. Right to prepayment without penalty rests with the micro-credit availing borrower.
7.	The loan is without collateral.	The micro-loan extended by NEED is without collateral.
8.	Loan is repayable by weekly, fortnightly or monthly installments at the check of the borrower	Micro-Loan from NEED is repayable in monthly installments of 18 months in EMIs.
9.	Margin cap at 12% for all MFIs. The interest cost is to be calculated on average fortnightly balances of outside borrowings and interest income is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets.	Complied at NEED
10.	Interest cap on individual loans at 26% per annum for all MFIs to be calculated on a reducing balances basis.	NEED charges 24% interest rate on reducing balance method in respect of JLG Loans and 18% on reducing balance in case of SHG loans.
11.	Only three components are to be included in pricing of loans viz., (a) a processing fees not exceeding 1% of the gross loan amount, (b) the interest charge and (c) the insurance premium.	Yes
12.	The processing fee is not to be included in the margin cap or the interest cap of 26%.	Yes
13.	Only the actual cost of insurance i.e., actual cost of group insurance for life, health and livestock for borrower and spouse can be recovered, administrative charges to be recovered as per IRDA guidelines.	Yes
14.	There should not be any penalty for delayed payment.	Yes

15.	No Security Deposit/Margin are to be taken.	Yes
16.	The Banks should obtain from MFI, at the end of each quarter, a Chartered Accountant's Certificate stating, inter-alia, that (i) 85% of total assets are in the nature of "qualifying assets", (ii) the aggregate amount of loan, extended for income generating activity, is not less than 75% of total loans given by the MFIs and (iii) Pricing guidelines are followed.	NEED always provides CA Certification in respect of various requirements of funding organization such as pertaining to qualifying assets of book debts. NEED provides the stated certification to funding banking organization.
17.	The guidelines relating to categorization of (i) investment by banks in securitized assets originated by MFIs and (II) outright purchase of loan portfolios of MFIs as priority sector advances in the books of the banks would be issued in due course.	Yes
18.	Bank loans to MFIs, which do not comply with above conditions and bank loans to other NBFCs will not be reckoned under priority sector till maturity of such loans.	NEED has been complying to almost all the guidelines since the beginning of micro-credit operations in NEED (since last six odd years)
19.	In the process framing regulatory guidelines on the other recommendations of the Malegam Committee, Microfinance Institutions to be included in the above regulatory framework have to initiate requisite organizational capacity building exercise so as to enable them to conform to the above guidelines. Banks which are lending to MFIs will be one of the important pillars of the new regulatory framework and hence, they need to build up necessary criterion of due diligences while processing loan applications from MFIs.	NEED undertakes capacity building exercise of staff and borrowers in a rigorous way.

Client Protection Principles: Policy & Follow Up In NEED :

Client Protection is at the epicenter in delivering the services of NEED.

Building a Very Matured Relationship between the client and NEED :

The client protection principle and social performance management are the backbone of NEED's microfinance operations as NEED has been implementing its microfinance programme with a spirit to Social and Economic upliftment as well as for the development of rural and backward areas.

It is not only the financial inclusion which NEED seeks to achieve but client protection which NEED has been working towards, through its social performance management.

Hence, linking client beyond mere micro-finance proves to be the key factor in building transparency in the relationship.

The various client protection principles are not simply in theoretical form but incorporated within everyday practices by every member of the NEED team.

10 Commandments to be strictly adhered by each member in NEED MF Operation :

- It is clearly stipulated in the Ten Commandments guidelines to the field staff not to do any kind of paper work at the house of a client. It should be among the clients only; and in presence of all group members.
- Any kind of false or useless or abusive talk with the client, undue behaviour with the client, relationship with the intermediaries, anything of personal interest are not allowed for the field staff in any case as per the ten commandment guidelines.
- Monthly Social Performance Meet by each Staff in his/her areas of operations is mentioned under Ten commandment guidelines of the staff
- Avoiding multiple borrowing is also mentioned under Ten

Commandments guidelines to the field staff.

- NEED formulated its own Ten Commandments several years back, for each of the three levels of staff in microfinance operations, as guidelines. The three hierarchical levels are the following:-

LSA (Livelihood Advisor) or Loan Officer

Unit Manager

Branch Manager

These 10 commandments are being used as the key point both for client protection as well as performance indicator for micro-finance team.

Code of Conduct :

- NEED has implemented a code of conduct for its staff in vernacular language i.e., Hindi and that has been displayed prominently over display boards at Unit Offices as well as Branch Offices.
- Various commandments given to staff are displayed under the Code of Conduct. Acceptable client protection principles are delineated in the code of conduct.
- Ethics & Moral values of the staff are delineated under the code of conduct such that the staff is aware of what he is expected to do.
- Various Do's and Don'ts expected from the staff are also elaborated upon in the code of conduct.
- It is mandatory for the operations staff to follow the Code of Ethics any deviations in which leads to disciplinary actions taken against them

Attitude and Aptitude :

- NEED's HR Policy duly incorporates staff attitude with the clients. It is ensured that the NEED staff not only behaves well with the client but makes him/her aware of different government schemes and programmes apart from increasing his/her

awareness level on health, sanitation and education issues. It is also the moral duty of NEED staff to give the client financial literacy and make him/her aware of all rules & regulations to be followed in group formation or loan repayment. Appraisal System is in practice in NEED which is taken care of by the Unit Manager in due consultation with the subordinate Livelihood Advisor/Loan Officer.

Social Performance :

- NEED follows social performance standards and its social performance policy duly incorporates client protection principles. All employees are given clear knowledge about Social Performance Management as well as the rationale behind it.

Internal Audit :

- NEED's Internal Audit practices also follow client protection principles and the same are duly incorporated in Internal Audit Manual of NEED.

Multiple Borrowing and over-indebtedness :

- NEED avoids multiple borrowing by its clients and its credit policy clearly stipulates that clients should not indulge in multiple borrowing.
- It is also ensured that the potential client does not have loans (to be repaid) from more than two MFIs, provided the client is matured enough to absorb the credit capacity in line with their progressive micro-enterprise's needs and necessities.
- Similarly, NEED also stipulates over-indebtedness of its clients in practice. NEED takes reasonable steps to ensure that credit is extended only if borrowers have demonstrated an adequate ability to repay and loans have not put borrowers at significant risk of over-indebtedness.
- NEED has defined amount for first, second, third and subsequent cycles as well as maximum limit of loan amount. NEED never allows to go for on lending more than Rs. 50,000

Peer Review Learning Workshops :

- NEED periodically organizes Peer Review Learning Workshops for its staff wherein experience sharing sessions take place among the staff with regard to client protection and social performance management practices in the field.

Grievance Meet :

- NEED has a suitable grievances registering and redressal mechanism developed at Branch Office level for the clientele.
- Clientele are informed about the Grievance Remedial Mechanism. A confidence is generated among the clients about the seriousness of NEED's efforts to help with their grievances. All the relevant details of this mechanism along with the phone number on which they could register their complaint are given to the clients in the verbal as well as written format to avoid chances of any gap in communication.

Documents available with Client :

- NEED has a passbook system in for each client in place wherein loan related information is registered in the pass book at the time of disbursement and subsequently every month.

Helping Client beyond MF with innovative technological change :

- Considerable efforts are being made to bring in enough number of technologies in the rural areas for their implementation and use through micro financing for the overall development. For example, NEED is trying to bring microfinance for promotion of RET (Renewable Energy technology), SRI and SWI (Systematic Rice Cultivation and Systematic Wheat Cultivation) and Organic Cultivation etc.

Fair Trade :

- NEED, through its fair trade principles ensures that the producers (who are generally women members of Self Help Groups and Microfinance beneficiaries) attached with it get fair price for their product through marketing and fair trade wing of NEED.

Debating The Larger Issues In Micro- Finance

NEED happens to be member of World Fair Trade Organization (WFTO), Asia Fair Trade (AFT) and Fair Trade Forum (FTF), India

The larger purpose of micro-finance is financial inclusion. Micro-finance institutions therefore, need to cater to these 'bottom billion'. The purpose of the micro-finance bill that is currently being deliberated upon is to bring in checks and balances into the process of financial inclusion.

In our next chapter, we clarify our stand on financial inclusion and the micro-finance bill.



NEED core team with SEWA founder Ela Bhat as recipient in an International Award ceremony

CHAPTER -05

Coming Full Circle: Financial Inclusion And The Microfinance Bill

Microfinance emerged essentially with the development goal of providing credit to the poor in a non-exploitive manner. Following this was a steady growth in the sector, gradually propelling it to the recently-witnessed state of affairs where some MFIs operated on a high profit-making scale, and finally plunging the entire sector into turmoil. The end appeared to be near. With regulators showing inclination to get involved more from the regulatory angle, the future appears at least stable though the industry is still picking up the pieces from its recent misadventures. From then to now, we seem to have come full circle, as banks once again suspect credit worthiness of MFIs, of the poor, and so on.

However, there is a significant change in the government's and the banking sector's perception of microfinance between then and now. Today, microfinance is being increasingly recognised as a tool for financial inclusion of the poor in totality, and not just as a means of fulfilling their credit requirements. Financial inclusion as a goal is gaining greater attention in government policy circles and is a key to continued socio-economic development, thus conforming to its 'inclusive growth' agenda. Even today, nearly 3 billion people around the world lack access to basic financial services that have the potential to transform economies and boost livelihoods. But before going into how this is being addressed, let's just review what financial inclusion means, and in what way it aids the country's growth.

Back to the Basics :

What would be considered the most essential ingredient of microfinance that will become a tool for achieving the Millennium Development Goal of reducing poverty by half by the year 2015? While MFIs require both vertical and horizontal growth, complementing microfinance with other inputs is absolutely essential.

Those of us who have worked in a dedicated way with MFIs have an indispensable point to make—that of integrating social and economic dimensions. Incorporating social dimensions of health, education and sanitation can ideally be linked with microfinance. Research has shown that the poor fall into debt mainly due to illness and odd cases of theft and burglary. That makes it important to incorporate insurance and livelihoods into mainstream microfinance. This way, its products can reach the bottom billion, who usually remain untouched by various development initiatives. Such integration will allow economic gain for the poor people, along with helping them get on to the mainstream an appropriate social equity. The most important thing is that poor people need access to other financial products— especially savings. Credit may not be the first requirement always. However, MFIs have typically focused on credit more and less on others and even those other services tend to be emerging out of credit like insurance of assets, etc. It is with such a spirit that NEED has been working, and we now encounter many households coming forward to demand these services.

The objective of any social business is to maximise social benefits. This need not be equated with charity, because there is the conduit of microfinance through which many of these can be made available. It is disappointing that the cumulative expenditure of states in rural development has dropped from almost seven per cent in 1992-93 to four per cent at present. Not only is the rural funding inadequate, but the amount disbursed by the state through traditional financial outlets (almost 1.75 lakh in number) is far too inadequate to fulfill the requirements of majority of the poor people, leaving them outside the net of financial accessibility.

Financial Inclusion :

The concept behind financial inclusion is that unrestrained access to public goods and services is the outcome of an open and efficient society. It is argued that as banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of public policy. The term gained importance because of its

direct correlation to poverty. Thus, financial inclusion is now a common objective for many central banks among the developing nations. In India, this concept was best summed up by the Rangarajan Committee in 2008 as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”. Normally, financially excluded groups comprise marginal farmers, landless labourers, unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities, socially excluded groups and women.

The participation and upliftment of its entire population is a prerequisite if India's rapid growth rate has to be sustained, and its fruits distributed equitably in future. Though India has jumped into a high growth trajectory, it is yet to ensure the participation of all sections of society. The statistics is alarming: India has currently the highest number of financially excluded households in the world. Being financially excluded leads primarily to three kinds of threats or adverse situations -

- In the absence of finance, people who are not connected with the formal financial system lack opportunities to grow financially and economically
- The country's growth will retard due to the vast unutilized resources that is in the form of money in the hands of people who lack access to financial inclusive services
- The people who lack these services presume that they are excluded from mainstream society.

Only about 40 per cent of India's population has bank accounts, and only 10 per cent have any kind of life insurance cover, while a meagre 0.6 per cent has non-life insurance cover. The need for financial inclusion stems from the fact that in India, 87 per cent of the rural population, particularly 95 per cent of the women, still has no access to the services of the formal financial systems. This is despite the presence of around 2 lakh financial institutions/outlets in India.

To what extent have banks been striving to address this gap?

When we examine the banking scenario, comparing the data of FY 2000 with FY 2010, it can be seen that the growth in network has increased from 67,532 branches to 87,768 branches. But the share of rural branches was down from 48 per cent to 37 per cent, while those in the urban metros increased from 30 per cent to 40 per cent. The share of priority sector lending of banks remains at 31 per cent, with banks having just about met their targets. There has been no conscious attempt towards pursuing the inclusive model. The greater numbers of NPAs in this sector maybe a reason for not vigorously pursuing the goal. Indebtedness is substantially lower amongst the poorest due to lack of availability of funds for them. Banks are reluctant to lend to this section also because of small loan amounts which are costlier to service. Besides, debtors have irregular incomes and no transaction history, which means banks are not even in a position to assess their credit worthiness. Their borrowings are therefore principally sourced from the informal sector, largely for purposes of non-productive household consumption, and are unsecure as they have no assets to offer as collateral. Sourcing these borrowings from the informal sector again leads to costly transactions going unrecorded, thus creating a vicious cycle of financial exclusion.

The Growth of MFIs and the Crisis :

Microfinance emerged as an alternative to the bank-credit system about four decades ago. However, it also suffers from many limitations in the present form. The Self-help group (SHG)-bank linkage programme, which is managed by NABARD (National Bank of Agriculture and Rural Development), is the largest microfinance programme in the world with a reach of 54 million. But it is heavily subsidised and focuses only on credit delivery. Similarly, microfinance institutions (MFIs) serve a large number of borrowers but their penetration has not crossed three per cent (World Bank, 2006). This is again due to high transaction costs.

Yet, the role of MFIs in this intermediate space is critical. MFIs came to function as a crucial link between the poor rural population and banks. Banks would lend to the MFIs, who would in turn disburse these loans in smaller amounts to the rural population as per their

requirement. Thus, groups of women were able to access credit through SHGs, when otherwise they would have been completely left out of these services. To a great extent, this model was able to demonstrate that microcredit had become an essential tool towards poverty alleviation. It seemed a win-win situation with the banks being able to fulfil their priority sector lending on one hand, and the poor able to access credit when required, through the vital conduit called MFIs. MFIs were here to stay, and their numbers kept growing all across India. But it was the southern state of Andhra Pradesh that became the hotbed of the speedy expansion in this sector, and later also witnessed the crisis that followed. Andhra Pradesh accounts for a quarter of the microfinance portfolio in the country. There were reasons as to why the state became the chosen destination for many MFIs. Firstly, the profile of rural economy here is different from other Indian states, as farmers here shifted from subsistence farming to commercial crops ahead of others—groundnut in southern Andhra Pradesh (Rayalaseema) and cotton in northern part (Telengana), even as the eastern part, or coastal Andhra, continues to produce paddy. Secondly, after they won the anti-arrack (country liquor) movement and forced the state Chief Minister N.T.Rama Rao to announce prohibition in the state, the agitating women were looking for a different cause to channel their energy and organisational skill, and podupu lakshmi (savings and credit) offered that platform. Thirdly, when N. Chandrababu Naidu replaced Rama Rao as Chief Minister, he nurtured the movement to reap political mileage. This is how several MFIs came to set up in Andhra Pradesh, and today there are nearly two million borrowers from MFIs, many of whom are members of SHGs too. However, these MFIs were under no kind of regulation because they were registered as Trusts or Societies, which aren't subject to any financial regulation.

With the high rate of growth in state and the sector, the credit needs of the MFIs were ever increasing. To fill in this gap, venture capitalists and private equity entered the fray. It was obvious that they expected high returns on their investment; and how else could this be made up, but by charging higher rates of interest from the poor borrowers? But as long as it was recovered, everything seemed to be

going well. There was no better way to earn high rates of profits while sporting the halo of alleviating poverty at the same time. Then there was the issue of

multiple MFIs operating in the same territory, vying for 'business'; and it became easy for the clients to avail loans.

Providing financial services to the 2.5 billion people who are 'unbanked' could boost economic growth and opportunity for the world's poor. Harnessing the power of financial services can really help people to pay for schooling, save for a home or start a small business that can provide jobs for others. This new report on the world's unbanked makes the case: the more poor people are banking today, the more they are banking on their future"

However, there was no proper monitoring on

-World Bank President- R.B. Zoellick

whether these loans were being used for the purpose they had been availed for, and families began spending it on consumption needs. But the pressure would soon begin to tell.

The first signs of collapse began appearing when borrowers started to default, burdened by the high rates of interest that they no longer were able to pay. The concerned MFIs responded to this situation by resorting to coercive tactics for recovery. Many of these borrowers had also taken multiple loans—taking subsequent loans to repay the earlier ones, and were already stuck in a debt trap. Faced with huge debts on one hand no means to repay on the other, several borrowers resorted to suicide as the last option. Take the case of Zaheera Bhee in Kurnool, Andhra Pradesh, who committed suicide, due to her huge “indebtedness”, as her family puts it. She had borrowed a whopping Rs.1.6 lakh from eight different organisations. Her weekly household income being only Rs. 2,700, there was no way she could keep her weekly repayment commitments. Worse, she never started any of the business ventures for which she had borrowed the money. A member of her family was surprised to find that one of the groups was a “willing and easy source of loans—even local moneylenders would hesitate to give us more money”. With no serious questions being asked about the purpose of loans, the family spent the money on marriages and emergencies; the debt trap ultimately claimed her life. (Source: The Journey of Indian Microfinance: Lessons for the Future by Ramesh S. Arunachalam, as reviewed by Rasheeda Bhagat in “Microfinance, mega trouble”, The Hindu-

Business Line-Life, August 19, 2011)

Only when news of these suicides became public did the government stand up and take notice of the rot that had set in a long time ago. As the MFIs in question fell under the Non Banking Financial Company (NBFC) structure, it was thus governed by the Reserve Bank of India. Yet, no cap had been fixed for the interest rates to be charged from the borrowers. These situations lead the impending disaster to strike at any moment.

Existing research on MFIs in India suffers from non-availability of data on the total cost of borrowing by source, multiple borrowing, interest rates and the impact of micro-credit on poor households. These questions were fairly addressed in an investigation conducted by the NCAER's Centre for Macro Consumer Research (NCAER-CMCR) in 2010, and the revelations are interesting. A major portion of MFI borrowers were females, mostly housewives. Corroborating the commonly held perception, most borrowers belong to low income households in both rural and urban areas. Over 50 per cent of the MFI borrowers are repeat borrowers. Most borrowers belonged to the 31-40 years group, in their productive years, who needed credit most in the absence of employment opportunities. A vast majority of these borrowers were either illiterate or had studied only up to the 'primary level'. The survey also found that the most popular source of credit among the poor was informal (46%), while the least popular was formal (14%). It is interesting to note that MFIs constitute 18 per cent of all loans, being the second most popular source of microcredit. It was found that indebtedness is much more closely associated with informal loans than MFI loans. The survey found that only 11 per cent of the borrowers had multiple loans of which 21 per cent involved a loan from MFIs. Furthermore, MFI loans are used most for asset creation, with a major portion of them being used for business purposes, and only a marginal portion being used to pay off existing debt. The argument in this survey is that it is highly unlikely that indebtedness is an MFI-related problem. The survey also found that the average MFI interest rates are much lower (25 %) than those charged by informal sources (44%). Although the interest rates

charged by commercial banks as such is much lower, there are a lot of “unofficial” expenses attached to it, such as wage losses, documentation charges, stamp duties and travel costs. Also, when we look at the loan amount applied for and the amount approved, and that actually received, MFIs scored much better than their formal counterparts.

Does this crisis mean an end for the MFI sector? Opinions vary. However, the general impression across this sector is that the greed of a few should not mean a death knell for microfinance institutions. This response is best represented in the words of Ela Bhatt, Founder of the Self Employed Women's Association (SEWA) and Ramon Magsaysay Award winner, “we cannot witness the slow death of the whole MFI movement, which is development oriented. Some MFIs have gone the wrong path and should be punished but small mid-sized NGO oriented MFIs, who are doing a good job, must not be allowed to die”, she says. (The Times of India, Aug 1, 2011). If the sector further runs into a downswing, it will impact the poor adversely again, turning them back to the vicious cycle of exploitation by the moneylender. All in all, MFIs fill the gap left by the formal sector. The inability of the formal sector to serve the poor, due to a variety of reasons, is the primary reason that led not only to the MFIs emergence but also their resounding success. Certain MFIs have probably charged exorbitant rates and have resorted to forcible loan recovery. But maligning the entire sector is uncalled for. So, regulation is the need of the hour. It is in the light of these developments that the Microfinance Institution (Development and Regulation Bill) 2010 has been drafted.

The Microfinance Bill 2011:

Early July, the Union government released the draft of a proposed legislation to govern MFIs that seeks to take them outside the purview of the state law and to give more powers to the Reserve Bank of India (RBI) to regulate MFIs. The Union Ministry of Finance has placed the draft of the Microfinance Institutions (Development and Regulation) Bill 2010 on its website for wide discussion. It is a response to the need for a coherent, well thought-out policy and process to tackle an evidently complex task.

The Bill defines microfinance services broadly—financial services in small amounts including microcredit, collection of thrift, remittances, pensions, insurance and so on—and brings all organisations, except cooperatives only accepting deposits from their members—under the purview of one regulator—the RBI. The Bill positions itself to create an enabling environment for the orderly growth and development of the microfinance sector and MFIs towards the goal of promoting financial inclusion. It also outlines two major decisions: the establishment of the category of systemically important MFIs; and to set up microfinance development councils at the state level. This means that smaller MFIs, once they swell to a stipulated size in terms of clients and microcredit disbursements, be regarded as systemically important microfinance institutions and be subjected to more stringent scrutiny. The microfinance development councils will advise the government on policies and other measures required for “the orderly growth and development” of the microfinance sector. Apart from these, the Bill recommends State Advisory Councils to be set up. The councils will monitor, among other things, field level conduct of the MFIs and bring those to the attention of the central government.

The Bill bestows wide ranging powers to the RBI for registration, direction, regulating, inspection, fixing caps on margins and interest rates, setting repayment schedules, books of accounts, rating norms, capacity building, information system, etc. of MFIs. The Bill also provides for setting up of the Micro Finance Development Fund with RBI for receiving grants, donations and granting loans and other financial support for various purposes. The Bill provides for setting up of the Micro Finance Ombudsmen for the purpose of redressal of grievances between clients of micro finance institutions and microfinance institutions with powers to issue directions to micro finance institutions. All MFIs, large or small, have to register with the RBI before they can function.

According to Rajesh Shukla, Director, NCAER-CMCR, is of the opinion that the sector does need regulation, but not a one-size-fits-all approach. MFIs attempt to alleviate the deplorable situation of the poor

and require freedom to operate. “Otherwise, we will not only end up strangling them but will also have succeeded in cutting off an important source of credit available to the poor”, he writes. (The Economic Times, October 10, 2011)

From Microcredit to Financial Inclusion :

With all this regulation, microfinance practiced in the present form will still remain a first step towards financial inclusion. Beyond the availing of small loans, the rural poor exhibit an even greater need – the need for a tool through which to save, without which growth will continue to remain exclusive. Various studies have revealed that the consumption patterns of the poor are a lot more regular than income, which provides them with savings from time to time. But despite all their efforts into informal systems of savings, these households have no recourse to formal financial systems. Social safety and protection inputs like insurance are also a very strongly felt need among the rural poor. There are millions of such households, who are untouched by insurance, and even a single accident can wipe out the accumulated income earned over years. Thus, financial inclusion means not just access to credit, but also deposits, remittances, and securities, which not only functions as a social safety net, but also inculcates savings habits among the poor.

The Reserve Bank of India has, in recent years, put in place several regulations to encourage financial inclusion by granting greater freedom to the concerned players while simultaneously protecting the interest of the target population—certainly a fine balancing act. One of this is the 2008 Rangarajan Committee on financial inclusion, which recommended that each branch of PSU banks should open at least 250 new accounts each year, or a total of 12.5 million new accounts a year. According to C.Rangarajan, “Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion.” Financial Inclusion can channel the population into the formal sector and so enable better record-keeping of transactions. Through this, credit history may be monitored, ensuring a more sustainable model of lending/borrowing, so crucial to rural development. With access to formal finance, the

rural poor need no longer go to moneylenders that charge exorbitant rates of interest. They also have increased security in financial flows such as remittances and can cut down on time and money costs to streamline the process. The transaction record-keeping will stamp out money laundering and fraud, and so cut into the parallel black markets that eat into the country's GDP. It would thus boost tax collections.

Therefore, the strategy needs to be two-pronged. On one hand is the expansion of the basic banking network itself, along with the proposition of employing 'Business Correspondents' who will play the role of the conduit between the banks and the financial needs of the rural sector. BCs are to act as a last-mile infrastructure, a cost-effective alternative to additional branches. This is in line with the experiences of several developing countries. In fact a 2008 CGAP report (Regulating Transformational Branchless Banking) found that across countries, the most critical preconditions to branchless banking was the authorisation of retail agents as cash-in/cash-out points. The Reserve Bank mandates that public and private sector banks dedicate as much as 40 per cent of their net credit to so-called priority sectors, which include micro-enterprises and disadvantaged segments of society. Of that, 18 per cent must go into agricultural sectors. This has been hard for banks to deliver on, but pushing their own loans through microfinance institutions could help them reach those targets. Fortunately, the banks too are becoming more open to this sector once again. According to the Founder MD and CEO of YES Bank, Rana Kapoor, "The imperfections and shortcomings in this extremely inclusive sector have, to a large extent, been alleviated through the recent Bill, which will facilitate MFI companies. With basic regulation and governance now being controlled by RBI, our view is to support such companies and have some very interesting transactions and distinct deals in future".

Another, more crucial debate is on the efficacy of MFIs to collect deposits. The whole point of having a regulation in place is to be fair to the poor while promoting the sector, so the need to avoid risk is critical as well. This development gap can be bridged by expanding the outreach of existing institutions, and also by supporting the growth of

NGOs/MFIs and their systems till they comply with the rigour required for deposit-taking organisations.

The argument that MFIs should be able to collect deposits has merit and risk at the same time, which needs to be assessed by the regulator. The argument for collecting thrift is valid because the (i) the MFI in any case has a network and is in constant touch with the customers and it makes immense sense to provide this service to the poor and (ii) thrift diversifies the funding sources of an MFI, thereby making it less vulnerable to the whims of commercial banks and will provide them with greater opportunity to tide over any difficult periods such as the recent Andhra episode, after which banks stopped funding MFIs. But it is a concern that this window should not be used by organisations with low capitalisation to collect deposits from a section of people who technically might not want a loan at this period.

Only the RBI can regulate MFIs as of now, and set standards that do not distinguish between categories of depositors. The earlier microfinance Bill 2007 (in accordance with the Malegam Committee Report), tabled in the Parliament but which lapsed, advocated a minimum net worth of Rs.15 Crore as eligibility to collect deposits. The present Bill pegs it at Rs. 5 lakh instead; a move that smaller MFIs would welcome. However, ASSOCHAM expressed the view that minimum capital requirement for MFIs should be raised to at least Rs 25 lakh from 5 lakh, backed with a strong technology intervention for adequate reporting, supervision and regulation. This will encourage the entry of serious players in the sector. The proposed law is silent on percentage of profits to be set aside to form a fund for taking care of financial eventualities. There is a need to specify and percentage and also define the term 'profit'.

This Draft Microfinance Bill, it is hoped, will ensure flow of funds to organisations if guidelines are fully complied with. Banks have finally started providing fresh loans to the sector. Also, the sector would be benefited if the industry is represented at other Central and State Committees too.

It is clear from the activities that can be undertaken by MFIs under the provisions of the Bill, that microfinance cannot be equated

How they did it

with money lending. Microfinance is much more than money lending and therefore the proposed legislation for regulation of MFIs rightly equates microfinance activity with banking and seeks to regulate activities of MFIs with the object of promoting financial inclusion.

Similarly, financial inclusion itself is seen as one step towards inclusive growth, which comprises other dimensions such as access to other basic services like education, health, progressive livelihood, and others.

After the spate of suicides in Andhra Pradesh, the RBI and the Andhra Pradesh government agreed on the fact that the root cause of these problems, despite its Rs.25,000 Crore portfolio, is that microfinance institutions do not have a 'legal home'. In other words, the MF Draft Bill is still pending, and we shall have to wait until it is finalized. As long as the country does not have an exclusive MF Bill, MFIs do not have a legal home at all. Besides, the MFIs that were charged with these complaints were those registered as NBFCs. It also recommended that MFIs with a capitalisation of more than Rs.5 lakh will have to register under Company Act 1956, Section 25, and cannot work under Societies Act any longer. The interest to be charged by MFIs to the borrower is up to 26 per cent, and NEED has maintained an interest rate of 24 per cent per annum for its Joint Liability Groups, and 18 per cent for its SHGs.

At NEED, we are constantly reminded that no regulation can be more powerful than the mindset adopted when we work for the underserved population. However, in the light of the MF Bill, NEED is pleased to note that it fits into the discipline perfectly, having taken care of many of these aspects right from the beginning.

BASIX Chairman awarding NEED with a national merit. certificate on financial inclusion



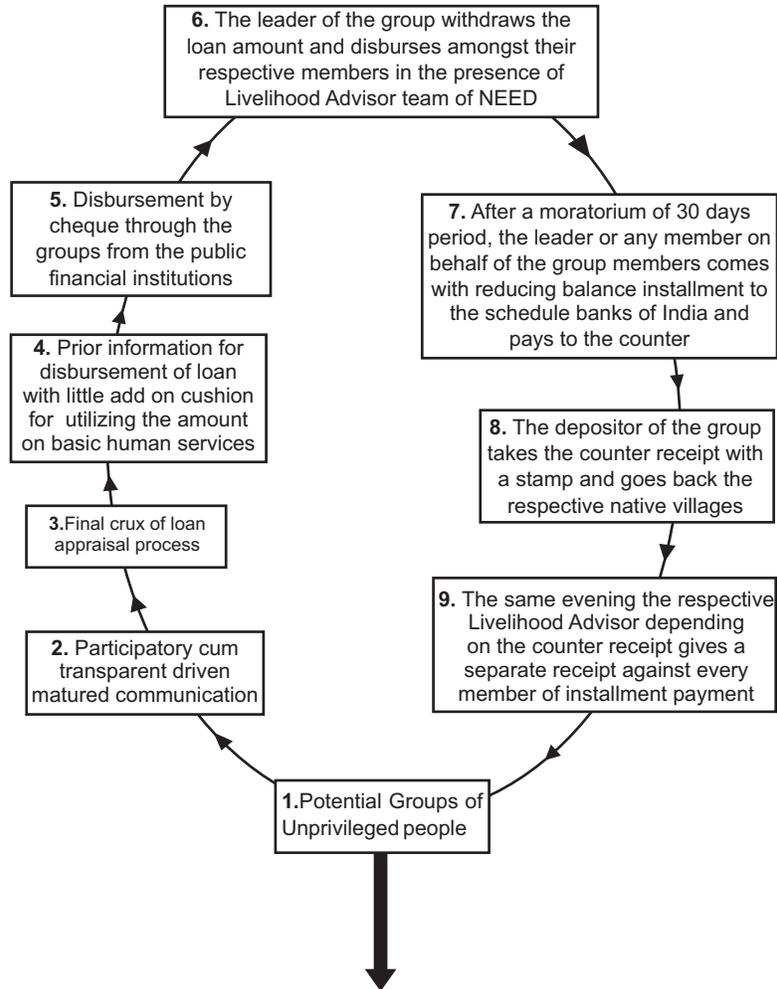
Coming Full Circle: Financial Inclusion And The Microfinance Bill

National Award on Financial Inclusion Given to NEED

The national award on financial inclusion was presented to NEED by Dr. C.Rangarajan, Hon'ble Chairman, Economic Advisory Council to the Prime Minister on January 25, 2012. The award is an assessment across Government, Corporate, Financial and Public Sector of the country. NEED is one of the awardees, along with Canara Bank, Indian Overseas Bank, State Bank of India, Punjab National Bank, National Housing Bank, State Bank of India, Steel Authority of India Limited (SAIL) Ahmadabad, SEWA (Self Employed Women's Association), Bandhan, SEBI and others.



The Financial Inclusion Process at NEED



The above process leads to practical learning of financial inclusion amongst the unreachable people by way of Learning by Doing

- Learns to deal with banks in the client's requisite area.
- Continues this practices for years, with all transactions being documented in their passbooks .
- After going through this for some time, the borrower can approach the bank directl. Their passbook shows their credit worthiness.

Just we have done before, in our ahead too, we would like to integrate multiple social and economic dimension into our micro finance programme.

In our next chapter, we describe our plants for the way ahead.

*Micro-Finance with the element of social discipline
& responsibility is key to development*

CHAPTER-06

Defining An Integrated Approach

The idea we want to reiterate in this chapter is that microfinance cannot and should not exist in isolation. Rather, it needs to create linkages with other sectors such as the social sector, policy and advocacy, governance and so on. In order to truly demonstrate itself as a potent tool for poverty alleviation, microfinance programmes must define such an integrated approach and start looking outward. There's a need for microfinance programmes to constantly associate itself with the social needs of the poor communities. We only need to revisit the basic definitions of poverty to understand that poverty is a state of lacking not money alone, but access to several basic social amenities as well. NEED's belief in this all-encompassing meaning has never been stronger; having witnessed the downfall of many MFIs (particularly in Andhra Pradesh) whose operations were restricted to lending and recovery alone. If, at NEED, we have enjoyed near hundred per cent recovery from our clientele over the last several years, it is because of our investment in the social sector, and multiple dimensions in our relationship with the clientele, in which lending and recovery is only a part. Therefore, our road map ahead is certainly to upscale some of our existing social interventions, while promoting new ones, as mentioned below:

NEED's Way Ahead :

The thought behind linking our microfinance programmes with these social interventions is that the capacity to innovate lies within us. Finding solutions to our everyday problems is within our reach, if only we could analyse our own requirements in a methodical manner.

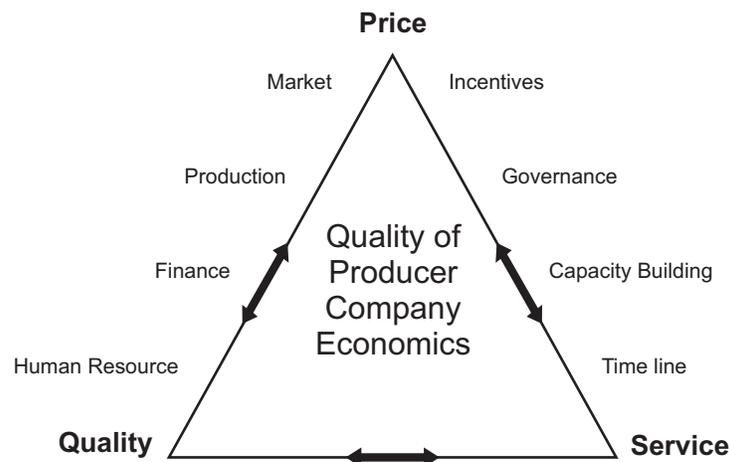
Social Interventions :

Some of our proposed social interventions are mentioned here below:

(I) Producer Companies: In paving the way for integrated development through microfinance, NEED is in the process of setting

How they did it

up 'producer companies' out of the many cluster-based enterprises that have been supported through its microfinance programme. Therefore, the aim lies in promoting farm and non-farm sector enterprises, providing them with a statutory and regulatory framework so as to compete with other enterprises on a on a competitive footing.



The objective of these producer companies is to

1. Strengthen and maximize the existing skills of the primary producer members,
2. Persistently increase the autonomy of the producer groups so that they could control both the production and administration elements of the company.
3. Strengthen NEED's institutional capacity on the ground by appropriate operational management of this company; as well as by seeking institutional development cum hand holding support from the lead organizations of the country.

Strategy :

As an initiator, NEED shall provide perpetual and sustainable employment to the resource-constrained poor producer members. NEED shall adopt the strategy of market penetration by involving the maximum membership, but comprising credible and responsible

Defining An Integrated Approach

members. NEED shall develop a system of offering quick payments with building incentives/bonus. This means that the profit will be shared amongst the primary producers of the company) to the producers, thereby bringing in stability in their production. NEED shall also facilitate the improvement of the quality of existing products, while developing new products to cater to new segments/buyers.

NEED shall develop a system of offering quick payments with building incentives, such as dividends, maximum returns when prices are at the peak, sale of by-products. This means that by-products would also have market value, provided it is marketed in the right way. These initiatives together would bring stability into their production..

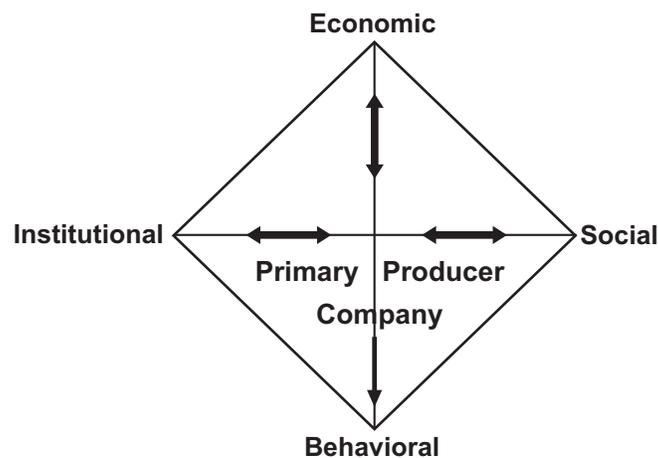
Rather than an informal group, such a producer company will have a statutory and regulatory framework, within which every member will own shares in proportion to their output. In this way, each of them also holds a stake and will market their produce collectively and directly to the markets-both local and mainstream. However, some prerequisites go into their formation, along with corresponding benefits, as mentioned below:

- **Pooling** of produce from the members to have a volume with which primary producers can bargain from the legal position of strength in the market.
- **Bypassing** the intermediaries or 'middlemen'; thereby saving costs and enhancing their returns.
- **Aggregation** of local produce leveraging local mandi (market) and infrastructures and information dissemination.
- **Entrepreneurial** competitiveness: The members would have ownership rights as well as the power to take decisions. Besides, each member would have equal voting rights and a fair share of the returns for their produce.
- **Long** term linkages and lasting relationship between producers and buyers because of the volumes of production, including for export. This leads to a shift to new functions/tasks from unorganized home production to new market organized

players.

- **Desire** to develop a competitive edge such as branding, retail packaging and distribution.
- **Direct** credit and other banking support through being part of a larger structure.
- **Share** capital of the members with equity shares only.
- **Establishing** collection and distribution centers including inputs of the best quality for the products. (Explain)
- **Concept** of quality assurance for high quality internalization; to be owned and managed by the primary producer groups.
- **Distribution** of dividend, bonus and incentives.

THE PROPOSED PRODUCTS AND SERVICES



NEED proposes the following producers/products for its producer companies in the farm and non-farm sectors:

Farm Sector :

- Medicinal and aromatic plant producers (Uttar Pradesh).
- Floriculture producers (Uttar Pradesh)
- Organic Parwal (gherkin) and vegetables (Bihar)

Non-Farm Sector :

- Zardozi and Chikankari artisans (Uttar Pradesh)

The Proposed Activities :

To select enterprising members from among the NEED's existing clusters based on the following factors:

- The skill level of the people whose livelihoods are to be enhanced/promoted and their numbers.
- The resources at their command.
- Features of the products made by them.
- The features of the market in which these products are to be marketed and future exploration.
- The critical features of the local environment and support agencies including policy officials in which the entire exercise is to be based.

A Quick Road Map :

Mapping exercise of products and services including market-mix being offered by primary producers from the perspectives of what exactly comes in and goes out including channel used, sales force, other instruments used and the margins and commissions i.e., sale & marketing along with other functions such as financial management, raw material procurement, storage and production process management would be strengthened, wherever applicable

Awareness generation and capacity building campaign amongst existing members of market led selected primary producers, support agencies and policy officials about the entire structural design, system, process and governance of primary producer company, including a Manual.

Seeking institutional development and hand holding support from well experienced producer company promoted institutions like Pradhan, ASA, AIACA, Masuta, Rangсутra, in formation of Primary Producer Companies:

- **Formation** of Producer Company including drafting of

Memorandum & Article of Association.

- **Incorporation** of a producer company
- **Governance** of the producer company
- **Management** of producer company
- **Financial** management of Producer Company.

Infrastructural Support including equipments and storage for producer company :

Market linkages :

- Procurement and supply/distribution of raw materials, other inputs, machinery.
- Buyers and sellers meet and establishing marketing tie-up including exports.
- Reaching potential buyers, engaging with the buyers in the design process and preparation of samples after initial design concept mutually agreed, ensuring productions of the items as per the quality and samples, quality of standard and delivery schedule as per the agreement of the buyers, arranging the logistic of export and managing the commercial procuring for realizing the price
- Establishing marketing outlet/showroom/common infrastructural facilities
- IT with dissemination
- Catalogue for the product
- Craft certification/mark

Finance and Credit accessibility :

- Developing an exclusive micro-finance product for producer companies for onward lending to their m e m b e r s
- Pledge finance against their produce stored in their storages and godowns.

Generation of financial and other resources for ultimate benefit for primary producers.

Capacity Building & Human Resource :

- Helping producer companies in arranging for training to produces members, staff members on many dimensions of producer company functional operation including costing and pricing and exposure visits.
- Social safety and protection including asset .
- Setting up operational divisions in the areas of Production, Marketing, Purchase and Procurement, Finance Auditing & Accounting, Information technology and human resource.

Selection, recruitment and appointment of personnel for smooth running of the company.

Convergence :

Ensuring convergence of other schemes and coordination with govt. and local bodies

Systems And Procedures :

- Registration of primary producer companies with participative approved Memorandum, Articles of Association and many documents, authorized capital and cost of each share including the roles and responsibilities of its members.
- Initial start-up with 500-700 primary producer members.
- Setting up a value chain flow of functional portfolio sections in the areas of production, marketing, finance, capacity building cum human resource, infrastructural and similar divisions.
- Registration of primary producer companies with participative approved Memorandum, Articles of Association and many documents, authorized capital and cost of each share including the roles and responsibilities of its members.
- Initial start-up with 500-700 primary producer members.
- Setting up a value chain flow of functional portfolio sections in the areas of production, marketing, finance, capacity building cum human resource, infrastructural and similar divisions.
- Achieving the practice of faster decision making, a sense of

urgency to meet production deadlines, constraint design development, committed share holders and rigorous financial reporting and records.

- Shift from home based operations to larger cluster production center with efficiencies in quality control and production anagement.
- Linking the producers to the market forces with range of clear mark of differences from the existing to the producer company driven income enhancement.
- Enhancing both personal (from within) and collective power (i.e. solidarity with producer members) and thereby building a model of collective discipline, leadership and responsibility.
- Linking with social venture capitalists and other like-minded collaborative institutions.
- Ability to serve as a bridge between the products and big players of product takers.
- Selling fertilizers, seeds and pesticides at a fair price and similarly the inputs in non-farm sectors.
- Buying equipment to give on hire
- Ensuring that useful information about the product, new research and technology reaches its members.
- Making efforts for value addition of the produce/product
- Assisting members to obtain loans from banks for land improvement and agricultural productivity enhancement.
- Putting in place an ideal forum to harness the provisions and schemes of APMC, NFTP and many unreached advantages.

In the setting up of Producer Companies, great emphasis is placed on skill training and perfecting the craft of production, particularly in the craft and apparel sector. This is a prerequisite in a climate where the new trend of large branded companies buying finished goods from small rural producers is setting in. This is particularly true of the apparel industry, which includes clothes, bags,

furnishings and the like. In this model, the big companies train small producers in manufacturing apparel to the required order; and also help them set up their production units. Several large apparel brands have expressed interest in sourcing their products from rural producers in Uttar Pradesh and Bihar. As quality control and the stipulated specifications are to be strictly maintained, the companies would also provide training and capacity building to the rural producers. In such cases, NEED would service loans to interested entrepreneurs for setting up such apparel production units.

(II) Sanitary Napkin Production Unit: Our work in the public-private partnership sphere is set to continue to draw several other interventions into its ambit. Some of our future plans include setting up of a sanitary napkin manufacturing unit. We have found this to be a dire need in the rural areas, as many of the poor women have no access to the branded varieties, being too expensive and therefore out of their reach. This is all the more a need in places where the general cleanliness and hygiene levels are poor. As there are no such sanitary napkin production units in the villages where NEED works, the idea of setting up such a unit to service local needs came about.

The proposed sanitary napkin production units would be set up by a private party using inexpensive and eco-friendly materials and technologies. The new technologies and addendum would be added along with raw material provision and sourcing. The different procurement channels would be explored. This product is already being manufactured at a Kolkata-based company, from where NEED initially sourced them for sales at its community health centres.

The low cost machine that NEED proposes to install has the capacity to produce 4000 packets (with 9-10 pieces a packet) in a single eight-hour shift. It is proposed that these units be managed and governed by youth groups as a social venture. One such production unit is expected to generate employment for about 7-10 youths.

The distributorship would be in the hands of selected members of the public, who will obtain a commission from its sales. Becoming a distributor is in itself a service, as the rural women are most often not in a position to just go out and buy them. In this way, the poor women

gain access to some basic needs such as sanitary napkins, while the producer and the distributor are private entrepreneurs and members of the public respectively. Moreover, it gives the distributor an income-earning occupation. The owner of such an enterprise can earn an average of Rs.2,000-2,500 a month, while a resident dealer could earn Rs.1,500-1,800.

NEED welcomes support in this venture from other organizations and is on the look-out for funding, while our in-house contribution towards this endeavor would be 20 per cent of the total cost.

III. Community Drinking Water Plant: Lack of access to safe drinking water is one of the biggest drawbacks for the rural poor. The industrial waste water from many of the industries in Uttar Pradesh and Bihar has polluted the ground water to levels that are no longer safe for drinking. Every so often, epidemics break out of these water-borne diseases, bringing not only fatalities in its wake, but also high levels of medical expense for treatment that wipe out savings and leave the poor in debt. Women and girls spend hours every day to collect water from distant, even polluted sources – the time they could have spent in education and generating incomes for their household.

While NEED's earlier initiative of distributing water filters was one step forward in ensuring safe drinking water for the poor, the need for an effort on a much larger scale was felt. With this requirement in mind, the idea of setting up drinking water plants at select locations was conceived. The proposed drinking water plants are to be installed in several locations of U.P. and Bihar, in both rural areas and the slums. This project will be implemented in collaboration with Eureka Forbes for the technology, and the Centre for Water and Sanitation. It is also proposed that these projects include a health education component, which is vital because many of the people in the project areas lack a good understanding of sanitary practices. Such appropriate technology options in water treatment include both community scale and household scale point-of-use designs, which have helped the rural community to tackle some of the dreaded waterborne diseases which was otherwise ignored for generations. Interested entrepreneurs will

Defining An Integrated Approach

be provided loans to set up such plants at various locations. As Eureka Forbes has spearheaded into diverse fields like use of solar lanterns, solar powered community water treatment plants and solar powered sewage treatment plants, the possibility of incorporating these components will also be explored. The installation, meanwhile, will be carried out in collaboration with the Centre for Water and Sanitation (CWS). The installation scheme adopted by CWS recommends the following prerequisites:

- There should be a cluster of at least 10 plants located in one or two districts, to reduce the cost in servicing the plants.
- The host NGO has to locate the places where there is quality problem in drinking water.
- The host NGO should be able to convince the local community and get about 300-400 sq.ft of covered space, raw water connection (borewell or surface) with sufficient output and single phase power connection.
- There should be a minimum of 300 families willing to take purified water from the plant, for economic viability.
- The NGO can collect a specified amount from the village community as one time deposit and record the same in a membership register. The members will become registered users of purified water.
- The cost of purified water should be Rs.60 per month per family, against which they can draw 10 litres of purified water per day or 20 litres of purified water every alternate day, for one month. The users will buy the card against Rs.60 in advance, and the validity of the card is 30 days.
- The cost of water cans must be borne by the users/villagers themselves, or they can buy the water plant, where the NGO can keep a minimum stock.
- CWS will provide training to two persons on daily operation and maintenance of the water plant. The operators must be selected by the NGO from the local community, who will be paid a

monthly salary.

- The record formats to be maintained at the plant by the operators, user card samples etc. will be given by CWS to the NGO.
- The NGO must ensure that the operators maintain the records on a daily basis. The user charges collected by the operators should be properly accounted.
- The NGO will forward the water sample to CWS (1 litre of raw water) which will be analysed as per IS 10500 specifications (Potable water standards).

The cost of installing a 1000 litre plant amounts to Rs.4.50 lakhs. CWS would provide servicing free of cost for the first one year and on chargeable basis thereafter. Also, the plant can run on a single phase power for 15 hours (2 shifts), thus giving the output of 14,000 litres of purified water, which will be sufficient for 1400 families.

Community Solar-charging stations :

In making our foray into the field of renewable energy, NEED also proposes to set up solar charging stations, and is currently in discussions with Tata Energy Research Institute (TERI) to come up with a viable model. The idea behind this initiative is to promote the use of solar energy, especially considering that electricity connections by itself do not satisfy the energy needs of the rural sector. Solar energy, on the other hand, is environment friendly and available all year round. It can be used for various purposes like lighting street lamps, for portable lights in homes, heating water and even cooking. The technology again makes use of low-cost photo-voltaic cells. While the technology will be made available from Tata Energy Research Institute (TERI) and SELCO, the loan amount is proposed in the range of Rs.1000 to Rs.50,000. Product diversification into solar lamps, solar cookers and street lights are also proposed. These are planned to be set up at Sitapur, Lucknow, Ghazipur and Barabanki in Uttar Pradesh as well as Muzaffarpur, East Champaran, Patna and Danapur in Bihar.

Plugging the Holes in Microfinance Delivery :

In this section we try to examine the gaps in microfinance service delivery in general. This so called integrated approach is possible when the microfinance sector is able to function as a coherent whole. With all the above innovations that NEED has taken up, when we look at the macro-picture, the realities are a lot more complex.

First, all MFIs put together are still able to service only about 15 per cent of the poor population. The sheer scale of such a requirement is staggering and needs to be addressed if microfinance must truly work towards financially including the unreached. At one end is the requirement of increasing the number of staff members within MFIs who could percolate into the rural areas and thus reach the unreached. At the other end is the need to instill social discipline within this population, so that they may be able to appropriate the benefits of microfinance to improve their standard of life.

Second, there is a lack of common understanding among the MFIs themselves on various issues such as method of service delivery, interest rates, approach to addressing default, planning of repayment schedules, and others. Owing to this, microfinance institutions also lack a transparent and easily communicative way of functioning with its peer organisations. Overall, the practice of MFIs working in isolation is likely to create chaos in this sector. It is imperative that the MFIs find common ground to work out a set of collective guiding principles in its operations.

Third, the microfinance sector rarely involves public and policy officials from other sectors. It is ideal to bring about coordinated participation from the local administration, policy officials, village councils and district officials through regular information sharing. Apart from providing transparency in MF operation, it helps to involve other sectors in the cause of poverty eradication. It is also worth coordinating microfinance with the National Equity Fund and the State Policy officials for optimal use of resources meant for the poor.

Fourth, it is desirable to encourage cashless transactions, so that the clientele gets a basic understanding of operations within formal

financial institutions. It is also a way of avoiding the risk of the staff of MFIs carrying cash.

Fifth, over a period of time, the MFIs need to facilitate the clientele to get directly linked to formal financial outlets, thus reducing the 'dependency syndrome' that clients are likely to develop towards MFIs. Such a direct linkage will encourage the MFI to tap uncharted territories and orient new sets of clientele on a continual basis. This is the only way in which more and more of the poor can be reached and financially included into the country's mainstream development.

As mentioned earlier, the way to gauge the effectiveness of microfinance is not the volume of credit loaned, but the number of people who have been lifted out of poverty, or whose living conditions have improved to a great extent.

Key Takeaways....

- *Individual assets are to be transferred into an enterprise with back-up inputs.*
- *Social exclusions as a structural cause of poverty in financial inclusion approach.*
- *To break the linkages between caste and corresponding occupation through financial inclusion.*
- *Linking un organized people to organized financial institutions with enterprising livelihoods are the key to financial inclusion.*
- *Making MF happen than merely possible with social enterprises concurrently.*
- *MF makes a difference between survival of fittest and revival of weakest.*
- *Intangible social and human assets carry huge value for poor than physical*
- *The person is financed, not the project (i.e. secured loans vs un secured loans).*
- *Repayment are to be designed in a manner to fit the cash flow of the borrowers.*
- *Enterprise approach to deal with poverty eradication.*
- *Impact of service driven micro-finance is enormous than the impact of commercial quantitative driven portfolio.*
- *A4 – Availability, Awareness, Attitude & Affordability are the basic premises of NEED's MF.*
- *Maintaining the striking balance between micro-finance and livelihoods.*
- *Measure the success not by volume of financial turn-over but how many poor people are out of poverty.*

- NEED Team

While this sector has kept growing, there have been some odd

changes in the wrong direction, perhaps. A new class of moneylenders has emerged to replace the older ones. These are the input suppliers, teachers, postmen, and the like, who have regular interaction with the community. They are aware of the cash flow structures in the households within their community, and exploit their position by charging high rates of interest. The tendency to commercialise microfinance and convert it into a profit-making venture takes away its basic premise as a pro-poor endeavour.

Advocacy and Networking :

Besides the above initiatives, we have tried to advocate within other microfinance institutions and banking institutions that the need of the hour is really to integrate the economic components of microfinance with social initiatives. We're also advocating that MFIs involve the government, both state and centre, into their functioning, believing that it can become a mutual support system. In our experience, it also works as an appropriate means of bonding, knowing that mainstreaming any initiative involves working with the government.

We are also trying to bring NEED's initiatives into the Corporate Social Responsibility (CSR) programmes of multinational companies, and are currently in talks with a few of them. Proposals of adopting some of NEED's rural community schools through CSR programmes by such companies are underway. NEED also created a forum of microfinance practitioners under the aegis of Sa-dhan, a microfinance industry organisation, in order to debate and find ways ahead in many of the issues that continue to confront the microfinance sector in various ways. Also, at the regional level, like-minded MFIs have been brought under a network called SAHVIKAS, of which NEED is an executive member. It is expected that this network would bring clarity and common understanding in the delivery of microfinance services.

Governance :

Let me also mention some of the steps we've taken with regard to the internal governance of NEED.

Our core staff, and our field staff remain our most valuable

resource- they are our beacons of light and we invest in them. Through our internal processes, the first thing we do is to orient them to perform multiple roles. The same loan officer is at times friend, at times counsellor, at times at the receiving end of the grievances of the poor communities. We're constantly reminding them that they too belong to the same fabric of society, and that playing these multiple roles is a necessity. Over a period of time, it is a joy to watch them taking pleasure in these multi-layered roles.

Second, we have also created a cadre of community marketing entrepreneurs for all products/produce being produced by the groups to whom loans have been sanctioned. These include the parwal cultivators, the chikankari and zardosi artisans, the menthol farmers, the button-makers and others. Such a community marketing entrepreneur is a representative of the producer's group, who will sell the produce on behalf of the producers. He earns a commission, no doubt, but it ensures a market for the producers on one hand and a full-time occupation and livelihood for the community marketing entrepreneur. The greatest advantage, however, is that it rids the system of the exploitative middlemen who would otherwise keep a disproportionate amount of the profits. In a sense, it is in the same vein that the village health guides, under NEED's health initiatives function as well. But then, apart from marketing health products, their most prized role is as a 'contact point' for the community as well as outsiders. When someone in the village has any problems or doubts regarding health, she's the one they approach. They have truly risen to the role of social change-makers, having advocated and carried out panchayat-sponsored community work like laying roads and cleaning/repairing sewage lines as per the schemes under the panchayat council. Today, the village health guide is a recognised face in the village. Even government agencies, when they come to implement their development projects, look for the village health guides to guide them through the maze.

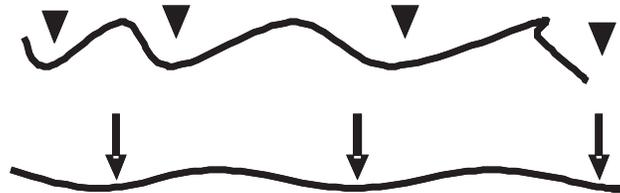
Third, we also propose to bring a few of our borrowers on to our governing board, as a way of understanding the needs of our client community. We believe this is a much better way of improving on our

services and feeling the pulse of our target communities. We expect this to work much better than having high-profile, so-called microfinance practitioners on our board.

Inclusive Microfinance over mere Microfinance

- *Microfinance Institutions provide services—typically credit and savings—to poor communities that are otherwise cut off from formal financial services. MFIs distinguish themselves from standard banking institutions by their physical proximity to clients, regular face-to-face contact with clients, and often, by the peer-lending system through their groups wherein every clients cross-guarantee each other's loans collectively.*
- *Because MFIs often work with organised groups of clients, information and services can be delivered on a leveraged basis. The range of information and services are required to be shared with these groups through micro-finance operations, rather than limiting it to lending and recovery alone.*
- *Microfinance cannot be a financial safety net to an entire affected community, but can play an increasingly constructive role by expanding its range of products and services.*
- *An efficient financial management system, effective internal controls/internal audits, the best accounting practices with periodic reporting and support from Government, statutory and other agencies are certain prerequisites for the sustainability and sound growth of Microfinance institutions.*

Too Many Ups and Down in the Economy of Rural Poor in Absence of Credit



Access to Micro-Credit Controls the Ups and Down of Rural Poor's Economy

Our Film: Need of the Hour

For the purpose of visually documenting our initiatives, NEED has produced its own film entitled “Need of the Hour”, which is provided in DVD format at the end of this book. The 36-minute film provides a glimpse into the functioning of NEED, and its various sectors of work such as health, education, livelihood promotion and fair trade. Filmed in Uttar Pradesh and Bihar, our main geographical areas of operation, the film includes stories of many a NEED borrower – from farmer to artisan. Some of our professional associates too have thrown light on critical issues: should we, and in what way, include the police in our operations? Should the youth be eligible to avail of microloans for their studies or vocational training? What does it mean to the community to have access to vital but basic social benefits, and not money alone? More than everything, the film takes the viewer through the everyday lives of the rural poor; and the landscape of this vast Indo-gangetic plain. It is also testimony that there is much colour, vitality, warmth and spontaneity among the rural folks, that their smiles make all our struggles and experimentations worthwhile. But we have to go to them, and provide microfinance services in a format that they can utilise—how we approach the community with microfinance products is perhaps even more important than what we approach them with. That is the essential message; and we urge you to watch it.

The next section entitled Case Studies tells the stories of many of our borrowers and clients, and the change that micro-finance has brought in their lives.

SECTION-2

Vibrant Stories from the Northern States of India



*World famous
"Lucknow Chikankari Embroidery Craft"*



"Zardozi Craft"

Million of women, men and youth, mostly minority groups, are Historically engaged in these culturally sound craft. NEED's MF operation came forward to protect this aesthetic craft/trade related intellectual Property Right (IPR) by registering under Geographical Indicator (GI) Act of Govt. of India.

MICRO-ENTERPRISES

01: Wooden Crate Manufacturing

Come summer and there is a rage over the famous dashsheri aam (a delicious variety of mango) that the Malihabad region around Lucknow is well-known for. Perhaps no one notices the wooden crates in which they are packed and transported, but Dhirendra Singh Chauhan, who lives in the neighbouring Kakori village, certainly did. Chauhan decided that he would go into the production of wooden crates out of the wood from the mango trees.

But that was 15 years ago. Fortunately, there was someone from his family who turned out to be an inspiration. It was his uncle. With this support, Dhirendra Singh teamed up with his brother, Jitendra Singh. The Chauhan brothers discovered that they had that intuitive flair for enterprise, and became totally hands-on in the business of trading in both mangoes and wooden crates. They soon realised that the wooden crates



business was far more profitable than even trading in mangoes. Today the brothers are all set to expand their business. At times the wood is also used to produce furniture, but they have decided that the wooden crate business would remain their mainstay.

In their Shahpur village of 150 households, such an enterprise was a first. Inhabited by people from various castes and communities (Thakur, Pasi, Raidas, Muslim, Dhobi, Pandit and others), most of the households have mango orchards, as the region falls in the mango belt. Yet, the majority of them, who belong to the Pasi community, were unskilled labourers. Hardly anyone depended on mango cultivation as a primary occupation.

The first time the Chauhan brothers felt the need for credit was for the repair of the wood cutting machine. This was during the period of setting up their unit. This time, it was their mother, Kamini devi, who came to their aid. As an SHG member, she was eligible for a loan of Rs.10,000 from NEED through NABARD. She invested this loan in her sons' business. This was followed by another loan of Rs.20,000. Due to their timely repayment, they have now taken another loan of Rs.25,000 at 18% interest from NEED.

Dhirendra Singh feels that “with credit available easily and in such a short period of time, NEED has opened a new door towards our development”. He feels that the bank's credit process is very lengthy; and there is a lot of corruption in the whole system, and, “we have to pay a significant amount of money to the officials and the people involved in the process”.

Procurement of Raw Material :

As with all production units, the Chauhan's unit too goes through the usual rigmarole, with its different stages and processes. Good quality wood from trees that is no longer productive is the raw material. Such wood is procured from farmers in their village or from the nearby villages. They are loaded into a trolley that costs Rs.15-200 a trip. The demand and supply cycle fluctuates in the market- so the demand for crates often depends on the produce of the season. During times when there is scarcity of wood, they buy pieces of wood from the local market at Sitapur. Permits from the Forest department and the Police are required for the collection, with a rather high cost per tree.

Production Process:

The actual assembling process of the crates takes place in the two month duration during May and June, just before the crop is ready for sale. Through the rest of the year, the wood cutting process goes on and the pieces are stored. The wood is graded into four grades, depending on the quality. After drying them in the sun, the crates are assembled with sticks and nails at the joints. A lid is attached over. The crates are to be disposed in the market within a year of its manufacture, failing which it might be damaged due to termite attacks. Since wood cutting

is a year-round process, there are always enough raw materials in the store.

Product Description:

There are different varieties of wood used—like Goolar, Mango, Mahua, Pakaria etc. The prerequisite is that the wood has to be 4 inches wide and not termite-eaten. Each box of 7.5 cm X 15 cm requires 2.5 Kg of wood and costs Rs.10. On an average, 30,000 boxes are prepared in a period of two months. Saw dust, which is a by-product of the wood cutting process, is also sold in the market at Rs.2500 per trolley.

Labour Requirement:

The two major inputs for this enterprise is wood and labour. Four labourers with a salary of Rs.3000 per month are employed on regular basis. Their job is to cut the logs into different grades as per the final product. Ten-twelve temporary labourers are hired for loading the wood into the trucks at the



rate of Rs 16 per quintal of wood loaded. During the time when boxes are assembled together, 50-60 labourers are employed on contract. Their job is to fix the joints with sticks and nails and to prepare the crate into its final shape. They are paid at the rate of Rs.60/100 boxes worked on.

During the months of May and June, the village brims with activity. While it helps in creating short-term employment for many, women and children too join in. They earn their bit of pocket money for the summer.

Market Monopoly:

Dhirendra Singh does not have to go far to find his market, for his village itself is the market. The mango producers from in and around the village purchase his crates at an average rate of Rs.14-16 per crate. The demand for these crates is so high in the local market, often going

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up to 50,000. Known as Dhirendra Singh's crates, he enjoys a comparative advantage with no competitor around in the range of 7-8 kms of Shahpur.

Financial Analysis at a glance :

Average production is 30,000 crates in two months with an initial investment of Rs.60,000. Cost per crate is Rs.10 (Rs.6 for wood, Rs.0.40 for nails and Rs.3.60 for labour) and sale price can be about Rs.14 a piece and can go even up to Rs.15–20 depending on the size and seasonal demand. Annually, the enterprise makes a profit of between Rs.80,000 - 1,20,000.

Even as he savours his success, Dhirendra Singh still has his dreams—the first of expanding his market into a larger number of villages, and the second, to start an ice-cream business with his son!

02: Parched Rice Production Enterprise

The black smoke from the parched-rice making machine is a landmark that cannot be missed. When you get here, you are near the Gularamau village of Sitapur, where the women of the SHG are involved in a parched-rice production enterprise.

Six different communities live in this village (Muslim, Bhurji, Nat, Maurya, Verma and Baniya), but it is a majority-Muslim village, where the major occupation of the community is zardosi work. For the Bhurji community on the other hand, the major occupation is parched rice production (Laiya Bhujana), so much so that 'Bhurji' became a community name. This community is economically weaker than others—an obvious result of their input-intensive and difficult occupation, and that too on a small scale. NEED came to their rescue with credit support; and today they are able to produce a larger quantity of parched rice in an economic and efficient manner.

SHG- A Support System: Four years ago, the 12-member Janaki

SHG was set up with the help of NEED. In six months time, the group got an interest-free loan of Rs.2230 per member as initial support. A year later, they got another interest-free loan of Rs.2200 per member for livelihood promotion. In the following years, they took further loans of Rs.70,000 and Rs.95,000 to strengthen their enterprises and increase production. Five out of six women invested in raw material and one of them invested in machinery.

Today, the women are grateful to NEED for showing them the value of small savings, the great differences it has made in their lives, and the way it has opened doors to development. They are also aware of the importance of water, health issues, and the value of educating children. Their earlier experiences with availing credit had been difficult: credit was either unavailable, or unaffordable.



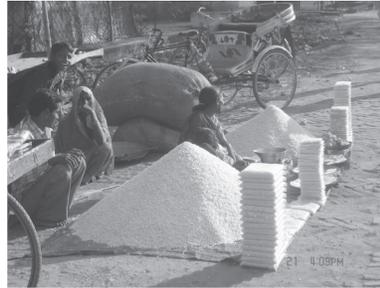
Procurement of raw material: The Bhurji community does not own agricultural land. So they have to buy paddy and fuel from farmers in and around the village. For a start-up, the input cost appears to be high. As labour intensive enterprise, it involves all members of the family. While children unload the paddy from their trolleys, girls and women do the de-husking, boiling and drying. Men roast and pack the stuff with help from the older members. All in all, the money gained at the end of this process is truly hard-earned.

Production:

Parched rice production is a process that takes 3-4 days and is dependent on the quality of paddy and the weather conditions. Raw paddy is de-husked manually and boiled for a few hours in earthen pots. It is then cooled by placing it in cold water tanks for three to four hours. It is then dried in the sun for over two to three days. It is then ready for roasting. It takes two quintals of paddy to produce one quintal of parched rice. There are also other by-products like husk and poultry feed.

Labour Requirement:

It takes four to five persons' labour to produce one quintal of parched rice. The labourers work in two phases. The first three days goes into preparing the raw material, and the last three days are for roasting. There are health hazards in the process, as people might feel breathless at the roasting stations and the person roasting the paddy can get covered in black soot. The last day is reserved for marketing of the produce.



Market:

It's a great advantage to have the market at a distance of 3-4 kms, at Mahmoodabad. They earn good money for their product, primarily because there is no middleman in the whole process. Of late, they have started supplying to large markets such as Sitapur. While they also sell a part of the produce on retail basis (at higher cost) to people in the village itself, the wholesale mode is preferred. This is due to the regularity of income, more money at a point of time, and also because of the opportunity to build relationships with the buyers. Moreover, the by-products are also sold at a good price in the village itself.

Financial analysis :

The activity has an initial investment of Rs.60,000. The weekly production cost can be as below:

Particulars	Quantity	Cost	Quantity Per week	Cost per cycle (Rs)
Paddy	2 quintals	Rs.715/quintal	5 quintal	3575
Fuel: Wooden logs/sawdust	1 quintal each	Rs.200/quintal	2.5 quintal	500
Diesel	4 litres	Rs.30/litre	24 litre	720
Labour	One person	Rs. 40 /person	4	160
Jute bags	3	Rs 10/ sack	10 pieces	100
Transport	Rs.4 per bag	Rs. 4 /bag		40
Total				7845

Revenue generally can be as below:

Particulars	Quantity	Price (Rs)	Revenue /quintal (Rs)	Quantity Per week	Revenue/week (Rs)	
Parched rice	1 quintals	1600/quintal	2.5 Kg.	1600	3 quintal	4800
Poultry feed	16 Kg	2.5 Kg.		40	50 Kg.	125
Fodder	40 Kg	50/Kg.		2000	150 Kg.	7500
Total				3640		12425

Profit per production cycle: Rs.4580

IRR= 46 Per cent

It can be seen that although the initial investment is high, monthly cost of production is quite low compared to other enterprises. This enterprise has proved that it would be able to sustain in the long run.

Socio-economic impact:

What microfinance has helped such small producers do is to regularise the production process. With the help of micro savings and credits, they've also been able to expand their business. According to Mrs. Suman, an SHG member, *“I invested the money in buying rice, and the profit has helped me support my son in setting up a shop.” Another family has been able to construct a house a few back, with the profit earned. However, while NEED has no doubt provided some technical inputs, there is a good scope to improve safety of workers and this is expected to evolve gradually as the producers and workers become aware of the issues.*

03: Wooden Stool

Vijay Kumar Soni has been into the wooden stool-making business since his childhood. After his marriage to Munni devi, she too became an active partner in his enterprise. Munni devi has availed a loan of Rs.10, 000 from NEED for renting a shop and also to employ carpenters in their enterprise.

These low-height wooden stools are known as pidha or patta in Hindi. Hardly one foot high, it is used for a variety of purposes. Their demand particularly increases during the wedding season and during festivals. Rectangular-shaped laminate is pasted on the stool. These are bought from the whole sale markets at Chowk and Aminabad, Lucknow.



They pay a rent of Rs.700 a month for the shop and an electricity bill of Rs. 200 a month. Recently, they bought a wood-cutting machine costing Rs.2, 500. The rest of the loan amount was invested in the purchase of raw material/wood.

In future, they plan to manufacture wooden fitting boxes for sewing machines. Although they would be able to sell each piece at Rs.55, the machine required to produce them would cost them Rs.10,000-15,000. The wooden stool, on the other hand, fetches Rs. 12 a piece, which they sell in bulk to the wholesaler. The carpenters are paid Rs. 1 a piece.

The various steps involved are:

Cutting corners, fixing stands, filling up with putty and colouring the sides. The cost involved per piece is as follows:

Particulars	Cost (RS)
Wooden board with laminate	7
Stand	1.50
Oil, paint, adhesive, polish and putty powder	1
Aaaitonal payment to workers	1

A carpenter usually makes 100 to 200 pieces a day and husband and wife also make the stools. All together, they make about 300 pieces a day with a profit of Rs. 1.50 to Rs.2.50 a piece. Munni devi joins in the production during her free time, after finishing her household work.

This way, saving Rs. 350 a day, their monthly income is about Rs.10,000. Vijay Kumar Soni says, *“I want to install a machine for the production of wooden stands for the sewing machine, as it would fetch me better returns. Along with other carpenters, I could produce 30-35 pieces a day. In two to three months, I will save enough to buy the machine”*. Munki devi is thankful to NEED for her first loan, which has helped them get this far. Her husband thinks highly of her too!

04: Mustard-expelling enterprise

For the last 15 years, Ilias, a gentleman from a Muslim joint family, has been in the unique mustard-expelling business. In the surrounding 10-15 Km range, he was the only one engaged in the activity. He dreamed of setting up his own enterprise someday in his Rahilamao village.

Rahilamao is a Muslim-dominated village with about 90 households. Although other castes like Pasi, Dhobi, Raigar and Verma also populate the village, it is the Verma community that is most affluent, owing to their large tracts of agricultural land. The other communities are engaged in other businesses like trading, embroidery and running sugar mills. The market and a large sugar mill are nearby. There are many families whose incomes come from working in the sugar mill. These are both skilled and unskilled labourers, earning Rs.50-60 per day on a regular basis. Women too earn through household work, zardozi and chikankari work in their spare time.



The story behind the origin of the Ekta SHG in this village is a very interesting one. The first time NEED's representative Vinod visited the village, the people considered him with great suspicion. The purdah-clad women were not allowed to go out. In due course, Vinod facilitated the first SHG. Today, almost every woman is an SHG member, and there are seven SHGs in all. The women cited various reasons for becoming members: saving money, availing loans at low-interest rates, to set up or improve their petty businesses, to learn new things, to be more active in village activities and even performing community activities.

Mustard-Expelling Unit :

Ilias, who was married to Reshma Khatoon, an SHG member, had been into mustard-expelling business for long. However, his small business with a low-power machine was not able to produce much. He badly needed money to buy better equipment for expanding his business. Reshma availed of loans of Rs. 15,000 and later Rs.25, 000. Ilias bought a large, second-hand mustard expelling machine at the cost of Rs.20,000 in 2005.

Oil Extraction :

Oil extraction from mustard seeds is a rigorous, two day-long process. Mustard seeds are procured from the farmers soon after harvest. The oil extraction process continues round the year, barring the monsoon period. At times, Ilias buys the mustard seeds from the Mahmoodabad market which are de-husked and dried in the sun over one or two days.

05: Charkhi Manufacture

Zeenat Begum and her husband Akil Ahmed are engaged in the business of `charkhi' (used for kite flying) making. Charkhi is made

from wood in their small unit which they call 'karkhana' (factory). Charkhi is an indigenous product that is much in demand by kite lovers of Lucknow. The product is unique and there are hardly any specialized manufacturers. Akil Ahmed has been engaged in the trade since childhood. One of his brothers and father also work at the same place and with the same machines but run their business separately. 'Manjha' or 'Dori' (thread) used to fly kites is rolled over on a 'charkhi'. Paper kites ('Patang' in Hindi) are very popular in these areas and that is the reason for the sizeable demand for the 'charkhi'.



The charkhi tradition is kept alive by Akil Ahmed and his family through the business started by his father. He learnt the craft from his maternal uncle and has been in the trade since 1985, and subsequently set up his own business. He operates his outlet on the ground floor of their house at Jhabjhali, Dollyganj in Lucknow.

Several steps are involved in charkhi manufacturing. The wooden material is cut and shaped at the corners, and a hole is made using a drilling machine. The bamboo sticks cut are placed in the charkhi. A pulli (round-shaped wheel) is placed on both sides.

The family has two machines- one for drilling and another for making the pulli or pahiya (wheels).

The cost on an average for making one charkhi is Rs. 8 (of small size) and Rs. 9 (for big size). They get a price of Rs. 10 for a charkhi. He sells the product in bulk at Ahiaganj. He is able to manufacture 600 to 700 charkhis in a month. His wife helps him in various activities.

They took a loan from NEED about six months back to buy wood stocks. The other items such as bamboo, nails, pulli, etc. are bought only when required.

Earlier, they used to buy the wood pieces in small quantities.

Since they had to buy it daily or once in two days, the price paid for the raw material was comparatively high. In case of bulk purchase they could bargain for some discount. This way, not only were they able to save some amount but were also able to procure the material immediately and have it transported in one consignment.

Meanwhile, Zeenat's status in the family has gone up with her assuming a bigger role in decision-making. Her husband, brothers-in-law and father-in-law are more attentive to her advice. Her husband values the assistance she gives in running the unit. The couple is eager to give their four children (two daughters and two sons) a good education. The children now study in primary classes.

They employ labour in their unit for cutting the bamboo sticks and placing it in the charkhi on contract basis. Akil Ahmed is proud that he is able to manufacture more number of charkhis than his brother or father with the help of his wife. The loan from NEED for bulk purchase of wood has helped him too to move ahead.

He says he is able to save Rs. 1000 to Rs.1, 200 a week after paying for the labour charges which totals to Rs.600 to Rs.700.

An enthusiastic Zeenat says, "The small loan from NEED has really helped us in procuring raw material in bulk and I plan to avail another loan after repaying the present loan. My family members are also pleased about the facility."

Financial analysis :

Charkhi produced in a week - 500 to 600

Cost of producing a charkhi – Rs. 8 to 9.

Selling price of a charkhi – Rs. 10 to Rs. 11.

Income from sale of 500 charkhi – Rs. 1000.

Additional savings through bulk purchase of wood material – Rs. 200 a week.

06: Entrepreneurial Instincts Play a Role in Menthol Cultivation

Agriculture is the mainstay of Uttar Pradesh's economy with 73 per cent of the rural population dependent on it for livelihood. Harinam is a farmer who could withstand the ravages of time, and continue to lead a life of dignity, self respect and self esteem. Hailing from the backward block of Mahmoodabad, Harinam has gained a lot because of the entry of microfinance. He views the opportunities offered by NEED as a stepping stone to his success.

Harinam, in his thirties, is one among the scores of people who were deprived of job opportunities because of their caste. His large family comprised of 12 members. He lost his father when he was just eight years old. The family suffered from malnutrition and ruthless



exploitation by money lenders. Initially Harinam could not support his family monetarily as he was not allowed to work because of the existence of rigorous caste discrimination in the village. A person's occupation was based on his/her caste. Under the circumstances, Harinam could work only as a milkman. There was no land in his possession on which he could cultivate.

Harinam soon started working as an agricultural labourer in others people's fields to earn an income for his family so that the members could have at least one meal a day. His brother and wife also started working in the fields in order to enhance their earning.

Mallikapur is a small village in Mahmoodabad block that has evolved as a concentrated pocket of entrepreneurs because of the support extended by NEED micro finance. Harinam grabbed the opportunity extended by Equity, and availed a loan of Rs.25,000 and started cultivation of menthol. He bought a buffalo to augment his

family earnings and to repay the loan.

Menthol crop takes about three months to mature. In the intervening period Harinam sold the milk and by-products in the local market and the local cooperative. He earned a sum of Rs. 12,000 per month. Harinam utilised the amount as an investment for booking the oil at the rate of Rs. 250 a litre from the menthol grown on another person's field. Once his crop was ready, Harinam extracted the oil from the menthol leaves and sold it and the oil he had procured at a lower rate. He could sell the commodity with a good profit margin at Rs. 650 a litre. It brought him an additional profit of Rs. 85,000.

He utilised the sum to buy 10 bighas of land. He added up his assets by purchasing a tractor, trolley and cultivator. The trolley was rented for transporting bricks, cement and clay in the village. Besides being helpful for the villagers, the activity enhanced his income on a large scale. Harinam launched into vegetable cultivation. The produce was directly sold in the local market. The profit was utilised to buy another buffalo. Harinam is now a successful entrepreneur and the villagers look up to him with respect and dignity.

“There was a time when I was denied the opportunity to work. I suffered exploitation at the hands of the Mahajans. Today I am glad to serve my village and give my family a good life and education.” Harinam says.

Economics of Harinam's income :

- Income from menthol
- Initial investment: Rs. 3,750 for 15 litres of menthol oil extracted at Rs. 250 a litre
- Income earned during harvest period: Rs.9,750 for 15 litres of menthol oil extracted at Rs.650 a litre.
- Profit earned per litre: Rs. 400 a litre.
- Income from buffalo rearin
- Initial investment: Rs. 14,500 Expenses per month: Rs.1,000
- Income per month: Rs.3,800

MF Supported Micro Enterprises

- Profit earned per month: Rs. 2,800
- Income from transport trolley.
- Initial investment: Rs. 20,000 Expenses per month: Rs. 690
Income per month: Rs. 2,000.
- Profit earned per month: Rs. 1,310
- Average profit earned per month: Rs. 30,000

Harinam has evolved as a successful entrepreneur in his village. In addition, he has been a constant source of motivation and inspiration for other villagers because of his entrepreneurial drive. He markets his products himself thereby earning direct profit and has taken the initiative to open a bank account to avail of more loans to expand the area of menthol cultivation for enhanced returns.

Harinam hopes to work harder and dreams of sending his children for higher education. He provides transportation and direct market accessibility to the villagers. He is also trying to open an account in the bank and expand the area of menthol cultivation, and enhance his returns. NEED has supported him not only by extending loans from time to time, but also through exposure to various training programmes. Harinam is now all set to launch into floriculture which is expected to enhance his ratings as an entrepreneur.

It can be said that Mallikapur has seen the 'Dawn of a New Era' through Harinam.

07: Shoe Production: Ram Kishor Ram Shows the Way

Mr. Ram Kishor Ram availed a loan from NEED to expand his footwear business. He started his business initially with his own funds, but due to lack of capital, he did not have adequate stocks in his shop. He borrowed Rs. 10,000 from NEED's microfinance unit. He markets

the shoes in the village itself.

Ram Kishore resides in Rampur village which comes under the Mahima Gopinathpur Panchayat of Motipur Tehsil in Muzaffarpur. He belongs to the chamar Scheduled Caste whose members are mainly engaged in shoe making. Ram Kishore has a low status in society as his caste



and class are considered low. However, by carrying on his footwear business he earns enough to take care of his family. In addition to his shoe shop, he owns 0.1 acre of land. His house stands on this plot and he does not use his land for cultivation. His family comprises his wife, five sons and a daughter. Three of his sons have migrated to other States in search of employment. The other children attend school.

Enterprise details:

Ram Kishore has not given a name to his shop. The total value of the assets in his shop is approximately Rs.15, 000. This includes manufactured shoes as well as the raw materials. He also manufactures shoes on orders. His enterprise can be classified as a micro enterprise. The borrower has taken the benefit of the loan facility only from the microfinance unit of NEED.

Ram Kishore is engaged in shoe business because of his particular caste. His family was engaged in the occupation since the last three generations. Earlier the family did not own a shop but carried on the occupation as daily wage earners. Ram Kishore carried on business in the shop he started in 1982 in Motipur town till 1997. He set up a shop in his village in 2006, by availing a loan from NEED.

Economics Of enterprise :

Leather is the basic raw material. The other raw materials are sole, fibre, leather board, adhesive and iron parts. The entrepreneur himself is the one permanent labourer engaged in the unit. Temporary labour is hired during the peak period, such as marriage or festival

season. On an average, he hires five to ten temporary labourers a month. He pays a sum of Rs. 150 as daily wage.

The sewing machine is the only machine in Ram Kishore's shop. He uses it to sew the leather to manufacture the shoes.

Utilisation of loan amount :

Purchase of leather: Rs. 2,000.

Purchase of adhesive: Rs.500

Purchase of iron materials: Rs.100

Purchase of fibre: Rs.3000

Purchase of fixed assets: Rs.4000

Cost Benefit Analysis (Cash flow): Financial Cost

Particulars	Total amount (Rs.)
Raw materials	2,000
Labour	0
Others	500
Total	2,500

So, total cost incurred per month is Rs. 2,500 and total sale during that time is Rs.4,000

So, Benefit/ Profit earned by the borrower per month is Rs. 4,000 – 2,500 = 1,500

So, the Benefit –Cost Ratio (BCR) of the borrower prior to availing of micro loan was $4000/2500 = 1.6$

Total sale during this time: Rs. 8,000

Benefit/ Profit earned by the borrower per month: Rs.8, 000 – Rs. 4,800 = 3,200

Benefit Cost Ratio (BCR) of the borrower after micro-loan = $8,000/4,800 = 1.66$

From the above analysis it is clear that the BCR has increased from 1.6 to 1.66 after availing the micro-credit. It shows that the profit of the borrower has been increasing at a greater pace than the cost incurred

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by his enterprise. So, it may be concluded that after taking the micro-loan, the profit margin of the borrower has increased significantly.

Social benefits :

Initially Ram Kishore's status in the society was equal to that of a labourer, but after expanding his business with the micro-loan, Ram Kishore's status improved to that of an entrepreneur. Moreover, he also hires labourers.

Internal Rate of Return (IRR) :

According to Ram Kishore the total approximate return by that micro-loan is as follows:

Month	Total Amount (Rs.)
April	10,000
May	2,000
June	2,000
July	2000
August	1800
September	2,000
October	2,000
November	2500
December	2000
January	1800
February	2000
IRR	15%

The IRR of the borrower of 15 per cent is good considering that the standard accepted IRR is around 15 per cent to 16 per cent. The investment of the borrower can be rated as satisfactory.

Micro-loan vs. Livelihood :

The micro-loan has improved the lifestyle of the borrower considerably. Earlier, he had stocks worth only around Rs.5,000 in his shop, but now the value of the stocks in his shop is about Rs.15,000 - 20,000. He also has started marketing the product in the market

outside. Micro-loan has thus created improvement in the life style of the borrower.

Before availing of the micro-loan, Ram Kishore and his sons worked in the shop. While he could not hire labourers earlier, he now hires 5-10 labourers a month, because of outside supply. So, it has also generated some employment in the shop of borrower.

Financial Analysis :

The total financial analysis of the borrower is as follows:

Expenditure per month

Raw material: Rs. 3,000 Labour: Rs. 800 Machinery expenditure: 100 Other heads: Rs.1,000

So, total expenditure: Rs. 4,900 Total sale volume per month: Rs.8,000

Profit per month: Rs.8,000 – Rs.4,900 = Rs.3,100

As the equipment was with the borrower for long, no expense was incurred except its maintenance cost.

Reason for selecting NEED for micro-loaning :

- Monthly payment of installment. Some institutions follow weekly payment, which is a hassle to the borrower.
- Microfinance organizations hold weekly meeting and charge absentee fine from the borrowers if they miss it. NEED does not adopt such a rule.
- Easy accessibility of loan.
- Easy repayment of loan.

Multiplier Effect :

In April 2008, there were only five JLGs in the area that availed of loan from NEED, but due to good reputation and customer satisfaction, there are approximately 100 JLGs in this region now registering a 20 times increase. Ram Kishore continues to send his daughter to the village school. Hence multiplier effect in the case of education has not been improved but in case of nutrition and treatment

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multiplier effect is more evident. According to the borrower, earlier he borrowed money from the local landlord during times of emergency, like illness, but now he can meet the eventuality on his own.

Future Road Map :

- To start permanent business in nearby town.
- To start exporting shoes to the outer market.
- Expanding the shop volume.

On NEED, Ram Kishore's comment is: It will be a highly successful organization, as the loan procedures are very simple. More number of customers will benefit from the organization.

08: Micro Loan Assists Ladies Footwear Enterprise

Mohammad Ezaz of Nai Basti, Iradatnagar, Dollyganj, in Lucknow is an enterprising, hard working man. His mother Jayda Begum helped him by availing of a micro-loan of Rs. 10,000 for his footwear enterprise located in Nai Basti. He runs his enterprise under the banner "Ezaz Footwear" and he gets raw material in bulk from "Ezaz Store" at Maulviganj, Lucknow.



The raw materials required to manufacture ladies chappals (indigenous footwear) are: Heel, adhesive, latex adhesive, shoe polish, rexene and sole.

Besides Mohammed Ezaz four other artisans (karigars in Hindi) are engaged in manufacturing footwear at the exclusive unit. The sewing machine, hammer, and scissors are used for the manual

production of the particular footwear. Mohammed Ezaz sells the whole of his products to the Shakti footwear shop located at Chowk in Lucknow. The footwear is sold from the shop at Rs. 65 to Rs.70 a pair. He gives Rs. 20 to the artisan on each pair manufactured. On an average, 48 to 60 pairs of chappals are manufactured a day from his shop.

The cost of raw materials works out as follows:

1. Rexene – Rs. 90 a metre
2. Sole sheet – Rs. 125 a sheet
3. Heel – Rs. 65 per dozen
4. Adhesive – Rs. 120 a kg
5. Latex adhesive – Rs. 105 for 5 litres
6. Thread
7. Shoe polish – Rs. 35 for 200 gm

The chappals are manufactured in batches of 12 pairs. Generally, a karigar (skilled worker) can manufacture one batch of chappals a day, working for eight to nine hours. Ezaz is quite satisfied with his enterprise and the income which he generates. He invested the loan amount to purchase raw material. After repayment of the first loan, he wants to take another loan of a higher amount. He is enthusiastic about the idea of micro-loaning and impressed with the way NEED functions.

09: Button Manufacturing Unit Revived Through Micro Loan

Fifty-year old Shanti Devi of Bhatna village, Nyaya Pachayat-Razua Bakri, of block Mehsi, East Champaran District (Motihari) is a woman with a unique business sense. She along with her husband Shri

Ramsaran is engaged in manufacturing as a means of livelihood. They have three sons, two of whom are also engaged in the enterprise. Many households in their village are engaged in button manufacturing.

Shanti Devi's button manufacturing unit was closed for some time due to financial crisis, but it was revived in October 2008, with a micro-loan availed from NEED. NEED micro-loan not only helped her to revive their old enterprise but also made her feel secure. The



enterprise started 15 years ago had to be closed due to capital crunch. The buttons are manufactured with a particular type of machine operated with diesel. The family had established the enterprise by investing the capital for purchasing the machine.

The raw materials required in button manufacturing are:

1. Shales, cutter
2. Saw
3. Hammer
4. Other equipments/tools

On an average, 6,000 to 7,000 buttons are produced by a single person a day if he/she works from 9 a.m. to 6 p.m. If they sell the buttons through middle men, then their profit is less. However they prefer to sell directly in the market and get a margin of Rs.25 for 1000 buttons.

Earlier they did not have money to purchase raw material. Now with the loan from NEED they have been able to procure raw material (shales), and restart manufacturing buttons. The daily profit works out to more than Rs. 300 to Rs.400. At times they engage outside labour to handle the work. According to Shanti Devi “The loan from NEED has proved to be a boon for us. Earlier we were striving for livelihood without the seed capital, but the situation has changed now. We get ample profits and this has improved our living conditions.” Shanti

Devi says they now have nutritious food and her grandchildren attend school.

Shanti Devi's status has received a boost in her family. Her opinion is taken with due seriousness by the members. Shanti Devi is well aware of the importance of the enterprise for her family. She is optimistic about increased investments in the business, engaging of more labour, and thereby a better income for the family.

Earlier there was no microfinance institution working in the area. NEED was the first to understand the problems of the local people, and come forward to disburse micro-credit. There are many people in the village like Shanti Devi and her husband who have benefited from the micro-credit programme of NEED. She plans to avail of another micro loan (now she needs Rs. 20, 000) to invest in the enterprise after repayment of the current loan.

Financial analysis :

Number of buttons made by a person in a day - 6000 to 7000 (for a nine hour work schedule per day). Number of hours actually depends on how much a worker can do and availability of raw material and proper condition of machine.

- Income from sale of 1000 buttons – Rs. 25
- Income a day - Rs. 150 to Rs. 200
- Monthly income- Rs. 4,500 to Rs. 6,000

10: Handloom Mill

The particular case study is a reflection of how a loan disbursed by the microfinance unit of NEED to a rural entrepreneur has been utilised to improve the standard of living of the family. In this particular instance the loan was given to Mohd Furkan, a successful entrepreneur who owns a small handloom mill and how he gained

from the assistance from NEED. The family is involved in carpet making. Eighteen-year-old Furkan started working as a helper with his father and later became an independent owner of a small mill himself. Apart from his parents, he has two brothers who help their father in the business.



Mohd Furkan is the resident of village Bilouli Bazar. This village comes under Mehmoodabad block of Sitapur district. He belongs to the backward caste. He takes raw material from the contractor and in return supplies the finished goods for a daily wage. Since all the members work, the family earns just enough wages and the economic status of the family is tolerable. On this basis it is seen that borrower belongs to lower income group in society.

Mohd Furkan owns two handlooms. The machine he owns needs only minimum maintenance. The carpets made are of good quality and not very expensive. His urge to earn has transformed him to a successful entrepreneur. The borrower has taken the loan facility only through the microfinance unit of NEED. He borrowed a sum of Rs. 10,000.

ECONOMICS OF ENTERPRISE :

This includes the expenditure which he makes towards the business and the benefit he gets out of the business. Cotton rag is the main raw material of the enterprise. Wood, fibre, etc. are also used. The total permanent labour of four includes the borrower and his three brothers.

Utilization of Loan amount

- a) Purchase of cotton: Rs. 6,000.
- b) Purchase of cloth rags and fibers: Rs. 3,000
- c) Purchase of other materials: Rs. 1,000

(a) Cost benefit analysis of the entrepreneur prior to micro loan (Total cost incurred per month prior to micro loan)

Particulars	Total amount (Rs.)
Raw materials	2,000
Labour	0
Transportation	700
Others	1000

Total cost incurred per month: Rs.3,700

Total sale at that time: Rs.5,700

The Profit earned by the borrower per month: $5,700 - 3,700 = 2,000$

Benefit–Cost Ratio (BCR) of the borrower prior to microloan=
 $5,700/3,700 = 1.54$

(b) Cost benefit analysis of the entrepreneur after availing micro loan (Total cost incurred per month after availing micro loan)

Particulars	Total amount (Rs.)
Raw materials	5,000
Labour	1,000
Transportation	1,500
Others	1,000
Total	8500

Total sale during this period: Rs. 14,000

Profit earned by the borrower per month: $14,000 - 8,500 = 5,500$

Benefit Cost Ratio (BCR) of the borrower after micro loan
 $=14,000/8,500 = 1.64$.

From the above analysis it is seen that the BCR has increased from 1.54 to 1.64 after availing the micro-credit which is highly significant. It shows that the profit of the borrower has been increasing at a greater pace than the cost incurred by his enterprise. It may be concluded that after taking the micro loan profit of the borrower has increased significantly.

Internal Rate of Return (IRR) :

The borrower took the loan from NEED in April 2008. According

to him the total approximate return by that micro loan is as follows:

Mongh	Total Amount (Rs.)
April	10,000
May	1,500
June	1,500
July	1,000
August	1,000
September	1,200
October	1,000
November	1,500
December	1,200
January	1,000
February	1,200
IRR	19%

IRR of the borrower is 19% and it is good as the standard acceptable IRR is around 15%- 16%. The investment by the borrower is satisfactory.

This particular micro-loan has improved the livelihood of this borrower to the great extent. This is evident from the cost benefit analysis and IRR. Prior to availing the micro-loan, he had the enterprise but the volume of business was less. He had material worth only Rs.2, 000 to Rs.3, 000 in his shop, but now he has materials of worth 50,000 in his shop. He has also started marketing the product in the outer market which he was not doing earlier. The micro-loan has brought much improvement in the standard of life of the borrower.

Employment Generation :

Earlier he worked with his sons in his shop and did not hire contract labour because his capital was low. Now he hires around 15 to 20 contract labourers in a month.

Financial Analysis :

The total financial analysis of the borrower is as follows:

Income and Expenditure per month

a) Raw material: Rs. 5,000

b) Labour: Rs. 1,000

c) Transportation: Rs. 1,500

d) Other overheads: Rs. 1,000

e) Total expenditure: 8,500

B. Total sale volume per month: Rs. 14,000

C. Profit per month: Rs. 14,000 – Rs. 8,500 = Rs. 5,500.

No expense was incurred for equipment by the borrower as it was available with the family since long for carrying on the trade.

Reason for Selecting NEED for Micro-Loaning :

- Monthly payment of installment. Some institutions follow weekly payment, which causes problems to the borrower.
- Some microfinance organisations hold weekly meetings and charge a fine from the borrowers if they do not attend. NEED does not have such practices.
- Easy accessibility of loan.
- Easy repayment of loan.
- Interest charged by some other MFIs per annum is around Rs. 1,500, while in the case of NEED it is just Rs. 1,350.

Multiplier Effect :

In April 2008, there were only five JLGs in the area, which availed of loan from NEED, but due to good reputation and consumer satisfaction, there are now around 100 JLGs in the region. The number has increased by 20 times.

Other social benefits :

Education: He has started to send his sons and daughters to the school in town. Earlier they were studying in the village school. Besides education there is not much effect on the other parameters such as health, nutrition, etc.

Future Road Map :

- To start permanent business in nearby town.
- To acquire raw material throughout the year.
- To supply to the market throughout the year.
- To start exporting furniture to the outer market.
- To diversify his business.

Comments from borrower :

“NEED has all the parameters to be a successful organisation in the near future, as the employees are sincere and they keep in constant touch with us. Hence we face no inconvenience in matters of repayment or any other aspect. Also, the loan procedure is simple and hassle free.”

11: Bag Unit for Livelihood

Mohd Zaheer aged 40 is engaged in bag manufacturing single handedly, to sustain his large family. His family includes his wife, three daughters and his parents, for whom he has to provide. He utilised the micro loan from NEED to boost his enterprise. His wife Anju helps him a lot in all his activities.

Mohd Zaheer is a resident of Mallahi Tola Masarganj, Gola, in Lucknow. His wife helped him to restart his enterprise in January 2009, by availing of a micro loan from NEED, and invested the amount to buy raw materials and to tide over the crunch. The family's economic condition had worsened because of the



continuous ill health of their children. Substantial portion of the income was used for medical care. Under the circumstances the family was left with little money to purchase raw material for their business. The micro loan from NEED has given boost to the family's future aspirations.

Mohd Zaheer manufactures suitcases, school bags, file bags, and other types of bags on order. Earlier he knew only cutting and manufactured belts for men. Subsequently, he came across an artisan who knew bag making. With the assistance of an artisan who knew bag making, Mohd Zaheer started the enterprise 20 years ago. Later, he started working independently. Several items are required for production of bags. He now gets the material locally. Earlier he used to get it from Delhi.

He says “I work alone and I do not have capital for investment. If I have more money I can give employment to 10 people.” According to him, on an average it takes about three hours to make a bag and the expense works out to Rs. 200 for the material and Rs. 30 for labour (but he does not incur labour charge as he does the work himself). The bag is usually sold at Rs. 300 if he sells it directly. If he sells it through middlemen, he gets Rs. 270. He uses high quality material and has not received any complaint regarding quality.

He chose NEED for the micro-loaning as the interest charged is moderate. Besides, compared to banks, the formalities for availing of the loan are much simpler. Regarding future plan plans, he says that if he gets Rs. 1.0 lakh as loan, he can enhance his enterprise much and employ at least 10 other people. Earlier, for want of a small amount, he was struggling for a livelihood.

Financial Analysis

Cost of producing a bag – Rs. 200 (he does the labour himself)

Sale price of a bag – Rs. 270- to Rs. 300

Income from a bag – Rs. 70 to Rs. 100

No. of bags produced a day – four (assuming 12 working hours a day and availability of raw material depending on demand for the

product).

Income in a day – Rs. 280 to Rs. 400 (which can be earned, but this income depends on number of hours actually spent)

Potential income during a month from the enterprise: Rs. 8,400 to Rs. 12,000.

12: Successful Torch Cell Enterprise

Meena is a middle aged woman engaged in the trade of making torch shells along with her husband Bhondu Prasad. They have three children and reside in Lakarmandi, Sahadatganj in Lucknow. They belong to the Raidas caste and have their own kutcha house built in the indigenous style. The couple makes torch shell out of brass metal plates, and returns the shell back to the supplier company for manufacturing the torches.



The raw materials they use include iron wire, a chemical (called sohaga in Hindi), and metal thread of silver or brass. A gas machine is used for metal stitching and they buy the gas meant for domestic use at Rs. 400 a cylinder. The sohaga costs Rs. 50 a kg, and metal stitching Rs. 600 for half a kg. Meena's husband has been engaged in this enterprise since childhood and she helps him in the trade ever since they got married 25 years ago. Their eldest son who is 15 years old is also engaged in the enterprise having given up his school education early.

The torch shells are prepared by tying up the metal in circular torch form with the help of iron wire. The chemical is then filled and the soldering done with a machine. The brass metal is rubbed and

polished before this procedure. According to Meena they get Rs. 0.50 for a piece and their savings work out to Rs. 200 to Rs. 250 a day after paying labour charges to the contract workers. The couple (especially the husband) is engaged in the activities from 8 o'clock a.m. to 8 p.m. or 9 p.m.

Meena says “I have heard a lot about NEED from my neighbours. NEED is a helping hand, indeed.” According to her, the loan amount from NEED will be a worthwhile investment and they are expecting higher returns from the enterprise. She is optimistic and enthusiastic about their future.

Financial Analysis :

No. of torch shells prepared in a day: 600 to 700 (normal hours spent in the enterprise – 10 to 12 hours)

Savings/income per day – Rs. 200 to Rs. 250 at the rate of Re. 0.50 per piece (after paying labour charges of Rs. 100)

Monthly income – Rs. 6,000 to Rs. 7,500

With little more investment and time spent in the enterprise, more number of torch shells can be made, and an increase expected in the income generated.

SERVICE SECTOR

01: Textile And Clothing Shop

This case study is based on the utilisation of loan disbursed by the micro-finance unit of NEED (Grameen Equity India) to the rural people to improve their living standards. This is the case of Upender Kumar Verma, a farmer by profession who took a loan from NEED to enhance his standard of living. Upendra Kumar owns around an acre of land on which he cultivates sugarcane and menthol. He had always wanted to own a shop but due to lack of capital he was unable to do so. He had availed of a loan in February 2006, and realised his dream. With the initial financial support from NEED, and his consistent efforts, he now owns a textile shop. Besides his wife and brother, Upendra Kumar's family consists of his two sons and a daughter. His sons and daughter attend school.



Socio- economic status :

Borrower is the resident of village Bedhaura. The village comes under the Panchayat Bedhaura of tehsil Mehmoodabad. Upendra Kumar did not enjoy a good status in society as his income was low. But after the launch of his business he earns enough to sustain his family in a reasonably comfortable manner. He has his house on the one-acre plot that he owns, and also carries on cultivation. On the basis of these observations it can be said that the borrower belongs to lower middle class family.

Enterprise details :

The name of the newly opened enterprise of the borrower is 'Verma Cloth Store'. The total value of assets in his shop is approximately around Rs. 35,000. He sells clothes, bed sheets, undergarments, socks and various other cloth materials on a retail and

wholesale basis. His enterprise can be described as small scale enterprise.

Micro-finance assistance :

Upendra Kumar has taken the benefit of the loan facility only through the NEED micro-finance organisation. He availed of a loan of Rs. 20,000. The main reason why Upendra Kumar opened the enterprise was to improve the standard of living of his family. Besides being a farmer, he wanted to earn more so that he could provide better food and healthcare for his family. Initially he has started his business as a hawker using his savings and surplus, but then the volume of business was small. After taking the loan from NEED his business registered an expansion. The products of the shop include clothes for children and men, inner wear, handkerchiefs, socks, towels, bed sheets, etc. The labour in the organisation includes the borrower and one of his two sons. He also hires temporary labour especially during the peak period, such as the marriage season. On an average he hires one or two temporary labourers in a month during the festive season. He pays a sum of Rs. 80 as daily wage to his labourers.

Utilisation of loan amount :

- a) Purchase of clothes: Rs. 12,000
- b) Purchase of under garments: 5,000
- c) Purchase of miscellaneous clothing: 2,000

(a) Cost benefit analysis of the entrepreneur prior to micro-loan (Total cost incurred per month prior to microloan)

Particulars of costs	Total amount (in Rs.)
Products	2,000
Labour	0
Transportation	70
Others	100
Total	2,170

Source: Primary data collected from the borrower.

Total cost incurred per month: Rs. 2,170

Total sale during that time: Rs. 3,700

Profit earned by the borrower per month: Rs. 3,700 – Rs. 2,170 =
Rs. 1,530

Benefit –Cost Ratio (BCR) of the borrower prior to micro-loan=
Rs.1, 530/Rs. 2,17 = 0.71

b) Cost benefit analysis of the entrepreneur after availing micro-loan (Total cost incurred per month after availing microloan)

Particulars	Total amount (in Rs.)
Products	5,000
Labour	400
Transportation	500
Others	1,000
Total	6,900

Source: Primary data collected from the borrower.

Total sale during this period: Rs. 13,500

Profit earned by the borrower per month: Rs. 13,500 – Rs. 6,900
= Rs. 6,600

Benefit Cost Ratio (BCR) of the borrower after micro-loan =Rs.
6,600/Rs. 6,900 = 0.96.

From the above analysis it is seen that the BCR has increased from 0.71 to 0.96 after availing of micro-credit, which is highly significant. It shows that the profit of the borrower has been increasing at a greater pace than the cost incurred in his enterprise. It may therefore be concluded that after taking the micro loan, the profit of the borrower has increased significantly. This micro-loan has improved the life of the borrower to a great extent. This is evident from his cost benefit analysis. Prior to availing of the micro-loan, he was a hawker and was doing the same clothes business but after getting the loan the volume of his business increased. He opened the shop in the market from where he can conduct the sales. He has also started selling the

products in other markets, which he was not doing prior to availing of the loan. The micro-loan has created much improvement in the life of the borrower.

Earlier, Upender Kumar worked alone, going from place to place to sell his products. He did not employ labour due to lack of capital. He hires one to two persons now during the peak season, when there is an increase in demand. The changed situation has also generated some employment in the shop of borrower.

Reason for selecting NEED for micro loaning

- Monthly payment of instalment: some institutions insist on weekly payment, which causes problems to the borrower.
- Some micro-finance organisations hold weekly meetings and charge absentee fine from the borrowers if they do not attend
- This causes problems to the borrower.
NEED does not have such stipulations.
- Easy accessibility of loan.
- Easy repayment of loan.
- Interest charged by some other MFIs per annum is around Rs.1, 250, while in the case of NEED it is Rs. 1,024.

Future Road Map :

- To start permanent business in nearby town.
- To review the demand throughout the year.
- To diversify business.

Comments of the borrower:

“NEED has all the parameters to be a successful organisation in the near future, because its employees are sincere and they always remain in touch with borrowers. Borrowers do not have any inconvenience in repayment or other things. Also, loan procedures are simple and hassle free”.

02: Basket Vending as a Trade

Thirty-five year old Nasima Khatoon, wife of Mohammed Basheer lives in the village and Panchayat Repura Rampur (Block – Saraiya) in Muzaffarpur District in Bihar. She has two sons and two daughters. Her parents-in-law also live with them, and together they comprise of a family of eight. The couple vends various items. The basket is carried on their head and the items are sold from village to village. They buy the stuff wholesale, from either Muzaffarpur or Patna. Theirs is a mobile shop of the indigenous kind, and the proceeds from the sale are the means of their livelihood. They sell various items such as bed sheets, bed covers, saris, ladies cosmetics, bangles, kids wear and the like.



They purchased the items for their mobile shop from the loan of Rs.10, 000 they availed in December 2008. The couple explains that if they sell all the items purchased for Rs. 10,000 within a week, they are able to earn a minimum income of Rs. 3,000. But the profit depends on the demand for the products and the price they got through bargaining. The profit generated help to meet their daily expenses.

Nasima is happy as the loan amount invested in their vending trade has generated better profits. She says “After availing of the loan, my status in the family has improved significantly. There is also a higher rate of income generation for our family.” Though they have to work hard for a livelihood, the couple is happy that the micro-credit was available for them to improve their trade.

Nasima along with her husband was engaged in the vending trade since the last two years but they did not have enough money to invest in the business. The availability of micro-credit enabled them to get larger returns as they now have better items for sale.

Nasima says that the NEED loan was very helpful and they did not have to beg to anyone for credit and the interest rate of 2 per cent is very low. Now, with increased profits, they have an extra amount at their disposal. Their living standard has improved, and they are able to



send their children to school. She plans to avail of a larger loan of Rs.20,000 after repaying the existing loan. Nasima also says that individual credit was more convenient and beneficial than group lending as she is able to repay the amount instantly and avail of another round of loan according to her requirements.

She says “Loan from NEED micro finance has been beneficial for me and my family. Now, I do not have to beg, instead I have an extra amount of Rs. 5 or more every day. My business is going on smoothly and I do not have any hassles in repaying the installments.”

03: Tailoring shop

Case of Ashma Khatun

Ashma Khatun availed of the loan from NEED on December 15, 2008 to expand her sewing business. Though she was adept in the craft all along, due to lack of capital she could not purchase a sewing machine. She was forced to remain unemployed till she availed of the loan from NEED but now with a sewing machine, of her own, life has changed for her. She purchases the cloth from the market, and also sells the sewn products there.

There are six members in the family of the borrower. Besides

husband and wife, three sons and a daughter complete the family. The children attend school. Ashma Khatun is a resident of village Bakhra. The village comes under the Motipur Tehsil in Muzaffarpur. The borrower belongs to the backward class in the Muslim community. She has her own house in the village, but Ashma's status in the society is low because of her caste and class. However, through her business, she earns money to take care of her family. On the basis of these observations it can be said that the borrower belongs to the economically backward class of society.

Enterprise Details :

Ashma Khatun's shop does not have a name. The total value of the assets in her shop is around Rs. 10,000. This includes sewing machine and cloth. Her enterprise can be described as a small scale enterprise. The borrower has taken the benefit of the loan facility only through the microfinance unit of NEED. She has borrowed Rs. 10,000 in April 2008. Apart from this, she has not availed credit facility of any other microfinance organisation.



In spite of the borrower being an expert in her craft, due to lack of capital she was unable to start any business. Also, according to her, this craft gives maximum returns with the minimum investment.

Economics of the Enterprise :

This includes raw materials, machines and labour in the case of the borrower. The raw material is the cloth that she buys from the main market in Muzaffarpur. After sewing, the products are sold in the town market. The two permanent labourers in the enterprise are the borrower herself and her husband. She does the sewing while her husband buys the cloth from the market.

There is only one sewing machine in the shop of the borrower.

Utilisation of Loan Amount:

Sewing machine: Rs. 5,000

Cloth : Rs. 2,000

Cost Benefit Analysis (Cash-flow): Financial

(Total cost incurred per month after availing micro-loan)

Particulars	Total amount (in Rs.)
Raw materials	3,000
Machinery	50
Total	3,050

Source: Primary data by borrower.

Total sale during this time: Rs. 5,500

Profit earned by the borrower per month: Rs. 5,500 – Rs. 3,050 =
Rs. 2,450

Benefit Cost Ratio (BCR) of the borrower after micro-loan: Rs.
5,500- Rs. 3,050 = 1.8

In the case of the borrower cost benefit ratio cannot be calculated prior to the micro-loan, because she has started her business after taking the micro-loan.

Social benefits:

NEED is a MFI with a difference; its mission is livelihood enhancement and capacity building of the rural poor through financial intervention. Besides, financial benefits, the entrepreneur also gained in different social aspects of life.

- The microloan, helped her gain the status of working woman, while earlier she was unemployed.
- The increase in the income of the borrower has enhanced her class in the society.

The microloan has improved the livelihood of the borrower to a great extent. When she was unemployed, income generation was less, but now the sewing business has enhanced the income of her family.

The end result: the microloan has brought much improvement in the life of the borrower.

Prior to availing the microloan, she was unemployed. She did not have capital to purchase the sewing machine. With the installation of the sewing machine, employment was generated in the shop of borrower.

The total financial analysis of the borrower is as follows

Expenditure per month

1. Raw material: Rs. 3,000
2. Machinery: Rs.50
3. Total expenditure: Rs. 3,050

Expenditure on machinery relates to the cost incurred in its maintenance

Income per month

1. Total sale volume per month: Rs. 5,500
2. Profit per month: Rs.5,500 – Rs. 3,050 = Rs.2,450

Reason for selecting NEED for micro-loaning

- Monthly payment of installment. Some institutions follow weekly payment, which causes problems for the borrower.
- Some microfinance organizations hold weekly meetings and charge absentee fine from the borrowers if they miss it.

NEED does not impose such conditions.

- Easy accessibility to loan.
- Easy repayment of loan.
- Interest charged by some other MFIs per annum is around Rs.1,500, while in the case of NEED it is just Rs. 1,350.

Multiplier effect :

In May 2008, there were only 15 JLGs in the area that had availed of loan from NEED, but due to the good reputation and consumer satisfaction it earned, there are around 125 JLGs in the region now.

The number of those availing of the credit facility has increased by around eight times.

Other social benefits :

The couple sent their children to the school in town. Earlier, they were studying in the village school.

- Ashma Khatun used to borrow money from the village money lenders even during minor illness of their children, but now she meets all these expenses from earnings from her own business.
- The nutritional status of the food the family consumed has been improved to a satisfactory level.

Future road map :

- To start permanent business in the district town.
- To diversify the items in the shop.
- Expanding the volume of business.

Quotes from the borrower :

“NEED as an organization has all the parameters to be a successful organisation in the near future. Its employees are very sincere and they remain in touch with us constantly. We experience no difficulty in matters of loan repayment or any other aspect. Also, the procedure for availing of the loan taking is simple and hassle free”.

04: Grocery and Re-Charge Coupons Business

Case Study Of Guddu

This particular case study is based on the utilisation of loan disbursed by the microfinance unit of NEED to the rural poor, to improve their living standard.

Guddu availed of the loan from NEED in April 2008 to expand his grocery business. He is the owner of the shop since 1999. Initially, he started his business with his own investment, but due to lack of capital and excess credit sales, the condition of the shop deteriorated. He borrowed



Rs. 10,000 from the NEED. Now, he carries on his old grocery trade along with his newly started business of selling recharge coupons of various service providers such as BSNL, Airtel, Hutch, etc. in the same shop, with the loan capital provided by NEED. Guddu is 22 years old but not yet married. His family comprises of himself and his 43-year-old mother. Guddu's father died when he was 17.

Socio- economic status :

The borrower is the resident of village Bajehara of Mehmoodabad Tehsil in Sitapur district. He is a Muslim and lives in a small house in the village. Guddu runs his business from a rented shop. On the basis of this observation, it is seen that the borrower belongs to the economically weaker strata of society.

Enterprise Details :

The borrower has not yet given a name to his establishment. The total value of assets in his shop is around Rs. 15,000. This consists of grocery items and recharge coupons. His unit can be described as a small scale enterprise.

Microfinance Details :

NEED lent him a sum of Rs. 10,000. Apart from this Guddu has not availed of any credit facility from any other microfinance organisation.

Enterprise Cause and Duration :

The main reason for the borrower setting up this enterprise is that the shop was inherited from his father. The grocery shop was started by his father in the village in 1999. After the death of his father the shop was closed and Guddu opened it again in 2007.

Economic enterprise includes stock and labour:

Guddu has stocked various products that are in demand by the local people, and recharge coupons of various service providers, as there is a high cell phone incursion in the village. With the help of the shop sales he earns a living.

Utilisation of loan amount :

Purchase of grocery stock: Rs. 2,000.

Purchase of recharge vouchers and tariff vouchers: Rs. 8,000

Cost benefit analysis of the entrepreneur prior to micro-loan
(Total cost incurred per month prior to micro-loan)

Particulars	Total amount (in Rs.)
Stock	2000
Labour	0
Others	500
Total	2,500

Total cost incurred per month: Rs. 2,500

Total sales during that time: Rs. 4,000

Benefit/ Profit earned by the borrower per month: Rs. 4,000 – Rs. 2,500 = 1,500

Benefit Cost Ratio (BCR) of the borrower prior to micro-loan Rs. 1,500/Rs. 2,500 = 0.60

Cost benefit analysis of the entrepreneur after availing micro-loan (Total cost incurred per month after availing micro-loan)

Particulars	Total amount (In Rs.)
Raw materials	3,000
Labour	800
Others	1,000
Total	4,800

Source: Primary data by borrower.

Total sales during the period: Rs. 8,000

Benefit/ Profit earned by the borrower per month: Rs.8, 000 – Rs. 4,800 = Rs.3, 200

The Benefit Cost Ratio (BCR) of the borrower after micro-loan = $\text{Rs.3,200/Rs.4,800} = .67$

From the above analysis it is seen that, the BCR has increased from 0.60 to 0.67 after availing of the micro-credit. It shows that the profit of the borrower has been increasing with a greater pace than the cost incurred by him for his enterprise. It may therefore be concluded that after taking the micro-loan, profit of the borrower has increased significantly.

Month	Total Amount (Rs.)
April	10,000
May	2,000
June	2,000
July	2000
August	1800
September	2,000
October	2,000
November	2500
December	2000
January	1,800
February	2,000
IRR	15%

The borrower took the loan from NEED in April last year. According to him the total approximate return by that micro-loan is as follows

IRR of the borrower is 15 per cent and it is commendable considering that the standard accepted by IRR is around 15 per cent – 16 per cent. This investment by the borrower is satisfactory.

The micro-loan has improved the livelihood of the borrower to a great extent. Though he had this enterprise earlier, the volume of stocks in his shop was less. He had only the material worth around Rs. 5,000 in his shop, but now he has materials worth Rs. 15,000 to Rs. 20,000. This micro-loan has therefore created much improvement in the livelihood of the borrower.

Financial analysis

The total financial analysis of the borrower is as follows:

Expenditure per month

1. Stock: Rs. 3,000
2. Labour: Rs. 800
3. Other overheads: 1,100
4. Total expenditure: 4,900

Total sale volume per month: Rs. 8,000

Profit per month: Rs.8,000 – Rs. 4,900 = Rs.3,100.

Reasons for selecting NEED for micro-loaning

- Provision for monthly payment of installment. Some institutions follow weekly payment, and this creates difficulties for the borrower.
- There are microfinance organisations that hold weekly meetings and charge absentee fine from the borrowers if they do not attend. Such practices pose problems to the borrower. NEED does not have such stipulations.
- Easy accessibility to loan.
- Easy repayment of loan.

In April 2008, there were only 5 JLGs in the area, which availed of loan from NEED, but due to the good record and consumer satisfaction, the number has risen to approximately 100 JLGs in the region. The presence of NEED in the region has increased 20 times.

Future road map :

- To start permanent business in nearby town.
- Diversification of items in the shop.

Quotes from the Borrower:

"He says that NEED would soon emerge as a successful organisation in the near future, as the loan procedures are very simple. The end result is that more number of customers can benefit from the organization."

05: Bangle Selling for a Sustainable Livelihood

Case of Jeenat Praveen

Jeenat Praveen took a loan from NEED on April 30, 2008 to expand her bangle business. Jeenat was engaged in this business for long, but initially she carried on the business from door to door. The vending job was done by her husband. But now Jeenat has her own bangle shop in the town market after she availed of a loan from NEED. Though she lost her husband a year back, she is in a position to manage her family because of her shop. Apart from her, there are three sons as well as a daughter in the family. Her sons and daughter attend school and she is able to take care of the business single-handedly.

Shipra Kumari becomes our borrowers from may 2010. She is a student of BA Part 1. She bought a sewing machine. Now she is earning 2000/- to 3000/- in a month and expend all amount on her own education. "NEED give us a chance to be a self

The borrower is the resident of village Bhakra. This village

comes under the tehsil of Motipur in Muzaffarpur. The borrower belongs to the backward caste of Muslim community. The bangle business is a traditional craft of her family and was being carried on for long. She has no cultivable land, but owns a house in the village. Jeenat occupies a lower status in society because of her caste as well class in the society. But, through her business she earns enough money to take care of her family. On the basis of these observations it can be said that the borrower belongs to the economically backward class of people.



The borrower's shop has no name. The total value of assets in her shop that includes different types of bangles is approximately Rs. 10,000. Her enterprise can be called a micro-enterprise.

Micro-finance details :

The borrower has taken the benefit of the loan facility only through NEED micro-finance unit. She has borrowed Rs. 10,000 from NEED. Apart from this she has not availed of credit facility from any other micro-finance organisation. The main cause of this enterprise by this borrower is that, it is a traditional business carried on since the time of her grandparents. But then the business was done through door-to-door vending. It was only after taking a loan from NEED that Jeenat could own a shop of her own, in the town market. The main raw material of this enterprise is bangles. She buys the bangles from the main market of Muzaffarpur and sells it in the town market. The total permanent labour in this enterprise is one. Jeenat is the only one who takes care of her shop. She has not hired any temporary or permanent labour in her business.

Utilisation of Loan Amount :

Purchase of bangles: Rs. 2,000.

Lease of shop in the market: Rs. 8,000(For one year)

a) Cost benefit analysis of the entrepreneur prior to micro-loan (Total

cost incurred per month prior to micro-loan)

Particulars	Total amount (In Rs.)
Raw materials	2,000
Labour	0
Others	500
Total	2,500

- Total cost incurred per month: Rs. 2,500
- Total sale during that time: Rs. 4,500
- Benefit/ Profit earned by the borrower per month: $4,500 - 2500 = 2,000$
- Benefit –Cost Ratio (BCR) of the borrower prior to micro-loan= $4,500/2,500 = 1.8$

b) Cost benefit analysis of the entrepreneur after availing micro-loan
(Total cost incurred per month after availing micro-loan)

Particulars	Total amount (In Rs.)
Raw materials	3,000
Labour	0
Others	1,000
Rent	800
Total	4,800

- Total sale during this time: Rs. 9,000
- Benefit/ Profit earned by the borrower per month: $9,000 - 4,800 = 4,200$
- Cost benefit ratio of the borrower after micro-loan: $9,000/4,800 = 1.87$

From the above analysis it is evident that the BCR has increased from 1.8 to 1.87 after availing of the micro-credit which is highly significant. It shows that the profit of the borrower has been increasing at a greater pace than the cost incurred in his enterprise. It may be concluded that after taking the micro-loan, the profit of the borrower

has increased significantly.

Social Benefits :

NEED is an MFI with a difference; its mission is livelihood enhancement and capacity building of the rural poor through financial intervention. Over and above the financial benefits mentioned, the entrepreneur benefited in different social aspects of life. Though Jeenat lost her husband and there was no one to help her, she could tide over the tragedy. She faced difficulties in her day to day living. Because of the micro-loan from NEED, she could manage the situation. Due to the increase in income of the borrower, her status among her relatives has gone up.

- Even people from the higher caste who created problems in her life because of her low status, are more amenable to her.
- Internal Rate of Return (IRR)

According to the borrower the total approximate return of the micro-loan is as follows:

Month	Total Amount (Rs.)
April	10,000
May	2,000
June	2,500
July	3,000
August	2,000
September	1,500
October	2,500
November	2,000
December	2000

TRADITIONAL ARTISANS

01: Entrepreneur Of Chikankari Work

Ishrat Jaha, a 28-year-old entrepreneur of chikankari craft, is hard working and eager to earn a living by her craft. Though her ancestral village is Nakaha in Lakhimpur district, Ishrat now resides in Lucknow district with her family. Ishrat Jaha has been engaged in the craft since many years. She supplies chikankari work from Lucknow to Lakhimpur on a regular basis. Her husband and his brother help her in the work. Ishrat has two daughters and two sons. The children attend private schools. Her husband and his brother work in Lakhimpur and visit the family in Lucknow once a week. Under the circumstances Ishrat has assumed the supplier's role while also coping with the family responsibilities.



About the enterprise :

Ishrat's husband works in a lock repair and duplicate key-making unit while his brother manages a cosmetic shop. They also support the chikankari enterprise managed by Ishrat in Lucknow. Ishrat has a network with six to seven shopkeepers in one of the main markets in Lucknow. She takes orders and supplies material to her husband in Lakhimpur who then distributes the work to the workers in Lakhimpur.

The payment is made on a monthly basis, on piece rate. The finished product is supplied back to Lucknow. Ishrat collects the finished product and distributes it as per the orders and receives the final payment for the work. At the end of every month she goes (at least once) to Lakhimpur to pay the salary of the workers. They earn an income from their chikan, cosmetic and jewellery shop, and lock and key making shop. They pay the workers a minimum wage of Rs. 25

and maximum of Rs.50, based on the amount of work done.

Ishrat has hired 50 workers in her unit in Adil Nagar in Lucknow and has tied up with two shop keepers from Hussainabad who supply the material. She also trains the workers so that they are adept in the craft.

Intervention by NEED :

Ishrat Jaha took loan of Rs 10,000 from NEED's micro finance programme. The loan enabled her to make the business more sustainable and stable.

Impact of the enterprise on people :

With the loan and some additional investment, Ishrat has expanded her business and strengthened it.

Financial Analysis :

Isharat's monthly expense on average is about Rs.61,000. This can go up in case of larger orders or before festive seasons. Generally, they employ about 10 workers a day during a month. The material cost of Rs.10,000 per month and the wage of about Rs.160/- per worker per day ($160 \times 10 \times 30 = 48,000$) are the major expenses. Then she would have transportation cost, etc.

Against this, she generates an income of Rs.68,000 a month which leaves her with a surplus of about Rs.7,000 a month. This also requires her to handle about 1200 finished pieces a month.

For her shop in Adil Nagar, her cost of production is about Rs.24,000 a month while she generates about Rs.29,000 a month leaving her with a surplus of Rs.5,000 a month. This requires her to handle about 400 – 500 finished pieces a month.

Overall, Isharat has a monthly surplus of Rs.12,000 on average. While the work is tedious and strenuous, it also provides the family with a constant source of income with possibility of expansion at a later date to other avenues.

02: Toy Unit Livelihood with Dignity

Elderly and illiterate, Ramrati Yadav resides in the Sahadatganj area of Lakkarmandi along with her husband Ramshree Yadav and their four children. She has her own enterprise where she makes clay toys and statues (mainly of Hindu deities like Ganesha and Lakshmi). Her husband works in the Medical College as a painter and earns Rs.200 a day. One of her sons works as a cook and earns Rs.150 a day. Another son is engaged in painting statues in temples in the vicinity and earns about Rs.170 per day. But their incomes are irregular given the nature of their work.



Ramrati, besides managing household chores, makes the statues and toys from clay. She got into this work soon after her marriage and has been engaged in it for the last 30 years.

The making process starts with filling of the moulds with distilled laterite soil and then the toys are fired in wooden fuel kiln. The toys are washed with wet crude chalk before being given the colouring.

Usually it takes only five minutes to finish one model, and if two to three women work together, they can craft out 50 to 60 toys/statues in a day. Some toys/statues are broken in the course of firing which is a loss for the toy maker. Ramrati is engaged in making these toys and statues for nine to ten months in a year. During the Deepavali and Durgapuja season, she generates sales of Rs.60,000 - Rs.90,000 with an investment of Rs.20,000 - Rs.25,000.

Her expense in raw materials is about Rs.1500 – Rs.1600 per load of clay, other materials for making statues and moulds which cost about Rs.1000 a piece. The activity is highly labour intensive.

Ramrati had earlier taken a loan from an MFI with a weekly repayment model which proved to be of great burden to her. She borrowed from a mahajan (private money lender) but interest rate of 5% per month was too high and burdensome for her. Now she is a borrower of NEED. The present mode of monthly repayments and interest rates are convenient for Ramrati and her family.

After my Intermediate, I was educated unemployed. My family condition was not good and I wanted a job quickly, but it was very difficult for me to find a job due to absence of any technical knowledge. When I heard about computer training by NEED, NEED in such a minimal fee, I got amazed and have taken my training there. Now, I work in Balaji Printers and can earn such amount of money that can run my study as well as my family.

- Rajneesh

She saves the earnings during Deepavali and Durgapuja in her bank account for use during any emergency in the family. Her husband and two sons do not have a regular source of income. Given the irregular nature of income of her husband and sons, Ramrati's income is very crucial to the family.

Because of her enterprise and income Ramrati has a say in family matters and is involved in the decision making process in the family. Her husband is very supportive and encourages her to expand her enterprise thereby earning better returns that would uplift the family's livelihood pattern. They live in a pucca house, with proper sanitation and on a clean street. She is comfortable in her occupation, and wants to expand the business further.

03: Zardozi Craft Ensures a Bright Future

Lucknow's famous chikan and zardosi embroidery work have helped large sections of the society, providing them livelihood opportunities. A large number of women work in different areas of Lucknow and nearby villages and earn an income to support their family by engaging in the embroidery work.

Shahpur village in Kakori block of Lucknow is about 8 km. from block headquarters. Shahpur is a small village of about 150 households and is situated in mango-growing belt. However, for many families, mango cultivation is not the primary occupation. The village has many informal zardosi group enterprises in which young girls, women of all ages, and young boys work as full time or part time workers. Most of these workers belong to Pasi community whose primary occupation is unskilled labour.

Zardozi entrepreneurs :

Mushtak Ahmed's family has been engaged in the zardosi and aari work since many years. His younger brother Taj and two sisters also do zardosi work. Taj, who has been engaged in the craft since childhood, is an expert craftsman in zardosi. His two sisters help him and they all work together and support their family.



Taj and Mushtak have great expertise in the craft and have been successful in earning a name for their work. They also train in zardosi and aari work. Mushtak fetches the cloth and subcontracts the work to villagers and craftspeople in the nearby areas. As a group enterprise, the embroidery work has helped villagers to earn money by working four to five hours a day. Women do the zardosi during their spare time and earn an income. According to Taj, “Zardosi is the basis of our existence and we spend our life in this work.”

Support through micro finance :

Micro finance has provided timely support to the villagers by way of small credit. Mushtak borrowed Rs.15,000 from NEED microfinance of NEED for the zardosi enterprise. He invested the money to expand his business. Equity has enabled small producers like Mushtak to add more value to their products. They say that now credit is easily available in a shorter period of time and at a lower rate of interest than from money lenders. The villagers prefer to take loans

from NEED's Equity to avoid the lengthy credit procedure of banks.

Production unit :

Zardosi work demands a lot of hard work and patience. A minimum of four days is required for three craftspeople to complete the embroidery on a sari. First a design is printed on the cloth with kerosene oil and chalk and once the design is embroidered, the cloth is cleaned.

Financial analysis :

The cost of zardosi work on one sari on an average would be about Rs.800. These designs are done considering the fast moving items while there can be exceptionally expensive items for special occasions. The revenue from an average Zardosi sari can be about Rs.1,500 giving a surplus of Rs.700 per sari



Product demand and competition :

There is great demand for the zardosi and aari work all over the country and in foreign markets like Gulf countries. For the enterprises in Shahpur, orders come from Lucknow market and also from Delhi and Mumbai where it may even require customising based on orders. But these craftsmen also face stiff competition from craftspeople who do the business from nearby areas.

Taj says, “When I started working only two shops were doing this business but now there are 25 such units. Competition is high and sometimes we have to sell the products at a lower price to retain the customers and keep the edge.”

Shortcomings :

As it takes only five to six days to learn the craft, young girls and boys are initiated to do the work. But quality of work comes only with experience and lack of experience can reduce the quality and the

demand for such products and the prices they command can be very low.

Another negative aspect is that these enterprises promote child labour and girls more often get involved in this work than go to school and this is another sensitive issue associated with the enterprise.

Bright and competitive future ahead :

The short production cycle, high demand and low initial investment all combine to create a bright future for the zardosi enterprise. The performance can be improved through skill up-gradation, capacity building and by keeping middlemen away. By forming clusters in different areas, the bargaining power of the producers could be increased.

04: Fabric Painting and Embroidery

This particular case study is unique in that it centres around young college-going girls who contribute to the family income through their enterprise. Their mother has availed of a micro-loan from NEED, for the purpose.

Sunita Devi, aged 53, is a resident of Pageya Yama village (Bedua Panchayat in Sarai Block of Muzaffarpur District) in Bihar and is the proud mother of Shilpa and Roshni. Sunita and her husband Gajendra Prasad Singh are primarily engaged in agriculture. They have three school/college-going sons. Their two daughters are engaged in painting and embroidery on fabrics on a part-time basis. They take orders for painting on bed sheets/bed



covers/curtains; wall hanging (silver and golden); embroidery; and making soft toys (teddy bears) for children.

During December 2008, their mother availed a small loan of Rs.10,000 from NEED to augment their daughters' enterprise. The two girls were earlier engaged on a small scale basis but with the loan, they expanded their activity. Two other girls from the neighbourhood, Gudia and Arti are also engaged with them now. The four girls are in the age group of 15 and 20.

Economics of the activities :

For an investment of Rs.2,000 in raw materials for teddy bear making, the girls generate a profit of Rs.500 from the sale.

In sari embroidery, the input costs are about Rs.350 – Rs.650 (Rs.200 – Rs.500 for the sari and Rs.150 for the materials) and the sale price is about Rs.700 – 1000 with profit of about Rs.350 per sari. The profit works out to Rs.350 per sari. One person takes around four hours a day, for one week, to embroider a sari. Sometimes, the sari cost may be lower but the embroidery and the time taken may be extensive and priced accordingly.

Fabric painting work is also remunerative. It depends on the time spent, and of the type of order placed.

The monthly income of each of the girls ranges from Rs.2,000 - 2,500. They get orders directly from the market and the village besides the neighbouring villages as their craft is popular. The girls say that their mother is very cooperative and keeps them free from household chores. Also, there is no gender discrimination in their family. Their parents treat their sons and daughters equally, and encourage the girls in their enterprise.

Although the loan amount was availed of by their mother, they say that it was their idea to take the loan and invest the sum in the enterprise. It is a small loan and the interest rate is modest. Moreover, it was hassle free, and the disbursement quick. Getting the loan from a bank would have been difficult.

The girls plan to open a boutique in their house. They want to

avail of another loan of around Rs. 30,000 from NEED for the improvement of their business.

While it might look like child labour – what is really important to note is that the children are taking up the work on their own and also are developing a skill in their spare time for their livelihood. Most of the people in these income groups have to be self employed in one way or the other and the four girls have developed a skill to gainfully employ themselves in future and even employ others should their business expand as planned.

Archana Kumari is a member of Self Help Group. She is very good in painting on bed sheet and pillow cloth. She earn 80/- to 100/- rupees per painting. She is a student of BA part 1 and going to admitted in a computer course. She expend her income on her own education. She says, "My father is a farmer and not able to give me a much money for continuing my study. NEED helps me to continue my Study."

-Archana

05: Basket Making Unit

Naga Sahani, aged 40, of Amua village (Kothia Hariram panchayat, Meshi block, East Champaran district of Bihar) is a proud borrower of NEED. He makes hand-made baskets at his residence. He took a micro loan of Rs.10,000 in July 2008 from NEED. Of this, he invested 74 per cent in the unit, and the rest 26 per cent in fisheries. From the Rs.2600 he invested in fisheries, Naga Sahani got a return of Rs.8000 within a few months.



Naga Sahani has three sons and a daughter. He and his wife along with four children are engaged in making handmade bamboo baskets. Their household expenses are met from the enterprise. Naga

How they did it

Sahani was engaged in the traditional business of his forefathers since his childhood. Even as a schoolgoing child, he was engaged in the trade during his spare time. Since the age of 15, he has been engaged in the enterprise on a full time basis.

The family makes four to five baskets a day, working for about 9 hours a day. He sells the baskets on a bicycle (carrying about 40 baskets on his cycle). Naga also makes and sells baskets on order. A basket fetches him Rs.15 – 25 and the family was fully dependent on the income from sale of baskets. It is seasonal and sometimes they could earn a profit of Rs.15,000 in a good month.

The best part I like most in NEED micro-finance is with their skill and several other input support which no MFIs do it in our locality. With this, I had credit and skill training for pump set for irrigational purpose through which I earn Rs. 8000-10000 per month.

-Sanju

Naga invested the loan to stock bamboo. Though the sales are yet to pick up as per his expectations, Naga Sahani is optimistic that he would be able to generate enough profits over time. However his profits have increased when compared to the income he had earned earlier.

He says, “It has been a good decision to borrow from NEED rather than from money lenders as they charge 5% - 6% a month. I need to repay NEED on a monthly basis which is very convenient and time saving.” With the increased income, they have nutritious food twice a day. His children wear good clothes attend school.

His future plan is that he will avail a second loan of Rs.25,000 and open a shop at Motipur to sell baskets.

06: Pottery: Impact of Micro- Finance

This is a recent case in the Samsherganj village (Harchandpur block, Raebareli district, Uttar Pradesh) to understand the impact of

micro finance. Within a short span of time of Equity (NEED) launching its operation in the village, Kouwal, a Muslim entrepreneur became a borrower and a very good client.

Samsherganj has 400 families with a majority of them being from backward classes. Their main source of income is agriculture while others are engaged in traditional occupations like shoe making, washer man, running flour mill, cloth trading, etc. Besides the household chores, women are engaged in agriculture. Because of good irrigation system, agriculture is a profitable venture. Three seasonal crops such as wheat, paddy, pulses and mustard are cultivated in addition to vegetables.



While the village has a primary school, it has no health centre. People go to Harchandpur or Raebareli for basic and emergency healthcare needs. Private money lenders had a negative impact on the villagers' living standards. It was under these circumstances that NEED launched its microfinance activities in Samsherganj.

Twenty five year old Kouwal has studied up to Class VIII. He and his father Intezaar Ali are engaged mainly in the traditional pottery work as he does not own land for agriculture. He has no option for an alternative occupation to enhance his income.

NEED is focusing on the need to expand income generation activities and also to encourage initiative of the people to expand and improve their enterprises. It is here that NEED assisted Kouwal. Though Kouwal worked hard, NEED perceived the gap in the marketing of pottery. A loan of Rs.10,000 was disbursed with which a horse cart was bought to transport and market the finished goods. Earlier Kouwal hired vehicles on rent to transport the finished goods and a good portion was broken due to improper handling by others. The presence of middleman also, resulted in heavy loss in revenue.

NEED had to encounter problems from money lenders in

How they did it

Samsherganj. Money lenders alleged that NEED was not a trustworthy organisation. By conducting regular meetings and capacity building of the community, NEED was able to create an impact on the people.

Influence of micro finance on life of Kouwal :

Kouwal says NEED has proved to be a helping hand for him. NEED could identify the anomaly in his business and lend assistance to buy the horse cart to transport the finished products to the market outlet. Earlier, during the rainy season when he could not collect clay from the ponds, Kouwal had to remain idle for three-four months. But now the situation has changed. He engages the horse cart to transport people or carry goods in Raebareli city. He also gives his horse cart on rent. All this has helped him in increasing his income by about Rs.4,000 – 5,000 a month.



Kouwal had taken a loan from the moneylender some years ago at the rate of Rs.20 per hundred. Though he has repaid the loan, once he has taken the loan from NEED and saw the repayment terms and amounts, he realised how much he was exploited earlier. Besides, Kouwal feels socially empowered as he experiences larger networking with different sections of society. He is also looking forward to an initiative from NEED to better the healthcare and sanitation facilities in the village.

DAIRY & ALLIED SECTORS

01: Enterprising Sweet Shop

The particular case study is based on the utilisation of loan disbursed by the micro-finance unit of NEED to the rural people to improve their living standards.

This is the case of Tulsi, a sweet shop owner who availed of loan from NEED and enhanced his standard of living. Initially Tulsi had a small shop. He did not have enough money to buy the raw materials and prepare different varieties of sweets. In January 2008, he took a loan from NEED



and expanded his shop. With the initial support from NEED and his consistent efforts his shop is now run successfully.

Apart from the husband and wife, the family includes five children, three daughters and two sons. His sons and wife help Tulsi in the shop. His children are small and study in primary school nearby. Tulsi is a resident of village Rehwan. This village comes under Harchandpur block of Raebareli District. He belongs to the backward caste. Earlier he was employed as a cook in the army. After he left the job he started a sweet shop in his native place. On the basis of these observations it can be said that the borrower belongs to lower class in society.

Tulsi sells sweets, tea, samosa, and cold drinks in his shop. He had started the shop on a small scale but soon expanded his shop. Now more people can sit and have food at the shop. With his urge to grow Tulsi transformed himself from a common man to a successful entrepreneur. The borrower has taken the loan facility only through the microfinance unit of NEED. He had borrowed Rs. 10,000 from NEED in August 2007. He did not seek financial assistance from any other organisation during the entire period. The main cause of the

entrepreneurship of the borrower is that, he had an urge to have his own shop and earn from it. He also wanted to give a better life to his family. He opened his shop in 2007. Initially he started as owner of a small shop but with the help of NEED and in course of time he developed into successful entrepreneur.

Economics of Entrepreneur : This includes the expenditure he incurs towards the maintenance of the shop, the raw material he purchases for the shop and the benefit he gets from the business

The main raw material is food items such as flour, vegetables, oil, fuel, sugar, tea leaves, etc. Tulsi prepares the food and sells it to maintain his livelihood. The total permanent labour includes the two persons who help Tulsi in serving. Apart from this he also hires temporary labour during the peak seasons such as marriages and festivals. He provides food and pays a wage of Rs. 50 to the labourers.

Utilisation of Loan Amount

Expansion of the shop and raw materials: Rs. 6,000.

The remaining amount was kept aside for buying raw material and miscellaneous expenses for the business.

a) Cost benefit analysis of the entrepreneur prior to micro-loan

(Total cost incurred per month prior to micro-loan)

Particulars of cost	Total amount (in Rs.)
1. Raw material	3,000
2. Labour	1,500
3. Transportation	300
4. Others	200
5. Total	5,000

Total cost incurred per month: Rs. 5,000

Total income during that time: Rs. 7,000

Profit earned by the borrower per month: Rs. 7,000 –Rs. 5,000 =Rs. 2,000

Benefit–Cost Ratio (BCR) of the borrower prior to micro-loan=

$$2,000/5,000=0.4$$

b) Cost benefit analysis of the entrepreneur after availing microloan

(Total cost incurred per month after availing microloan)

Particulars	Total amount (in Rs.)
Raw materials	4,500
Labour	3,000
Transportation	500
Others	500
Total	8,500

Total income during this period: Rs. 13,000

Profit earned by the borrower per month: $13000 - 8,500 = 4,500$

Benefit Cost Ratio (BCR) of the borrower after micro-loan
 $= 4,500/8,500 = 0.53$.

From the above analysis it is seen that the BCR has increased from 0.4 to 0.53 after availing the micro-credit which is significant. It shows that the profit of the borrower has been increasing at a greater pace than the cost incurred in his enterprise. It may therefore be concluded that after taking the micro-loan profit of the borrower has increased significantly.

Internal Rate of Return (IRR)

Borrower has taken loan from NEED in January 2007. According to him the total approximate return by that micro-loan is as follows:

Month	Total Amount (Rs.)
January	10,000
February	3,000
March	4,200
April	4,200
May	4,200
June	3,500
July	3,500
August	3,500
September	3,500
October	4200

November	4,200
December	3,500
IRR = 36%	

IRR of the borrower is 36%, and it is good and as the standard accepted IRR is around 15 per cent to 16 per cent. The investment by the borrower is satisfactory. This micro-loan has improved the life of the borrower to a great extent. Earlier, his income was less and not enough to cover all his expenses. But now with the rise in sales his income has increased. With his initiative he has increased his sales and thus improved his livelihood.

EMPLOYMENT GENERATION :

Earlier Tulsi worked as a cook in the military canteen; he was away from home most of the time. This forced him to quit the job. By opening the shop he has given employment to many people and inspired many others to follow his example and live a happy life.

FINANCIAL ANALYSIS :

The total financial analysis of the borrower is as follows:

A. Expenditure per month:

a) Raw material: Rs. 5,000

b) Labour: Rs. 1,000

c) Transportation: Rs. 1,500

d) Other overheads: Rs. 1,000

e) Total expenditure: 8,500

B. Total sale volume per month: Rs. 14,000

C. Profit per month: Rs.14,000 – Rs. 8,500 = Rs.5,500.

Note: Equipments required for the shop was bought once, so no cost was incurred under this head.

Reason for selecting NEED for micro-loaning

- Interest is charged on reducing principle.
- Monthly payment of installments.

- The borrowers are insured.
- Easy loaning process.
- Formation of group is easy as the number of members ranges between 4 and 6.

The success of Tulsi's enterprise has encouraged many of his friends and relatives to seek a loan to raise their income and develop new and improved livelihood standards. The good reputation and consumer satisfaction that NEED has gained will prompt more people avail of the loan from them. The organisation can thereby expand its business.

Social benefits :

- With the increase in income the economic standard of the family has risen.
- The children are given proper education.
- Beside education there is also an impact on the other parameters such as health, nutrition, etc.

Tulsi plans to take another loan from NEED and further expand his shop and sell more and more food items. Later he wishes to open a small restaurant (dhaba).

Comments from the borrower :

1. He is thankful to NEED as it provided him with the initial investment through which he improved his income.
2. He carries is all praise for the work carried out by NEED through which people can avail of loan on easy terms and have a better standard of living.



02: Empowering Youth through Organic Vegetable Cultivation

Kakori rural block in Lucknow District is a backward pocket in Uttar Pradesh, a State with a high population. The majority of the people here including the youth have not been empowered to utilise the resources at their command, to advantage. The agriculture sector of the village is plagued by many anomalies. The majority of the people in the area are landless labourers, and work on the land of big farmers.

Agriculture scenario in the village :

It was the practice of farmers of the village to cultivate only the standard crops of wheat and rice during the rabi and kharif

seasons. These crops require extensive labour and pre and post harvest care. The increase in the wage of labourers and cost of fertilisers without a corresponding increase in the price of food grains has had a discouraging impact on the



agriculture scenario. Kannahiya Lal Diwedi experienced a similar situation. Despite the hard work he and his family put in on their land, they could generate only a meagre sum as their yearly savings.

Kannahiya Lal aged 68 years, resides in the village Kakarabad around 9 km from Kakori Block headquarters in Lucknow District. He has studied up to high school, and could not continue his studies because of family problems. Kannahiya Lal's family comprises of two sons and three daughters. All the three daughters are married and his elder son Deepak aged 26 years is also married and has a daughter. Deepak who is a graduate was unable to find proper employment, and decided to help his father in his agriculture work.

Kannahiya Lal owns 12 bighas of land on which he grows rabi and kharif but the yield did not generate enough earnings for the

family. Therefore he left a good part of land uncultivated. The major reason for this was lack of adequate financial support.

NEED's intervention:

NEED started its microfinance interventions in Kakori in 2003. Kannahiya Lal's son Deepak though apprehensive initially to availing a loan, saw how people from the lower economic strata were being empowered through credit, to set up their own enterprises. Deepak also met a person who was growing organic vegetables and was earning hefty returns from this type of farming that needed only minimum care and labour. He decided to launch into organic vegetable cultivation and applied for a loan of Rs 10, 000 along with three others through the JLG mode.

Learning a new technique:

Deepak learnt about the techniques of vegetable cultivation from a farmer in nearby Hardoi. He also found out that growing parwal- a popular vegetable variety in the North, on a commercial basis was a profitable venture. The plant stems are purchased when they are fully grown. The price ranges from Rs. 2,000 Rs. 7,000 for a standard land area. The most suitable land for good yield of parwal was near the river, where the soil was sandy, and there was a lot of moisture. Parwal is sown in the month of November and the vegetable is ready for harvest by March end. Cow dung is used instead of chemical fertilizers.

Stepping into a new initiative :

Since they owned a large extent of land, Deepak was aware that he would have to invest a big amount for parwal farming. He therefore wisely invested the loan amount of Rs. 10,000 by granting a part of their land on lease for a fixed period to two landless families in the village. Such a step was expected to not only ensure livelihood security for the underprivileged families but also secure an income for them through the farming lease.

Families of one Jeewan Lal (aged 60) and Visham (aged 40) were chosen for cultivating on lease, the seven bighas of land on the river side. Jeewan Lal, resident of village Lasa, in Kakori belongs to the

Yadav caste. His family comprises his wife, three sons and one daughter. Both Jeewan Lal and his wife are illiterate. Their whole life has been a struggle to earn a decent livelihood for their children. Jeewan Lal and his wife worked as agricultural laborers but never had an opportunity to cultivate their own field.

A new beginning:

In view of Deepak's proposal to cultivate organic vegetables, Jeewan Lal leased three bighas of land. Deepak assisted him in planting the parwal saplings. Aware of the growing demand for organic vegetables in the market, he also grew seasonal vegetables and fruits such as lauki, kadduoo, karela, tarbooz, and kharbooz (gourd and melon varieties). His entire family assisted him in this kind of productive farming aware that it would generate a good income, and thereby provide them a better life.

Shakuntala out of NEED micro-finance produces natural sources called lac based bangles and ornaments due to which she is day by day enterprising in her endeavors alongwith proper education and health of children.

-Shakuntala

Visham is the resident of village Basaharaghat and belongs to the Yadav community. His family comprises his wife, three young sons and a daughter. Visham had owned a reasonably big piece of land, and used to cultivate different seasonal crops there. But he was deprived of the land in a legal battle with some highly influential people, leaving the family in dire straits.

Ray of hope:

It was at this juncture that the proposal of Deepak came like a ray of hope. Visham was well aware of farming techniques, and he easily understood the concept of organic farming and its long term benefits. Visham planted not only parwal saplings but also other seasonal fruits and vegetables such as lauki, kadduoo, karela, tarbooz and kharbooz in the three bighas of land taken on lease.

Financial analysis:

1. Area of land
2. Total area of land cultivated = 10 bighas

3. Area of land cultivated by Deepak= 2 bighas
4. Cultivated on lease = 3+3=6 bighas

Estimated Expenditure:-

(For vegetable cultivation) - approx. rates

For an area of 8 bighas

1. Purchase of plant saplings: (min) Rs.2, 000 per biswan
2. [1 biswan = 1165 sq. ft.]
3. No. of labourers hired for planting the saplings=minimum of 4
4. Total wage of labourers throughout the production phase = minimum of Rs.5, 000
5. Manure =Rs.5, 000
6. Transportation cost= Rs.25 per 50 kg

Approx. input=Rs.4, 000 to Rs.5, 000 a bigha

Expected income=10 to 20 times of the input.

5 kg (1 pasayri) of parwal is sold at the rate of Rs. 75 at the start of the season and generally continues with a price of Rs.40-50 per 5 kg throughout the season. The farmer not only gets back his investment but also secures a good profit. Parwal plant is of a peculiar variety so much so that even cattle do not eat it. In addition, the plant is reasonably free from insects.

Bright Future :

Deepak, Jeewanlal and Visham are hard working farmers and the extent of success of their farming venture can easily be predicted. All the three are keen to provide their children the facilities and care they were denied in their life. The intervention by NEED was only an instrument of inspiration for them to explore some new horizons and elevate themselves from their under-privileged living conditions. Here is an example of how the concept of 'Inclusive Growth' was strengthened.

03: Woman's Initiative worth Emulating

Maulwikheda, a small village in Kakori block in Lucknow district, about 5 km from the block headquarters, has a mixed population of Yadavs and Rawats. The Rawat community is engaged in dairy and agricultural activities. But then, alcoholism is a bane of the village. According to Kunta Devi, a resident of Maulwikheda, "Alcoholism is a curse of our village." Women are helpless and



unable to do anything for the betterment of their family. Kunta Devi however has come up with a great idea which has proved to be helpful in alleviating the miseries of the inhabitants.

Kunta Devi: rural entrepreneur:

Kunta Devi, a mother of three children, is hardworking and enterprising. She has evolved a business proposition in the prevailing situation. This woman has shown that there is no area where women cannot be called upon to take up responsibilities. Her husband is also addicted to alcohol and has wasted his income on it. She came up with the idea of a poultry farm, and set up the business with a view to provide monetary support to the family. Besides her domestic chores, and taking care of the poultry work, she also does chikan embroidery during the spare time.

Kunta Devi gathered all the details on how to establish and manage a poultry unit. This includes details about the kind of shed, litter, feed, medicine, etc. She earlier had some experience on rearing local variety birds in her maternal home and with that experience she decided to start a poultry unit with 300 birds.

Micro finance: A way to support aspiring entrepreneurs

Kunta Devi was in dire need of finance. Her need was fulfilled when personnel from NEED informed her of the micro credit services provided by the organisation. NEED discovered a potential entrepreneur in Kunta Devi to whom credit could be advanced. After a short process of credit appraisal she got a loan of 15,000 from NEED .With the amount, she bought materials for shed construction, feed, litter, etc.

Earlier Kunta Devi was working as a labourer in agricultural field and other construction sites in the village and vicinity. She was getting only Rs. 25 to Rs.30 for a whole day's work as women were paid a lesser sum of money than men for the same type of work. The poultry farm has come as a viable option to generate a higher income.

Running a poultry enterprise requires a lot of labour and care. It is quite difficult to run a broiler unit. The birds are reared in a small room where proper light and feed arrangements are to be maintained for the whole period of 35 days when chicks become large enough to be sold in the market. The chicks require special care in the first ten days as mortality rate is very high during this period. Full grown birds of 1 to 1.5 kg are ready for sale in the market. The whole process is completed with much attention as a small mistake can ruin the production.

Small birds are very prone to different diseases like Ranikhet disease, fowl pox, etc. Proper disease prevention measures are to be taken to prevent outbreak of infections and avoid huge losses.

Financial analysis at a glance :

Total production per month:	300 birds	
Productive period:	10 to 11 months/year	
Initial investment:	Rs. 3,000	
Monthly income and expenses on different items		
Expenses	Cost per bird (Rs.)	Amount(Rs.)
Birds	(300)	92,700

feed	10,000
medicine	450
total cost	14,050

Revenue Price

Broiler (300)5015,900

Profit 1,850

IRR = 23%

Cost of production per month is high and fluctuations in the cost of poultry feed is very common. The returns are good enough to gain a profit of about Rs1, 800 per month. This enterprise is also profitable from the point of view of liquid returns it provides within in a period of 35 days. IRR is high which denotes that that the enterprise is capable enough to sustain itself in the long run.

Marketing :

One of the reasons why Kunta Devi chose the poultry business was the accessibility to the market at Dubbaga, Lucknow. A dealer at Dubbaga provides the chicks and purchases the poultry birds. The dealer procures the birds directly from their sheds in the village. One bird is sold from Rs.45 to Rs.60 depending on the demand. Sometimes villagers also buy the broilers and there is local demand also.

Competition :

Easy availability of market and absence of competitor in the village helps the enterprise to gain profits. Sole producer in the village gets good returns and has possibilities to expand business.

Problems:

- Her husband's alcoholism is a big problem, as a result of which she does not have his support. Her husband wastes his income on alcohol and does not contribute anything to the family, while at the same time makes her family life miserable.
- The enterprise also suffers from high risk. Disease outbreak affects the business badly. Proper disease management is vital for the enterprise.

- High fluctuations in the market prices of feed are another bane of the small scale entrepreneur. Under the circumstances she is trying to evolve strategies to alleviate losses and earn profit.

Future prospects :

Kunta Devi is thankful to NEED which has helped her fulfill her dream. She is quite satisfied with the enterprise and says that “The enterprise has helped me to generate some income to alleviate my children's hunger.”

She says the risk is in diseases that affect the birds. It is a wonderful enterprise and she would like to expand the business. She is planning to buy more chicks and sell more birds

so that she can conserve money for her daughter's marriage. She sees her future in her children and is trying her best to make their lives better.

Rinku Devi is become our borrower on 19/12/2009 and invest the loan amount in poultry form. She is working with her husband. Before the loan she is just a homemaker. Her husband is not earning much. She has two children and all are going in a government school. But after the loan her family is very happy. She is earning five to six thousand per month. Now her children are going in a good school. She is very happy and satisfied to her life.

-Rinku

Suggestion:

Use of branded fodder is suggested to increase milk production. The opportunity now is to utilize milk to make various value-added products such as sweets, paneer, yoghurt, khowa, ice-cream and kulfi and sell in the village. It is important to reach the customer directly, and not through middlemen.

04: SHG Dairy

The Jai Bajrangbali Self Help Group operates in Tulsi Kheda village of Kakori Block in Lucknow District. Tulsi Kheda is about 7 km from Dubagga Sabji Mandi and 10 km from Kakori Block headquarters of Lucknow District. The area is peaceful and the villagers enjoy a harmonious existence. The village is usually affected by floods during the rainy season. This eventuality has not only affected the residents financially, but also mentally and socially. They were forced to sell their animals due to shortage of fodder. The Government had failed to take appropriate steps to alleviate the misery of the villagers.



The Jai Bajrangbali Self-Help-Group (SHG) was formed on December 19, 2007 in the Moura Nyay panchayat of Kakori Block in Lucknow District. Of the 12 members in the SHG, three are engaged in administration duties. The group members are Geeta, Maya, Sabbo, Kishna, Kamini, Tarawati, Rashmi, Arti, Archana, Saroj, Rohita and Kamini Yadav. Geeta is the group leader or chairman, Sabbo is secretary and Maya the treasurer. They have saved a sum of Rs.2, 207 and the revolving amount of the group is Rs.3, 000. No group member is involved in the Panchayati Raj.

The main occupation of the members of this locality includes vegetable cultivation, agriculture and labour in the various projects in the village implemented by the government or private parties. The SHG has two zardosi units in which they work part time. Ten members own buffaloes.

Dairy with Microfinance Assistance :

The group has 12 members out of whom four have taken a loan of Rs. 20,000 each i.e. total amount of loan of the group is Rs.80, 000. All

four have taken loan for dairying.

Economic analysis of income through dairying :

Name of Member Number of buffalo Total Production of Milk Utilized at home Sold to market Income per litre Total amount generated (in a month) Investment for feeding and maintaining dairy Profit in a month.

Name of Member	Total Production of Milk	Utilized at home	Sold to market	Income per litre	Total amount generated (in a month)	Investment for feeding and maintaining dairy	Profit in a month
Arti	300 ltr	60 ltr	240 ltr	Rs. 20/ ltr	Rs. 4,800	Rs. 800/month	Rs. 4000
Maya	240 ltr	30 ltr	210 ltr	Rs. 18/ ltr	Rs. 3,780	Rs. 800/month	Rs. 2980
Sabbo	300 ltr	60 ltr	240 ltr	Rs. 16/ ltr	Rs. 3,840	Rs. 800/month	Rs. 3040
Geeta	300 ltr	45 ltr	255 ltr	Rs. 16/ ltr	Rs. 4,080	Rs. 800/month	Rs. 3280
Total	1140 ltr	195 ltr	945 ltr		Rs. 1,6500	Rs. 3200/month	Rs. 13300

As far as marketing policy is concerned, the dairy farmers are required to go to that milk procuring outlet where optimum profit can be achieved at the right time.

Rate of growth :

Name of Member Past status of buffalo Present status of buffalo Past status of income Present status of income Rate of growth

Arti $237,000 / 11,000 \times 100 = 57.2$

7,000

Maya $123,000 / 5,980 \times 100 = 99.3$

3,000

Sabbo

0103,040100

Geeta

0103,280100

What is revealed is a satisfying picture of the rate of growth and

the possibilities to expand the business.

Other sources of income :

Apart from the income from dairy, the women earn Rs.4, 000 from vegetable cultivation and at least Rs.100 day as wage, working in Government implemented projects, for 20 days in a month.

Milk Marketing:

The SHG is yet to exploit the potential in milk in the market. They plan to sell the milk directly in the market, by avoiding the middleman. Arti sells the milk from the dairy at the Lucknow Doodh Mandi, Maya sells it to the Parag Dairy in Jehta (a small market of Kakori block) and Sabbo and Geeta sell the milk to local milk traders.

Social Development and Betterment of Women :

With the passage of time, the veil-system is almost disappearing from the village. There is also a desire to bring about progress in the family and the village too. Women are keen to become strong, financially and socially.

They thank NEED thus:

“We now have self-confidence to face the world and move around. All because we have been trained and have better exposure.”

“Because of NEED's intervention in the functioning of the SHG, we are able to sustain ourselves with the revolving fund. The changed situation enabled us not to borrow even small amounts from money lenders. We thank NEED for the guidance.”

Future Plans :

Expanding the dairy business through purchasing more buffaloes are among future plans of the villagers. They are keen to attend training in livelihood skills and a shop for animal fodder set up in their vicinity.

05: Beekeeping An Enterprising Venture

The case study is based on the feasibility of the loan to Meera Kumari, a successful woman entrepreneur who rears honey bees and extracts honey and wax to generate an income. Meena Kumari, a housewife, was not engaged in any occupation earlier, but she started thinking of some alternative means to an earn income because of financial difficulties. With the support of her brother and assistance of her sons, she started rearing honeybees. She started the business four years back, with 20 honeybee boxes, and now the number of boxes she owns has increased to 111 boxes.



Besides her husband, the family consists of four children, three sons and a daughter. Her husband who used to work as an agricultural labourer, an alcoholic, and since the past few years is plagued by ill health and has no earnings. Her two elder sons help her in the honeybee business, while the younger son and daughter attend the primary school.

Socio- economic status :

Meera Kumari is the resident of village Sudauli. This village comes under Bachhrawn block of Raebareli District. She belongs to the backward caste. She now earns a livelihood through the honeybee business with the support of her brother and assistance of her sons. On the basis of the living conditions of the borrower, it can be said that the borrower belongs to the lower class of society and works hard to earn bread for her family.

Entrepreneurship details :

Meena Kumari now owns 111 honey bee boxes, most of which

MF Supported Dairy & Allied Sector Enterprises

have been made by her. She makes boxes from the wood and other raw material she buys from the market. This reduces the cost to a great extent. The boxes, unlike the readymade ones do not last long but are economically viable. The cost of readymade boxes goes up to Rs.3, 000 which is unaffordable to her. Most of the earnings come during the month of March as the bees generate maximum honey at this time.



JOB WORK

01: Micro Loan Helps Stabilise An Enterprise

Santosh Kumar Verma of Lucknow is assisted by his wife Sarita Verma in running a photo studio - '**Krishna Digital Studio**' - in Indira Nagar, Lucknow. Sarita also helped him by availing a micro-loan from NEED to stabilise his business. Santosh leased a shop for Rs.1,500 a month and pays Rs.300 as electricity charges. He has been running the studio since mid 2008. He invested Rs.30,000 in furniture for the shop and bought a Nikon L-18 camera for Rs.15,000 apart from a personal computer and a printer for about Rs.15,000.



Santosh is an undergraduate while Sarita is a graduate. Santosh says - “I got to know that NEED was extending micro finance. We approached NEED for a small loan for our studio. We do not know of any other institution but I have found NEED to be a good organisation helping people in their need of hour.”

Financial Analysis :

The daily revenue from the shop at present is Rs.700 to Rs.800. Santosh gets the negatives developed at a different lab and charges depending on the work. He charges Rs.15 for developing negatives (he pays Rs.12 to the lab that does this work for him); Rs.3.50 per copy for photos (he pays Rs.3 to the studio lab per copy). He purchased a second hand video camera (VHS 3000) for Rs.18,000 and has photo lamination facility at his shop. He does videography during marriages and other functions. Videography is done by his friend, Dev Mishra (who also has a small photo studio). Santosh charges Rs.5,000 to Rs.7,000 per booking and the profit is shared by him and Dev Mishra. Santosh also supports his younger brothers who stay with him.

02: Auto Repairing Shop

NEED has provided micro loan for all categories of income generating activities. Auto repairing is one of the areas where NEED has advanced loan to a borrower in a village.

Simramau village is 4km from Kakori in Lucknow. The village has a population of about 900. Shatriya, Pasi and Yadav are the main communities in the village. The main sources of income for villagers are agriculture, mango cultivation and other traditional occupations. Wheat, paddy, mustard and pulses are the major crops. Vegetables are also grown and due to proper irrigation facilities, quality of crops is good. The village has a primary school but people have to go to Kakori for medical facilities. Electricity supply is 90 per cent and most people have ration cards.



Ram Narayan, the businessman :

Ram Narayan, aged 38 years, has studied up to 12th Standard. His sons aged 14 and 12 are studying in Class IX and Class VII respectively in a college in Kakori. Ram Narayan is also a member of an SHG called Gautam SHG which has 17 members. His wife is also a member of an SHG named Gayatri. She has opened a cosmetic shop from the loan availed from NEED.

Ram has a small piece of land in which he grows wheat and paddy and also has small mango grove. He took a loan from NEED to open an auto repairing shop as there were no such repair shops in his village or in the neighbouring village. He was aware of the demand as there were a number of bikes in these villages.

NEED's intervention :

NEED has been working for about 2 to 3 years already in the

village and has been trying to introduce new types of income generating activities to improve the livelihood of people. Both Ram and his wife Vijay Laxmi have taken loans of Rs.25,000 each. Ram was advised to open the sort of enterprise that would be useful as well as in good demand for the village and its neighbourhood. With this suggestion and his observation of the villagers' needs, he started an auto repairing shop. Ram's investment in the shop is was Rs.18,000. His wife borrowed Rs.25, 000 for opening the cosmetics business though both are in different SHGs.

During the meetings and workshops organised by NEED as part of capacity building awareness among the villagers, the couple were educated on social issues such as health, education, gender, and government schemes.

Signs of intervention :

NEED has contributed to social and economic empowerment of Ram's family. Ram was dependent on the income from seasonal crops and mango production which was uncertain and inadequate to meet his family's requirements. For any emergency, he had to resort to mortgage some of his land to the local moneylender and suffered much. Casteism and superstitions plagued the villagers and healthcare facilities were far from satisfactory.

Financial Analysis:

With NEED's loans, Ram and his wife together could generate a regular monthly income of about Rs.3,000 – Rs.4,000 per month. This helped them in ensuring the children's education and manage the family expenses better. The agricultural income would now cushion his regular income and their savings would be about Rs.1,200 a month.

Ram Narayan is deeply thankful to NEED. He wants to expand his business to generate more income. His wife has plans to open a restaurant in Kakori and both plan to avail another loan from NEED after repaying the present loans.

03: Battery Charging & Repairing

In this case study, Ram Kumar, a businessman, took loan from NEED's microfinance programme to improve his livelihood. Initially he owned a battery charging and repairing shop through which supported his family. In February 2006 he took a loan from NEED and bought a computer and now runs a computer training institute and also teaches at the training centre.

Ram Kumar was married when he was 22. He had to support a large family - his mother (52 years), sister (16 years), wife (25 years), son (8 years) and daughter (3 years) – and is the only earning member in his family. His sister and children go to school.



Ram Kumar is a resident of the village Afsaria in Mehmoodabad block of Sitapur District. He belongs to Yadav caste whose primary occupation

is rearing of cows and buffaloes. Three years ago, he sold two bighas of land he owned and opened a shop. He has his house on the remaining land where he also does farming for his family's needs. Ram Kumar now earns more after he opened the institute and has sufficient income to look after his family. His social status has also improved as he is respected by the villagers because he charges only reasonable fees from the village students. He has also employed an experienced teacher to assist him.

Battery charging enterprise details :

Ram's battery charging enterprise - 'Ram Charging Point'—has total assets of about Rs.5,600. He opened the battery charging point as electricity supply was erratic in the village and was there only for five to six hours a day, and he saw the potential in the venture. People got their batteries charged at the outlet. Apart from this business, he provides a diesel generator on rent basis especially during marriages.

Micro finance details :

He borrowed Rs. 10,000 from NEED in February 2008 and repaid the loan. He has also taken loans of small amounts (Rs. 5001,500) earlier from local money lenders for day-to-day expenses which he repaid in uneven installments over 1-2 years.

Ram Kumar had a dream to learn and teach computers and he attended computer classes at an institute owned by a close relative for free of charge. After getting the loan from NEED, he bought a second hand computer and then started practicing. He learnt some basic lessons like typing, Ms Office, Adobe Photoshop, internet surfing, etc. and he not only teaches but also attends classes to learn more. Ram Kumar's computer training institute is the only one of its kind in his village.

Throughout the Year, I was wasting lots of money over different types of water born diseases. Doctors advised to use water filter, but it was very costly in the market. When, I heard about the water filter of the NEED, I was amazed, because, its price was less than half than the market price. Now, problem of water born disease has been completely solved due to this programme of NEED's micro-finance.

- Meera

He charges a nominal fee from students as a result of which many villagers attend the classes. He now has 36 students, from the earlier number of 12, when he started the institute. The fee was Rs.50 per month for the first six months, which has now been increased to Rs.75 per month. He wants to buy more computers with the amount saved. He has been assured of a second loan whenever he needed it, through Equity.

Financial Analysis :

The raw material for battery charging is diesel, plus occasional repair charges. Diesel is also the raw material for the generator. He earns about Rs.8,000–Rs.9,000 a month from the battery charging business and spends about Rs.4,000 a month on materials, etc.

In case of computer training centre, Ram earns a surplus of about Rs.2,000 a month.

Ram has taken loan of Rs.10,000 from NEED in February 2008. According to him, the income from the loan over the next 11 months was Rs.1,000, Rs.1150, Rs.1200, Rs.1600, Rs.2500, Rs.2200,

Rs.2500, Rs.2700, Rs.2700, Rs.2700 and Rs.2700 – giving an IRR of 14% which is reasonable and sustainable in view of the low incomes in villages.

This microloan has improved the livelihood of this borrower to a great extent. Prior to the microloan, his income was less. The computer teaching institute would not have been possible without the loan. This microloan has created much improvement in the livelihood of the borrower.

Reasons for selecting NEED :

Ram selected NEED because of monthly repayment, absence of fine from borrowers if they miss the group meeting, easy accessibility of loan, comparatively lower interest rate, etc. NEED had only 5 groups in the initial period which expanded to 12 subsequently because of its reputation and customer satisfaction.

Social benefits :

Ram has been able to send his children to a school in town. It also has enabled him to plan for future in a substantial way.

Future road map :

Ram plans to start a permanent business in a nearby town and to diversify his business to other areas gradually.

Ram's opinion of NEED is – “NEED as an organisation has all the qualities of a successful organisation because its employees are sincere and they are always in touch with the customers. Loan procedure are simple and hassle free.”

04: Cosmetics Outlet

Saheeda Khatun is a resident of village Bakhra in Motipur Tehsil of Muzaffarpur. The borrower has no land of her own, but has her own house in the village. Her caste as well as class placed her on the low rung of society, but through her business she earns an income to manage the family.

Shaheeda had a shop dealing in beauty care products in the town market since 2001, but could stock very less due to lack of capital. She availed a loan from NEED on May 30, 2008 to expand her business in beauty care products. Now, along with beauty care products, she stocks various other items like under garments, low cost jewelry, etc.



She runs her shop along with her husband. They have three sons and four daughters in the family and all the children go to school.

ENTERPRISE DETAILS:

The total value of stock in Shaheeda's shop is around Rs.30,000. She has borrowed only from NEED and does not have any other loan. The business was in Shaheeda's family since her grandparents time.

ECONOMICS OF ENTERPRISE :

The inputs include material and labour. The materials are finished products that Saheeda purchases from the main market of Muzaffarpur. Shaheeda and her husband comprise the workforce.

Before taking the loan, Shaheeda was having a sales of Rs.6,500 a month and her expense was Rs.4,000 leaving her with a surplus of Rs.2,500 a month on average.

After drawing the loan, her sales increased to Rs.12,000 a month while her expense was nearly Rs.7,000 a month because of the increased purchase of materials. This left her with a surplus of Rs.5,000 a month. More importantly, they could rent a place and sell

the items than depend on door to door sales earlier.

Taking an outlay of Rs.10,000 in May followed by inflows of Rs.2,500, Rs.3,000, Rs.2,500, Rs.2,000, Rs.2,000, 2,200, 2,500, 2,000 and 2,000 during the subsequent months, the enterprise has an IRR of 19% which is reasonable given its location in the town. More importantly, the enterprise has enabled Shaheeda reach a critical mass and it would be easier to expand from this stage.

Reason for selecting NEED:

- Monthly repayment of installment which gives a cushion for the borrower to rotate her earnings and manage her outlay better.
- She need not be attending weekly meetings and instead can tend to her business better.
- Easy accessibility of loan and comparatively lower interest rates.

In May 2008, there were 20 groups in the area which had taken loan from NEED. The number has since then gone up to 150 groups due to good performance and consumer satisfaction.

Usha Devi is a house wife. Her husband had died two years ago. She is working in small factory of own husband's brother. She makes a handmade flower i.e. used in cycle. Where, she was earning 30/- rupees per dozen of flowers. She has taken loan from our institution on 29/04/2009 and started to make these flowers on her own house. Now she is selling 120 per dozen in local markets. She has 4 children. Three of them are going to the school. Now she is very happy.

-Usha Devi

Social benefits

- NEED focuses on livelihood enhancement and capacity building of the rural poor through financial intervention. So Shaheeda also benefitted in her interaction with NEED as it has enabled her to increase her income as an entrepreneur, continue with her existing activity with additional scope (of selling other items for women) which did not require much change and importantly, enabled her to rent a place and thereby have a larger stock for display, etc. compared to when it is possible for her husband while doing door to door sales.
- Shaheeda now sends her children to a school in town which offers

better facilities.

- Earlier, Saheeda borrowed money from village money lenders for any exigencies—especially for any health related issues. Now she manages all expenses through her own business.
- The standard of nutrition intake has improved.

Future road map:

- To start permanent business in the district town.
- To diversify the items in the shop.
- To expand the shop volume.

Comments of the borrower :

“NEED is an exceptionally customer friendly successful organisation because of the monthly mode of installment payment and is a boon to small entrepreneurs who are badly in need of credit.”

GARMENT EXPORT

01: Microfinance Supported Export Oriented Garment Enterprise

Kalam and his three brothers are trained in traditional zardozi craft for which Lucknow and its surrounding areas are well-known. These zardozi craftsmen are primarily based in Khatingra, a village near Kakori in Lucknow District. Women in the family support the men and are mainly engaged in chikankari embroidery craft on a small scale. With a traditional skill passed through generations, these craftsmen have commendable expertise in their work.

The Sakara Nyay Panchayat comprises four villages i.e. Sakara, Khatingra, Mahetwa and Eetgao

The Khatingra village has primarily three communities - Yadavs, Muslims and Lohars with Muslims being the dominant community. The Muslims are involved mainly in chikankari and zardozi which are labour/inputs intensive and are operated on a small scale.



Despite zardozi being a traditional occupation for long, the economic condition of the craftspeople has only deteriorated over time and the continued presence of middlemen has only added to the misery of the craftsmen.

At this stage, NEED stepped in to directly link the craftspeople with the market. The microfinance loans from NEED enabled these craftsmen in improving their productivity and operating in a more efficient manner.

Twenty five-year old Kalam is a member of the Chand SHG in Khatingra for the last three years. He attends the SHG meetings of NEED and is aware of various entrepreneurship and financial

management practices. Kalam is an enterprising producer and supplier of zardozi products all over Lucknow. He also sends samples of his products to New Delhi and secures work contracts. His zardozi material has been exported to international markets through dealers or companies from whom he gets the orders.

Kalam's joint family comprising 11 members are involved in the work. Kalam also employs other workers in the unit. Initially, starting on a small scale, he and his family members successfully executed various small orders. By showcasing his work samples to big dealers in metros and international markets, Kalam could move ahead in his trade and become a highly rated producer of zardozi craft. He displays his samples at a showroom in Lucknow from where other dealers select designs and place orders.



Intervention by NEED :

NEED started working in Khatingra village since the last quarter of 2006. NEED conducted skill up-gradation training programmes for the craftspeople in modern designing techniques and new methodologies to improve their products. NEED also took the initiative to nurture the saving habit among the members and conducted health awareness programmes.

Kalam joined one of the SHGs (Chand SHG) and started saving Rs.50 per month. Within a year, the SHG members saved Rs.600. The SHG used to lend its savings among its members at 2% and to other SHGs at 5%. Kalam borrowed Rs.25, 000 from NEED, under its microfinance programme, to expand his business. Three other group members in the same trade were also supported through microfinance. The borrowers used the NEED's loans to invest in material and manpower to implement the large orders. For larger loans, they could approach banks.

Kalam also attended the health checkup camps organized by

NEED and is aware of the government and non-Government health care services he and his family are entitled to.

Socio- economic impact of enterprise :

Kalam now employs 90 workers and has expanded his business. He gets orders from metros and other countries either directly or through dealers. He also displays his products at his showroom. Once the orders are placed at Kakori office, workers are identified to execute the order. Records of orders and work distribution are maintained. The registration of the employees is also done through the Kakori office. Members of as many as 15 households in Khatingra village work for him. Kalam plans to execute all work contracts independently in future, without middlemen.

Kalam has an office in Kakori Market jointly with Vivek Vishwakarma, another villager. The two have plans to purchase raw materials directly and design the products and sell them independently in the market. Kalam is now a producer as well as a seller. While increasing his income, he could provide work to many unemployed youth in the area.

Financials:

Kalam's initial investment was about Rs.1,00,000. His recurring business expenses are about Rs.2,50,000 per month (materials, designs, labour charges and others) while his revenue is about Rs.3,00,000 leaving him with a surplus of Rs.50,000 on average which also helps him in purchase of additional material, maintenance of show room and display materials, etc.

02: An Enterprising Export Enterprise

Khatingra, a village of about 250 households is situated approximately 5 Km. far from block Kakori Headquarter of Lucknow district. Kalam with his three brothers is involved in this profession. All the male members of his family are involved in Zardozi Entrepreneurship and thus enhancing their status. Side by side, women of their family also support them in their work and are engaged in Chikankari embroidery work in small scale. As it is their traditional work and has been followed since ages they are experts and well versed in their skills.

About Khatingra:

Sakara is a Nyays Panchayat with four villages i.e. Sakara, Khatingra, Mahetwa and Eetgao. Khatingra consists of three different communities like, Yadav and Muslims and Lohar. Muslim Communities have maximum households or so to say, it is the dominant community of the village. This community is involved mainly in Chikankari and Zardozi based business. The reason is very explicit; because it is labour/inputs intensive, small scale and occupational. Because of mediators, these people are not able to come out with more income in order to improve their living standard. Zardozi work is their traditional occupation and followed since ages yet their condition has been deteriorating. But, as NEED took the initiative to directly link them to market and the role of mediators has also been reduced and financial support from NEED through EQUITY made them able to make more Zardozi and Chikan products economically and efficiently.



Introduction:

Kalam, 25 years old youth, Kalam is a member of SHG named Chand in Khatingra village from about three years. Through NEED's

SHG meetings, he got insight into various entrepreneurship practices and financial arrangements. He is an efficient producer and supplier of Zardozi work all over in Lucknow. He also sends his samples to New Delhi in order to get the work contract. His material has been exported to international markets through various dealers or companies who place him the orders.

Background:

Kalam resides in a joint family in which 11 members survive in one house. Since all the members are involved in the same business, they support each other in their work. Thus along with outer workers, his family members also support him in his work. But initially it was in small scale with few workers. He and his family members were the only workers to work and



complete the small orders. However he progressed and flourished his skills through the display of samples to the big dealers of metros and international markets. Soon he became the upcoming producer of Zardozi work. He maintained his samples' show room in Aminabad (at Lucknow), where the dealers and companies select the design and place the orders.

Intervention by NEED :

NEED started working in this village last quarter of 2006. As a result of motivation programmes, a self help group named Chand was formed in Khatingra village. Kalam joined as a member to the group with 9 more members. Overall there were 10 members in the group and started saving of Rs 50 per month. Within 1 year they could save Rs 600 and done inter-loaning with 2% interest and outer loaning with 5% interest.

NEED has conducted many grossed trainings and learning programs in order to build the capacity of the Zardozi workers. This skill up-gradation trainings linked them to modern designing and new

methodology of work and trained many Zardoji workers, to earn their livelihood.

Kalam took loan of Rs. 25, 000, as a JLG member from Equity, a micro finance unit working under NEED, in order to provide financial support to his business. Three members of the same profession have also been supported through micro-finance. Whenever they get large scale orders, then significant investments on material and man power has to be done, thus for financial security, NEED's Equity loan proves to be blessing in disguise.

Awareness Health :

For health purposes he and his family totally depend on private hospitals. For severe problems they consult to government hospitals of Lucknow. He also told about the health checkup camps organized by NEED along with MF in order to provide them better health prospects and services. They have awareness on the issues related to government schemes and services.

They know what the issues, in which, they can be provided help through Government and non-Government sectors. They had only taken help through NEED, who took the initiative of joining various people into the group and flourished the habit of savings and provided financial support too. For larger help they have taken loan from the Bank. Thus they are fully utilizing the sources. They are aware of the government schemes and acquired some of the benefits.

Socio Economic Impact of the Enterprise on people:

After the loan they invested more in this business and widen up their work and now near about 90 workers joined under him. Kalam, a young boy from Kathingra has leaped ahead and created the example for other workers in Kakori. He has 90 workers working under him, to whom orders are provided by him from metros and foreign countries through dealers or directly from the party, and opened his showroom where the display of various samples is made and the dealers directly contact him for placing the orders. The orders are placed at Kakori office and then suitable workers are identified for the work, from there

only the work is distributed among the identified workers. All records of the orders and work distribution are maintained there. The registration of the employees is being done through his Kakori office only. In Kathingra village, near about 15 households are working with him. Thus he maintains a huge setup for Zardozi work. And in near future he is planning himself to be an exporter. No indirect transactions will be conducted. All the work will be handled independently and without any mediators.

In order to flourish his business he has opened an office in partnership in Kakori Market (along with Shri Vivek Vishwakarma of the same village). Now they have planned to purchase their own stuff and design it accordingly and sale it directly in the market. So now the role has been changed, as the producer is himself a seller. Thus the overall profit is there own. Along with income generation he has also employed many unemployed youths in this work. Young boys after their school spend their time in weaving Sarees and thus they are learning the skill along with earning the pocket money.

The micro finance approach of NEED helped these small producers to regularize the production process and so as to the enterprise. With the help of micro savings and credits from NEED's Equity they are now able to expand their business and also generate assets for the family.

The journey has begun :

With the assistance of NEED the villagers are able to expand their business and at the same time through SHG/JLG the women and men are making their family life better. They are aware about the importance of education, good health and sanitation. NEED has given many inputs on Zardozi work. As many stakeholders are indulged in this profession. NEED has taken the initiative to promote Zardozi and Chikan Kari work to higher ventures.

Cost of seasonal investment in Zardozi business

Initial Investment: Rs. 1,00000/-

Cost of production per month

How they did it

Recurring Expenses :

Particulars	Time Frame	Cost
Material	Monthly	40,000
Designing	Monthly	15,000
Labour Charges 90 workers	Monthly	1,60,000
Other Expenses	Monthly	35000
Total	Monthly	2,50,000

Revenue Generated (monthly)

Particulars	Quantity	Per Unit charges	Total Income
Saree	200	1500-3500/ Saree Average 2500	30,000-70,000 Avr= 50,000
Dress Material	250 Piece	1000/piece	2,50,000
Total	450	6500	3,00,000

Profit per Production Cycle: Rs. 3, 00,000– Rs.2, 50,000 = Rs. 50,000/-

If his expenses of display showroom are also taken into consideration his monthly profit along with his partner would be Rs 25 to 30,000

COMMUNITY WAY TO SUSTAIN SCHOOLS

01: Village School: An Enterprising Social Venture

NEED's impact on social scenario in Mahmoodabad is evident from its assistance to a villager in setting up a school there. Need's message was 'service to the people'. NEED's microfinance wing, could make a deep impact in remote villages of Mahmoodabad block in Sitapur District through its timely assistance thereby earning the respect and faith of the villagers. The borrowers meanwhile availed credit from NEED for various purposes. In this case study, we look at an individual who has availed a loan to set up a school in the village so as to provide education to children from poor families.



Jeetendra Kumar Roy was a resident of Babakuti Karimganj village (Nyaya Panchayat–Mishrikha) which is 6 km from Mahmoodabad. Jeetendra studied up to Intermediate (2 years of college after schooling). His family has a small provision stores shop in front of their house. Jeetendra was economically well placed compared to most of the villagers and was keen to do something to improve the quality of life in the village – especially that of the poor.

Jeetendra, with support from his father, set up 'Swami Vivekanand Shiksha Niketan', a school. The school has classes from nursery up to Class VIII and is registered with the State Government. The school is located adjacent to Jeetendra's house and the joint family set up helps him in managing the school, the family shop and his other ventures.

Jeetendra invested the initial amounts with support from his father but was in need of finance to expand further. It was then that they heard of NEED's microfinance programme. Once they

contacted NEED and NEED's Loan Officer assessed their requirements and objectives of their ventures, they could get a loan of Rs. 25,000 in June 2006 through the Joint Liability Group (JLG). Looking at the experience, Jeetendra borrowed another loan of Rs.25,000 for the shop. They have been prompt in repayment of the loans and both father and son are appreciative of the efficiency with which NEED dispensed the loans.

Jeetendra opines that his school maintains a better standard of education when compared to the nearby Government schools which is why they have larger number of students. They expect many more students to get enrolled in future and the school also has



facilities for games and sports. Jeetendra Roy's father Awadhesh Roy is the school patron and Jeetendra is the manager. All the teachers, including the principal, are graduates. Some of the students who pass out of class VIII from the school get admitted to other schools for higher education.

The school caters to children of nearby villages within a radius of 3 km to 7 km covering the villages of Rajapur, Mishrikha, Khapura, Thakurpurwa, Sathepurwa and Katra. The students come to school either by foot or on cycles. On any working day as many as 70 to 80 cycles can be seen parked near the school premises. Now the school has about 225 children and around 200 attend regularly.

The fee is moderate and designed keeping in mind the income profile of the villages. Admission fee is Rs.50 and monthly fee ranges from Rs. 30 - Rs. 45 depending on the class and examination fee of Rs.25 is charged twice a year from each student.

Still, collecting the fees is a problem as most villagers do not have a stable income. Although there is a fine for late fee payment, the rule is hardly implemented. Jeetendra spends Rs.4,800 a month as salaries and manages to collect Rs.4,000 as fees from students. The deficit is

MF Supported Enterprising social Venture

met from other avenues.

Jeetendra says that he gets a commission from book publishers and the savings made from examination fees (after spending on test copies, question papers, etc.). Jeetendra also works as an insurance agent and owns an auto which is operated in Mahmoodabad.

The school has become a success within a short time. Jeetendra has several challenges ahead and resources are scant but he is a committed and patient individual who believes in carrying his mission forward. The future looks bright for the school.



*Micro Finance Supported Community School
Children are in Yoga Session with Moral Value
Faculty Education*

A Village With Full Of Micro-Enterprises

Khatingra, a village near Kakori in Lucknow District, has about 250 households with a sizeable number of them in the below poverty line (BPL) category. What is praiseworthy is the fact that most of the villagers are enterprising and enthusiastic and are engaged in various income generating ventures.

Zardozi Enterprise :

The village has a sizeable number of people, from both Hindu and Muslim communities, engaged in the traditional craft of zardozi. NEED has extended micro finance loans to these craftsmen to expand and stabilize their operations. The zardozi workers also have direct links with the dealers at the Lucknow market and their zardozi products already have direct access to markets in Delhi, Mumbai, Banaras, Calcutta, Canada and Europe. These craftsmen are less dependent on middlemen and hence benefit by not losing through commissions. Efforts are also on to export the zardozi products and many workers are involved in this initiative.

Chikankari work :

Kakori and Lucknow areas have highly skilled and trained workers in the traditional craft of chikankari. But the presence of middlemen in the market deprived the craftsmen of their legitimate share of profits. This and improper access to resources drove many a chikankari worker to lethargy. NEED took the initiative to procure the Chikankari patent for the traditional craft for Lucknow and supported the workers in getting their full payments by linking them directly to market without any middleman. NEED supported the craftsmen by forming SHGs and linking them with the market. The members within SHGs also helped other members in getting work and accessing the markets.

Tent House Enterprise :

A good number of villagers are in 'tent house' business and earn a decent livelihood. Primarily, they provide large tents (like rooftops,

etc.) for use during functions like weddings, etc. Though the business is mainly seasonal, those engaged in the work earn well and demand comes from within the village itself while a few orders come from outside too. NEED's microfinance loans helped these ventures in purchasing and maintaining the stock.

Welding machine enterprise :

Members of the Lohar community in the village are primarily involved in welding work—welding metal items. Some of them have set up shops in Budheshwar while others have businesses at different locations all over Uttar Pradesh. Through NEED's microfinance loans, these entrepreneurs could streamline their operations and purchase the materials and equipment in a more sustainable manner.

Dairy business :

Many villagers are involved in dairy business as they belong to the Yadav community which has been engaged in the occupation since ages. Earlier, they owned a few cattle but with NEED's microfinance loans, they bought more animals that enabled them in expanding their operations. They supply milk and milk products to local market and dairies while some are engaged as milkmen.

Floriculture enterprise :

In Khatingra village only a few were involved in floriculture when compared to the Kakori block where floriculture is the main business followed by farming. But NEED's microfinance loans enabled these entrepreneurs in improving their trade and now they supply to the old market in Lucknow.

Grain mill :

The rice mill entrepreneur of the village, though not financed by NEED, is running his business successfully. He procures the paddy from the villagers and after de-husking it returns the rice, keeping the byproduct i.e. husk for himself. He makes a profit from sale of the husk. He also has a flour grinding machine for which he charges a fee. However this enterprise is run on a small scale, and he is planning to expand with loan from NEED. In the nearby Sakara village, a pulses

mill was financed by NEED.

Medicine Shop :

A medicine shop-cum-clinic was opened with support of an SHG set up by NEED. The owner is a doctor in a hospital and his wife, an active member of the SHG, has been managing the homoeopathy medicine shop and clinic in his house.

General store :

Two entrepreneurs were financially supported by NEED's Equity for opening provision stores in Katingra. They purchase the items from the market in Lucknow, and sell these in the village, thereby earning a decent profit. The entrepreneurs have become financially independent.

Farming :

Farming is the main occupation of the vilagers. Rice, vegetables, flowers and wheat are the main crops that are cultivated. Many people in the village earn their livelihood through farming and take seasonal loans from NEED.

Cycle Repair Shop :

A handicapped youth is supported by the micro-finance unit of NEED to run a cycle repair shop.

This village has been developed with full of Micro Enterprises by the wonders of MF.

SECTION-3

Experiences of Professional Volunteers at NEED, from across the Globe.



*Historically & Culturally Vibrant
'Lucknow Rly. Station'*

Travellers from far and wide at NEED



MF Supported Market Based Skill Training & Entrepreneurship Development

More Than Money

Introduction:

In recent years, much international attention has been focused on micro-finance and micro-credit as promising strategies for addressing poverty. Such programs are based on recognition of the fact that poor people not only lack the resources required to satisfy their basic needs, but also the access to mainstream financial institutions that would allow them to change their circumstances. Around the world, poor people—and poor women, in particular—face enormous obstacles in their efforts to access credit. Since banks are generally focused on efficiency and profit-making, poor people—who have few assets and little capital to invest—are unlikely customers. As a result, people who lack financial resources are forced to turn to local moneylenders in order to cover basic living costs, weather times of crisis, and come up with the capital they need to set up small-scale income-generating enterprises that might pull them out of poverty. But since such moneylenders often charge exorbitant interest rates, borrowing in this way often forces people deeper into a cycle of poverty and debt.

Micro-finance and micro-credit programs seek to address this situation by making small loans available at reasonable rates to people who are otherwise excluded from mainstream financial institutions. Women are the primary beneficiaries of these loans, which are often collectively managed through group savings and lending schemes designed to foster mutual support and collective accountability. The experiences of many such programs have demonstrated that if banks are willing to operate in a manner that is responsive to poor people's lives and circumstances, lending to people with few assets does not have to be a losing proposition. And as a result of the success of such programs—most notably Muhammad Yunus's Grameen Bank in Bangladesh—micro-finance and micro-credit schemes have become a standard feature in diverse programs that seek to empower economically marginalized communities around the world.

However, as more and more development agencies and financial institutions embrace micro-credit and micro-finance as panaceas for

poverty, a critique has also begun to emerge. Lending money to women who lack financial independence may initially appear to be an efficient way of addressing poverty and empowering women at once. But as much development research has demonstrated, women living in poverty also struggle with poor health, high rates of illiteracy, entrenched discrimination and violence, and lack of access to education, political representation, and public institutions. If micro-credit and micro-finance programs fail to address these mutually reinforcing obstacles in their efforts to empower women economically, they may offer partial alleviation for women's suffering, but their impact will remain limited and unsustainable. And in their efforts to bring adult women into the mainstream of development, who else is left out?

In the northern Indian state of Uttar Pradesh, a grassroots organization called NEED is grappling with these challenges on a daily basis. Out of a total population of 166 million, about 46 million people in Uttar Pradesh are currently living below the poverty line, and rural villages across the state suffer from poor sanitation, limited access to safe drinking water, and crumbling infrastructures. Poor nutrition, high rates of maternal and infant mortality, widespread illiteracy, restrictive social norms, and uneven access to education all conspire to keep villagers—and women and girls in particular—from taking advantage of the opportunities offered by India's growing economy. Caste and religious differences, underpinned by pervasive discrimination on the basis of gender and age, create further divisions at the community level, leaving young women particularly vulnerable to exclusion.

Founded in 1995 by Anil Singh, NEED strives to reach the most vulnerable members of society through a comprehensive micro-finance program that places the development of social capital and community solidarity at the center of its programs. After spending a decade and a half as a researcher and trainer focused on promoting entrepreneurship in rural villages across Uttar Pradesh and the neighboring state of Bihar, Singh was convinced that a lack of organization and unity—rather than a lack of capital—was the

primary force keeping poor people out of the mainstream of India's economic growth. Motivated by his professional and personal experiences, he set out to establish an organization that would put his vision of social entrepreneurship into practice by working to organize women in the slums and rural communities surrounding the state capital of Lucknow, where NEED is based. Operating with a staff of six, Singh's original goal was to reach one hundred women. Today, over a decade later, NEED's staff of over 130 field workers reaches more than 25,000 women and young people through a network of regional offices. The organization's influence has been extended even further through strategic capacity-building partnerships with other NGOs across the country, whose programs have benefited from NEED's support and advice.

Over the years, NEED has refined its model through continuous listening, reflection, and action. This case study seeks to document the process and the results behind two particularly innovative aspects of the organization's work: its emphasis on the development of social capital, and its groundbreaking work with young people as both community leaders and social and economic entrepreneurs. It is based on observations and group and individual interviews conducted over a one-week period with NEED's founder and director, selected staff members at NEED's headquarters and field offices, and a range of women and young people who have participated in self-help groups organized by NEED in two districts of Uttar Pradesh where the organization is active.

Conversations with participants in NEED-organized self-help groups readily reveal the depth and breadth of the organization's impact at the community level. When asked to come up with a list of changes that had taken place since they had begun to organize with NEED's support several years earlier, women spanning several generations from two villages in Uttar Pradesh's Sitapur district came up with a list of successes that extended far beyond the acquisition of credit. Their accomplishments address a range of interconnected

challenges that had previously been considered intractable, demonstrating the ways in which a strong base of social capital can lead to major changes in a short period of time:

- Every child is now receiving an education, through either government schools or remedial educational centers established with NEED support for girls and boys who had abandoned their educations. Previously, many children had abandoned their educations, and even in families where some children were attending school, girls had largely remained isolated at home.
- Child marriage and dowry have been eliminated. When group members hear of parents who were threatening to send their daughter into marriage, they put collective pressure on the family to invest in their daughter's education instead.
- With government support, families have been able to construct private latrines in their homes as a means to promote village-wide sanitation. Previous to this initiative, women were disproportionately vulnerable to infection and disease, since social taboos prohibited them from washing thoroughly in public.
- Safe drinking water stations have been established in households throughout the villages, and as a result, a previous epidemic of diarrhea has been all but eliminated.
- One village was able to successfully lobby the government to construct a road and a drainage system where there had previously been none.
- Because of NEED's emphasis on communication, respectful relationships, and solidarity across differences, marital relationships and parent-child communication have improved within families, and intergenerational relationships have been strengthened at the village level. Domestic violence has decreased significantly, and parents are now mindful of gender discrimination in the ways they treat their children, making a conscious effort to ensure that their daughters and sons receive equal access to education and health services, equal nutrition,

and an equal say in their lives and futures.

- Literacy has improved among both adults and children, and women can now write their names for the first time.
- Social mobility has increased, and women now feel confident visiting hospitals, police stations, government offices, and banks on their own.
- Micro-loans have allowed women and their families to establish and expand small businesses that are now turning a consistent profit. Women operate grocery stores, furniture stores, and dairy farms; process and package mustard oil; and produce housewares, clothing, and paper products for local and global markets. They manage their own accounts, deal directly with suppliers and distributors, and think strategically about how to expand and diversify their businesses. Women are now viewed as vital contributors to family incomes and successful entrepreneurs in their own right.

Of course, such changes do not happen overnight. The following sections explore the mechanisms behind NEED's programs, how they have evolved over the years, and how they cultivate the social capital and solidarity individuals rely on to effect change in their own lives, and in their families and communities.

Building Social Capital

Poverty hasn't been borrowed from some cosmic place, it comes from here on this Earth, and it has existed here for years and years because of the hard fact that we have been doing some wrong things. But can we not do some good things together to change this situation?

—Anil Singh

When NEED first reached out to villagers in the rural areas surrounding Lucknow with the goal of organizing people into small self-help groups aimed at tackling community problems and promoting entrepreneurship, people were skeptical that the organization would be able to bring real changes in their lives. Development workers had been turning up in their villages for years,

but most had arrived with their own projects, priorities, and timelines, leaving minimal, transient impacts. NEED's first task was to convince the villagers that the changes they aimed to spark would be sustainable and community-owned. Singh reflects,

Organizing doesn't happen by just inviting people here and there: it begins by listening, by interacting, by meeting with them, by being with them. You speak less and allow them to speak, because they are the ones who have been suffering for centuries and centuries, for years and years, they are the ones who say to you, 'Older brother, we have been like this, we are like this, and tomorrow all of our days are also going to be like this.' Can you imagine the kind of trauma they have been experiencing? And do you want to try and understand that trauma in two hours, three hours, four hours? No. First you need to have strong credibility. Acknowledge that many people have been knocking on their door for a long time and there has been no change: yes, they are absolutely correct. Demonstrate that you want to be different from the people who have been coming until now and knocking on their door. You need to create some mark of difference in their eyes and their experience, and you cannot do this just by expressing two sentences or staying for a few hours: you need to stay for a long time, listening to them, interacting with them, working with them, going along with them.

As Singh points out, before NEED staff can even begin to organize villagers into the tightly knit self-help groups that are the hallmark of the organization's work, they must be willing to devote significant time and energy to building trust and credibility. Throughout this process, NEED's staff works to strike a balance between listening to people's concerns, offering a critical analysis of their circumstances, and pushing them to take responsibility for their own development. A key part of this effort is convincing people that the challenges they face as individuals and families can be overcome more easily if they commit to solving them collectively. As Singh explains:

The most dominant reason behind poverty is that the people at the grassroots are not organized, they're not mobilized; they're not united.

If I experience a challenge and there is nobody around me to support me, the day will come when society exploits me. It's human instinct. That is why for us, social capital is the basic premise, and until that basic premise is built, we cannot move on to the next step. Social capital is not merely counting the numbers of women and youth and friends of poor people. It is more of creating a collective knowledge-building group, an element of collective leadership, social responsibility, and a cohesive, inclusive force—because until yesterday, people were excluded. Wherever we work, whether we are working on health, or education, or micro-finance, or livelihoods, or income generation—any component—the first step in that journey to create social capital is to mobilize people.

In order to generate a sense of unity and cohesion in the nascent groups, NEED uses a set of participatory tools, instruments, and strategies that have been developed and refined over years of community work. Meetings begin with a non-denominational prayer, designed to inspire reflection and introspection among individual members of different religions. Group members go on to share the positive and negative experiences they have had since the group last met, as a means of building solidarity and encouraging participation. The groups operate from an experience-based model, creating a space where villagers can share the problems they are facing as individuals as a means to uncover common struggles and aspirations.

Rather than introducing an analysis that comes from the outside, NEED staff encourage villagers to use their own experiences as the raw material for analyzing the systemic challenges they face and coming up with solutions together. As a result, development becomes a community-owned process, and while villagers cite the importance of the NEED staff as catalysts for their efforts, they also emphasize the centrality of their own role in the changes they have been able to accomplish. As Singh emphasizes, “You can bring many things in the form of projects, but unless the collective leadership is there, things are not sustainable, things are not community-owned. If you want to sustain the activities that a project carries, you need to develop social capital.”

Sparking Change :

Simply bringing people together across their differences to talk about the shared concerns in their lives can create radical new possibilities in villages where communities have long been divided. For women in particular, sitting and sharing with others after having long been isolated in their homes with little exposure to the outside world, few opportunities to interact with non-family members, and little realization of the fact that other women may be experiencing some of the same daily difficulties, is often enough to move them to action. Slowly, the group begins to function like a second family: a safe space where people are united by their common humanity rather than competing for limited resources and opportunities. As one woman from the Sitapur district who has been a member of a NEED self-help group for over two years explained,

When there was no group, there were many divisions between us, many rituals and social taboos that created social and economic problems. Now we're united: we don't care about religious differences any more. The group is like a religion: we all belong to humanity. Our religions and cultures may be different, but as a group, we are one amidst our diversity. We eat and celebrate together now.

Once the groups have begun to build a sense of cohesion and through frequent sharing and discussion, they can begin to tackle common problems. As another woman from the same village explained,

We don't have problems in the same way that we used to. Now, we work out our small problems together, as a group. People can't isolate themselves, we use consensus and peer pressure to bring them in. This is the best way to work out a problem. We come together to celebrate Independence Day, we celebrate festivals as a group; we are becoming one in all and all in one.

With support and guidance from NEED staff, group members come up with small-scale development plans aimed at addressing poor health, nutrition, and sanitation; lack of access to safe drinking water; low literacy; lack of government representation, and a host of other

challenges they confront on a daily basis. Many women learn how to sign their names for the first time, and find the confidence to leave their homes and visit banks, hospitals, and other public institutions. This newfound social mobility is a key part of the change process, as two women from Sitapur emphasize:

We were completely illiterate before, we couldn't even sign our names. Now we've been all the way to Lucknow, and we can all sign our names. We are sitting here now with you [interviewer]—we couldn't have done that before, we never used to step outside our households. We're not here because you are here, but because we have confidence. We're vocal. We're organized. Many government programs and institutions have recognized our groups as agents of development, and they want to work with us.

Building knowledge, solidarity, and self-confidence: The path to entrepreneurship :

Early on, group members also begin contributing small sums (10 or 20 rupees per month) to a shared savings fund. The regular contributions not only foster a sense of collective accountability to the group, but also encourage villagers to think about the concept of savings in broader terms. Savings and thrift schemes are a central focus of micro-credit programs around the world, but in the self-help groups organized by NEED, saving is not just about money, it is also about building social capital.

Together, villagers commit not only to saving their money, but also to conserving physical and emotional energy through positive thinking, healthy habits, and improved nutrition. Group members learn how to plant and cultivate small kitchen gardens as a means to ensure that they have sufficient green vegetables in their diet, since girls and women in particular often lack adequate nutrition.

Villagers are also encouraged to evaluate how their family resources are used, and coached in communication skills that allow them to begin discussions with their husbands about the proportion of their incomes that are spent on tobacco, alcohol, and non-nutritious snack foods. Slowly, people who originally believed that they had

nothing begin to realize that simply redistributing some of the resources they already possess can open small but significant spaces for saving.

Once a strong sense of social capital has been established in the groups, members can begin taking advantage of NEED's micro-finance program, which blends small loans with a comprehensive skills training and upgradation program. Group members receive a modest stipend to enroll in courses offered through NEED's headquarters in Lucknow, as well as a number of satellite training centers attached to the organization's regional offices. Members learn advanced techniques in Chikan embroidery (a local embroidery style for which the region is renowned), weaving, and making bags and household products out of jute. Concurrently, they receive hands-on training in marketing, sales, product development, and business management. They learn how to negotiate with suppliers and distributors, initially accompanied to large, urban markets by NEED staff members so that they can practice bargaining for raw materials with an experienced negotiator by their side. NEED also provides villagers with information about the global markets for the products they produce, linking them with fair trade distributors and explaining WTO regulations in simple, understandable terms. In short, NEED's skills upgradation program seeks to link participants' production skills with their entrepreneurial capacities, encouraging them to take advantage of the opportunities offered by globalization not only as skilled artisans, but also as empowered entrepreneurs capable of positioning themselves strategically within complex global economies.

NEED's micro-finance program operates on much the same premise: it seeks to bring people into the mainstream of economic development, rather than setting up an alternative structure that neglects to equip them with the skills they need to negotiate the traditional banking system on their own. Once group members have come up with individual business plans and determined how much capital they require to establish and run their new enterprises (or upgrade existing ones), the group leader applies for a block loan

through NEED, NEED's micro-finance division, which is headquartered at the organization's main office in Lucknow, with branches in the regional NEED offices across the state. During the loan application process, villagers learn how to fill out the paperwork that banks require for opening accounts and taking out loans, and have a chance to role-play interviews with NEED staff as a means to build their confidence in dealing with bank managers. Once the loan is approved, they are issued a check that they can then deposit at a local bank that has already established an agreement with NEED.

After the group account has been established, funds can be distributed to individual members. NEED charges the group 18% interest on its block loan, and the groups in turn charge 24% to each member who takes out an individual loan. Although interest rates between MFIs and local moneylenders vary from region to region both within and between the states. But in NEED area of operation both UP and Bihar in micro-finance, moneylenders charge, on an average 80-100% annual interest. They normally charge per month from their borrower @ 6-10%. In addition, the most unscrupulous role these money lenders have been playing is with respect to making them bonded labourers by way of capturing their tiny patch of lands or even any household assets like jewelry and others.

The loans are paid back over a period of two years, in monthly installments: a much more manageable payment schedule than the weekly payments required by most mainstream financial institutions and local moneylenders. In addition, pre-payment is never penalized: if villagers wish to pay off their loans ahead of schedule, they are relieved of the burden of remaining interest. Finally, all borrowers are required to purchase low-cost insurance plans from NEED before they can access their loans. The plans cover life, health, and disasters, and are designed provide a minimal safety net to people who are laboring in the informal sector with few social protections.

The loans have allowed women to establish micro-enterprises that turn a consistent profit, which in turn strengthens their confidence and self-esteem and allows them to see themselves as vital contributors to their families and communities. A group of women

from Sitapur shared their stories at a village meeting:

I never dreamt that I would be part of such a wonderful group—and it's all because of NEED that we joined together. I took credit from NEED, and opened a grocery shop. Every day I am able to sell 500 rupees' worth of groceries—it's a good profit. My husband and I are young, cordial with each other, and very happy. We can lose many things, but living and earning together is matchless. I must congratulate the NEED team: women like me are now feeling very confident.

I want to share my entrepreneurial journey. I had been participating in the group for some time, but I hadn't taken a loan yet, I was afraid. Finally, it came time for me to take action. It was the first time I had felt such a spark: if others were able to do this, why should I lag behind? My first loan was for 20,000 rupees, and I used it to set up a business for processing and selling mustard oil. I make sales every single day, and I earn a monthly profit of between 3,000 and 4,000 rupees. Now, I am ready to expand my business: I want to make at least 300,000 rupees a month.

I also want to share my success. Watching the other members who were succeeding, I also wanted to do something. I decided I wanted to work with my husband, so we talked it through and decided to go into business together. Two and a half years ago, we opened a furniture shop with help from NEED and our self-help group, and we are now earning 200-300 rupees a day.

These women's stories demonstrate the power of positive peer pressure: in watching their fellow group members thrive as entrepreneurs, they are empowered to take risks that they previously considered impossible.

Governance, advocacy, and accountability :

Group meetings are facilitated by NEED staff at the outset, but once the groups have established themselves and built a base of social capital, they are able to function on their own with minimal support from the NEED team. Group members select a leader, a secretary, and a treasurer, roles that periodically rotate from member to member as a means to build a sense of collective leadership and competencies. In

order to link individual groups to public institutions and decision-makers, NEED has come up with a governance structure that fosters both upward and downward accountability through frequent communication and a logical distribution of roles and responsibilities. Each group selects two members who will also participate in clusters that bring together two people from 20 different groups from a network of neighboring villages.

The clusters are responsible for identifying the strengths and weaknesses of particular groups at the village level, and promoting group networking and exchange as a means to strengthen the whole. Each cluster in turn selects two members who will join together with members of three or four other clusters to form an association. Finally, two members each from between three and four associations come together to form a federation. While groups and clusters are focused on strengthening the base, associations and federations are responsible for building relationships with local and state governance structures and public institutions, so that they can represent village-level concerns in wider forums and press for public accountability. In turn, group members communicate up the chain to ensure that the commitments federations and associations have been able to secure from decision-makers are being implemented effectively at the community level.

This system strengthens the political organization and collective voice of villagers who have traditionally found themselves excluded from discussions about budgeting and policymaking, despite the existence of an official local government body known as the Panchayati Raj that was originally designed to ensure that local communities had a voice in government priority setting and resource allocation. In some cases, villagers have worked to penetrate the Panchayati Raj directly. As a group from a village in the Sitapur district where NEED has been active for the past two years testified:

Before we became united, the Panchayat didn't listen to us. But once we got together, we decided that we needed real representation in government, and that we needed to demand a woman Pradhan [Panchayat head]. So we selected a woman, we pushed her to stand, and

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we campaigned for her. She was elected Pradhan, and now she is in charge of the entire Panchayat.

Working with youth :

As countless women's testimonies demonstrate, NEED's work has had an impact on more than just the members of the self-help groups it has organized during over a decade of operation. In recent years, however, NEED has expanded its programs to reach young people directly, organizing them into self-help groups similar to the ones described above. The decision to work directly with youth—and young women in particular—grew out of the recognition that young people, like their mothers, are often marginalized or outright excluded from development processes and community and family decisions. They face substantial obstacles in their efforts to complete their education, generate their own incomes, and play a leadership role in their communities. And like women, they are often shut out of mainstream financial institutions because they lack sufficient assets and consistent incomes.

As NEED's experience demonstrates, however, lending to young people can yield significant dividends for families, communities, and young people themselves. Young people generally lack preexisting debts, and with a small amount of capital and skills training, most are able to finance their own education and contribute to their family incomes. A network of remedial educational centers established at the village level help young people—and particularly young women—who have abandoned their educations to reintegrate into the school system. In one village in Kakori, for example, a group has established a successful school for girls that are currently in its sixth year of operation. Staffed entirely by self-help group members, it has become one of the most popular schools in the area, reaching a total of 175 students, and offering girls an education through Class 10 (age 16). Village health promoters are trained by NEED to educate their communities on disease prevention, set up immunization sites, administer haemoglobin tests, and run group sessions on family life education. In their efforts, they place a particular emphasis on young people's right to health, reaching out to both parents and adolescents as

a means to encourage parent-child communication and build support for community-wide health initiatives. By reaching young people during their adolescence and early adulthood, NEED is able to provide young people with the support they need to resume or complete their educations while developing healthy living habits that will lay a solid foundation for their futures. In the process, youth have the opportunity to build the strength, skills, confidence, and capacities they need to become successful current and future entrepreneurs.

NEED's work with young people is structured in much the same way as their work with adult women, but staff members also recognize that youth work entails a distinct set of possibilities, as well as challenges. NEED's initial efforts to organize young people met with mixed results, and it was not until the organization began partnering with local schools that they were able to develop a clearer picture of young people's circumstances, concerns, and challenges. In starting conversations with school-based youth, they were able to develop the channels necessary to expand their work to reach out-of-school youth as well, many of whom had abandoned their education years before. Although many such young people were reluctant to trust NEED, the persistence and dedication of the field staff eventually paid off, as the experience of one young man from Sitapur demonstrates:

When the NEED staff came, we thought it was ridiculous that they wanted to organize young people, no one had ever suggested this before. We used to argue with the field worker when she visited the village, because we didn't realize the positive impact that NEED could create. We had already dropped our studies, and we weren't really taking our lives seriously. She kept telling us to join together. It took us a long time to understand her—but the day we formed the group, a huge change began to happen in the way that we thought about our lives. We started meeting and sharing. We started thinking, once we complete our education, what's next? We told the NEED staff member that we needed to find income-generating activities. We used to borrow from the moneylenders, but they charged 70 percent or 80 percent interest per month, so instead, we each began saving 20 rupees a month. At first, we took loans from the NEED revolving fund for emergencies only, but eventually we were ready to

borrow from NEED. We took a loan of 180,000 rupees, and now we each have our own venture. Everything is different now.

But the mark of difference NEED has is with respect to giving much priority to the youth community, for whom banking institutions are out of reach. Therefore, keeping youth-owned groups in MF operations amounts to unleashing the potential of this group. In order to convince young people of the value of organizing, NEED field staff acknowledge the obstacles they face and the hardships they have suffered, while encouraging them to play an active role in bringing about change in their lives and communities. As the same young man explained,

[The NEED field worker] made us understand that we had been deprived of -education and health. She asked us, what are your options? Do you want to die? Do you want to just accuse the government? Or do you want to do something? Let us unite together and share, and then maybe together we can find solutions to overcome our daily problems. Economics was also a major motivating factor. As young people, we have no access to financial resources. NEED was saying something new, they told us we could help our parents and become self-reliant.

NEED's youth work focuses on young women in particular, since social taboos often prevent them from participating in social, economic, and political life, and since they are often pulled out of school to be sent into marriage at an early age. Becoming part of a group has had a transformative effect on many young women who had been isolated in their homes before, with little exposure to the outside world and little hope in their own future. As one young woman from a NEED youth group in Sitapur explained,

We belong to our own group—it's a major change, because it means we have our own identity now. There's no difference between boys and girls—now we both have access to financial resources, and we both speak out. Now, if I want something from my parents, I can discuss it with them. Many of us have resumed our education, and have picked up crafts as well. We're not just making money, we're expanding our horizons and making future plans. Yes, we're girls, but that doesn't mean that we have to be kept down. We have high expectations from our lives now.

For many young women, NEED's support came at a critical juncture in their lives. As one young woman from Kakori recalls:

Because I was a girl, my parents never used to treat me with respect or dignity: whenever I asked for support or money from them, they would refuse me. I was in a terrible situation, feeling cursed and desperate and sorry for myself. I was always looking for someone to blame for my troubles. When I heard that NEED was working with young women in a neighboring village, it offered the first ray of hope in my life. I went to the NEED office, and I told them about my situation. I said to the social worker, if things don't change in my life, I am going to kill myself. She listened to me and took me seriously. The next day, a NEED social worker arrived in my village and began setting up a youth group. There used to be a huge difference between girls and boys in my village. Now, things are beginning to change.

In NEED's young women's groups, married and unmarried girls sit side by side, trading stories and experiences and supporting one another's educational and entrepreneurial efforts. Although the eradication of child marriage is a central concern, even marriage does not deter girls from pursuing the plans of educational and entrepreneurial goals they have established for themselves. As one girl from Kakori explained,

I am already engaged to a boy from a distant village. But I have a clear action plan: I am going to complete my education and have my own livelihood, and I won't compromise on that. I will make my husband understand, and I will start a young women's group like this one in my new village. Many of us will be married soon, but nothing can take away our confidence and our commitment to change.

This young woman's determination, as well as the determination of her peers, demonstrates that NEED's investments in young people are already yielding substantial results. Participants in self-help groups are filled with pride at their accomplishments, but they also point out that this is only the beginning. NEED is not only ensuring that the most neglected members of society have access to health, education, and capital: they are training a new generation of social entrepreneurs to add value to their communities in the process of

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providing for themselves, and the effects of their efforts will doubtless be felt for generations to come.

Andrea Lynch NY, USA
Through Empower

*Customize products & services of
micro-finance with skill upgradation*

Sowing The Seeds Of Change

That micro-finance is a mere set of instruments sufficient to promote the livelihoods of the poor, is an idea I dismissed after my field visit to the rural areas of Bihar in April 2010. On the contrary, livelihood promotion requires a broad, creative, and innovative approach to provide the underprivileged the opportunities to improve their socio-economic conditions and eventually come out of poverty. A minimalist approach, which is the basic provision of micro-credit, or even micro-finance, does not suffice. What is the value of a bank account without a sustainable livelihood? NEED has realised that micro-finance is necessary, but was not a sufficient condition to promote sustainable livelihoods and it was under the circumstances that it adopted an integrated approach.

The success of a micro-enterprise depends on a whole range of resources (human, natural, social, and financial), and opportunities (markets, institutional environment). Besides financial business support and training, other inputs are also required. For example, the identification of livelihood opportunities, establishing market linkages for inputs and outputs, adapting technologies and organising producers. By incorporating this approach into livelihood promotion, it then becomes not just about generating income but about generating 'additionally', and a mobility to come out of poverty.

Interventions to promote livelihoods can be complicated, and may demand creativity, sector-based knowledge and an interdisciplinary approach. These interventions though straightforward may yet be highly beneficial to the micro-entrepreneur. For example, I visited a farmer in the rural areas surrounding Muzaffarpur who used his loan to start a small poultry farm. His return from this investment was nearly twice as much as his principal loan. The high return from his principal loan was partly due to linkages with parties in the local market, established with the help of NEED. NEED linked the farmer to another micro-enterprise they supported engaged in processing and selling poultry meat. Another example is a farmer who bought a cow

with her loan. In the beginning, she sold the milk only in her village. Thanks to NEED, she soon became a supplier to a small shop at the local market. This simple intervention increased her income security as it diversified her client-base.

A particularly interesting case is when livelihood promotion is an innovative exercise that involved team work by the stakeholders concerned. In the same rural neighbourhood of Muzaffarpur, NEED has succeeded in involving a whole village participate in mutually complementary micro-enterprises in such a way that the different micro-enterprises together form a value-chain and sell their produce in the market. The villagers used the shells from nearby rivers to make buttons and jewellery. The production process consists of several labour-intensive steps such as fracturing the shells; cutting the shells in the right shape; punching; polishing; and further using the materials in the end-product which is for example, a necklace. One or more micro-enterprises are engaged in one of the production processes and finding a market at the other village, which is engaged in the next step of the production process.

In this case, livelihood promotion incorporates a value-chain approach to micro-finance. This is highly interesting as it gives micro-entrepreneurs a promising opportunity to solve the problem of "lack of market access", which is frequently identified as one of the main constraints to growth. Micro-entrepreneurs often have limited market knowledge, skills, and capacity to link their enterprises to new markets which could lead to an increase in their production and thus income. In response to this situation, NEED endeavours to develop producer groups out of the inter-dependent micro-enterprises and link these producer groups to local, national, and or global markets. By creating producer groups, micro-enterprises organise their production, share information, and unite marketing efforts so that their combined produce can be sold making them more significant players in the market. This has many advantages for the individual micro-entrepreneurs who are members of the producer group.

Micro-enterprises are then for example able to: improve their access to and/or reduce the costs of raw materials

through bulk-purchasing; increase efficiency by sharing production skills and resources; enhance their product quality and marketability through common production standards; it may increase access to financing; improve their market position through collectively increasing quality, quantity, and types of products that multiple buyers demand. Despite the benefits, there are issues to be taken into consideration when setting up or joining producer groups. Micro-entrepreneurs might for example question to what extent their membership of a producer group may infringe upon their sovereignty or internal operations. Also, the producer group should pay considerable attention to the contracts they plan to sign with buyers. In particular, saturated markets where fierce competition for limited contracts keep prices down, could hinder the growth of the producer group and its members. Nevertheless, NEED's aim to extensively work on producer groups will usher a value-chain approach in its micro-finance activities, and strengthen livelihood promotion programmes. This could be a viable option for the village in Muzaffarpur and its shell-products to corner a niche market in Europe and the U.S.

Another interesting livelihood promotion was through organic farming. NEED extended loans to farmers who are willing to grow their produce in an environmentally sustainable manner. In the rural areas of Bihar, I met a farmer engaged in cultivating parawal (a vegetable). He explained that he did not use any chemical pesticide and insecticide, and changed the use of fertilizers which benefited the quality of the soil as well as increased his productivity. As he had gained valuable experiences in organic farming he is frequently invited to share his experiences at gatherings, with other farmers.

The importance of promoting environmentally sustainable livelihoods is in my view not to be underestimated. Micro-enterprises and the poor who operate them are both the cause and victim of environmental degradation. Many of these enterprises are often

engaged in environmentally degrading activities that will harm their immediate environment, and that of others. Unsustainable use of resources and pollution are the main areas of concern. The environmental impact may depend on factors such as the production methods (e.g.: mining or burning), or productive inputs (e.g.: inorganic fertilizers or pesticides), or waste (dung, diesel smoke), etc.

As for rural areas, environmental degradation is most likely to affect natural resource sustainability leading to, for example, soil erosion because of farmer activities, and soil and water contamination due to improper use of fertilizers. As these micro-enterprises operate informally outside the legal and regulatory system they are not subject to enforcement or incentive structures – such as subsidies to promote adoption of environment- friendly technologies. Moreover, environmental conservation is most often not a top priority of policy-makers in under developed countries where the maximum number of micro-enterprises operate.

“And although micro-enterprises are the major issue of concern here, the scale and impact of its operations on the environment is serious. According to the Microcredit Summit, the micro-finance market had reached 100 million households in 2005, but in 2009 the micro-finance market was already serving more than 175 million households (Microcredit Summit, 2009).”

The cumulative impact on the environment of millions of poor people starting and expanding business, mostly outside any regulatory framework, through access to financial services will be colossal. If the micro-finance industry is to make a serious effort to address environmental responsibility, it is wise to take the step on an urgent basis. Micro-finance organisations have an important role to play in this area. Environmentally sustainable livelihood promotion is an intervention that should be promoted by many more micro-finance organisations.

Even if there are no ethical considerations in the decision to promote environmentally sustainable livelihoods, there are good reasons for micro-finance organisations to promote it. The urgency is to differentiate from the rest in an increasingly competitive micro-

How they did it

finance market; an environment-friendly approach could increase the ability to attract financing as investors, and funders are progressively using environmental criteria in their procedures, etc. These may be some reasons why it is also in the self-interest of micro-finance organisations to engage in promoting environmentally sustainable livelihoods, or what is also being called 'green micro-finance'.

Enhancing sustainable livelihoods of the underprivileged thus seems to be a mutually beneficial exercise, not only for the poor but also for the micro-finance organisations. It may involve diverse activities that promoted generation of adequate resources to meet the requirements of the household in a sustainable manner. Having witnessed different approaches to livelihood promotion endorsed by NEED, I was very impressed with the innovative and creative ways in which the organisation applies micro-finance. For NEED, micro-finance is not just a tool to increase access to financial services, but it has transformed micro-finance as a platform for development.

25-05-2010

Marius Meijerink
Netherlands

*1. Is the business of micro-finance meant
for the people or it is for only MFI*

Unraveling NEED's Microfinance Measures To Eradicate Poverty

For evaluating the NEED's efforts, we reached out to different areas of UP and Bihar where they are primarily concentrated. To start with, we planned the following operational strategy:-

- Identifying the places of NEED's activity.
- Market survey with a sample size of 1000.
- Apportioning the sample to be collected from different regions, namely Rural UP, Bihar and Lucknow Slums.
- Fixing a timeline for visiting and studying different regions.
- Designing a survey questionnaire to find out if the people had really benefited from Microfinance schemes.
- Since some of the borrowers have the inability to disclose the facts, we did not include them in the analysis.

My role in NEED :

I joined NEED as a management trainee and the role assigned to me was to find out whether the prime objective of NEED-that is to eradicate the poverty at the bottom of pyramid was accomplished or not. My deliverables were the following:-

- Interact with the people who are primarily the borrowers.
- To understand where the money is invested and find whether their business has been profitable.
- Check whether the basic aim of NEED for Women Empowerment is achieved.
- Assess the training requirement in villages.
- Assess whether the disbursed loan amount sufficient or not.
- Listen to the queries and complaints of the people.

I knew that if I remained a silent spectator, then the women would also not open up. So I thought of openly challenging her views, by

asking some simple questions in everyone's presence.

- What if NEED was not there, wouldn't they be forced to take loans from mahajans @4 % interest?
- If the prime aim of NEED was to earn money then why did they organize health camps in villages?
- If they think of any MFI (specially NEED) as a blood sucker then why did she take loan from NEED?

*After attaining the puberty, it was very difficult for me to attend my classes or any functions during the menstruation Period. This was because of the high cost of sanitary napkins in the market; I was forced to use cloths during that period. But now, it is very easy for me to use Napkins at even cheaper price than the cloth and it has happened only through the health programme of NEED. Thanks to the Health Programme of NEED...
Hemlata & Dinesh, Ichauli*

I made it clear that to have a sustainable growth, a symbiotic relationship should be established between the borrowers and the company. Both borrowers and the company should work hand in hand for the common good.

After the conversation, I could convince them of the 'need' for NEED's MFI schemes.

Areas of Financial requirement :

Rural villagers in India are stemming with different ideas and necessary skill sets to start different small scale businesses. Unfortunately they are devoid of any finance support from a formal channel forcing them to approach local money lenders and mahajans who charges exorbitant rates. This eventually pushes them deep into poverty and never ending misery. My conversation with villagers points to the importance and the need of NEED in MFI business.

To this my obvious question was about various government plans; like availing loans on presenting Green Card. But to my surprise, I found that the farmers had following grievances on this scheme:

- To avail the Green Card facility, the borrower should be a farmer having more than 2 bighas of land.
- To obtain the Green Card, he/she should have sufficient 'contacts in the bank.

- Borrower should be ready to grease the palms of higher officials of the Banks.
- Borrower has to wait for at least 6 months for the entire process and final disbursal of loans.

Whereas, NEED helped Villagers to get cheap loans with a processing time of less than 18 days. Due to such functional advantages, NEED was well accepted over local money lenders and banks. This helped people to invest money in various businesses depending on their skill sets and available resources. During our study in villages, we found that people invested in various businesses, which we thought would never be profitable.

“Weekly payment is a big headache. The day we give our installments we feel free, but from very next day, the next weekly payment date starts haunting us so it's better to borrow from NEED rather than from any other weekly institution.”

The investment patterns in villages of UP, Bihar and Lucknow differed in some sense or the other. The businesses they followed were mainly traditional and unique and differed from village to village on the basis of their livelihood and work style. For my survey I divided the regions into three:-

- Rural UP
- Rural Bihar
- Urban Lucknow

The different investment areas are explained in detail as below:-

1. Agriculture:

Though the mainstay of rural India is agriculture, it was also interesting to note that almost every family had some land for agriculture but they weren't totally dependent on it. Apart from farming they also had other sources of income like from the provision shops they ran, rickshaw pulling, boutique and cattle business. This will be dealt in detail in the following pages of this report.

Not many people I interviewed want to take a loan against some specific crops. Moreover, NEED was also reluctant in one way or the other to grant loans on the basis of agriculture. Reasons being that

majority of the Indian farmers are dependent on the erratic monsoon as the sole water source for agriculture. The regions which I visited, especially villages of Bihar like Saraiya, majority of the farmers complained that they suffered losses due to unreliable monsoon and break down of poor quality pump sets.

"While I was in Janakipuram area of Lucknow along with Livelihood Service Advisor Mr. Ankit Dixit, we went to one of the houses where he had to make monthly collection. The lady handed over the money to Mr. Ankit and on counting he found that the lady had given 40 rupees extra, which he politely returned."

The crops grown varied from place to place as some farmers grew sugarcane, rice and wheat whereas others cultivated seasonal vegetables. The farmers of some regions also focused on particular crops like peppermint production in Mahmoodabad. Interestingly, this region accounts for 90 per cent of peppermint production in India.

1. Cattle and Dairy Business :

This business was common in each and every village I visited in UP and Bihar. The people in this business used various animals like Buffaloes, Cows, Oxen and Goats for rearing and use as livestock. Buffaloes and cows are used mainly for dairy purpose and there were two varieties of cows that are commonly used:

- Country Cow
- Jersey Cow

The difference largely lies in the breed and the milk yield, while the country cow is cheaper and could be bought at around Rs.10,000-15,000, the Jersey cow is costlier and could be bought for Rs.30,000-40,000. The former gives only 5 litres a day, whereas latter gives 15-20 litres. The milk thus produced was generally sold for about Rs.20/litre, thereby having a minimum earning of around Rs.3000 per month.

Oxen are used primarily as beast of burden for pulling carts, ploughing fields and other physical activity. An Ox costs around Rs.30,000 and by renting an ox, a farmer can make around Rs.150 a day.

Goats are reared as livestock for milk and meat. Farmers make profit by selling these goats and lambs to other people in the same or

nearby villages.

Since some of the farmers are overly dependent on these livestock, death of these animals will result in heavy financial loss. NEED has taken some important steps in this direction to mitigate the losses, which will be discussed in the latter part of the report.

1. Manufacturing & Trading:

Villagers are involved with different types of trading activities of which some are traditional in nature. The common types of trades which I came across are:-

Button-making
Provision Shop
General Store
Vegetable Shop
Feri Business
Cosmetic Shop

Among these businesses, the one which I found most interesting as well as profitable was the button/ornament making business which was centered on Chaklalu village. The shells are used for making different items like buttons, rings, ornaments etc.

The other businesses like Provision, Cosmetic and General shops were run on small scale with profit margins ranging from about 10-20%. The cosmetic shops were either on pushcarts or were done by salesmen moving around the villages from house to house. The same was the case with cloth sales also. The profit margins from these businesses were as high as 40%. Business loss occurred due to theft, fire or accident and credit defaults. The losses due to theft and fire were covered by the NEED, which will be explained in the latter part of the report.

I never imagined that my son would get quality education at such a low fee. I did not even earn enough to feed my family. We came to know about this low-fee education scheme by the Principal of the school. Now, my son goes to school daily, just like other well-to-do children. All credit goes to the Principal of Rahilamau School, as well as the NEED family, who have started this scheme. Thanks to NEED Family.---

Karan, Rahilamau

1. Craft- The Craft in Rural India Involves the Following Types of Work:

- Zari work
- Aari Zardozi
- Kadhai

Craft work is mainly concentrated in few regions of outer Lucknow like Kakori and Thakurganj along with some areas in Mahmoodabad. NEED is one of the active MFI players in this business and people invest their loan money for following purposes

- Setting up of Adda (Shop and Initial Infrastructure).
- Advance payments to the workers.
- And for buying stock.

People in this occupation made earnings of around Rs.6000-7000 per month with lean month periods in June and July. The zari work was done on cotton saris and sold at prices ranging from Rs.3,000 to 10,000. Since zari work is labour intensive, it gives profitable and continuous employment to people in rural areas.

NEED has also taken the initiative in opening a Sewing centre at the Lucknow Head Office where the women are regularly trained in sewing, thereby enhancing the necessary skill sets needed for the Job.

1. Medicinal Ventures:

The villages of Mahmoodabad is considered to be the hub of peppermint production. Around 90% of country's total production comes from Mahmoodabad alone. Peppermint is cultivated here and is extracted for their oil, which is used for various medicinal purposes.

I have no words to express my thanks to the NEED family for giving my daughter a good education at such minimal fee. Now, our family can utilize the right to education.

*Thanks to NEED Family---
Himanshi, Jhariyapur*

NEED gives active help to these farmers through loans, which go up to Rs.25, 000. While talking to two of my colleagues Dheeraj and Manish, I came to know the following information which NEED undertook to help the villagers.

They said, "We were given a project by NEED aimed at reducing the wastage of water during the oil extraction purpose so that the process becomes more environment-friendly."

Even though the initial capital investment was around Rs.80,000 – 85,000, one of the business which people were actively involved was installing and running distillation tanks used for extraction of peppermint oil. On seeing the overall operation, I could point out a defect in the system:

"The process is not very efficient and the oil wastage could be reduced by about 15-20%, since the heated water in the tank was unable to convert the oil vapor completely into peppermint oil."

Peppermint cultivation yielded rich dividends as 10-15 litres of peppermint oil could be produced from 1 bigha of land and one litre of peppermint oil was sold for about Rs.700. So during one crop season, farmers could easily make a revenue of Rs.10,000 from one bigha of land.

1.Orchards :

This business is very much prevalent in the villages of Bihar and UP. The villagers buy orchards before the fruits are fully grown and sell it when it is ripe. Mango and Leechi are the fruits which are primarily grown in these orchards which are located in Malihabad of Kakori region and Muzafarpur in Bihar. Almost every family in the village owns an orchard and NEED is an active MFI in this area financing the purchase of orchards.

*Currently I am teacher in Nalanda School in Mehmoodabad. Earlier, I had all educational qualifications, but no technical qualification. I tried for jobs at various places but failed because of this shortcoming. Now around three months before, I was selected for a job due to my technical degree and the credit of my goes only and only to VST, NEED. Thanks to VST, NEED.
By Deepika Sukaipur*

The main areas of Leechi cultivation was in Mehsi, Kaanti and chakiya. NEED supported these villages through loans for the development of Leechi business and also helped farmers by giving technical support for improved production and yield.

1.Schooling and Home Financing- Two groups function in these area and they are:-

- JLG(Joint Liability Group)
- SHG(Self Help Group)

Primarily formed of women folks, the JLGs consists of 4-6 members and SHGs of 10-20 members. In the SHGs, all the women members collect a fixed amount of money every month starting with Rs. 10. Women folks borrowed money from these groups and also from NEED, as and when required for their purposes. The members of the group generally take loans for the following purposes:-

- Financing their education (Buying books, paying fees etc.)
- Buying medicines.
- Personal expenses.

NEED also disbursed loans keeping in view their personal needs like marriages, building houses and financing certain courses of their interest. The loans for the education were primarily taken from SHGs with an interest rate of 2%.

1. Other small scale business:

NEED also disbursed loans for starting and running of small scale business like cycle repair shops, sweet shops, hotels, furniture business, chat shops, electronic shops, pan shops and saloons.

Villagers undertook these businesses either as part time or full time jobs. Many of the villagers were successful by starting their own business with initial loan disbursement from NEED and there are instances where they approached for repeat loans also.

I met one person in Bihar who ventured into saloon by investing initial loan amount of Rs.10,000. He currently owns a temporary shop with monthly earnings of around Rs.15,000 and wishes to take a loan of about Rs.50,000. His long term plan is to relocate the business in his own premises.

I was educated and unemployed and at the time there was a vacancy for a Teacher. I went for that interview and there was a long line of candidates who were better qualified than me, but I got selected due to my computer skill, which I got from the VST, NEED. Now, I'm employed and all the credit goes to VST, NEED. Thanks to Village Skill Training (VST), NEED

By--- Seema, Nathupur

I met a leading entrepreneur in Kakori, who was a specialist in

making perfumes, agarbattis, dhup and various types of itra. Currently he is one of the successful entrepreneurs, who started his business with NEED's loan. He is planning to take a repeat loan of Rs.20, 000 to expand his business and give employment to women folks in the village.

Was NEED's effort a real good one-?

To evaluate this question, we designed a survey and reached out to all places where NEED had its operations. The following locations in UP and Bihar was covered during the survey:

- Kakori
- Bacchrawa
- Motipur
- Chakiya
- Kaanti
- Saraiya
- Lucknow
- Mahmoodabad
- Fatehpur

It was very embarrassing for our family to go to the open field, as we did not have a toilet at home. Going into the field also affected our social status, but now after the help from NEED, I have constructed toilet in my house and now I feel proud like other people having toilet. Thanks to Health Programme of NEED.----
Seema

1.The first parameter:

I carried out a survey along with the staff of NEED and we tried to find out whether the efforts of NEED had really achieved the desired objective. To start with, we asked the villagers the following questions:

- How much money did u borrow?
- Prior to taking the loan, what was your income?
- What is your current income?
- What is the value of your assets in business?

Since the villagers were not able to establish their business growth in quantitative terms, our questionnaire included more of qualitative questions. So in order to check the first parameter we avoided a direct question and framed it in the following way -

- Did you make any profit by taking the loan amount or not?

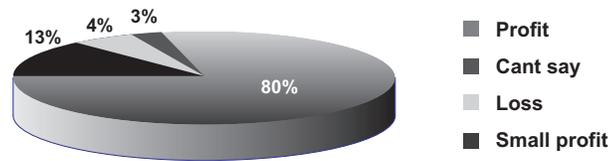
To this their answers were

- Yes of course, sometimes they could tell the exact profits in the business.
- Can't say.
- Profitable, but couldn't quantify it.
- Small Profit
- Loss

Rural UP

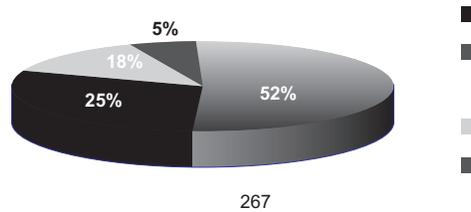
Now we made an area wise pie-chart to assess the derived benefit with NEED's loan. We also found that average loan cycle is 3 to 4 times.

% Profit reported by Micro finance groups in Rural UP



Some of the people in Bihar were not able to tell whether their ventures had become more profitable or not. The reason, as well as their spread can be seen as shown below:-

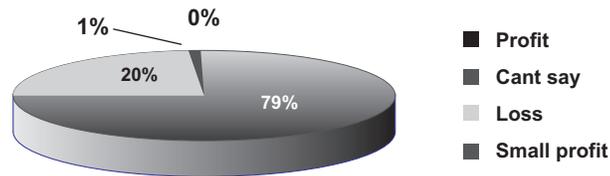
Unable to express the reason for not earning profit.



The high 52% coming under “not taken the loan” is because out of the total surveyed, 42 people have not taken any loan. This is because their respective SHGs are awaiting the disbursal of loans from MFIs.

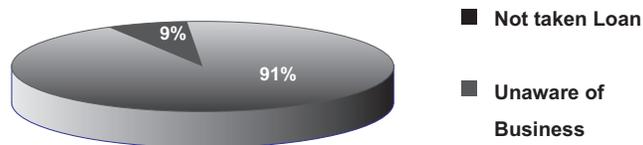
The next survey area is outer Lucknow. Unlike rural areas the people in these areas are more into small scale business and service providers. The average loan cycle again, is one to two times.

% Profit reported by Micro finance Groups in Slums of Lucknow



The proportion of can't say in above pie chart can be interpreted as follows:-

Unable to express the reasons for not earning profits in Lucknow Slums.



1. Second Parameter:

The second parameter to judge the social change was to check on the education level of children in the village. To understand this, we put forward the following questions in the survey:-

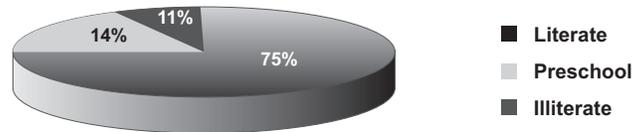
- How many children do they have?
- How many children in the family are literate?

How they did it

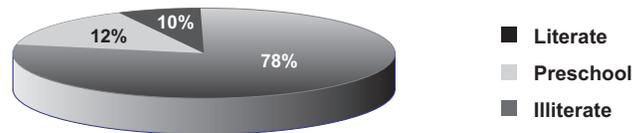
The result of the survey falls into three categories- Literate, illiterate, preschool

- Literate
- Preschool
- Illiterate

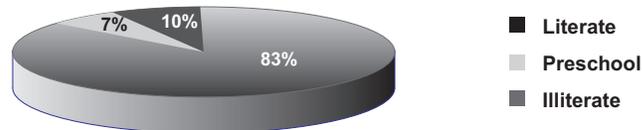
The pie chart shown below gives the percentage split up of each category-



Literacy level among the children of supported MF members in Rural UP



Literacy level among the children of supported MF members in Bihar



Literacy level among the children of supported MF members in Lucknow slums

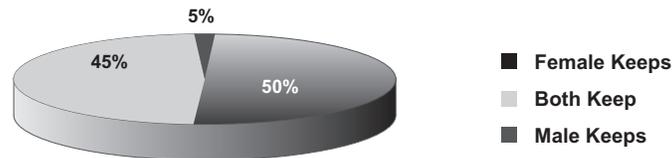
3. Third Parameter:

NEED's main objective was "Women Empowerment", and the results are assessed based on the extent to which women folk enjoy financial authority. During the survey we asked the question as to who keeps the money in the family. The responses were:

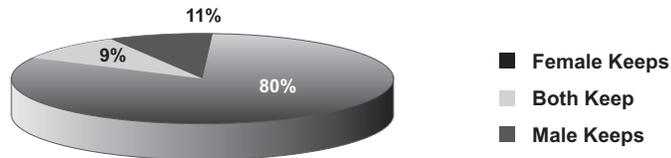
- Yes, I keep.
- My husband and I keep.
- My husband keeps.

Majority of the answers to this question came with a smile, "Jab ghar ki malkini hum hi hai toh paisa aur kiske paas rahega?" (If it's my house, who else will keep the money?)

During our study we found that in certain families men held the financial authority. This was mainly prevalent in Muslim families of rural villages. But in other cases we also find that some men who had the financial authority misused the money for gambling and consuming alcohol. Since majority of survey respondents were not women, in many cases the answers were N/A or Not applicable. The survey result is summarized below:

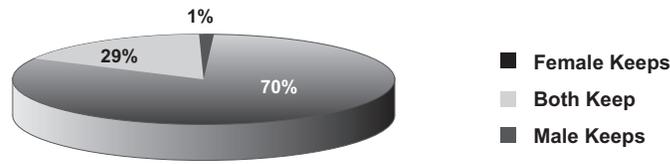


Rural UP



Rural Bihar

How they did it



Lucknow Slums

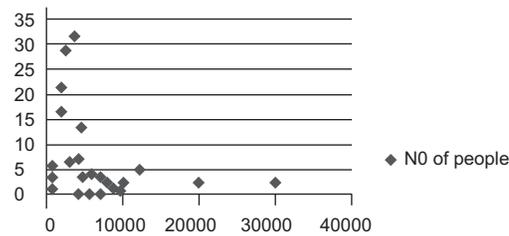
4. Fourth Parameter

The next parameter was to find out the benefits derived from NEED's loan money. To understand this, we asked the following questions

- What was their income prior to the loan?
- What is their current income?
- What is their current assets value?

The results of the findings are summarized as follows:

Monthly increase in Borrowers income in Lucknow



% age of people who fall in the given slab of income increase in Lucknow Slums

0-10000	95.78%
10001-20000	3.01%
20001-30000	0.6%

5. Fifth Parameter:

In the final parameter was to gauge the willingness of the borrowers to go for a repeat loan. If borrowers are benefitted by the previous loan, then they would opt for a repeat loan. Following questions were framed in the questionnaire:-

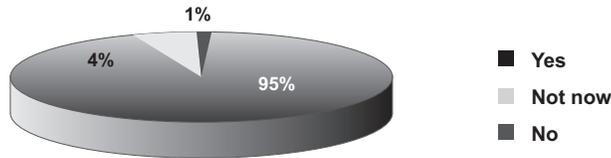
- Do you want to take loan again?
- If yes, then how much?

I was totally out-of-contact with the outside world. Due to the absence of skill and knowledge about doing any kind of business, I was dependent up on my husband for every single rupee. After taking training from Vocational Skill Training (VST), NEED, I have not only learnt the art of Zardosi, but have also gained knowledge of doing business. I can look after my family alongside. I feel proud of myself and my husband respects me too. Thanks to the Vocational Skill Training Programme of NEED.

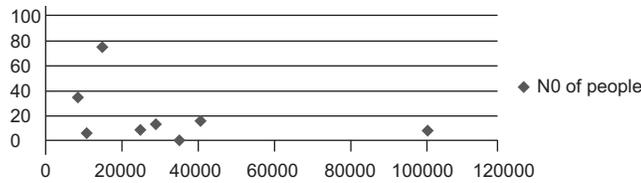
By—Shashi, Ramuapur

Results are analyzed as follows:-

Potential Borrowers of repeat loans



Loan Amount requirment in Lucknow Slums



Percentage of people who fall in the given slab for repeat loan in Lucknow slums.

0-20000	56.25%
20001-40000	15.86%
40001-60000	26.44%
60001-80000	0%
80001-100000	1.44%

A comparison of NEED and other MFIs- One of the main deliverables of my study was to undertake a comparative analysis of NEED MFI vis-à-vis other players in the area. Similar types of loans were offered by other players in the villages and some are well established in their respective areas of operation.

Though these MFIs offered similar loans, majority of the people find it difficult to deal with the mode of functioning of these organizations. One of the main reasons for discontent is that they have weekly repayment schedules and weekly meetings instead of monthly. Also, the support groups are big in size and are difficult to manage. Corruption at the bottom level and lack of flexibility in repayment made these organizations unappealing to masses.

On the contrary, people were attracted towards NEED as it offers a hassle-free monthly repayment schedule and groups were easy to manage as it was small in size. There was no corruption and flexibility of repayment for 3-4 days was offered too. Also, NEED disbursed loans up to Rs.25,000, where as other MFIs restricted themselves to a maximum of Rs.15,000. Also, the LSAs were always in field to understand the problems faced by the villagers.

On this note I remember a very nice incident which I came across when I was accompanied by Uma for the survey. While we went to one of the villages and started chatting, one of the villagers told us, "The amount of work NEED has done in this village by supporting us with the money was never done by any government, Uma ji regularly visits the villages and checks out if everything is alright or not and if there is some problem she is always there to help us."

After listening I just looked at the smiling face of Uma ji and then I asked the villagers, " If Umaji stands for MLA elections from your area what will you do?" and I was just shocked to hear their answer. They said unanimously, " Even if Uma ji stands on her own without the support of any party, we can guarantee her victory."

**A Comparison chart of NEED and other MFIs
from Borrowers' perspective:**

	NEED	Other Weekly MFIs	Who was at advantage
Repayment	Monthly	Weekly	NEED
Groups formed	4-6 (JLG'S), 10-20 (SHG's)	10-50	NEED
Level of satisfaction	Maximum	Maximum dissatisfied	NEED
Insurance	Waived the payment of remaining loan	Refunded the installments taken	Other MFI's
Corruption	.Nil (To the best of my knowledge)	Starts from the grass roots level itself.	NEED
Security Deposit	10% of the sum given was taken as security	Was not taken by majority of these MFI's (One of their biggest advantage)	Other MFI's
Flexibility	Repayment flexibility of 3-4 days given.	Not much flexibility	NEED

All the disadvantages of NEED over other MFIs were taken into account and were discussed in length during the meeting at Motipur. Following actions were taken:-

- NEED has decided to give interest on the initial security deposit, the plan being worked out.
- Various types of insurance like theft, fire, death of cattle, etc. are also being considered while disbursing the loan.

Summary:

I finished my survey, after travelling through various villages for more than 30 days. What I gained from all this was a wide exposure to microfinance operations at the grassroots level. It is rightly said that, "If you have to study the mechanics of microfinance, you have to experience the operations at the grassroots level."

The statistical survey can be summarized as follows:-

- Majority of the people, be it in rural UP, Bihar or Lucknow slums, have benefitted from NEED's loan.
- The percentage of children with literacy levels was high in the areas of NEED's operation as compared to other areas of Rural UP, Bihar and Lucknow slums.

- The objective of NEED's Women empowerment was successful as majority of the women responded that the household income remains with them or with both.
- **Majority of people invested the loan money in one or other kind of business and generated an additional income in the range of Rs.2000-3000 /month. This improved their livelihood and helped to send their children to schools.**
- **From the survey, I found that more than 80% of the respondents were ready to go for a repeat loan. They were highly successful in the business and generated profits and were willing to expand their business.**
- **Through the development schemes, NEED imparted necessary skill sets for the villagers to start enterprises on their own.**

I worked with NEED for about 2 months and during this period I felt that there were some areas where NEED could improve for the welfare of the society. These are as given below:

- Even though training was imparted to women at NEED office in Lucknow and Mahmoodabad, many people in remote areas of Bihar do not have access to these facilities. Therefore, such facilities could be set up in Bihar.
- The people in the villages do not have direct access to markets for selling their products. They want NEED to step in and do the selling and marketing activity for them. This will enhance their revenue and earnings.
- The average time NEED took for disbursing the loans were in the range of 15-20 days. But in one of the villages of Bihar named Chaklalu, I observed that it took 7-8 months of processing, but still NEED had not disbursed the loan. This caused considerable resentment and dissatisfaction among the people and there is a possibility that they might switch to other MFIs operating in the area.
- The people who were dissatisfied with NEED were mainly on

initial security deposit, which other MFIs do not charge.

- There is a wide gap between the required loan amount and disbursed loan amount. Some people in Lucknow slums want loan to the tune of Rs.50,000, but due to non-availability they are unable to go ahead further. My suggestion is that NEED could handpick some of these people with good potential business ideas and train them to start a business with the initial capital. This will prevent them from joining other MFIs and eventually ending up in debt.
- During my one month study, I understand that NEED has much better acceptance than other MFIs in rural villages. Since NEED has already established its market in areas of Lucknow and Bihar, it's time for diversifying to other areas like MP, Uttaranchal, Rajasthan, Jharkhand and states where MFI's presence is negligible.
- NEED's work should be properly promoted through Magazines, Newspapers etc to create a better awareness of its activities.

Due to the serious illness, my husband was unable to earn and his treatment got us into heavy debts. I only earned Rs. 50 a day through agricultural labour and that amount was not enough to even feed the family. Besides, there was not enough work through the year. Now, after undergoing the training from VST, NEED, I can earn at least Rs. 3000 a month. My husband's condition has improved and I hope he will start to earn in a month or two. This has only been possible through my skill building through VST, NEED.

From my study, I found out that “Poor always pay back” if they receive the right monetary assistance and guidance to generate a sustainable income and improve their livelihood.

I was impressed with the entrepreneurial spirit of villagers, who started their business on a small scale and became successful with loans provided by MFIs, which happened over a period of time. The small scale businesses also provided employment to other people in the villages, thereby helping in overall community development.

I would like to express my sincere gratitude to NEED CEO, Mr. Anil Singh, Branch managers in different areas and LSAs who have extended their full cooperation and support for making my study a successful one.

A Natel, IFMR, Chennai

Rural Empowerment: Transforming Lives

Bihar is considered to be one of the poorest and least developed regions of the country. Agriculture is the mainstay and landless villagers depend on livestock and other physical works for their livelihood. Because of rampant unemployment and other socio-economic issues, the educated population migrates outside the state for better opportunities. This deprives the state with skilled manpower severely impacting its social and economic progress. The school dropout rate in Bihar is significantly high, because children also work outside home to contribute to their family income. Even though various microfinance schemes of different organisations have brought some changes in rural areas, the progress made is marginal when compared to other neighbouring states.

The Bottom up Approach :

Success of microfinance schemes largely depend on preparing a strategy based on strong field knowledge. The conservative societal structure prevalent in rural villages of India is the biggest hindrance for implementing development schemes. NEED adopted a 'bottom up' approach by devising microfinance schemes suiting the societal fabric customary to rural areas of U.P and Bihar. Women folks are the most deprived and marginalised community in Indian villages and the foremost effort was to improve their living conditions. This is made possible by promoting entrepreneurship and helping them to stand on their own feet and reducing dependence on family. During my visit to different households, I came across various self-employed and independent social enterprises involved in Chikankari, Zardozi, button-making as well as Agriculture practices.

NEED and its activities :

NEED (Network of Entrepreneurship and Economic Development), an NGO has established itself as a leading player in implementing various microfinance schemes in rural Bihar, thanks to the foundation efforts by its CEO, Mr. Anil Singh during the mid 90's.

With over four branches, NEED operates mainly from Muzaffarpur in Northern Bihar, which is known for its Leechi cultivation. Almost 90% country's Leechi fruit comes from this area and NEED has done some pioneering work to its credit including Patent filing for shahi leechi. Like in other rural areas, NEED delivers its products through small sized groups called SHGS (Self help groups) and JLGs (Joint Liability Groups). I visited some of the villages, in Motipur town of Muzaffarpur where NEED operates and encourages traditional and nontraditional activities for income generation. To focus study on women empowerment, my visit centered on four villages in motipur, they are – Main Mehshi, Chakia, Dharampur ram and Saraiya.

Main Mehshi – Revival of Fortunes:

Mehshi village is located around 20 kms from Motipur town. The village is situated on the banks of one of the Ganges tributary and most of the villagers are engaged in agriculture for their survival. Two years before, this village was famous for producing SHELL buttons and ornaments which were sold domestically and internationally. Lack of technical and monetary support from the government and apathy from other nationalised organisations resulted in the slow death of this industry pushing the rural population to abject poverty. NEED has taken the daunting task of reviving this age old industry that could once again bring fortunes to the villagers. Small women's groups of 4-6 members (JLGs) were formed and were given loans of Rs.10,000 each for buying machines and raw material for starting the business. Now after 2 years since its revival, the SHELL business is flourishing and almost every woman in every household is engaged in this work. Each woman member makes around 1, 00,000–2, 00,000 SHELL buttons a day which are sold at Rs. 15 for every 1000 buttons with earnings of Rs. 1,500 – 3,000 a day depending on the quantity produced.

“Since 2009, Mrs. Salia Khathun, a mother of three is engaged in SHELL button business. She has taken a loan of Rs.10,000 for purchasing the machines and raw materials. She has also given employment to poor women in the village and produces around 4, 00,000 – 5, 00,000 SHELL buttons a day. She earns around Rs.3, 000 – 4,000 a day, which is sufficient educate her children and meet the

family needs”.

Challenges before NEED:

Currently SHELL buttons and ornaments are made in a polluted environment. The calcium powder that comes as a byproduct creates long term side effects leading to various lung disorders. NEED is working with many health organisations to devise a low cost mask for working women and ensure their safety and health. NEED also had huge task of fighting against the fake SHELL buttons imported from China that's threatening this flourishing industry.

Tailoring and Handcrafts (SHG initiative) :

In the same village NEED is also giving training to women members of SHG in tailoring and other handicraft works. I visited a 12-member SHG initiative, which is involved in imparting training in machine stitching, embroidery and other handicraft works. This SHG has taken a loan of Rs.1, 10,000 for eighteen months, which is used for purchasing machines, clothes and other items. Each trained woman makes around Rs.4,000 –5,000 a month and contribute Rs.30/- to SHG savings. Those women who are involved in making crafted items like Cycle hub brush and traditional hand fan (See photograph above) makes around Rs. 2,500/- monthly.

Chakia Village (East Champaran):

Chakia village is unique in terms of its traditional bangle making that are carried out in almost every household in the village. I was told that around 200 households are involved in this work making various types of decorative bangles. These bangles are made based on the order and design provided by different business houses located in Bihar and other parts of the country. NEED operates around 25 JLGs with average loan size of Rs.10,000/-

I interviewed one of the JLG, which is involved in making bangles and selling outside. Last year, the six member JLG has taken a loan of Rs.10,000 each and entered this business. Currently they make a monthly revenue of around Rs.1,00,000 and net profit of Rs.20,000/- . The men are involved in making the bangles and women JLG members make designs and give finishing touches to it.

Dharampur ram Village –

Value addition as a tool for development :

Dharampur ram village is located 35 kms away from Motipur town and 65 kms from Muzaffarpur. A set of special initiatives taken by NEED communicates the importance of bringing value addition in a process or a produce. Like most other villages, the mainstay is agriculture and the prominent cultivation is parwal (a vegetable consumed in Northern India). Most of the farmers are still following the traditional agriculture methods resulting in poor yield and productivity. Women folks who work in the fields were given loans by the NEED and the poor farm yield often affects their repayment capability. The poor yield is mainly caused by the weeds, which absorb the vital nutrients from the top soil. Lack of moisture retention due to excess heat and poor soil conditions also affects the yield. This results in plant wilting and produces smaller parwals, which fetches lower income from the market. Currently these smaller parwals are sold at only Rs.15 a kilogram. To improve the yield and income, NEED has taken a novel step by adopting value added scientific farming methods.

NEED introduced scientific farming methods called Israel Technique (First practiced in Israel), where the farm gives twice the yield with no resulting weed growth. In this technique Parwal creeper is grown on heaps of soil, which is covered with a layer of plastic sheet. The plastic sheets help to retain moisture in the soil and inhibit the growth of weeds in the soil. As weed growth is inhibited, the nutrients (vermi-compost) applied will be directly absorbed by the plant and thereby increases the yield with lower input cost. On interacting with farmers I understand that they are very much excited about this new practice as this provides a right mix of fungi, nutrients and water for the ideal growth of plants.

Organisational Challenges–Adopting Best Practices :

In Bihar, NEED as an organization is well established in providing monetary support to various social enterprise projects. But often the loan is not utilised for establishing best practices in the

industry and hence social enterprises are not able to compete with others. For example: I visited Saraiya village and met women entrepreneurs who makes burry (a vegetable used in Indian recipes) and sells to outside shops. But since they adopt traditional burry drying process (using sunlight), many of the produce becomes rotten and are often unused. Had they modified their drying process using low cost innovative methods such as solar oven or other heating process, they could save the burry from getting rotten and generate better income. So NEED's future goal would be to educate the borrowers on adopting best practices that are followed in other places. This will help the social entrepreneurs to compete at the same level with other players in the industry.

Lessons Learned :

The success of microfinance schemes lies in tapping the potential of rural villages and encouraging them to become social entrepreneurs. Each village in India is unique with a plethora of activities that could be converted to social enterprises for developing a sustainable livelihood. The Mehsi village is unique in making SHELL buttons where as chakia village is known for bangles. Similarly, many other villages will have its own traditional knowledge base, which has to be explored and tapped through social enterprises.

Recommendations:

During the study I found that even though the villagers are able to make money for their livelihood, it is not sufficient for covering their liabilities and paying off debt. An alternative to this is finding a better revenue source through value addition to their existing jobs. To site an instance, in Main Mehsi villages the SHELL buttons are sold to businessmen at Rs. 15 for every 1000 buttons. The businessmen do machine polishing and sells at Rs.1000 for every 1000 buttons to the end users who are mainly big clothing factories and international traders. This signifies the necessity of value addition to the existing jobs and highlights the importance of collective effort from NEED, local administration as well as villagers to grab the principal opportunity.

Arun Kumar, USA

Women Empowerment: A Glimpse From Uttar Pradesh

Mahmoodabad district in Eastern U.P is located approximately 65Km from the capital, Lucknow. It's one of the many less developed regions of Northern India with agriculture as the main source of income. Peppermint is the prominent cultivation in these areas and Mahmoodabad accounts for about 90% of total country's production. Over dependence on agriculture made the villagers constantly vulnerable to the vagaries of nature and changing economic conditions. To supplement their income, villagers are often forced to work as daily labourers involving hard physical labour depriving them of a regular source of income to sustain their livelihood. This also had a ripple effect on the lives of their children, who were often forced to drop out from the school and take up odd jobs to support their family. To have an uninterrupted income, rural poor needs to be more self-reliant by running their own enterprises. This can be achieved only by imparting necessary skills required for creating a sustainable enterprise. The various schemes of microfinance organisations that encourage rural poor to run social and sustainable enterprises are considered an important milestone in this direction.

Why Women's Empowerment?

NEED (Network of Entrepreneurship and Economic Development), an NGO is a pioneer among many Microfinance Institutions operating in rural villages of India. NEED is primarily focused on empowering women folks by providing technical training and monetary support through loans for transforming them into social entrepreneurs. Since inception in 1995, NEED initiated the revival of many traditional craft works like Chikankari and Zardozi (traditional design embroidery on clothes), which are unique to Lucknow and surrounding areas of U.P. NEED penetrated the villages through the formation of small sized women groups called Self Help Groups (SHGs) and Joint Liability Groups (JLGs) with 12-15 and 4-6 members respectively. These groups are trained by NEED and given

monetary support for sustaining each other through small scale businesses operations.

I visited two villages in Mahmoodabad (Ramulpur & Khasiapur) to study the activities of NEED and the changes that occurred in the lives of rural poor. Both villages were adopted by NEED, and women folks in the age group of 18-30 were given training for running own enterprises to generate additional income. I interviewed many women group members who are part of SHGs and JLGs running their own enterprises and supporting their families. Some are doing Chikankari and Zardozi works, where as others are involved in running small shops, school canteens and even primary level schools. Most of these women folks are associated with NEED for over 5 years with some even taking repeat loans for expanding or venturing into new businesses.

Interviews in Ramuipur Village :-

In Ramuipur village, NEED operates around 8 SHGs with membership of around 130 women engaged in various activities of traditional craft works, shops, canteens as well as schools.

Mrs. Gita Rathore (Meera SHG, 12 members)

Gender-Female

Age – 30

Relationship - Borrower

Before associating with NEED, Mrs. Gita Rathore and her husband were daily wage laborers barely managing to meet the requirements of the family. From 2005 onwards, she started working with NEED as a SHG member and was promoted to Group Pradhan (Leader). She has undergone skill training from NEED in zardozi crafts and took a loan of Rs.20,000/- to establish a business in her house. In 2008 she took another loan of Rs.25,000/- for establishing canteen business in nearby college. Currently her husband runs the Canteen business, with a monthly earnings of Rs. 3000/-. She is now well established and from both the income source, she is able to manage her family as well as educate her children.

Mrs. Anjini (Ragini SHG, 14 members)

Gender – Female

Age – 25

Relationship - Borrower

Mrs. Anjini, like many other villagers, was working as a daily labourer earning a measly amount of Rs. 40-60 a day. Her husband worked as a plumber but was not able to make sufficient money to meet the family needs. In 2008, she took a loan of Rs.10,000 from NEED and bought livestock (cows & buffaloes). By selling milk she started earning Rs.3,000 monthly and was able to retain Rs.2,471/- after paying the interest to NEED. After being successful in her first venture, she took a second loan of Rs.20,000 for entering into two businesses – one for starting a general store and another for starting Zardozi work. From these two businesses she was able to earn an additional Rs.2,500/- and could retain Rs.3,671/- monthly after paying the interest. Her supplementary sources of income helped in managing family needs as well as sending her children to school. Currently she is the group leader of Ragini SHG and works full time to spread awareness among other women folks in villages on the benefits of NEED's microfinance program.

Mrs. Nirmala (SHG Leader)

Gender – Female

Age – 43

Relationship - Borrower

The story of Mrs. Nirmala is of courage and determination fighting all odds in her life. She and her husband were involved in carpentry jobs and other small works under different government schemes. After her husband's death in 2001, she struggled to meet her family needs and children's education. In this part of the village, schooling was inaccessible as the nearest school is 5 kms away and poor families could not afford to send their children to faraway places. Mrs. Nirmala saw the necessity of a village school and decided to start one on her own. Thus in 2004, she took a small loan of Rs.5,000/- from NEED and started a kindergarten in her backyard. NEED was also kind enough to provide necessary furniture - chairs and tables at free of

cost. In subsequent years she took loans for Rs. 15,000/-, Rs. 20,000 and Rs. 25,000 and improved the infrastructure by increasing the classes to 5th Standard. Currently the school follows Hindi medium under U.P board and has a class size of around 40 students and she hope that it will touch 60 in the next academic year. With NEED's loan, she also purchased a nearby land area for opening an English Medium school.

With NEED's support she could not only support her family, but was able to give much needed schooling to poor children in the village. Currently the school is managed by her son Mr. Roshan, who is the principal supported by three other teaching staffs.

I met many women folks in Ramuipur village, who are successful in running their own social enterprises with the support of NEED. They are involved in running various enterprises like vegetable shops, Zardozi & Chikankari works, livestock, kirana shops etc. Most of them have taken loans more than once and are expanding or planning to expand their businesses in diverse areas.

Livelihood Project in Khasiapur village:

Livelihood projects are aimed at enhancing the living standards of rural poor with the help of partner organisations. In khasiapur village NEED is working with M/s. Khadi village and Industries (A government organisation) for improving the livelihood of rural women folks. Before this project most of the women were involved in Chikankari works, through two NEED SHGs – Pragati and Santoshi. But the women folks were often cheated by unscrupulous middle men who source the finished product at cheap money.

“We used to do Chikankari works for 8-10 hrs and were paid a pittance of Rs.50/- only. It was a laborious job straining our eyes and fingers and we had no other ability to earn money” – Mrs. Anitadevi of Pragati SHG”

As a livelihood project, NEED along with M/s. Khadi Village and Industries launched a scheme for making thread from cotton bales. On a pilot basis, 15 charkhas (hand weaving machine for making thread) bought by NEED at the cost of Rs.25, 000/- were introduced in the

villages. M/s. Khadi village industries deputed their trainer for giving skill training to women. The woven threads were later collected by M/s. Khadi village industries at Rs. 80/- a kilo on a 15 days interval period. An adept woman can make one kilo of thread in 5 hours and can earn better in less time without any strain on her health.

Organizational Challenges :

In the initial periods, NEED as an organisation faced huge challenges in implementing various schemes among the rural women population. Traditionally women in rural areas are confined to their houses and are not allowed to mingle with other castes and men outside their family. Apart from these rigid social customs and caste taboos, local villagers were already burdened with other loans taken from local money lenders at exorbitant rates. Villagers, particularly women, were more interested in quicker earnings and not a long term venture. Also lack of proper education made them inaccessible to the outside world and they were insulated from the best practices followed in neighboring areas.

NEED adopted the strategy of employing field and loan officers from the villages and trained them in handling and distributing different schemes. These officers visited each household in the area of operation and educated the people of the importance of Microfinance schemes and the changes that could have brought in their life. Meetings and other awareness campaigns instilled a sense of pride and confidence among women folks for venturing into traditional and nontraditional businesses. Women folks and their family members were very much receptive to the idea of small sized, like minded groups of SHGs and JLGs. Also frequent health camps were conducted to win public support that eventually helped NEED to penetrate remote rural villages.

Women were trained and encouraged to start traditional businesses like Chikankari works, Zardozi, Livestock etc. Also nontraditional works like thread weaving using charkha, kirana shops, and vegetable shops were also promoted in large parts of rural areas.

Lessons Learned :

The poor were always considered as defaulters and were deprived of monetary support from various organisations. But NGOs like NEED have shown that by imparting necessary skills and providing adequate loans, the poor can also generate sufficient income for their well being. Such successful microfinance schemes will not only revive the fortunes of poor but also help in alleviating the poverty at the bottom of the pyramid.

Recommendations :

On interacting with villagers, I understand that various liabilities and unanticipated issues like accidents and medical emergencies drain them of their precious savings. To overcome such situations, villagers were often forced to take loan or borrow money from local money lenders pushing further down into the debt trap. The solution lies in providing a low cost medical or health insurance, which can be cross bundled along with the various microfinance schemes to moderate poor from the debt cycle.

Arun Kumar, USA

*Profit earned and shared with
poor clientele is the key to the success of micro-finance*

A Lively Report From The Ground :

I arrived at NEED on the 21st September 2009, fresh from graduating from the University of Leeds, where I had studied 'International Development with Economics (Period Abroad)'. My period abroad was spent at the University of Ghana, West Africa, which was my first 'real' experience of living and working in a developing country.

I believed on arrival at NEED I knew a fair amount about development- having studied it for three years- however although my studies have definitely stood me in good stead for working at NEED, the experience has taught me so much about the actual practicalities of working within development.

Lesson 1:

Creating positive social change requires a huge amount of commitment, dedication, belief and passion on behalf of the individuals behind the organisation. With NEED Anil Singh, (Ashoka Fellow) has these qualities in excess, he's a truly inspirational CEO of NEED committed 100% to its core beliefs and values. Nonetheless, this drive and passion would not have lead to where NEED is today without his loyal and incredibly kind wife Pushpa and the dedicated and ever expanding team behind him; they work endlessly for the cause of NEED.

Lesson 2 :

Sustainability of initiatives is the key- and comprises of the following key components:

Full community involvement (Bottom up development): in order for any project to be a success it must build upon the basic existing norms and ethics of the people it targets.

This can be exemplified by NEEDs work in the area's of health and education. It's community run health initiatives are ultimately powered by the commitment and dedication of the empowered women of NEED facilitated Self Help Groups (SHG). NEED operates through

these SHG to select, train and provide medical equipment to women who go on to become Village Health Guides, advocating good health practice, sanitation and administering minor treatment. These programmes have been a huge success and illustrate the potential behind these communities to shape their own development, with concurrent provision of relatively little inputs.

Secondly, the 16 Non Formal Education Centres that NEED has facilitated are an inspirational tribute to the women of the SHG's. I have been fortunate enough to visit Saraswati Girls' School- a shining example of community development at its best.

In 2002, three women from the Dasdoi SHG were selected and provided with teacher training from which they took the initiative to form a school. Dasdoi suffers from a total lack of education facilities available to the children of the village, and most particularly the girls of the community; the gross enrollment rate at the primary level is 60% for boys compared to 15% for girls in the district. When the school started it had just 30 pupils, but due to the hard work and dedication of the teachers this has grown to 190. The school now holds a 98% rate of pupils entering further education, and teaches to meet the national curriculum of the 'Uttar Pradesh Board'.

· A Holistic Approach: without addressing the complete needs of the community/ target group you wish to work with, the project will not be a success.

Prior to working at NEED, I had studied microfinance in some depth at University and was skeptical (for good reason) about its application and potential to reduce poverty. Nonetheless, I have been extremely happy to find that NEED is a pioneer in the field of service driven microfinance.

Through its unique service driven micro-finance approach; not only does it provide loans to rural women, it also ensures that this is done in a holistic manner, incorporating education, skill upgrading, and livelihood support; resulting in an empowered and mobilised collection of women, with subsequent access to financial institutions, to ensure the sustainability of these successes.

This model of micro-finance is pro-poor driven, micro finance institutions as a whole should take note of this strategy and follow suit.

Bottom up development is not enough. In the era of globalisation and multinational organisations and institutions, solely focusing on the achievement of bottom up development is a fruitless pursuit. Instead what is needed is a symbiosis of those at the top levels of policy and influence with those at the grassroots. In this manner the pro-poor structures needed to facilitate development at the grassroots can be put in place, in return those at the grassroots become empowered change agents able to influence economical, political and social spheres of society. In essence this is what NEED sets out to achieve in its 'facilitator role'.

The women that I have met through NEED have all had an inspiring, motivational, entrepreneurial spirit that deserves to be kindled, in this respect it calls all humanity to act in a manner that will ensure the promotion of women's livelihoods and opportunities, so that their true potential can be reached.

With these lessons learnt, I am heading back to the UK. Nonetheless this does not signal the end of my association with NEED, I shall continue to advocate and work on behalf of NEED from the UK. Currently I am arranging Mr. Anil Singh's visit to the UK where he is hoping to raise awareness and funds for the good cause of NEED. I have a feeling NEED is about to become a leading International NGO even while it remains local. However, in the meantime I can only express my heartfelt thanks to all those associated with NEED for the good work they do and for making me feel so welcome, and I must of course express this thanks even further to Anil and Pushpa who have welcomed me into their family as if I was a long lost member- its been a truly humbling experience!

Kim Harris, UK

A Report About NEED

I arrived in Lucknow Saturday the 18 of April at 9 in the evening after a six hour train ride from Varanasi and another MFI –Cashpor. I got a very warm welcome at the station from Mr Mahendra Singh Gailakoti, Development Manager cum Executive Secretary to CEO, although I was one hour late on a Saturday evening. Mahendra guided me and my rickshaw driver to Shiva Guest house where I would spend the following four nights.

Sunday was partly spent in the very hot city centre, partly reading the material from NEED that I was provided by Mahendra - a perfect preparation for the days to come.

At 11.30 on Monday morning I got picked up at the guest house by a driver from the NEED- office. At noon I arrived at NEED in Indira Nagar, approximately a half hour drive from the city centre. At my arrival I was greeted by a very cheerful receptionist. I met Mr. Anil Singh- CEO, and he soon introduced me to Mrs. Pushpa Singh, who showed me around the training centre. At the training centre I met with eight women working with jute handicrafts. At the centre they have the opportunity to develop their skills and get feedback from the skilled staff if needed.

I followed Mrs Singh up to the show room where a large number of both jute and chicken kari –products are on display in a very tasteful fashion. After a very inspiring hour or so of shopping I met up with Mr. Anil Singh again for a tour of the rest of the office. Having seen a lot of different offices in my days I must say that it is not often that you see so many happy faces.

After lunch Mr. Anil Singh gave me a presentation of the organisation starting with NEED's basic pro-poor approach. At three in the afternoon I accompanied Mr. Kumar (Finance Manager) and Amit (Unit manager) to visit three joint liability groups. Two chicken kari –groups and one bakery shop. The monthly income that seemed to be the most common was around 3000 Rs/ month.

Compare this with the income of a tea plucker in Darjeeling- who

earns roughly Rs.1700 a month.

On Tuesday I was picked up by Amit at 10.30 in the morning. First we visited a pickle-, juice- and sweet producer in a suburb to Lucknow that employed five people. They were very happy with their business and thought that it would continue to grow in the near future.

On our way back to the office we visited a figurine maker and painter in Indira Nagar. Ayodhya Prasad told me that the business provides income to seven people. Their JLG is on their fourth loan cycle with NEED.

After lunch at the office Mr. Anil Singh's presentation continued with more specifics and numbers. Among other things Mr. Singh shared his thoughts on MFIs in general, and Fair Trade. One criticism that Mr. Singh shared when it comes to many of NEED's MFI-colleagues is that they often do not adapt to the everyday life of the poor family in India. As an example he gave the routine of weekly collecting of disbursements. A farmer does not have the time to spend two hours every week in a non-productive meeting. On top of that Mr Singh mentioned the security problem in carrying cash, which has already cost many MFI staff their lives.

When it comes to Fair Trade in general and WFTO in specific, the Founder and CEO have very strong opinions. Mr. Singh seeks a more logical relationship between the annual fee paid to the organisation and the market access that for example NEED gets as for being a member. In this case he is of the opinion that FTF-USA both has a more reasonable fee and provides a greater market access than WFTO. This is an opinion that Mr. Singh has brought to the attention of WFTO-Asia.

All and all the visit in Lucknow and at NEED has been very inspiring. NEED seems to be perfectly competent to cover three of my biggest interests, entrepreneurship (capacity building, micro financing and fair trade. Talking about the latter, it is very refreshing to share such strong, yet constructive thoughts on the Fair Trade business in general and WFTO in specific. The hospitality and transparency from NEED and Lucknow are some of the other things that I won't

forget.

To conclude my two MFI- visits in Uttra Praesh, Cashpor and NEED, it is perfectly clear that the MFI- landscape holds more than one type of species. Cashpor- a MFI working with a very strict targeting focused on the poorest of the poor. If the client falls out of the targeting Cashpor wants to help more of the poorest of the poor rather than keeping the client. Cashpor is also an organisation specialised in micro loans.

NEED on the other hand has a broader approach. At the base they have their capacity building programs. Further more they have the MFI and an entrepreneurship network to help their clients to market their products.

I think that different approaches focused on different methods and different clients are totally essential for effective poverty reduction. If I could wish for something I would wish for a closer network of the different MFI- initiatives so that a client that falls out of one MFI's targeting does not fall between the chairs.

When it comes to the western countries in general and Sweden specifically I think it is time to broaden the public's perception on MFIs. More versatile knowledge about MFIs would be a great tool to attract more of the essential funds needed to provide the nearly five hundred million Indians that are excluded from the bank's credit and securities.

Again, many thanks for the great hospitality that made my stay in Lucknow unforgettable!

Many thanks and regards to the whole NEED- family,

Charlie Aronsson, Stockholm

My Report From The Ground.....

My encounter with NEED resulted when I first got in touch with a National Bank of Agriculture and Rural Development (NABARD) official about a case study with their loan linkage programme, which is assessed to be the largest in the world. Since NABARD is not directly into micro-lending, they recommended that I work with one of their partner NGOs who are much active on the microfinance front. And so NEED was recommended to me as the case study which was a part of my dissertation project on, “The Political Economy of Microfinance: Case studies from South Asia” at the Zurich University.

Having arrived in Lucknow in October 2010, this was my first visit to India and though I spoke near perfect Hindi, I was in for the most arduous, eye opening yet very enriching and thought provoking experience of my life. The two months that I would spend in the States of UP and Bihar, getting to know the staff of NEED and their clients and their families, would indeed be a very different learning experience than what I had till now learned in the Academia.

Initially I intended to draw a sample of some 50 households from the rural and urban UP and conduct interviews with the women borrowers and their male guardians/ spouse to see how (and who) the micro lending operations of NEED are hindered (hinders) or aided (aids) given the whole societal, communal and familial set up. However, the CEO of NEED, Mr. Anil Singh, insisted that I draw at least some 20% of the data from the adjoining state of Bihar as part of their interest (and compensation) for helping me out for my work with them. Though I was a little hesitant (due to lack of funds and time) of this, I eventually gave in to his suggestion and today am happy to have done so.

I spent the next 9-10 weeks visiting the clients and having in depth interviews with them and their spouses/ male guardians. I started with the sub urban slums of Lucknow in Alambaagh and Jankipuram. From there I moved on to rural Mehmoodabad in the Sitapur district, where I was confronted with a totally different set up and peer

dynamics than in the sub urban set up.

Many things were simply mind boggling and like almost everything I saw in India, they were amazing and disturbing at the same time. The fact that living conditions in the rural front were very different from that of the urban; like having no running water or the simple comfort of having a toilet in your house or where electricity is supplied for only a couple of hours in a day. The loan officers (livelihood support advisors (LSAs) who were appointed to work in the areas were usually not from the area themselves, nonetheless, it was simply humbling and commendable to see how hard and long they worked under such conditions. Their workdays were sometimes 10-12 hours long and very often they had to forgo their weekends if they were to have the collections on time, as microfinance is a very tough market, needing a lot of surveillance and a day's delay could result in loss of collections. Moreover, in contrast to the suburban UP, where NEED basically lent to joint liability groups (JLGs), the rural areas were approached mostly with better interest rates for the loans to the already established self help group (SHG). Microfinance aside, the SHG formation served the purpose of awareness, confidence building and community development among the women in particular much better than did the JLG lending alone.

What fascinated me most were the mobility and the will power of the rural women. I had not expected the rural women to cover such great distances in a day as they did and more so not expected to see rural women on cycles and motor cycles. In addition most of the women clients of NEED were simply champions in survival. Despite illiteracy and familial obligations, their ambition to be a source of financial support for themselves and their families was simply praiseworthy. Many of them had had little opportunity to really realise their true potential in life. With the membership in SHGs and access to credit, for the first time most of them had at least the hope or the opportunity to do something which they would otherwise have missed on. Women clients who were in their second loan cycles also got to see and realise what it means to save and invest in asset building, some could afford to send their children to school who were otherwise

labouring away their childhood to get miserly loans for the hard work that they had to do.

The scenario in rural Bihar was again very different from that of rural UP that I had experienced. The traditional set up in most of the villages did not allow most of the women to step outside their homes for everyday errands or anything else. This had to be taken into account by the NEED employees and they accordingly made amendments but did not let the patriarchal set up dampen their motivation of targeting mostly women as potential clients. A pleasant change that I came across in Bihar was that most of the LSAs there were women in contrast to those in UP, although one would expect the opposite. The LSAs work is not an easy one, as one very enterprising LSA in Bihar admitted that they had to be extremely patient when dealing with clients or potential clients in the areas of operation and always be mentally prepared, that should things could get out of hand and they be provoked, they had to have very good control over their nerves not to mess things further. I was very impressed with the sensitivity and empathy that they showed to the clients and the respect that all the local rural clients had shown them every time they visited their villages. No wonder that repayments in Bihar were 100 per cent. Bihar lacked the rural financial infrastructure even more so for the poorer strata of the society and any such endeavours for the poorer communities were more than welcome.

Now back in Switzerland and looking back at the past two and a half months of my stay in India and NEED in particular, I can definitely say that the support and the openness that NEED had shown to me in aiding my work and in getting to know their work and their clients and staff could not have been any better. The staff and management went out of their way to help me in studying their organisation and learning from them. I gained and learned immensely from all the discussions with the senior and middle management and also from the ground staff. Personally I would always cherish the experience and am very thankful to Mr. Singh for making sure that I be fully involved in all that went on with the organisation during my stay there. I wish the entire team and staff of NEED all the best for their

How they did it

future efforts and hope to visit them again sometime in future.

**Prof. Aliya Khawari, FROM UNIVERSITY OF
ZURICH, SWITZERLAND**

*Micro-Finance without striking balance
with livelihoods & micro-enterprises
is like building castles on air.*

Family with A Human Touch

Dear NEED Family,

I was so impressed with your work during my two week visit to Lucknow this past month. Having studied development and micro-finance, but never seeing the implementation, I was quite impressed by the procedures and standardised processes that result in such high repayment rates. I was also amazed by the impact that your small loans had on the residents of the villages where you have operations. Being able to visit Kakori and meet with some of those who had requested loans and being able to hear how they planned to use the proceeds was very interesting and informativ.

My earlier profession were only agriculture laborer and I spend my whole year in labor work even in extreme summer and cold, but returning were just Rs. 50/ Day. In that much of amount, it was very difficult to run the family. Even my husband's earning was not sufficient for this purpose. Now, after taking the training from VST,NEED, I can earn at least Rs. 1000 per week even in slack season and now I am the owner of my family due to the skill got from VST, NEED.

– Shiv Devi

And, reflecting on my entire visit to Lucknow and surrounding villages, I was struck by the entrepreneurial spirit that exists among the residents. Both in the city and in the villages, I realised that entrepreneurship was widespread and that in many cases such spirit was depressed only by lack of access to capital. As someone who works in finance by trade, micro-finance as a method to accelerate growth from the bottom-up is very compelling. Not only do these loans enable villagers to start micro-enterprises to supplement their incomes and improve their quality of life, but also introduce these people to the formal sector and facilitate their access to other services, including education and health provided by NEED and others.

My husband does some labour works in Mumbai and he sends some amount for sustaining the life of my family, but he has lots of bad habits and he cannot send me enough money for our life sustainability. Three months before, it was difficult for me even to feed my children and always there were scarcity of money in my family. Now, after taking training from VST, NEED I have installed Zardogi frame in my house and I can earn enough money to run my family. Since last two months my husband has not given me a rupee, because I have not demanded for that, but I don't have any problem.

-Kamar Jahan

I was also able to witness how the loan process, due in large part to Equity's very well-structured procedures, imposes a certain rigour to the business development process. Given the scarcity of capital available to

How they did it

village residents, maximising the chance of success of each new micro-enterprise is critical. Equity's loan officers critically assess each proposal to ensure that a new business has a strong chance of success and that loan repayment will not be too burdensome.

While I had most knowledge of micro-finance, I was very interested to learn about NEED's other areas of focus, including capacity-building, fair trade, health and education. The whole NEED team does a tremendous job and is to be commended for the outstanding work they do to improve the quality of life of residents in Lucknow and surrounding areas. I look forward to visiting again in the future.

Best regards,

Peter Spring, Bain Capital, LLC, Boston, USA

*Distorted supply chain of institutional credit in
MFI paralyses the spirit of serving poor community*

Experience at NEED

Being back in Lucknow is always a wonderful time for me, having spent most of my growing up years in the city but this time it was different, I was here to volunteer for NEED Garmeen Equity. This being my first stint with any NGO I didn't have an exact idea of how an NGO works and landed up in Lucknow with a vague expectation of having helped them to set up a MIS, which is what I had a discussion with Mr. Anil Singh while deciding on the project.

Having settled down in office I had a chance to meet the MIS team and the amicable staff at NEED. It was a truly humbling experience to meet these people working hard towards the goal that NEED has set out for itself to achieve. I realized quite early that despite some work experience in the field of software I wouldn't be able to contribute effectively to the development exercise as the software was still in testing stages so I limited myself to helping the team with a few tests and in understanding the basics of how modules should work. So in effect to keep myself involved in other works that NEED was involved in I helped edit sections of a forthcoming book on Experiences in Micro Finance. It was a new challenge to me and I had a great learning opportunity of doing work that I would not have done in case of my regular corporate life. The cases also helped me appreciate better the work that NEED has put into helping the people of the community and success stories that they have come up with. A really relevant point of this observation was my community visit day when I interacted with the people who had taken loans from NEED in the last year and the difference the help has made to their lives. Having lived in Lucknow for years this hidden Lucknow with its problems was a true eye opener for me and it heartened me that I could in whatever small way help their cause by being associated with NEED.

The overall stay of a month at NEED was a truly cherished moment of my life and I hope the observations and the experience that I have had during this month stay with me for the time to come. I will be looking forward to maintaining my connection with NEED and be of any help or volunteer again at some later date when circumstance

How they did it

permit. Here's wishing the entire team at NEED good luck in their endeavour!

Anil Yadav, IITK, IIML from Lehman Brothers, USA

*Micro-Finance without insurance is just like
missing woods from the jungle*

Field Study of NEED Operations

Objective :

I visited NEED offices in Lucknow and Sitapur as part of my Ph.D. research project. The objective was to understand how social enterprises work in resource constrained environments to innovate and create social value.

Process :

The research involved interviews with employees and field visits to understand how a social enterprise works and learns to improve performance over a period of time.

Since the data collection process for my thesis is still in progress, the data gathered from NEED will subsequently be analysed in light of extant literature and data from other organization. Therefore, the following observations and recommendations reflect my field experience and observations of activities of the social enterprise, rather than in-depth data analysis.

Observations :

Starting with the objective of social development through economic advancement, NEED has made progressive movement towards multi-pronged programmes to support holistic community development. Identifying that social problems are multi-faceted and inter-related, NEED has developed multiple programmes to address them: microfinance, economic development, health, education and agriculture. NEED has used Self Help Groups (SHGs) as channels through which these programmes are implemented. Currently NEED operates through more than 300 SHGs in 90 villages of Mehmoodabad, Sitapur with more than 90% of households covered through SHGs and microfinance in each village.

The programme in Mehmoodabad is well organized and employees are committed towards social development. In my interactions, high level of ownership of the programme was visible, especially in employees who have been in the organization for a longer

period of time. They take initiatives and make special efforts for the programme to perform better. Employees extensively engage with the community and the success of the programme depends to a great extent on the relationships they maintain with the community. Their extensive knowledge about the community is admirable. At the same time, on the organizational front, the reporting formats provide a good measure of performance. One of the critical aspects for the success of a social enterprise in their domain, which NEED has effectively tapped, is inclusion of local people in programme implementation and sometimes further development. For instance, the village health guides and SHG coordinators are women from the local community. NEED has identified the right community structure in SHGs as single channels through which programmes can be effectively implemented.

Recommendations for improving the programme scope and performance

Economic development and microfinance

- While the enterprise has developed channels to provide economic support to rural artisans, the to-the-market link in the chain needs attention. The artisans have to make their own connections to the market which may provide difficulties in terms of getting the right price. There can be two ways in which this can be resolved:
- Identification of a few nodal people in villages who can negotiate with retailers in the market and bring back the right price, preferably SHG members, elected through common voting.
- NEED taking active role as an intermediary to the market and providing a platform for rural artisans to sell their products to, which can be sold to market through a common brand name (similar to other fair trade organizations).
- Health
- Currently the VHGs have been trained chiefly for female reproductive health. In addition they can be trained to train the community for preventive care for several water-borne diseases and other epidemics that occur during particular seasons.

Education:

- The education sector needs much more focus. This is an area where

NEED can develop further interventions.

- I noticed that in certain Muslim dominated communities, the girls had dropped out of school after class fifth since there were no senior schools within the area and they were not allowed to leave the village. This can be an area where the organization can plug holes through their SHG based interventions where probably informal schools affiliated to bigger schools can be developed for education of these girls.
- In addition, NEED can also work in the direction of adult education through its training centre or decentralised SHG based instruction. The need for education in adults can be developed by attaching it as a condition (not compulsory) for getting microloans.
- Another area of activity for NEED is assessment of the quality of education in village schools and developing SHG based interventions for improving it.

General recommendations:

- For an organization to improve performance, it is necessary that it shares learning across all employees. In an informal work environment like NEED, development of informal interest groups supported by the organization would enable knowledge sharing to a great extent. As of now, learning interactions occur between people who either know each other well or proactively share information with others. Through the development of such informal groups (similar to SHGs on the field) where membership is voluntary and people meet once a month to share their field experiences as well as have informal discussions which can then be ploughed back into the organization. These groups can start at individual office level and then can be coordinated across the offices and may include the expert community members and some professionals.
- Development of other knowledge sharing platforms is also essential for sharing information across the organization. Currently it occurs primarily through individuals who move across different locations, and official meetings. Having some kind of a common platform purely for knowledge sharing perspective can be developed.
 - o Making the employees visit other organizations with similar objectives also helps a great deal in getting useful knowledge and information which can be translated on the ground. As of now, this is happening, but is not a regular feature. Converting it into a regular feature or activity for the organization can enable get

relevant information into the enterprise.

Ankita Tandon, Doctoral Student, IIM, Kozhikode

I, Himadri Gangwar, a PGP1 student from Indian Institute of Management , Indore, got an opportunity to work with NEED for a period of one week as part of my curriculum. I was highly impressed with the warmth I received from Mr. Anil K. Singh and his team right from day 1.

Initially, I was unaware of how microfinance was used to improve the living conditions of the poor. During one week's time I studied the approach followed by NEED for bringing about social change through its pro-poor driven and holistic activities.

The unique feature about NEED is the holistic approach it follows. Not only does it lend funds to the rural women through its micro finance service but also it looks after their education, health, skill upgradation and livelihood support. Girls and women, who were previously considered as liabilities by their families are now earning the bread and butter for their family because of the support they received from NEED.

The staff members at NEED were extremely cordial and co-operative and they readily furnished the information I needed. They are very passionate about the cause they are working for. It was indeed a great learning experience.

Himadri Gangwar, IIM Indore

Earn while Educate

In the North Indian state of Uttar Pradesh where around 80 percent of population lives in rural surroundings with less than 53 percent literacy, the Self Help Groups (SHGs) took the responsibility of educating the village children. These SHGs are running 16 schools in Lucknow, Sitapur, Fatehpur and Sonebhadra districts of the state. Solely owned and managed by SHGs, these schools have helped many rural children, especially girls, in joining the mainstream of development, besides giving job opportunities to village women.

The Area of Case Study:

The case study that has been taken up here is from village Dasdoi in the Kakori block of Lucknow – the capital of Uttar Pradesh. Kakori is around 25 kilometres away from the city Lucknow. Famous for its culinary delicacy Kakori Kebabs, the place has nothing to offer except mango orchards, which provide seasonal employment to majority of dwellers of the area. The population in this remote area is dominated by minority and low caste or backward communities, which are facing the brunt of poverty and illiteracy. Due to illiteracy, there is gender discrimination and girls are not allowed to go out for studies. There is only one secondary level school at a distance of five kilometres but it is only for boys.

The Situation Gets Identified:

A Lucknow based voluntary organisation Network of Entrepreneurship and Economic Development (popularly known by its acronym NEED) –which functions as a forum for livelihood and micro finance development – started working with rural women in the Kakori block of Lucknow district in 2002. The work basically aimed at mobilising the rural people and getting them organised and united. "Till the time the village people are unorganised, they remain at the receiving end as everyone tries to take advantage of them", says Anil K Singh, the Chief Executive Officer of NEED.

The Self Help Groups (SHGs), which came into existence, aimed not only at saving money and get micro finance/credit for setting up

businesses but their focus was to function as small common cohesive groups to go for multi-sectored activities for the development of the society.

There was no specific project in sight at the time these SHGs were formed. It took five years for the groups to come out of their cocoons and stand on their feet with no support. Instead of helping the SHGs with micro-finance and loans, NEED focused on developing the human resource and created space for the villagers' to play their role of responsibilities. The organisation did not thrust the SHGs with a pre-conceived project and it did not compel them to work under pre-determined programme schedule formulated by the organisation, either. On the contrary, the villagers were asked to prioritise their needs and suggest what they would like to work on.

The members of ten SHGs of the area zeroed in on the need for a school for girls. "Most of us are illiterate and could do nothing in our lives. We don't want to see our daughters leading the same lives", says Ramkali, one of the members of Savitri SHG.

The Partners:

NEED worked as a catalyst for bringing together the unorganised sector with the market forces of the organised sector. The volunteers familiarised the villagers with their hidden potential and motivated them to act for their own welfare. Once the demand of a school was placed before NEED, it did everything to help the SHG fulfil their dream.

A US-based organisation Empower Foundation extended financial help for academics related expenditure of the schools. Gradually, Japan Embassy pitched in by offering financial help to polish the vocational skills of the students and their parents so that they could streamline their economical situation and make a base for future earnings.

The SHG members motivated the village people to contribute in whatever way they could. If Panchayat helped the SHG with a 5,000 square feet piece of land for the school building, the villagers happily shared the burden of physical labour in the construction work. The

Panchayat also shelled out Rs 18,000 for getting installed a hand pump in the school premises.

Project Implementation:

It was not an easy job to convince the village parents who were bound by their orthodox thinking and set ideas regarding ways to raise girl children. The SHG members played their role and went door to door talking to parents counselling them. Initially, the villagers agreed for a pre-school set-up, which they asserted should function in one of the SHG member's house. Anita Pal—the daughter in law of the village Lekhpal—who has class twelfth degree—volunteered to start an Anganwadi in her home. Children who did not go to any school came to this local village kindergarten. In order to inculcate a feeling of ownership, the parents were asked to pay a token amount of Rs 10 per month as "support" for the Anganwadi. The money was utilised in arranging the bare necessities for the Anganwadi. The teachers of this Anganwadi got their salaries from NEED, which meanwhile got a few SHG members trained as teachers.

After attaining the puberty, it was very difficult for me to attain my classes or any functions during the Menstruation Period. It was because, due to high cost of Sanitary Napkins in the market, I was forced to use unhygienic cloths during that period. But now, it is very easy for me to use Napkins at very reasonable price and it has happened only through the health programme of NEED's micro-finance-

-Seema

Along with running the Anganwadi, these SHG members continued their pursuit to motivate the villagers to make them understand the importance of education for their children.

The hard work of the SHG members paid dividends and with the help of NEED and other funding agencies, Saraswati Kanya Vidyalaya (Saraswati Girls' School) came into existence in 2006-2007. It gave primary to secondary education to girl students. The school was completely owned and run by the SHG members. The SHGs or the school owners started charging a nominal fee from the students. From nursery to secondary the fee ranged from Rs 30 to Rs 50 per month.

Within a year, the SHGs decided that they wanted to upgrade the school and were also willing to make it into a co-education institution so that many boys, who could not go to schools due to long distances,

could learn in this school. From next year, the school became a co-educational institution. However, the boys could study only till class 8th whereas for girls the school was upgraded to High School (Class 10th). Children from 8-9 villages of the vicinity are coming to this school.

The school is till class tenth but only girls are privileged to appear for High School board examinations

From last two sessions, the girl students are appearing for High School examination from the Uttar Pradesh Board. The syllabus that the school has adopted is based on the pattern of education system in the government schools so that students who wanted to continue their studies did not face any problem when they got admission in other schools for further studies.

The school also focuses on overall growth of the children. Some of the regular activities of the school, apart from academics, are --

- Parents-Teachers meeting to solve the problems of parents and students.
- Regular staff meetings to solve the problems of the school and plan for future activities.
- Organise extra-curricular activities on Saturdays for the overall development of students.
- Special attention on personal health and hygiene of students.
- Collaboration with another school of nearby area for the board exams of class VIII girls.
- Exposure visits of students to different places in the city to widen their knowledge.
- Celebrating all national festivals and days of national importance.
- Active participation in polio campaigns by helping the local Primary Health Centre (PHC).
- There are regular teachers' exchange programmes, in which teachers from one districts visit the schools in other districts and

learn from each other. Teachers have been to Delhi also for their training.

- The school remains open even during summer and winter holidays. This time is utilised for raising awareness on health, education and gender issues and also for motivating the rural folks.

The school has formed Village Education Committee (VEC) which maintains the finances. It has an account also in the local branch of a nationalised bank in Kakori block. The money collected by the fee is used for distributing teachers' salaries and for organising festivals and functions in school and for excursion trips of the students.

Children in Saraswati Kanya Vidyalaya not only study but also play while village women share with them a few words of wisdom.

Seeing the overwhelming response of villagers and keeping their paying capacity in mind, the VEC has taken some decisions –

1. On four children of a family, education of one child is free.
2. On five children of a family, education of two children is free.

Testimonials:

Anita Pal–Teacher/Principal: I am a teacher at Saraswati Kanya Vidyalaya and also a member/treasurer of Savitri SHG, which consists of 15 members. Initially when I started going to school, everyone in the village ridiculed me saying ``she is the daughter-in-law of Lekhpal, still she needs to go out of her home and work to earn money". It used to hurt me initially but I was determined not to give up the responsibility which I had taken up, therefore I continued. Today, everyone respects me and is eager to help me improve this school which functions with a strong drive that none of the girl child should remain uneducated in this area.

Jyoti Yadav–Student: I come from nearby village to study in this school. I am made to feel important as I am given opportunities to participate in all activities. I aspire to continue my studies so that one day I can also become a teacher and educate other girls of my village.

Ramdas–Parent: I am an illiterate father of 5 children. We have small landholding and cannot educate all our children, therefore I sent my sons to school but kept the girls at home. But now, for last one year I have started sending my daughters also to this school. I feel overwhelmed when my daughters teach me different things and talk sensible things. I now motivate my friends to make sure that they send their children, especially girls, to school.

Result:

Today this SHG run school in Kakori block of Lucknow District, has 190 children and five teachers – three women two men. On an average 10 girls pass class tenth from this school every year. The school has given jobs to many rural women who are teaching in these schools and are now adding to their family income. The SHGs charge a nominal fee from the students, which they can afford. This money is used for running the school as well as for future savings to be utilised for up grading the school. NEED is now only a catalyst and is being consulted only when there is a need for some guidance.

I am from the religion, where the veal tradition is very dominant even in this scenario. Zardogi was my dream since my childhood, but due to that tradition, my father in my childhood and husband after my marriage had not allowed me to learn this trade by going on to the door of some one. When, I heard about VST, NEED I proposed my husband for my training at NEED center and he allowed me after the motivation from the staffs of VST. Now, I have fulfilled my dream and I have my own Zardogi center in my house and now I have started earn some reasonable amount.

- Rabia

Since teachers are the members of SHGs they talk not only of teaching but also about other issues like importance of savings and health. The members also promote the parents to become the SHG members.

With 90 percent result and almost zero percent drop-out rate, the school encouraged a private school in the vicinity to merge into this SHG run school. Considering the apparent success of this SHG run school and the metamorphosis of village women and girls, who are part of the school, other SHGs in the nearby villages have also started pressing demand before NEED for helping them set up similar schools in their areas.

Summery/conclusion:

The government of India announced its Sakshar Bharat Mission on September 8, when the Prime Minister Manmohan Singh said that a third of population in India is illiterate and half of the women cannot read or write. He had also committed on the occasion to involve communities, Panchayati Raj Institutions and women Self Help Groups in this endeavour.

Aiming to reduce illiteracy, Sakshar Bharat Mission is being considered an ideal model, which can be replicated anywhere all across the country. Besides giving jobs to many rural women, the project aims to prepare growing girls into literate citizens who can economically contribute to the development of the society.

These 16 schools in four districts of Uttar Pradesh are already doing what the Prime Minister is aiming at. With the help of public-private involvement, these Self Help Groups have become confident enough to run their schools on their own and educate not only girls but also educate boys and bring them to the main stream.

Alka Pande, Journalist

*Key to Micro-Finance product is
one's service driven attitude & aptitude*

SHG Way To Poor People Governance In NEED

Introduction:

This report aims to set out the way in which the Network for Entrepreneurship and Economic Development (NEED) has integrated the DFID driven PACS (Poorest Area Civil Society) project into its operations and how it is being delivered to the poor communities within our scope.

1. Initial Project Planning:

Our first step was to look at PACS from a wider viewpoint than the specific aims of the project itself. The aim of this was to move our thoughts away from the mechanicals of the project, in terms of resource allocation, budgets and so on and to look at it in terms of the wider development objectives and beliefs of NEED.

To this aim, we held a three-day brainstorm meeting for the ten member team who would be responsible for executing the project. The aim of this was to try to understand the challenges involved in implementing PACS within the vision, mission and objectives of NEED as a whole. We looked at how we could coordinate PACS project activity into our current initiatives and long-term organisational plans, integrating it into our overall strategy as a means to our overall objectives. We further analysed how we could ensure that our fundamental beliefs were adhered to in implementing the PACS project.

2. Project Execution:

We would like to draw out some of the main innovations which we feel have been key to the successful implementation of the project in our target areas.

2.1. Introducing a Savings Code of Ethics:

2.1.1. 'Added Value' of Savings:

We began with uniting and mobilising them into the people-

owned groups, with the primary aim just to get people within the villages talking to one another. We noticed that at first, the village women would get together at the buranda and huddle up into small sub-groups. In order to get the whole group thinking and working together, we encouraged them to sit in a circle, with a small space between each member. For larger groups, an inner circle could be created within.

NEED believes that...

- *Social development and entrepreneurship must be built on basic existing norms and ethics of people.*
- *A holistic approach must be determined in order to realize the entitlements of beneficiaries more effectively and to create a more sustainable path to social and economic development.*
- *The development of women-owned organisations is an indispensable strategy for strengthening the position of poor women; by increasing their achievements, promoting their priorities, assuring their entitlements, and securing their inclusion, organisation and above all, their sense of self-respect and dignity.*
- *Capitalising on existing resources, including government agencies and leadership at the community level is essential in developing responsible, cohesive interventions*

Slowly as the women talked, they developed an enthusiasm to share and work together. At this time, the Self Help Group started coming to life.

The next step was to introduce credit and savings not as purely a financial concept but from an experiential-based perspective. The groups discussed savings in terms of group behaviours and discipline and expressed that they did not want to coerce members to save, but rather that savings should be made with pride and dignity. Out of this the group came up with a code of ethics for their savings.

In order to meet the small savings requirements of the group, women began curtailing their and their families' expenditure on toxic and unnecessary things such as alcohol and tobacco. Initially, many

women found saving a pretty thankless task but slowly they came to realise that aside from the financial side itself, saving in this way was starting to provide some solutions to their family problems. Habits that had built up over generations, such as husbands' excessive drinking and associated domestic violence and abuse started to break away. Women and their families slowly started to realise the real added value of saving money that would otherwise lead to problems could be saved towards rewards.

2.1.2. Dignified Saving Procedure

Importance is placed on the physical way in which savings are brought and presented to the group. We noticed that women were uncurling or “uncrumpling” their savings out of a fold in their clothes and shyly or begrudgingly throwing it onto the table. They left the responsibility of keeping track of what they had saved and when up to the treasurer. We felt that they were not bringing their savings with the right attitude, that this was not yet another duty being forced upon the women but something that they should feel very proud about, something to enhance their self-esteem.

“I wanted to study further but after I completed my class 10th I was not allowed to continue with my studies as the school is far off and my parents refused to send me there.”

“My two elder sisters couldn't even complete their class eights, as the village school then was only upto grade eight they were also not send to the school in town; they both are married now. The younger sisters and my brother are still going to the village school.”

“Didi (sister) from NEED came to our home and talked to Amma and Baba (mother and father) but they did not agreed to sending me to the town school.”

-Rehana

Each was given a small handbag with two compartments, the large one of which was labelled for Savings and Credit. The idea was that transparency and pride should be brought into the process of handing over savings. Each woman carried their own passbook in the handbag, which they wore visibly over their shoulders. They were encouraged to stand up before presenting their savings, and proudly announce,

“My name is ... and I, being a member of the ... self help group, am hereby making a deposit of x .Rs for the month of...”

The two main effects of this were firstly that the physical act of saving became a dignified and respectful process and secondly, that

each woman remembered how much she had saved and when. She achieved greater ownership and pride in the act of saving.

2.1.3. Role and Status Enhancement:

We introduced an adapted process for the bi-monthly meetings. Amongst themselves, the group would select a committee of three women, the treasurer, the secretary and the president. They initially thought that whoever was appointed treasurer would be responsible for collecting the money and so on in the usual way. However, we introduced a system, whereby being appointed Treasurer, gave that women authority to delegate the role of counting the savings to another group member. The Secretary would have the responsibility of delegating recording the meeting to another member and the President would have the authority to invite others to speak on her behalf. We found two main benefits from this approach. Firstly, the women with the appointed roles felt empowered by the act of delegating responsibility. Secondly, the women who were chosen by the appointees felt immense pride and self-worth at being awarded the responsibility by their group member. In fact, this one small act had a young group member in tears of pride at being considered responsible by an older group member.

My "in laws" were always abused me and even my husband was also involved in that. it was because, I was not an earning member of the family due to my unemployment. Even my husband had threatened me to divorce. But now my condition has been changed due to my skill training, micro-finance and micro-enterprise business and several others inputs extended periodically by field team of NEED. Everybody including my family do now respect me. This has only been possible due to my earning through this enterprising self venture.

-Khuteeza

These 'rules' of conduct and ethics slowly become less of a formality within the group, as members come to realise all the additional benefits that they bring. The skills of collective leadership and the harmony of social cohesion become part of the Self Help Group culture.

2.3. Tools and Instruments to Micro-Credit Activity:

The learning and training manuals were designed to ensure that micro-credit development would be built on basic existing norms and ethics of people. Going beyond the purely financial definition of

savings, we developed tools which matched with the daily lives of the group.

2.3.1 Environmental Awareness and Sensitising:

After setting up the SHG, the development manager provides information and awareness to the women about their responsibilities towards their environment. This includes information about their responsibilities and rights towards safe infrastructure, clean and hygienic surroundings, education and their political rights. To get the groups thinking and talking about these kind of issues within the group, the following questions are put out for discussion:

- Why are you joining the SHG?
- What are the sources of savings?
- Which of these go beyond money?
- How long should the SHG be together for?
- How can the SHG serve your community?

The aim of this line of questioning was to get the members thinking about the additional powers that their SHG membership could bring—how they could use the SHG structure to better serve themselves and their communities.

2.3.2 The Passbook:

Bearing in mind issues regarding literacy, numeracy and awareness of formal system procedures and terminology, we have developed a set of SHG tools to help the group members record their activity. The format used has been designed to be similar to a bank passbook. These tools also play a key role in training and education in banking processes and in doing so, go some way towards reducing the fear that our target groups had of banks.

Group Savings Passbook:

The group savings passbook is given to the treasurer, with training on its use. It contains simple yet comprehensive tables to enter the group savings activity and loan disbursement as well as individual savings and loan disbursements. Simple instructions and a completed

example are provided at the start of each section to explain how each table should be completed.

This book also includes information on any external loans (to banks etc) requested or received by the group and individuals.

NEED check the group savings passbook every few months and provide guidance on completing it correctly if required.

Individual Savings Passbook:

Each individual has their own passbook and must record their own savings and loaning activity. In addition to recording how much they saved and when, groups also record their requests for loans, purpose of the loan and whether it was granted.

Group Record Book:

The group secretary is given a book in which to record the minutes of each group meeting. Again, step-by-step instructions are provided with examples for completion. The secretary records attendance and what is discussed for each meeting. This information includes requests for loans and their purpose, both within the group and externally, and whether they were granted.

Social Audit:

The scope of the passbook has now been extended to include a social audit section, aimed at monitoring and recording the wider impact which savings is having on the members' daily lives. This section gives space to record less quantifiable results such as the multiplier effect, progressive economic status' of members and how they feel about themselves, their families and communities and their future. Specifically, we aim to gain record of to what extent the process is reducing gender and domestic violence and abuse.

3. Expansion in the Group Role:

From day one, NEED has taken a conscious effort to develop the group structure as a self-sustaining body, rather than limiting it to just group inter-loaning. Development managers working in the field disseminate information regarding development activities; thus making sure the available knowledge reaches the villagers. They also

encourage village women to find their own solutions to community problems, rather than rely on state intervention. In this way, once poor, seemingly powerless individuals are able to bring about positive improvements in the governance, infrastructure and facilities in their area, from schools, to roads to utility supply.

Each SHG meets twice monthly. At one meeting, savings are deposited and loans and savings related issues are discussed. The second meeting is to discuss any other problems, issues and concerns that are affecting individuals, families or the community. This is the opportunity to share their problems with the group to come up with joint solutions. It also provides a forum to discuss ways in which they, together, can improve the quality of life in their community. These meetings have proved to be both vital and vibrant, with a range and depth of positive activity and social change arising that has been well beyond both the project scope and our anticipations.

3.1. SHG as a Path to Greater Political Representation:

A 'democratic network' structure is used to ensure the strong, democratic representation of marginalised villagers in issues that affect them. Each group of ten SHG's in an area elects a president to represent them at cluster level. Each cluster then elects a representative for their group at the association level (five clusters). The association therefore provides a very strong, democratic voice at the PRI level.

Each Association becomes a very democratically organised, community engendered representative body, with the power to act on behalf of and in the interests of the rural communities and particularly the women in those communities. This structure is helping the government achieve its aim of 33% female participation in the next PRI. SHG women are already identifying and selecting potential candidates, building rapport within the community and preparing campaigns.

Throughout this struggle NEED have been asked to intervene, to play roles of facilitator, demonstrator, teacher, friend and guide.

Sometimes, they have to accompany group members to the concerned officials because members are scared of getting into the officer's chamber. In a way, most of the times they have to cross their professional limits to be with them.

3.2. Integration with Educational Objectives:

We wanted to know why so few of the children, particularly girl children, in the target area didn't attend the government schools. In addition to the problems of lack of access we identified an additional key factor, which was that many children were unable to complete their current year to progress through the system. Using existing resources of teachers in the community, together with the SHG, we set up remedial classes, particularly encouraging girl-child participation.

The SHG members conducted a survey to identify which children in the village didn't have access to education. As a result, we helped them set up seven non-formal education centres. For each of these, Children Guardian Committees were formed to hold fortnightly meetings to find out how the children felt about their education and were progressing. We also encouraged the teachers to extend the curriculum of education to include vocational, moral and cultural education.

3.3. Health and Sanitation :

This structure and the empowerment of individuals within it have also facilitated the supply of medical facilities to marginalised communities. Once organised, the groups have been able to bring medical teams from the government Primary Health Center (PHC) for health check-ups and health education for all the group members and the community.

The groups are also able to organise their own health camps for the administration of vaccinations, rather than relying on The Red Cross and other organisations to mobilise communities on their behalf.

3.4. Infrastructure

Through NEED as well as their own sources, group members are becoming more aware of infrastructure development projects and

resources available in their districts. Through the power of their collective voice, they have started questioning village officials when anticipated work isn't carried out as well as demanding their rights of improvements in infrastructure when they deem it necessary. The Case Study attached documents one such example, where the SHG members collectively managed to get first their husbands to help them repair a road and then the village official to organise completion of the work.

3.5. Discrimination and Marginalisation Issues :

We also looked at how the SHG structure could be used to tackle deep-rooted caste and religious conflicts. This was perhaps the most significant problem that we faced. But there we realised that where groups continued to be at conflict or marginalised on this basis, there would always be individuals and sectors of the community who could not be reached. Eventually, it was the SHGs themselves who came up with a solution. They decided to hold a 24-hour spiritual mantra singing session. They invited all communities. Initially there was a lot of alienation and conflict. But slowly, with continual effort, they have become successful. It began with just 15 women taking part, but now thousands of women are involved—including many that were previously completely excluded from any social gathering.

3.6 Political Participation :

Each Association becomes a very democratically organised, community engendered representative body, with the power to act on behalf of and in the interests of the rural communities and particularly the women in those communities. This structure is helping the government achieve its aim of 33% female participation in the next PRI. SHG women are already identifying and selecting potential candidates, building rapport within the community and preparing campaigns.

4. Beyond the PACS Project:

This innovation goes back to the initial conceptualisation of the project and how it would be implemented into the overall aims of the organisation. Rather than focussing on the inputs of the project alone

and the desired outputs, as an organisation, NEED looked at how the PACS project could be integrated as a platform which would lever multi-sectoral development. We feel that this is the only way to ensure that a project will be sustainable after completion.

4.1 Convergence with Formal System:

SHG members begin to benefit from increased awareness of what is happening in their community and greater knowledge entitlements and rights. As they become more confident and empowered, they are increasingly engaging with the formal system in order to voice their concerns and to challenge for their rights. They are challenging Pradhyaat officials, attending meetings with their local banks and demanding information and results from village headmen.

4.2. Integration with Other Projects:

Within the wider aims of ensuring that the project dovetails with our wider objectives, we looked at how we could integrate the PACS project with other projects, such as Income Generation and Livelihoods projects, (on and off farm.) We have integrated the PACS project with our livelihood projects, putting forward the emerging entrepreneurs for EIGSEP training and skill-upgradation and market exposure camps.

5. Outcomes and Development Results:

After just one year, the self-help groups began demanding their need and right to receive inputs from the formal system. The following impacts have been identified by international development agencies, as being the specific direct and indirect impacts that the EIGSEP training programme has on participant:-

PACS Project Direct Results:

- *Decreased dependency on moneylenders: reduced high-interest debt arrangements; borrowing more responsibly through low or no-interest loans, from Self Help Group*
- *Has created "safety nets" for her personal and her family's (physical, social, economic) security: work insurance,*

health and life insurance, health precautions (feeding herself as well as others, visiting the doctor before any health condition worsens), increased entrepreneurial exposure, investments, fixed deposits

- *Increased political participation: has registered or voted knowledge of candidates; knowledge of reservation of seats for women, in Panchayati Raj Institutions; perception of self-help group as political force*
- *Has contributed to the recycling of resources in her community: replacing neighbours dependency on exploitative middlemen, producing and selling locally, meeting the needs of their community; buying goods or hiring services from their NEED peer group*
- *Increased physical mobility: number of trips to market or outside village; participation in SHG meetings or activities organised by NEED or others.*
- *Increased social networks and social mobility: outside the family; invited to functions outside her immediate family, class, or caste; indications of “climbing the social ladder,” gaining respect*
- *Recognizes and has addressed personally experienced prejudice and injustice: due to sex, age, religion, poverty, number of daughters, widowhood, illiteracy, divorce (i.e. through discussion and behavior that challenges unjust norms while maintaining positive/productive relations with family and community); identifying sources of support or resistance to addressing personal inequalities (NEED, individuals in family or community)*
- *Greater perception of self-worth: perception of individual assets, personal responsibilities and capabilities; role/value as mother, wife, and daughter (daughter-in-law) and citizen*
- *Sense of decreased dependency: on male relatives, on NEED; has developed support network among women in*

the community

- *Sense of increased bargaining power at home, in the market, and in the community: feels in a position to argue, to discuss, to bargain, to give advice, to have an opinion*

PACS Project Indirect Results:

- *Increased cash income: personally generated due to production, trading, or service provision*
- *Improved level of subsistence: able to provide basic necessities (improved diet, lodging, clothing, able to purchase medicine); availability of surplus rations*
- *Increased savings and assets: savings account, property, jewelry, home improvements, "luxury items"*
- *Increased business knowledge: in crafts, bookkeeping, business communications and management, in alliance building with traders, bankers, and other entrepreneurs.*
- *Improvement in small business: evidence of entrepreneurialism, i.e. reduced dependence on exploitative middlemen, initiating a change to more profitable product, improving work conditions (to a preferred location, time, or style), expanding the market (from close neighbors to people in the community of various classes, from areas within walking distance to distant markets, to other cities, etc.), new strategies for increasing profit, etc.*
- *Sense of helping to develop community trust in women entrepreneurs: She changed people's negative perceptions of how capable women are in business.*
- *Perception among family and community of her work*

6. Next Steps:

To be truly successful in poverty alleviation in our target areas, there is a great deal of further work to be done. Through our grassroots experiences and communication in the villages, we have identified three key areas of concern to build on the project success to date:

6.1 Credit:

Working in some of the poorest villages and rural blocks of Uttar Pradesh, we continue to observe the many extremely damaging affects of lack of access to credit. What is also apparent to us, is that the degree of deprivation is directly proportional to the degree of unmet needs and the requirement of credit. Micro-credit has worked extremely well at generating credit for consumption alone, but is not sufficient to facilitate the sustainability and growth of economic activities. The experience that we have gained in our first three years' experience in micro-credit indicates to us that intervention, if limited to just forming SHGs and credit for consumption, may not help marginalised communities to become mainstream partners. The practice of SHGs may still keep these communities within marginalised development unless and until credit is made available.

I am happy to be a part of NEED and have taken loan four time in past. Now my shop is well set and I have also renovated my house.

-- I no longer have to go on trucks which was very risky and the life there is too difficult, I am happy working and earning ,though little less (laughs) but I am at my home with my family.

-Asif

Therefore, the service which is required is micro-finance for productive purposes, provided with the necessary support and in a manner that ensures the positive transition from SHG to Micro-Finance Clients, (MFC).

We have undertaken research to explore and document the current shortfall in suitable credit service provision in our target area and the need for focused and plan-driven micro-finance services to the potential clients of SHGs, aimed at improving the economic and social status of deprived communities, particularly women.

Farmers need credit that coincides with the cropping patterns of their harvest. Off-farm entrepreneurs need credit to enable them to manage cash flow for production in advance of sale in the marketplace. Thus the majority of credit required is to provide small scale productive loans for poor women and other target clients in income generating activities.

A high frequency of credit is required for many occupational

pursuits including craft entrepreneurs. Size is one of the most important variables: loan amount must be sufficient for the intended purpose - a lumpy, indivisible asset, productive purpose, a house etc. - which is the main problem with savings-linked loans. Furthermore, harmony is required in terms of mutual understanding between creditors and clients both at organisation and field level.

The key requirements of credit in the target area have been identified to:-

- To provide small scale productive loans for poor women and other target clients for income generating activities;
- To enhance our management capacity by developing a simplified, long-term, strategic MIS, an operational system with associated technical skills for MFI operation in order to achieve 100% self- sufficiency with sustainability.

6.2 Livelihoods and Micro-Enterprise Development:

It has already been realised that information alone does not usher an empowerment process of a human being and similarly credit alone does not facilitate the sustainability and growth of economic activities (i.e. micro-credit delivery versus poverty reduction).

We have identified these specific issues within, which we now need to address:

- Lack of access to credit facilities for skill-upgradation and other requirements for up-scaling
- Lack of access to training in modern production techniques and/or designs
- Lack of critical market information, awareness and knowledge including 'Fair Trade' standards
- A need for entrepreneurial skill, behaviour and practice training
- To mobilise saving among members;
- To enhance the management capacity and technical skills for project implementers.

The infrastructure and resources needed overcome these

equalities do not currently exist. Inputs are urgently required for the target groups to begin and continue the process of livelihood generating activity. Generating need-based interest amongst communities, (i.e. identifying and selecting potential entrepreneurs from the existing Self Help Groups, conducting Entrepreneurship Linked Income Generation for Self-Enterprising Person (EIGSEP), skill-upgradation followed by market and other supportive linkages, conservation-linked livelihoods etc.) need to be integrated into a definite strategy to make women partners in the mainstream, and not beneficiaries.

The next steps of the project need to provide a pathway to income generating activity with the ultimate goal of self-supporting micro-enterprises. Entrepreneurs require to be equipped with the necessary skills, training and resources that they need in order to begin income generating activities. The immediate thrust for supply is the local need and the local market. This is a demand-driven approach and entrepreneurs begin ventures which are satisfying an existing demand in their own local markets.

We also continue to work towards creating fairer global marketing practices. Increases in sales and export of the products can make a substantial enhancement in the earnings of poor women artisans and farmers. NEED must continue its Fair Trade advocacy work through national, regional and international organisations to identify and develop fair trade markets for these products.

6.3 Further Advocacy and Lobbying for the Rights to Education and Health :

There is an urgent need to build on the successes of the SHG structure in building community-engendered institutions that serve the local community with the basic requirements of health and education. We continue to witness the vast failings, inefficiencies and absence of services that the formal system provides in this area. Greater input is required to build organisations and infrastructure to provide:

Primary education to children of both genders and all castes

Basic health and sanitary education and awareness

Improvements in adult literacy and numeracy

Provision of required vaccinations and preventative medicinal care

Environmental, cultural and social awareness education

Case Study Two: A Movement for Educating the Girlchild

Case Of Tulsi Balvikas Shikshan Kendra

Group: Ekta SHG

Village: Rahilamau

Block: Mehmudabad

Issue: Girl Education

It seems that for millions of women throughout India, the course of their lives is largely out of their control. For these women, decisions like when to get married, when to have children or how many children to have are not autonomous choices but are often dictated by family, husband, or societal customs. Lacking control over such crucial life decisions, many women feel utterly powerless. However, the provision of education and awareness-generation can play a pivotal role in changing the oppressive conditions that women face and bring about substantial empowerment. The Tulsi Balvikas Shikshan Kendra run by NEED in the Sitapur district of Lucknow is one step towards bringing about change from oppression to opportunity.

There was no school in the village and children use to go to Mahmoodabad which is 3 km away from the village to study. Most of the children, especially girls were not sent to the schools due to this reason. NEED, by running schools in the village, has done something of which we never before dreamt."

"Schools run by the organisation have provided us with an opportunity to earn income and also training is provided to us for our capacity building and skill upgradation thus adding value to our abilities."

Background:

The population of the village of Rahilamau is about 600. Almost all the village residents live below the poverty line. Almost 98% of the

population is illiterate and the children were not getting the opportunity to become literate. The simple reason for this was that there were no schools in the village. In order to go to school, the children would have to travel 31 km to Mahmoodabad. Because of this, villagers were not sending their children, particularly their daughters, to schools. Out of the total population of the children in the village, 99% of the girls were illiterate.

NEED's Entry:

In 2002, NEED started working in this village under the PACS programme: two self-help groups, namely Ekta and Sangini were formed, and savings and credit activities started. At the same time, various awareness-generating programmes were arranged for the members of the group. These programmes concentrated on the development of entrepreneurship and health, education, sanitation, gender issues and women's empowerment. These programmes stimulated the women of the group to discuss the absence of the school in the village with NEED staff. After sensing the need, the organisation decided to start a school especially for girls between the ages of 5-10 years, who were otherwise unable to study.

A Step Towards the Girl child's Education:

With the support of the Family Foundation, two schools called Tulsi Balvikas Shikshan Kendra were established in the village. These are foundation schools, which provide the basis for further education for the pupils. The villagers selected the schoolteachers themselves and 25 pupils were enrolled into each school. The organisation provided each pupil with a uniform. Discipline was considered an important factor in the schools success, and these became the first schools in the area whose students come in uniform and have 90% attendance.

Future Planning:

The villagers plan to expand the number of schools, to enable more children to get a good education. Currently, the schools are just foundation schools, but the villagers now want to extend the capabilities further.

Impact:

Awareness:

The village NFECs have raised the awareness level of the villagers considerably. Earlier they did not send their children to schools, partly because they didn't understand the importance of education, especially for girls. But now they are sensitive towards this issue. They regularly send their children to schools to provide them with a better quality of life, for now and in the future.

Empowerment:

The women who were silent, powerless and submissive now understand that they need not suffer as second rate citizens, just because they are women. They are no longer standing for this injustice.

New hope:

These schools have provided the girls with a new hope for a better life, which was previously lost due to the rigidity of the socially ascribed roles and gender discrimination.

Economic support:

Appointing the teachers from the self-help groups have given them the opportunity of paid employment, thus providing them with economic support.

Group Feelings, (in their own words):

Conclusion:

The condition of children, particularly in the age group of 4-15 throughout villages can suffer from a systematic pattern of gross inequality, discrimination and abuse. This condition is even worse with respect to the plight of rural girls. The number of children living in terrible conditions of illiteracy, social exclusion and poverty has increased due to limited access to education, health, hygiene, nutrition, skillful training, exposure and rigidity of socially ascribed roles. The basic rights of children i.e. the right to live with dignity and access to education are too often lacking. NEED, taking steps towards providing them with this right, have started these schools for girls.

BY DEEBIE STEINER, UK

Through The Looking Glass

6.00 pm, Sep 3rd, Lucknow Railway Station:

Lucknow's Charbagh railway station gave me the impression of being some kind of a 'free for all'. It thronged with all kinds of people. There were travellers elbowing their way through, there were vendors out to make a quick buck, there were porters keeping a keen eye for business, there were those homeless people and beggars sleeping on the platforms, and there were some...cows!!-moving slowly, examining the food wastes in the overflowing dustbins. The corners of the railway station were stained red with the betel-leaf and tobacco, spattered in layer over layer. Cutting through these repulsive sights, there was also a sense of warmth and energy in the air. In the cacophony of noises generated from announcements of train schedules, the chatter of people attempting to be above that, and the bargains between passengers and vendors, Mr. Anil Singh, Chief Executive of NEED (Network of Entrepreneurship and Economic Development), walked along the platform as if nothing bothered him. And I was accompanying him to Muzaffarpur in Bihar, – my first work-related trip after moving to Lucknow just a month back.

I turned around to find a cow approaching me just behind, and scrambled into the air-conditioned waiting room for some respite from the sweltering heat, and the enormous horns of that cow I cannot forget. It was with much excitement and enthusiasm that I looked forward to the assignment of producing a documentary film for NEED. Mr. Singh had briefed me well on the social dimensions of micro-finance, and emphasised this point as NEED's USP, but how genuine that was, I was yet to understand or experience. My travels through Uttar Pradesh and Bihar would reveal the real story, way beyond what several rounds of desk briefings could ever do.

Until this time, I had understood micro-finance as the practice of providing small credit to the poor for their needs-whether entrepreneurial or otherwise, mostly directed at women. I also understood that organisations, i.e. micro-finance institutions, did only

that: provide loans and recover loans. But this perception was set to turn around completely.

It was an overnight journey to the Muzaffarpur district of north Bihar. The town was a mess with auto rickshaws, cycle rickshaws and cars jamming the streets, dodging the puddles and manholes. But once we were out on the highway, the scenery changed, as lush green fields, full with ripening corn, flanked the roads. The stunning shades

"I started working to support my education, as my family couldn't afford it and now I am earning along with my studies and feel much confident. Thanks to NEED for training me and helping me get work, else I would not have continued my education"

"I feel that the group is there to constantly support me as and when I need any help – financially or socially."

Sarita

of green gave this journey a dreamy feel. However, all this greenery could not be equated with 'prosperity', as I was soon to find out.

The first stop was the village of Dharampur, where we met a farmer who explained that agriculture was far too dependent on the monsoons. A failed monsoon meant that all would be lost. The irrigation facilities were ineffective, as the water in the main canal never reached the tributaries. Owning pump sets for irrigation was no solution either, with such long duration power-cuts. Though farmers had to avail loans to buy hybrid seeds, it did not ensure a fair price for their produce. This farmer, Shashibushan Prasad Srivastav, rationalised that today's farming is all about 'quantity', and that until it becomes a matter of 'quality', the market price would continue to be less than fair. Shashibushan had chosen agriculture as his calling at a rather young age, having been exposed to the hunger and poverty that his society faced. At the mature age of 50, he's someone who's brought agricultural interventions into his native Dharampur.

Everywhere we went, we were met with such disarming hospitality, that the tiresomeness of the journey just evaporated. While I've wondered why Mr. Singh took the trouble of making this journey every month, I now found the answer- this is where he is 'nourished', this is where he connects with ground realities. Maybe, this is where he relaxes.

We are caught in a time when microfinance is cThat micro-finance is a powerful tool for poverty alleviation is a notion that is

coming under the scanner these days. But first, one needs to understand what it means to experience poverty.

Shashibushan, the farmer describes it as 'ignorance, lack of cooperation, and lack of resources/inputs, and lack of a support system.

A young mother's voice crackled as she recalled the days, not very long ago, when there wasn't enough to feed her child. No warm clothes in the cold winters either. The family had nearly given up all hope in life.

An elderly Muslim gentleman said that incomes were not keeping up with expenses, making it difficult to make ends meet. That was poverty to him. A young, charming mother of two, called Shashi explained that their incomes were so

poor, that they could hardly save. Not being able to save meant that they were poor. A lady potter, Rahmat-un, said that without money, they were poor. If you had money, you could travel comfortably in a motor vehicle, but when can't even afford a cycle, you have to walk all the way. So being poor was physically taxing; and it leaves little time for rest-

I am illiterate and the reason behind it the poorness and backwardness of my family but around five months before, when my parents started to find my bride, it was very difficult task for him due to my illiteracy. So, that I was very depressed. When, I got this skill through VST, NEED, I started to earn and that factor is helping my parents to find my bride. Now, I am relaxed and this all credit goes to VST, NEED.

- Gayatri

which the body needs to recoup for the next day. For Dinanath Thakur, another farmer from Dharampur, poverty was a relative phenomenon. "When we compare ourselves with others, we feel that find that we are poor. Those people have 'good clothes', and 'good things', which are not available to us, though we work hard", was his point. Well, this was no homogenous phenomenon. Poverty has many shades, and it was perceived and experienced differently by different people.

Mr. Singh explained that when NEED was set up in 1995, the focus of its work was to mobilise communities-self help groups, farmers interest groups, and others. The plan was to link them up with banks, but this plan met with little success. The paperwork, the expectation of bribes, the demands on their time for making several visits, or delayed payment made it difficult for them to access credit.

And this is why NEED decided to chip in with microfinance. But the realisation that a lot of groundwork was had to be done before people were able to access credit meaningfully, came rather soon. To put money into their accounts, some sort of a regular income was required, but how was that possible, unless livelihoods were secure? When people did not have a proper livelihood, whatever little they could have saved went into medical needs. If children were not in school, and the poor were buying bottled drinking water, it called for some action. However, in order to give it a framework, NEED decided to focus on health, education, livelihood promotion and fair trade. As all experiments in social engineering have proved, nothing works in isolation. One domain always affects another, and then another...and still another.

Health Interventions:

A novel concept called 'pregnancy financing' sprung from the NEED team, and it means that people could avail of loans for care during pregnancy. I met people who had availed of these loans for their wives, nieces, and other pregnant women in the family, to provide them with the required nutrition and medical care. This concept was conceived as an investment in the health of the future generation. Beyond that, mothers-to-be are also advised on diet, nutrition, vaccinations and antenatal check-ups.

I am physically challenged due to the polio attack in one of my leg. Due to this, I had not so importance in my family and they ignored me always. But, now due to micro-finance cum skill training support extended by NEED, my reasonable earning, condition has been reversed and now I have some importance not only in the sight of my parents but also in my relatives and society.
-Krant

NEED does this through trained village health guides who visit homes and schools on a regular basis, advising the community on various aspects of health. It's an inspiring sight - groups of women, looking very smart in their yellow-coat uniform, cycling along sugarcane and corn fields, brimming with courage and confidence.

Some households had invested in water filters on NEED's advice. Where their children were earlier falling sick constantly from drinking contaminated water, families had spent a lot of money on buying bottled drinking water. And the water filter turned out to be a cheap

and convenient option. Eighteen year-old Shailendri Verma even found an opportunity to run a health centre at Ichchauli village, stocking medicines, contraceptives, sanitary napkins, water filters and many other items that people might need at any time. NEED also took the initiative to get eco-friendly type sanitary napkins manufactured at cheap rates by a Calcutta company.

I met Shailendri Verma and Asma Begum that day- two women whose dedication and will power are inspiring in their own unique ways. Shailendri was still a teenager, but had taken the plunge to set up and run a health centre. At thirteen, her family stopped her studies; she was discouraged from going out of home, as social norms dictated. Her family planned to get her married. Around this time, the SHG began operations in the village. They came to know that loans were available through NEED. Shailendri's father then took a loan, because of which she could pursue her studies. She is now in her second year of graduation, and runs the health centre very efficiently.

Asma Begum, on the other hand, is the tough matriarch of the group. Past middle age, and with the strands of grey hair neatly tied back, she perches on to her bicycle with the agility of a youngster. It's not very long back that she learnt cycling. When her family members enquired why she was taking all this trouble in old age, she quickly retorted, saying 'I'm not old!' She's an advisor to the young health guides of her group, and manages her work and life in a way that others would like to emulate. Asma Begum has no confusion in her mind when I ask her why she thinks that women are the prime targets for microfinance. She's aware that women repay on time, and are available at home through the day, which makes recovery easier for the lending institution. But she is just as keen to make this a key to empowerment in her life. The satisfaction of earning that bit of income, and of interacting with the outside world, and the regard she gets as a friend and guide from the others of the team is a great incentive. Her face is always brimming with cheer and confidence. As the group of village health guides cycle away in their yellow coats, I'm left to marvel at the commitment to their mission, and to life. Not to mention their energy levels at the end of an exhausting day!

Education: As we enter the village of Bathna in Bihar, around 20 children are huddled in a make-shift classroom, reciting machli jal ki raani hai at various pitches. Aged from two to five, they were gathered here in a NEED-sponsored school. The teacher, Ms. Savita Singh, explained that these were children of SHG members. She set up this school because there was no facility in the village. The only available aanganwadi (Government-run child care centre) was too far, and difficult for these young children to reach. This was one initiative taken up to bridge the emerging gap between the SHG women, whose lives were improving at both personal and professional levels. Yet, their children were left directionless.

NEED discovered this trend, and encouraged the educated women in the village to set up schools through their loans. It was the same case with the community school in Jhariapur in U.P. The Principal/teacher, Ms. Geeta Verma, was an educated woman who wanted to do something meaningful in life. She found this a satisfying opportunity and set up a community school through two loans of Rs 10,000 and then 25,000. The classes run from kindergarten to secondary, with more than 400 students and around 12 teachers. These schools are linked up with the State's mainstream educational system. The salaries and other expenses are met through both the fees and through some direct support from NEED.

Livelihood Promotion:

Now we get back to Dharampur, the village that we first visited in the Muzaffarpur district of Bihar. Walking along the dirt tracks, with thatched-roof houses on both sides, we encounter something very novel and interesting. It's another little thatched shed called 'kissan bank' or farmers' bank. Ram Kishore, an elderly farmer clad, flaunting his imposing features, related farmers' problems in accessing loans. The hardest to deal with was the delayed payments. The kissan bank seeks to overcome this by stacking supplies such as seeds, fertilisers, vermicompost, and other materials. Earlier, they have often been trapped in the name of big seed companies; and there are small farmers who cannot afford much working capital, for whom the kissan bank is a blessing.

Some of the supplies of the bank are made available by other farmers, like the locally produced vermi-compost; whereas other items are bought from authorised dealers. The farming communities of Dharampur have understood the hazards in chemical-based agriculture. They are gradually getting back to organic farming that their forefathers once practiced. Ram Kishore claimed that they had complete support of NEED in this matter. The farmers have organised themselves, and also run a raatri kisan paatshaala or 'night-school for farmers'. Through this platform, they are able to get advice on various matters like pest-control and farming practices from well-known scientists of the country. They do this by making a phone call to the scientists at a designated time from their mobile phones. In the village, they connect it to a mic to make it audible to everyone.

In some other project areas of East Champaran and Muzaffarpur districts of Bihar, several agro-based enterprises have been revived, and new ones introduced through NEED's livelihood promotion programmes. Entire families have taken to such cultivation in a big way. Soon, we arrive at a village called Pakdi. A young, fresh-faced woman called Preeti Kumari, who works as a 'Livelihood Service Advisor' with NEED, welcomes us and leads us through rows after rows of betel-leaf farms. Both men and women are at work- plucking, tying, putting up bamboo fences, and adjusting the parwal (gherkin) creepers that grow overhead. This is an ideal multi-cropping system that they have devised. The parwal creeper overhead filters just the right amount of sunlight, and it works well for betel-leaf cultivation. For many cultivators here, betel-leaf cultivation has been an ancestral occupation, passed on through generations. Preeti, our ever-cheerful guide, told us what it was like when she first came here. The fields had withered, and she facilitated loans so they could plant a new crop. In a socio-cultural set up where the daughter-in-law of the household is not usually allowed to step out of home, Preeti motivated many of them to join the self-help groups, and also work in their farms. The transition is nearly complete- we found as many women in the farms as men. Among them was a hundred year-old woman, bent with age, but who still refused to sit down and rest during the 'work-hours' she designated for herself.

On this sunny morning, young Dilip Chaurasia's family huddled together on the camp cot, flanked by bamboo and banana trees. Their entire family depends on betel-leaf cultivation for their livelihood. Dilip explains that his education, expenses of his sister's wedding, medical needs, household expenses, medical needs, school fees and a bit for savings in the bank are all met through this income.

At the SHG meetings, an entire group of women gathered around Preeti. She meticulously checked their balance loan amounts, and reminded them of the upcoming repayment dates. She cooked lunch for us that afternoon- a special corn bread- makki ki roti, with vegetables, curd and chutney. Pakdi village had been an experience, an eye-opener to what access to credit could do.

But Bathna, another village of the district, had a different, and a very unique livelihood option. It hosts a cottage industry, in which shells from the nearby river are crafted

into a range of buttons and jewellery. The streets are lined with these button-making units, and you hear the whirr... of the machines as you walk along. Groups of women are busy cracking the shells, and it is then fed into machines to get the desired shapes and designs. There was a time when this industry too was going through a crisis. At this opportune time,

"I started working to support my education , as my family couldn't afford it and now I am earning along with my studies and feel much confident . Thanks to NEED for training me and helping me get work, else I would not have continued my education"

"I feel that the group is there to constantly support me as and when I need any help – financially or socially."

-Sarita

NEED entered the scene. Ms. Kiran Rao, NEED's team member who began working here about 3 years ago, describes the situation – “At first, we had to put in a lot of effort, and primarily started off with small loans. We were anxious about working here, and wondered if the people would take us for moneylenders. But gradually, we made in-roads”. People, even women, formed groups and took loans to the tune of Rs.40,000 to set up these units. Reshma Khatoon was one of them. Her life has improved to the extent that she has found a decent livelihood, and enjoys some level of financial security.

As we flip the pages of the button and jewellery catalogue, it is

easy to see why they are much demand in both at the national and international markets. From off-white and beige to glistening peacock-blues, there were elegant buttons of various sizes, shapes and colours! What struck me as a unique point through these visits was that many of these livelihood options were cluster-based, rather than on an individual, one-to-one basis. There is a binding energy in that system that recognises the value of collective effort. The loans were in fact putting villages and communities back on their feet. It was the same with the menthol farmers' group. Menthol is a value-added crop from which oil is extracted for peppermint production. For long, these farmers had been under the trap of moneylenders, who would buy their oil at half the market rate. The farmers were also having trouble availing loans from banks – because, “even the sweeper expects bribes, and number of visits demanded of them made it extremely hard”. Here too, NEED's loans played the role of not just access to credit, but of liberating the farmers from this long-existing trap, where their lives were virtually held ransom by the moneylenders.

There are new thoughts, new dreams and new missions to accomplish. The plan to convert these cluster-based enterprises into producer companies and then link them up with mainstream markets is now on the horizon. It's not just for the money they would earn; imagine what a big leap it is to have the stakes, and that means their lives, in their own hands!

Mr. Anil Singh shared his learnings over the last fifteen years. After long years in this sector, he has come to believe that Microfinance Institutions could adapt to changing times by 'diversifying their products', instead of just offering credit. Isn't that what banks do? Don't we have to go so far as to bring about financial inclusion in the true sense? For example, if MFIs were allowed to take savings, then it would drastically bring down their cost of operations. In such a case, the benefits could be passed on to the borrowers.

The one aspect that stood out was also that both men and women had equal opportunity to avail of loans. I had begun this assignment with a very sceptical notion. I questioned many people I met along the way. If women are given loans, they could start some income

generating activity, no doubt. Then they would earn for the family, look after the household, husband, in-laws, children... Wouldn't that be a double burden? What were the men supposed to do? Doesn't all this only prompt them to get lazier? Overall, wouldn't it lead to uneven development? But here, both men and women were benefactors of NEED's programmes.

The purpose of microfinance is at least to improve people's quality of life - and at no rate should it deteriorate. This insight into its mission was provided by Dr. Sundara Rao, Managing Director of Maanaveeya Holdings, during our interview. He also threw light on why it was important for MFIs to understand the actual credit need of a poor person. When they are unable to do that, then people take multiple loans from multiple agencies, and that creates another set of problems. Of course, it is necessary to first instill discipline by providing one small loan first. Maanaveeya Holdings is a subsidiary of OIKO Credit-Netherlands. It was one of the first microfinance sponsoring agencies to prove to the world that the poor were bankable. In fact, they repay better than the rich. This point was reinforced when I met a potter who said that they always repay their loans, or else they would have to pay a fine. I asked another farmer, "What do you do if you are unable to pay?" He said he would borrow from his relatives and "repay somehow".

The experience of working with NEED over the last few months gave me a very ground level view of how microfinance can work. I can see the wisdom in always keeping social parameters at the centre-stage, even as the shelling out of loans and all related procedures remain intact. And there is immense value in the relationships built over a long term, between the borrowers and the staff of the MFI. It might be this vital point that helps them hold on, through the ups and downs, into the future.

A Bankable Solution

Interview with Sudhir Kumar Roy, Asst. General Manager,
National Bank of Agriculture and Rural Development (NABARD)

(Views expressed are his own, and not of the NABARD)

Sudhir Kumar Roy has long been associated with NEED. At present, he looks after the Microfinance Development department of NABARD. Excerpts from an interview...

Tell us about the mandate of NABARD and how it has taken microfinance forward.

NABARD is a development finance institution; its focus is on rural development and agriculture. It also acts a regulatory authority, and is engaged in refinance as well in order to make cheaper credit available to banks. All our work has been towards bringing in sustainable and equitable agriculture and to explore new possibilities within. Over the last decades, the most successful experiment has been in microfinance through forming self help groups. In fact, in the late 80's, we had action research projects in some of the southern states. By 88-89, we piloted the formation of SHGs, starting with a modest target of 500 SHGs. The results were impressive in that there was dramatic change in the quality of life of these women. At the policy level, this was followed up by RBI's inclusion of SHG credit as a banking activity. Although the banking sector was conservative at the time, there was some amount of relaxation for SHGs. So, the formation of SHGs that began in Tamil Nadu and Karnataka spread to other parts, and now we have 64 lakh groups with savings accounts.

When you say that 'lives have been improved', what does it imply?

First we have to make this assessment from the perspective of the poor. Development is something that cannot be quantified. Qualitatively, it means the capacity to access credit, awareness, better health and a higher level of participation in panchayati raj institutions. They are able to demand their rights, realise the importance of education and ask questions. Gradually, they've started developing into entrepreneurs. When these people avail their first loans, it usually goes into consumption needs-medical needs, expense to perform a social function, and others. Only at a later stage do they start thinking of improving their lives, and invest in a sustainable, income-generating activity. For this they need handholding. NABARD provides capacity building and other training support to get to this

level. They have dreams too. At times it is as simple as sending the child to school, or going for a movie!

What would you say are the striking features of rural communities, and how has access to credit changed this fabric, if at all?

There is very close bonding among members of the poor community. They live together in a group and each family knows about the other. Since they have lived under these conditions for very long, poverty is not the issue that brings them together. So when we think of improving conditions for them, it needs an outside facilitator to organise them for the purpose of economic interest. On their own, they are unable to link up with mainstream development. They're not even very confident that they can change. In certain ways, their social needs are higher. For example, they spend a good part of their earnings on social ceremonies and it is a compulsion. They don't see it as wasteful expenditure-it is just part of their lives. The poor are close-knit, participate in each other's lives a lot more and it is the ethos of their society.

So, when they have access to credit, a lot of things change. Their aspirations begin to increase. Also, when they see that there is someone to support, they look for continuous and long-term support.

So where do you see the problem?

Unfortunately, most institutions chip in to support the poor through a project-based approach. Imagine suddenly withdrawing after pampering them for two years. This is the adverse effect of a project-based approach. Regrettably, we haven't created a system that will keep it going. Only at the fag end of the project tenure does it strike those involved that these people will now be on their own. Then the system crumbles. Repayment rates come down as well. Think about it - In the villages, a poor person may never have dreamed of change. But once the development process starts, it goes on, and the person starts thinking big. He dreams of setting up his own enterprise. In such a case, when support is not whole-hearted, he could become frustrated. I've come across many such cases. Those who are mature

enough find a way out. Others have sunk back into a worse situation that they were in before.

Coming back to a very basic question, what is microfinance really meant for?

Microfinance means making available credit by banks to the poor. Mostly, it is to start a trade. But if someone is not confident of doing it himself/herself, they do it through a family member. There have been cases where SHGs avail loans for community development, but this happens only when they attain a certain level of maturity.

How can microfinance help the agricultural sector – the backbone of our economy?

When we look at the rural economy, it is the poor who actually cultivate the land. Statistics of the last three years shows that the credit flow to the agricultural sector has increased by 300 per cent, but productivity has not gone up even by 5 per cent. So where has all the money gone? In Bihar and Uttar Pradesh, land is cultivated not by the owners, but wage labourers who lease it. As per the kisan credit card scheme to provide credit to farmers, only land owners are eligible to access loans. The landowners are content with the current yield, and do not invest on better seeds or fertilisers. They may use the money for other purposes. Whereas the labourers who cultivate have no way to get these inputs, as they are not eligible to access credit for inputs. Agriculture also largely depends on timing. If the timing is wrong, the crop is lost.

What other changes have you observed in the social fabric after the introduction of credit through banks?

'Fear of independence' is one aspect that many feel. A poor person is highly dependent on others in his community for any need. He knows they will take care of him, come what may. Access to institutional credit in a sense weakens his bonds with the society around. This is something that many fear.

Do you think it is viable to combine social and economic parameters in microfinance?

Through The Looking Glass

It is definitely viable because these parameters are complementary. For the poor section especially, we cannot take on any aspect in isolation. Because they are close-knit, it is the same peer pressure that ensures repayment of loans as well.

Tell us about your experience of working with NEED.

I must say that NEED works in a genuine pro-poor spirit. Capacity building, training and other inputs are provided. Their focus is on activities from the demand side, rather than the supply side.

(As told to Shalini Raghaviah)

(See www.apraca.org for details of microfinance policy paper presented by Sudhir Kumar Roy at the Finpower Forum held in Tashkent, January 2010.

By Shalini Raghaviah, Kerla.

*What you deliver in Micro-Finance is
equally important as how you deliver*

SECTION-4



Reflections From Across the Globe



*Girl child being supported by Skill Training and
Financial Literacy through Micro-Finance*

Reflections From Across The Globe

I am happy learn that from being a voluntary group functioning as an organizer, motivator and enabling two-way link for rural people in U.P., especially for the poor, NEED which is already an experienced, catalyst-cum-facilitation body, has directed its attention to micro-finance as a powerful instrument for empowering rural poor in terms of self-employment, better incomes and distinct improvements in their social and economic lot.

NEED has experience. It has organization. It has commitment. Its performance over the year ha been well appreciated. It is well equipped to catalyze change. Its approach is innovative. To my knowledge it combines passion with compassion, responsibility with efficiency and commitment with tangible results. It is willing to experiment and to innovate. It is willing to learn and, where required apply corrections.

I wish NEED, which has quality leadership organizationally in Sri Anil K, Singh and his able team, all success in their Micro-Finance initiative which seems to have all ready had a very encouraging start.

T.K. Dhar, IAS
Former Chairman of
UP Finance Commission

Thank you for your captained letter, introducing me to your ideas, observations, efforts and successes about comprehensive pro-poor interventions through micro finance. congratulate you for taking the initiative of documenting live and vibrant case studies, demonstrating the change processes and also giving recognition to such achieves, I Have Every hope that the book will inspire a million similar stories not only in U P and Bihar in India but in the whole

world.

My best wishes to you and your team for the book

***V.N Garg, IAS
Principal Secretary, Industries
Dev. and Infrastructure,
Govt. of U.P.***

Eradicating extreme poverty, especially among poor section a gender community, from 'The Mother Earth' is, indeed everybody prime concern and regular commitment. It is in this direction, The UN Millennium Dev. goal has set for global community. The Northern Region of India, particularly states like UP, does require a very special attention, both by public and Pvt. Institutions including Civil Society Organizations like NEED in order to reach the unreached towards making the poor community free from the shackles of poverty.

NEED's attempt is a pioneering on the process of empowering unprivileged women, artisans, Dalit, marginalized farmers and many other section of deprived community through their complete commitment and grassroots presence. Very striking balancing with promoting Pro-Poor Livelihoods and Micro-Enterprises combined with social safety and security in the operation of Service Driven Delivery of Micro-Finance in NEED is, indeed, an exceptional standard of excellence that has consistently been creating a very positive and electrifying change in the daily living lives of these friends of poor community. Filling the livelihoods gaps by Fair Financing is an exactly timely, transparent and targeted manner and also bridging the huge gaps between the formal financial institutions and its end users is ended, an another brilliant initiative that NEED team has been able to create impact making visibility. The important message in the book, is that mere does of financial accessibility is not enough, capacity building with skill upgradation, entrepreneurship, running schools by community, managing health and better environment by community themselves are critical, creating of such

grassroots driven Brilliant Social cum Human Capital is key and leveraging each others sources is instrumental in developing such empowered poor community.

what has impressed me most about this book is that it is based on reality. There are actual cases and cases, stories of many empowered women and artisans, cases of sustained and replicable livelihoods and micro-enterprises and many dimensions of models are, indeed, the brilliant social entrepreneurial commitment proved by the Founder cum Chief Executive Mr. Anil K. Singh and his committed team in NEED.

This book provides moving c count and spirit and I believe a realistic depiction of women and change of women who have taken charge for change.

My very warm congratulations for producing this epitome by Mr. Anil Kumar Singh and his team who have, indeed, been pioneering in proving their true spirit of social entrepreneurial commitment through livelihood driven financial inclusions.

Vikram Singh, IPS
Ex. DG of Police, Govt. of U.P.

The practice of lending money in any society of today's age typically follows statistical trends and norms, most of which are proxies for the risk associated to whether the money lent will find its way back from borrower to lender. Resoundingly, the lesser the regulation of lending the higher the need for human interaction in providing the finance, the higher the cost of delivery and the higher the risk of the lending, the lower the economics available from it.

How then in a market that can only be described as not just unregulated but as so chaotic and dynamic at its core that it is wholly unregulatable, a market that is populated by borrowers with razor-

sharp entrepreneurial and survival wit and a market with a desperate need of credit, can an organization build a lending practice whose performance, loss and risk statistics put lending in the most advanced, highly regulated and arguably most predictable first-world lending environments to shame? Probably by that organization not having its roots in the practice of lending.

Anil Singh has built that organization, from scratch, out of necessity and from the adversity, of making successful his journey of abandoning the corporate world in pursuit of doing social good. His rules and modes of regulation are born out of a lending paradox – treating your customers with human dignity, respect and a genuine concern for their current and future social and economic well being as well as teaching them to have this respect for themselves.

We admire Anil's work and encourage you to read this book to gain a better understanding of the background, evolution and practices of a standout organization doing standout work.

***Melanie & Todd Strathdee
Founders, Leo & Lotus,
Australia***

I am very much delighted to know that NEED, an organization of truly committed Social Entrepreneurs under the dynamic leadership and dexterity of its Founder Mr. Anil K. Singh, is bringing out a complete grassroots based experiential book titled HOW THEY DID IT ! “Stories on Changing the Lives of Poor People through Micro-Finance. It is, indeed, a very bold initiative, particularly from the perspectives of sharing “true grassroots confession” by the organization. I have known NEED and its Founder Mr. Anil K. Singh for the last several years including my presence in some of their Pro-Poor events both at NEED premises and its village areas. My observation with NEED efforts goes in a very finest and

encouraging way as the team is so dedicated to continuously put in their collective hard efforts and thereby, creating a very visible change in daily living lives amongst many targeted communities like Dalit, Women, Youth, Artisans, Farmers and many deprived section of society including slums. “How They Did It” is, indeed, an interesting volume with pioneering attempts on the process of empowering underprivileged poor people by way of Service Driven Delivery of Micro-Finance Products.

The uplifting success stories and obstacles overcome show that poor people are very much bankable and this is how, they, with Service Supports by NEED, have entrepreneurially been leveraging and combining new resources into dynamic returns. How They Did It clearly speaks the fact that not only do they (poor people) help themselves and their families, but they also support the whole community. It is, indeed, a mark of innovative distinction that NEED in its financial inclusion approach is continuously reinforcing the integrated approach through their Service Driven Passion of their Team Mindset .

One only hope with these continued commitments and connectivity to the poor world that NEED like organizations multiply in UP and other states many fold so that millions and millions of poor people can be made out of poverty through a holistic approach (social and economic enterprises) of micro-finance delivery like NEED does remarkably one.

Balvinder Kumar, IAS
The Principal Secretary
Women & Child, Social Welfare
and Ambedkar Vikas, Govt. of UP

मुझे यह जानकर अत्यन्त प्रसन्नता है कि उद्यमिता एवं आर्थिक विकास केन्द्र (नीड़) लखनऊ वित्त-सह-आजीविका सेवा से जुड़े सदस्यों के जीवन से सम्बन्धित ज्वलन्त एवं सफलतम उदाहरणों पर आधारित कहानियों का संग्रह कर एक किताब का प्रकाशन इस उद्देश्य के साथ रहा है ताकि सरकारी अर्द्ध-सरकारी एवं गैर-सरकारी संगठनों (मुख्यतः विकास से सम्बन्धित) के बीच ऐसे गरीबजनों के व्यापक और बहुआयामी व्यक्तित्व को और बेहतर तरीके से रखा जा सके। साथ ही निर्धन समुदायों के बीच छोटे-छोटे समूह गठित कर 'नीड़' के सहयोग से सदस्यों द्वारा विभिन्न प्रकार की आजीविका एवं छोटी-छोटी आयवृद्धि इकाईयाँ स्थापित करने के सतत् प्रयास से उनके रोजमर्रा की जिन्दगी में एक जबरदस्त परिवर्तन हो रहा है। मैं आशा करता हूँ कि "नीड़" संस्था की ओर से प्रकाशित होने वाली यह किताब विकास की दिशा में सराहनीय योगदान दे सकेगी।

मैं स्वैच्छिक संस्था "नीड़" द्वारा प्रकाशित होने वाली वित्त-सह-आजीविका सेवा से जुड़े सदस्यों के जीवन से सम्बन्धित ज्वलन्त कहानियों के संग्रह की सफलता हेतु अपनी मंगल कामनाएं प्रेषित करता हूँ।

शैलेन्द्र कृष्ण, IAS
प्रमुख सचिव, मुख्यमंत्री,
उ० प्र० शासन

मुझे यह जानकर अत्यन्त हर्ष हो रहा है कि उद्यमिता एवं आर्थिक विकास केन्द्र (नीड़) लखनऊ द्वारा वित्त सह आजीविका सेवा से जुड़े सदस्यों के जीवन से जुड़े ज्वलन्त एवं सफलतम उदाहरणों पर आधारित कहानियों का संग्रह प्रकाशित किया जा रहा है।

पत्रिका के प्रकाशन का उद्देश्य निर्धन समुदायों के बीच छोटे-छोटे समूह गठित कर नीड़ के सहयोग से सदस्यों द्वारा विभिन्न प्रकार के आजीविका एवं छोटे छोटे आयवृद्धि इकाईयाँ स्थापित कर उनकी जिन्दगी में परिवर्तन किया जाना है। मैं आशा करती हूँ कि "नीड़" संस्था द्वारा प्रकाशित यह पुस्तक विकास की दिशा में सराहनीय योगदान दे सकेगी।

मैं स्वैच्छिक संस्था "नीड़" द्वारा प्रकाशित जमीनी स्तर से **वित्त सह आजीविका सेवा** से जुड़े सदस्यों के जीवन से जुड़ी ज्वलन्त कहानियों के संग्रह की सफलता हेतु अपनी मंगल कामनाएं प्रेषित करता हूँ।

आर०के० मित्तल, IAS
आयुक्त समाज कल्याण,
उ०प्र० शासन

मुझे यह जानकर अत्यन्त हर्ष हो रहा है कि उद्यमिता एवं आर्थिक विकास केन्द्र (नीड़) समाज के निर्धनतम ग्रामीण कृषकगण कारीगर दलित घरेलू व्यवसायी आदि को संगठित कर इनके समुचित एवं सत्त विकास के जरिए स्थानीय स्वावलम्बी रोजगार को आगे बढ़ाने हेतु प्रयासरत है। मुझे आशा है कि समाज के विकास हेतु व युवा वर्ग को स्वावलम्बी बनाने की दिशा में इस संस्था द्वारा प्रकाशित की जाने वाली पुस्तक जन-सामान्य के लिए लाभदायी साबित होगी।

मैं स्मारिका के सफल प्रकाशन के लिए अपनी शुभकामनायें प्रेषित कर रहा हूँ।

अरूण कुमार सिन्हा, IAS
प्रमुख सचिव, लघु उद्योग
एवं निर्यात प्रोत्साहन, उ० प्र० शासन

मुझे यह जानकर अत्यन्त प्रसन्नता है कि उद्यमिता एवं आर्थिक विकास केन्द्र (नीड़) लखनऊ द्वारा **वित्त सह आजीविका सेवा** से जुड़े सदस्यों के जीवन के ज्वलन्त एवं सफल उदाहरणों पर आधारित कहानियों का संग्रह कर किताब का प्रकाशन किया जा रहा है।

मुझे आशा ही नहीं पूर्ण विश्वास है कि संस्था द्वारा प्रकाशित यह पुस्तक समाज के विकास में सराहनीय योगदान देगी और पाठकों के लिए एक प्रेरणा का काम करेगी।

How they did it

संस्था द्वारा प्रकाशित की जा रही पुस्तक के सफल प्रकाशन हेतु मेरी हार्दिक शुभकामनाएं।

लालजी टण्डन

सदस्य लोकसभा एवं प्राक्कलन समिति

सदस्य रेल संबंधी स्थायी समिति

Several Policy Heads & Member of Parliament have written their best wishes through the above messages in Hindi language for the book Anil Singh has written with his brilliant articulation and enrich innovative experiences about the bottom billion of society.

In recent years micro-credit has come to be perceived by many as the silver bullet for economic development. While providing more accessible and cost-effective funding surely is an important lever for women, especially, to increase their income, NEED's more holistic approach takes fuller account of the needs of and possibilities for women and young people. NEED recognizes that there are critical building blocks to ensure that funds borrowed are used well—such as basic financial literacy and capacity to save before borrowing.

Moreover, NEED's approach addresses community members' needs for additional knowledge and skills to make the most of the funding they save or borrow. It provides training so micro-entrepreneurs can improve their skills and better penetrate markets. To help community members protect their wellbeing (and thus their livelihoods), NEED provides basic preventive health information, as well as a plan for very low cost insurance. It helps community members address fundamental needs in their communities, such as primary schooling, by training the more educated to be teachers and helping to build and run village schools, phasing in the communities' absorption of the schools operational costs.

Of all these important strategies, however, I think that what has impressed me most is the social capital NEED builds by starting, training and supporting self-help groups of women and young people. These groups help build a sense of solidarity and problem-solving for their members, but they also provide a safe space for social interaction that is rare; especially for many females in rural Northern India. By bringing together women and youth of different castes, religions and income levels, NEED is helping to foster greater understanding, tolerance, and a sense of common purpose. These intangible outcomes may have as much or more to do with community development as the increased prosperity brought about by micro-credit.

Cynthia Steele
Executive Vice President
EMPower, NY, USA

How they did it

The world of microfinance is as contradictory as life. It can be good and bad at the same time. It can develop potentialities as well as can produce restrictions.

The world of media produces mostly nice pictures on microfinance using the same good story having its cradle in Bangladesh, again and again. Nowadays though, the media is also increasingly looking for bad stories, for instance, where microfinance providers act like exploitive moneylenders. The way microfinance is reported on shows that modern media and communication technology are powerful and can easily distort realities on broad scale.

Knowing at the same time that microfinance becomes more and more a (commercial) investment option and knowing that any international performance standards exists troubles me: The label microfinance does not say anything about the appropriateness of financial services with regard to the needs of poor and marginalised population. For instance, massive indebtedness can be inherent. Therefore, providing funds to the microfinance industry does not automatically mean that poverty is being combated. The contrary can be the case.

The unique book NEED is going to publish responds to a great need in making evident how and under what circumstances microfinance can unfold its impact – simply by speaking with those concerned and with as many as possible. As someone who promotes microfinance, I am looking forward to reading this book and learning on microfinance's full nature. I trust that the book is not about marketing microfinance but about life, its contradictions and instructs how to strengthen the potentialities of microfinance further.

God bless you.

Steffen Ulrich & Benazir Lobo Bader

Officer for Microfinance

MISEREOR, Germany

The marginalized and disadvantaged people face a lot of challenges. As we were going through this book, we could see the eagerness of NEED to address several challenges faced by the economically poor, through Microfinance. The battle ground, on which NEED has chosen to fight, is the most difficult region of India, Uttar Pradesh and Bihar. As such the distorted distribution of wealth assets and the entitlements among the people is quite conspicuous in this part of the world. It is more so in the geographical areas of operation of NEED. Like NEED, many NGOs operating in Microfinance Institutions have been caught up with the deep desire to improve the lives of the disadvantaged in a holistic manner. Many institutions which were doing non-finance development work earlier, have in the recent past i.e. in the last decade, carved out special professional outfits exclusively for dealing with microfinance. Some have set up NBFCs and some have other specialized structures. But the present attitude has been disagreeable to the non-finance or microfinance plus agenda from micro finance and deal with it.

Now NEED is turning around, attempting to adopt a holistic approach. Obviously NEED is steering towards putting into practice the concept which it dearly believed - that 'sum should be more than the parts put together'. It is interesting to see that NEED looks beyond the 'survival of the fittest' to promoting those who are disadvantaged.

To really realize the title of the book 'How they did it!' a lot of things should fall in place in good time. The first thing is the vision, which seems to be present abundantly. The rest is a great deal of hard work- an uphill task all the way. All those who should be the stakeholders in this enormous task, may not feel, ironically, that they are actually stake holders for the simple reason that they can not see the beautiful picture that can appear at the end of the process. Some, who realize that they are the stakeholders, may not be able to act in unison at the expected time. A major task is therefore to make everyone share the vision.

The dilemma of mixing or not mixing up microfinance with other activities is raising its head in a cyclical way. It would be nice if one institution or a network of institutions can bring about total change in the lives of people it chose to work for. But to expect the microfinance machinery to be able to deliver a lot of other social benefits is a difficult proposition in the current scenario. That is the reason why it is extremely interesting to keep an eye on what NEED is picking up.

It gives a good feeling, however, that some organizations like NEED are

How they did it

thinking de novo on these lines, willing to take up the challenges however difficult they are. Oikocredit has provided a term loan for NEED's microfinance activities, through our Indian subsidiary Maanaveeya Holdings and Investments (P) Ltd, Thus NEED is our partner in development. We look forward with great interest to seeing how NEED will make a difference in the most challenging terrain in India and we are quite optimistic that something substantially good is going to be contributed to the entire sector by NEED in the near future.

Tor G. Gull
Managing Director
Oikocredit International
The Netherlands

Late Suvarna Rani Gandham
Formerly IAS
Regional Manager,
Oikocredit, India
and Managing Director
Maanaveeya Holdings,
Hyderabad

As for the epilogue, feel free to pick and chose among the following lines-

I was amazed to see how Anil and his team was providing valuable services to the un-banked population of rural India, and the answer of the NEED benefactors: helping building local branches, holding savings group meetings and helping NEED identify the best potential entrepreneur in their own village.

-NEED's global approach (Education, Health, Fair trade, Microsaving, Microlending...) is a powerful tool to help rural citizen improve their daily live in a sustainable manner.

-NEED's global approach (Education, Health, Fair trade, Microsaving, Microlending...) is a powerful tool to help rural citizen improve their daily live in a sustainable manner.

- Anil's global vision is solving many problems at the same time.

Reflections From Across The Globe

-NEED field officers were leaving no stone unturned in reaching entrepreneurs far away from Lucknow

All the best from New York,

Alexandre Raguet

***Financial Services Professional
France***

It is a pleasure for me to write this Prologue wishing Mr. Anil Singh and his team good luck and God's grace for the venture that they have undertaken. I have known Mr. Anil Singh for many years and have had the opportunity to interact with him occasionally in various forums and seminars. Micro-Finance operations in NEED have indeed been making an impact in daily life of the poor people.

BASIX extended initial hand-holding support during the start-up phase of NEED micro-finance. I have been very impressed with the achievements of NEED in the years that I have seen it grow. Integrating livelihood development with the microfinance, NEED is creating micro-enterprises which will help create sustainable livelihoods. I hope that this documentation will help other organizations to learn from the experience of NEED and will help us to be more effective.

Vijay Mahajan,

Chairman,

BASIX, Hyderabad

Supporting micro-finance has become very fashionable in recent decades; it appears to be the solution to many problems. The stories are simple. You lend a poor woman a few dollars; she manages to set up a small enterprise which quickly brings in profits which allow her to pay back the loan on time with interest. The default rate is extremely low because women are encouraged to form self-help groups and it is this peer pressure which compels women to pay their loans back. But is it as straightforward as this? In his new book, *Ashoka Fellow*, Anil Singh questions some of our assumptions about micro-finance and presents us with new ideas about finance for very poor people. If micro-finance is the huge success it is supposed to be, why are huge numbers of poor, marginalized people still unable to access any kind of credit? Why is micro-finance not reaching the people who need it most? What needs to happen to make micro-finance more accessible to poor people?

Carol Wills

Honorary WFTO Member. UK,

“How They Did It”-indeed they have done it. NEED, through its social entrepreneurs, has transformed lives. During my interactions with NEED borrower-partners, I sensed how NEED's microfinance has created macro improvements in their living standards. Such endeavours in their own way contribute towards attaining United Nation's Millennium Development Goals.

The given book aptly portrays the intensity and diversity of NEED's efforts in promoting sustainable human development. “How They Did It” provides a snapshot of multiple aspects of NEED operations: origin, philosophy, problems, and outcomes. It speaks about the challenging past, the growing present and the promising future of NEED's silent revolution through microfinance.

NEED and its borrowers have been dreamers and doers. They are an inspiration for individuals and institutions worldwide. They encourage us to play our part in making this planet a better place for the future, rather than the way we find it today.

Ashish Hajela

Indian Institute of Management

(IIM), Lucknow

"HOW THEY DID IT" is a book which is not only highly informative but also very opportune in the current age of burgeoning MFIs. It exhibits NEED's experience as a social engineer, rather than as a mere MFI in recognizing the social empowerment as its foremost purpose. NEED borrowers, predominantly women, now develop their own business plans to market their products, deal with bank managers from mainstream financial institutions and negotiate with suppliers of raw materials - all this and more often unheard of in more than 70% of India.

Through its interventions in two of the most backward states in India - Uttar Pradesh and Bihar, NEED's documentation of case studies in " HOW THEY DID IT" would be unparalleled for micro finance researchers for its practical insight into problems faced and issues thus addressed by unique innovations. One such uniqueness is that NEED identifies whether an individual is capable of servicing such loans through sustainable start ups and provides consultation for the same for the first 1-2 months. Only when it feels that the person will engage in a long term livelihood through credit, does it agree to give them a loan while allowing early repayment.

MFIs like NEED should be promoted by governments by disbanding such MFIs which do not allow early repayment of loans, enter areas saturated with MFIs, pump back less than 70% of their profits into new loans, do not offer consultation for livelihood creation

How they did it

and do not have mechanisms to check the potential of an individual in creating a sustainable business before servicing him a loan. Without such services, micro finance would be no different than cheap and soul less money-lending. And " HOW THEY DID IT" clearly shows how such MFIs can learn from NEED's experiences and turn back to their salient motif of social commitment first, and only then to economic empowerment.

Abhinav Goel

London School of Economics (LSE), UK

(Also NEED's Governing Member)

“It is always refreshing to see a player in the industry dedicated to a more holistic approach to microfinance, especially addressing client needs outside of credit. This entails carefully balancing the social mission with financial viability, as well as simply focusing more on servicing clients with what they really want and need (rather than what we think they need). I applaud NEED for its efforts and wish it the very best in delivering its message to more of those in need of a complete set of financial and economic development services.”

Chris Linder, MBA,

Vice President, MicroSave India

Chris Linder,

Vice President

MicroSave

Within the context of India's economic growth, the disconnect continues as far as the situation of the poor - specially women, artisans,

dalits, daily wage workers and minorities is concerned. As per Dr Rangarajan Committee report- 49.77% of the Scheduled Caste households, 63.68% of the Scheduled Tribe households, 48.58 % of Other Backward Class households are financially excluded. Within this, the state of poverty is more striking in states like Uttar Pradesh and Bihar that constitutes the bulk of the poor population in the country. It has been established that to make any difference in the life of the poor, credit flow has to be substantiated with providing infrastructure support for livelihoods and promoting enterprises.

NEED has been working with the marginalized communities in the poverty stricken states of Uttar Pradesh and Bihar in terms of promoting micro-entrepreneurship since 1995. NEED has in its growth path innovated itself, whether it was starting EQUITY as an MFI to ensure efficient and timely financial services to promote entrepreneur skills among the poor , but also helping them with training, education, health and sanitation programs etc. With this holistic approach NEED has been able to contribute to social and economic development of the poor in the states of Uttar Pradesh and Bihar.

This idea of bringing out stories from the field in Uttar Pradesh and Bihar is brilliant on two accounts. Firstly, there has been lack of documented work on the efforts, we require more success stories from the field to inspire many others to follow suit. The documentation also helps to support and corroborate Government and Non-Government programmes in the field. Last but not the least, publishing stories from the field is a pillar of inspiration for the entire development sector and motivational for individual workers and organizations.

I wish NEED all the best for this endeavour.

Mathew Titus,

The ED

SADHAN, New Delhi

The emergence of social entrepreneurship, fair trade and microfinance has enabled rural artisans, farmers and small-scale industries to find new market openings. Scores of NGOs across developing countries, for their part, have emulated the Grameen Bank model. The microfinance industry is spawning different schools of thoughts.

While NGO-MFIs continue to adhere to long term goals of poverty alleviation and grass root level empowerment, there's a spurt in the growth of profit-oriented MFIs, which strive to enhance financial sustainability.

One of the chapters in this book addresses a major academic and practical challenge in micro-finance: eradicating poverty not only through profit, but also social discipline and responsibility. First and foremost, in the era of globalization and Internet, traditional images of poverty fuel a backlash against social marketing campaigns. Frustrated by the seemingly ineffective billions of development aid, tax payers in the West call out for accountability, translating into a need for understanding the mechanisms of eradicating poverty.

Even though micro-finance tends to be regarded as a panacea for the problems of underdevelopment, microfinance researchers and practitioners have very divergent ideologies. While neo-liberalists focus on financial sustainability by serving the entrepreneurial poor, the poverty alleviation paradigm adopts a less economic focus by concentrating on the poorest of the poor with the objective of community development. In stressing the role of women in society, another school of thought targets poor women. The concept of the social enterprise, as a hybrid business form for attaining for-profit and social goals, is gaining attention. Lastly, the popularity of micro-finance has led to an unbridled growth of micro-finance institutions that either opportunistically reap profits with a social facade, or under-perform by adopting an unjustified one-size-fits-all approach.

This book implicitly addresses all of these challenges. We fully agree with the statement of Anil Singh that a lot has been written on MF operations by economists and practitioners, but there is scarce documentation of how MF promotes diverse profiles of livelihoods,

and how social entrepreneurs like NEED contribute to social and economic development beyond their core service, which is finance.

Building theories starts with processes of induction and deduction. Even now many policy makers realize the potential of micro-finance, the optimal use of it is in need of a clearer understanding of how it functions. In addition to the general insights as outlined above, the experiences documented in this book are more than a success story of one MFI. More importantly, it provides lessons for a growing industry on its way to maturity. It is a must-read for stakeholders at all levels.

The case studies on social impact assessment and micro-enterprise development initiatives undertaken by organizations such as NEED provide qualitative insights into poverty alleviation and social engineering strategies. NEED has clients hailing from diverse sectors such as handicrafts, agro-processing and dairy farming and their experiences are highly relevant for both microfinance researchers and practitioners. The North Indian microfinance market remains relatively nascent compared to the microfinance industry in parts of Southern India (such as Andhra Pradesh). NEED's case studies shed light on the institutional and cultural factors that affect the growth of microfinance in Uttar Pradesh and Bihar. The potential pitfalls in the microfinance sector have also been elaborated in this publication.

The risks of multiple borrowing and the diversion of micro-loans for unproductive purposes are indeed a matter of concern across the industry. This calls for a set of best practices, which enhances the triple bottom line of Indian MFIs. We hope budding social entrepreneurs can take a leaf out of NEED's book. NGO-MFIs have certainly gone a long way in changing well-entrenched social structures and empowering villagers at a grass-root level. The documentation of success stories will create a ripple effect across regions untouched by microfinance and elevate the bottom of the pyramid segment.

***Prof. Robert Victor Goedegebuure,
Maastricht School of Management & Priyanka Jayashankar,
Doctoral Researcher, the Netherlands.***

“The noble work being done by NEED is really appreciable and it deserves to be recognized by one and all.

I am actually impressed by the effort the group is putting in to make life beautiful for the poor and underprivileged.

It is really heartening to see that people at NEED actually get self driven by the selfless motives and the sheer desire to serve the poor. I wish them all the best in all there future endeavors. “

Best

Dr. Prakash Singh

Chair- Finance, IIM, Lucknow

There are several hurdles and pitfalls while implementing a social development programme and it is never an easy task.

Given the difficulty of the task, NEED's success in conceptualizing & shaping social security & safety programmes for the poor sections of society is truly a tremendous achievement. NEED has truly played a significant role in the movement towards financial inclusion, better community health & education, community mobilization, fair trade, sustainable livelihood & micro-enterprises creation and development.

The case stories in the book provide a unique insight into the opportunity that lies within the area of micro finance. It is a first hand view of the struggle for survival and the role of micro-finance in uplifting the economic status and creating self sustaining avenues for the vulnerable.

The Power of the Poor uses an exclusive academic style to reflect the commendable job that NEED has been doing. NEEDS's model of leaving the decision on income generation to the power of the poor contributes towards a radical change in the way micro finance operates which is reflected in the book's compendium “They Did It.”

NEED has shown us that the poor themselves are capable of

Reflections From Across The Globe

achieving the significant milestones in income generation through their own efforts, provided they are guided in the appropriate manner and given the required financial support. It teaches us that the poor have the capability to achieve economic self-sufficiency and have every chance not to mention right to be part of the economic mainstream of the country.

I congratulate Mr. Anil K. Singh, The Chief Executive of NEED and his entire team for this grassroots driven documentation, and I hope that the many stakeholders engaged in the developmental sector get the opportunity to read the book and learn from it.

Dr. Amarnath Ananthanarayanan

CEO & MD

Bharti AXA General Insurance Co. Ltd.

Access to credit is important for improving one's economic condition. The poor in India are, however, generally deprived of access to formal sources of credit. While the poor think that banks would not be willing to provide loans to match their consumption and production needs and are hesitant to approach them, the banks on their part are often unwilling to lend to the poor due to low amount of loan, high transaction costs and risk of default. The poor are consequently left to the mercy of the private money lenders, who exploit their poor economic condition and dire need.

In this situation micro finance has emerged as a very potent instrument of poverty alleviation. The government is promoting the formation of Self Help Groups and linking them with banks for their credit needs. The SHG movement has remained weak in the poverty stricken states like Uttar Pradesh and Bihar. Though in more recent years a large number of SHGs have been set up in these states, they have largely remained deprived of financial services. There is an urgent need for filling this gap through micro finance institutions.

NEED is a reputed NGO working in UP and Bihar which has been active in this field for last fifteen years or so. The present book highlights the lessons learnt by NEED in its efforts towards organizing the rural poor and meeting their financial need through micro finance. The strategy has evolved over time as experience has been gained. Initially, NEED put emphasis on mobilizing the poor community and subsequently organized group building workshops for these people. Soon it was found that many of the micro-enterprises initiated by poor members were withering away in the absence of working capital credit supports. NEED moved in to fill this gap by distributing small loans of Rs. 5000-6000 to carefully selected members at reasonable rate of interest out of its own savings. Realising the good work done by need the Small Industries Development Bank of India (SIDBI) came forward with an handsome term loan support to NEED to strengthen its operations. This has enabled NEED to provide credit to a total of 35,000 out of total gross loan portfolio of Rs. 48 crore. It is encouraging to learn that NEED is now thinking in terms of obtaining an NBFC license.

NEED has learnt some useful lessons in developing micro finance as a powerful tool of poverty alleviation. Some of these lessons need to be recalled here. The first important lesson is that the first and foremost priority should be given to strengthening the local organizations as the poor people are unlikely to gain full economic, social, and political empowerment without belonging to a local organization. The second important lesson is that participation and involvement of local administration, policy making officials, PRI members and district officials with Micro Finance Institutional support is required towards generating appreciation for micro-finance inputs and obtain the objective of financial inclusion. Thirdly, micro enterprises should not be seen only as profit making units but should aim at inculcating social discipline and feeling of social responsibility. Fourthly, there is a need for following a holistic approach by linking up microfinance to educational services, health and sanitation services human needs.

These are important lessons which will not only shape the future strategy of NEED in its efforts for poverty alleviation through micro finance, but will also be of great value for other MFI working in the field. NEED also needs to take steps for organising SHGs into federations at block, district and state level to upgrade these micro enterprises into dynamic business units with economies of scale, technology and marketing linkages.

The book also documents a large number of case studies of individuals who have been able to improve their economic condition with the help of loans extended to them. These success stories are inspiring and show the potential of the poor in managing successfully micro enterprises and undertake divergent type of activities ranging from making of wooden stools, oil extracting units, handloom factories, repair of mobile sets to export oriented products.

I commend NEED for their initiative to compile these success stories and document its efforts and strategy in the field of micro finance with its limitless potential awaiting to be exploited. I am sure this effort will inspire and encourage others also in making their

contribution in the noble task of improving the quality of the life of the poor.

***A.K.Singh Director ,
Giri Institute of Development Studies,
UP, India***

India, which is as an 'advanced developing country', gets its strength from agriculture and small enterprises, which together contribute around 40 per cent to our Gross Domestic Product.

Besides, they together employ an overwhelming majority of India's working population.

India was able to withstand the tremors of global recession, since our economy was not export-based. Our economy is fueled by domestic consumption and depends upon agriculture and small enterprises.

However, a majority of our workforce is in the unorganized sector and is not financially included. They are not covered under any social security schemes, such as insurance and have little access to micro credit.

In this context, NEED has been doing a yeoman's service for this unprivileged class of people. NEED's CEO Anil K Singh needs to be congratulated for his unflinching dedication for the emancipation of the unorganized sector workers, especially artisans.

I have no doubt his book would emerge a resourceful reference for all those seeking information about the status of this 'bottom of the pyramid' populace of the country.

***Regards,
Virendra Singh Rawat
Principal Correspondent***

Micro-Finance Institutions (MFIs) arose in that credit market segment in India which remained long unserved or inappropriately served by the country's mainstream financial institutions. The MFIs innovated various formats in doing the business, but the essence was the incorporation of peer pressure mechanism in solving loan delinquency. They sought sustainability of their operations by heavily relying on an erroneous intellectual refrain that interest rate does not bother the poor much; what the poor want is the right type of loan (kind or cash or a mix) in right quantity at the right time. It worked well for some time; but the MFIs' lack of focus on the sustainability aspect of their clients at the same time brought to the fore over a period certain unwelcome issues.

The fact is that every consumer, poor or rich alike – more so in Indian context, is price sensitive. So also is the case with any consumer of credit. It is another matter that the system has pushed a poor to a situation wherefrom he stops bothering about the interest rate if he were to get a loan thereby when he requires it most and that too in a hassle free manner. Further, credit by itself cannot generate any surplus. Only when it gets applied at the confluence of the necessary enabling and supporting non-credit inputs and services can generate incomes.

Question may arise as to whether an MFI by taking up also the responsibility of arranging the required non-credit inputs and services for its microfinance clients would not be pushing up its overall operational cost to such an extent that it may jeopardize the very sustainability of its microfinance business. The answer to it lies in an MFI's ability to quickly convert the group – initially created by it primarily to exert peer pressure for timely repayment of its loan – into an empowered all-purpose action group by facilitating them to establish linkages with appropriate institutions/ organizations so that they start self-managing their own non-credit inputs and services requirement.

The MFIs who priced their financial products keeping in view the mutual sustainability issue of the provider and receiver of microfinance and adopted credit plus approach as above in place of

only credit or minimalist approach, it impacted and transformed the lives of their clients. It also simultaneously made the MFIs concerned grow.

Network of Entrepreneurship & Economic Development (NEED), Lucknow, India belongs to the latter category of handful few NGO-MFIs in India. Its philosophy has all along been 'Service Driven Delivery of Group Driven Micro-Finance Dimension of Inputs'. The Book "How They Did It" published by it presents a few documented case studies taken from its operational areas. It is surely to bring light and learning to every reader.

RK Das

Joint Director

Bankers Institute of Rural Development

(BIRD), India

A great thanks to NEED for taking the time to document the stories which embody microfinance's raison d'être! Such a publication displays a significant dedication to microfinance clients in India. We wish the utmost success in the publication of this work and hope that it serves to further enhance our understanding of the critical issues surrounding the industry.

Liz Larson,

Asia Regional Manager

Microfinance Information eXchange

(MIX), DC, USA

As the Director of Microcredit Summit Campaign, my interest is always on those practitioners who are working towards the fulfillment of the Campaign's goals, viz:

Working to ensure that 175 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the end of 2015.

Working to ensure that 100 million families rise above the US\$1 a day threshold adjusted for purchasing power parity (PPP), between 1990 and 2015

From that perspective, I see the contribution of Network of Entrepreneurship & Economic Development (NEED), as reflected in the compendium of case studies, highly commendable.

The short case studies are packed with information. They tell succinctly how the poor clients, with the help of income derived from microenterprises have been able to provide improved quality food and education for their children and, got free their families from the clutches of moneylenders, enhanced their savings and income, overcame caste and class discrimination, empowered the women in the family etc. The cost benefit data given in the case studies should be very helpful for potential entrepreneurs and other microfinance institutions in the region.

I sincerely hope that this book will inspire others to promote microenterprises among microfinance clients.

Congratulations to Dr Anil Singh, his staff and clients for their hard work and diligence in mitigating poverty

I wish them the best of every thing

***Sam Daley-Harris, Director
Microcredit Summit Campaign,
Washington, DC, USA***

Micro-finance has been more of a mystery than mere buzz-word for me although I have never been directly involved in it. As a government functionary, I have always skipped weighing pros and cons for schemes like IRDP,SGSY,NAREGA and others. Without scheming for its disadvantages, in my view micro-finance is more of a panacea for poverty (at least extreme poverty) and its benefits are at par with dairy cooperatives (white revolution) and green Revolution in agriculture even though it is yet to grow to its fullest extent in India.

Micro-finance is a powerful tool. Indeed but the way it is done should also matter for Microfinance Institutions. It is extremely pleasant and wonderful to note the achievements and efforts of NEED Microfinance operation.

Their approach is different. They are not in this business with poor for the sake of it but for a pious mission to serve the people with blend of social discipline and responsibility. Their attitude with their borrowers or would-be clients is ideal one. I am not appreciating their functioning and mind it, theirs is not a mainstream or government supported organization. They face the problems and hurdles in their path to serve the poor people as any lay man would have but they continue to grow and have rooted their recognition as well as acceptance among their clients which is unprecedented.

NEED does not work like a “brand” in the market of micro-credit among the poor. It. More or less works like a “friend” who helps friends in need and you know “a friend in need is a friend indeed” this is true for NEED and its poor clientele.

For me, Micro-credit in the state of Uttar Pradesh and Bihar is a much more challenging task for any organization than other parts in India and NEED has fulfilled it and has micro-finance operations in many interior locations of U.P and Bihar including urban slums. I wonder how NEED Has consistently been maintaining a clear 100 % recovery rate in the state of Bihar and at another hand 97-98% in Uttar Pradesh.

The professional attitude of NEED staff and the benevolent approach of its chief executive Mr. Anil Singh a person with Social

Entrepreneurial commitment, is the result of hard- working and the desire to serve the poor people. The book “How They did it” is a testimony to the will of the organization and its efforts the book proves that the poor people are they have the capability to sort their problems themselves.

The case studies delineate the wonderful efforts, skills and approaches and entrepreneurship talent of the people of India, How micro-loan helps in micro efforts for micro enterprises? Combined with the service driven methodology and approach of NEED the people have given the shape to their wisdom of livelihood for their families.

For me, the book unravels the mystery of micro-finance to me. The book also immensely demonstrates as to why we should together be proud of any country. My kudos also goes to NEED and the writers of the case studies for their abstracts and display of bare facts.

Rakesh K. Mittal, IAS

Chief coordinator,

Kabir Peace Mission, UP

End Note

COMMUNITY HEALTH ACHIEVEMENTS

S. No.	Activities	No. of Beneficiaries
1.	No. of rural community health functionaries from the promoted groups	73
2.	Children vaccinated	26685
3.	Pregnant women vaccinated	9485
4.	Adolescent girls vaccinated	11195
5.	Women adopting guidelines on better nutrition	15495
6.	Children benefiting from an improved diet	16445
7.	Adolescent girls benefiting from an improved diet	14189
8.	Men benefiting from an improved diet	7,214
9.	Repair of hand pumps	712 nos
10.	Toilets constructed	470 nos
11.	Bathrooms constructed	210 nos
12.	No. of sanitation campaigns	264
13.	No. of health camps organized	298
14.	No. of safe drinking water kits installed	8000
	Total no. of beneficiaries	110735

MICRO -PLANNING THROUGH SELF-HELP GROUPS WITH VILLAGE COUNCILS

S. No.	Activities	No. of Beneficiaries
1.	Drainage system laid	8500 mtr
2.	Village roads laid	2700 mtr
3.	Hand pumps	123
4.	Village street light poles	21

End Note

**NUMBER OF COMMUNITY SCHOOL PROMOTED
BY MICRO-FINANCE
LIVELIHOODS AND MICRO- ENTERPRISES
(PART- A)**

Particulars	No. of Units	Range of Investment	Employment generated	Average per Unit
Farm Sector including conservation linked livelihoods	150000	1.5	477000	3.18
Service Sector	95000	10-15	260300	2.74
Mobile Sector	48500	10-15	133375	2.75
Repairing work	7750	15-25	25730	3.32
Fast growing Allied Sector	25100	10-15	80069	3.19
Manufacturing Sector	10250	20-30	35055	3.42
Craft sector	24000	5-10	138240	5.76
Traders cum job work	28000	10-20	60000	2.14
Jute sector	1100	5-10	1276	1.16
Zardozi sector	9100	10-15	35126	3.86
Hand-made sector	80	10-15	177	2.21
Total	398880			

**FINANCIAL DISTRIBUTION OF PROMOTED UNITS
(PART- B)**

Spectrum of Livelihood	District Employment	Indirect Employment	Total
Farm Sector	477000	85000	562000
Off Farm Sector	769348	65000	834348
Total	1246348	150000	1396348

How they did it

**FINANCIAL DISTRIBUTION OF PROMOTED UNITS
(PART- C)**

Scheme	No. of Units	Investment in '000
Self, Traditional or Relatives Supported investment	160000	5-100
Micro-Finance through micro-credit of NEED Central subsidy based programme	43000	10-25
State based programme	25000	50-150
Bank loan	24000	20-25
	20000	50-150

**ACHIEVEMENT AT A GLANCE
(PART- D)**

Particulars	Number
No. of units promoted	370880
No. of Employment Generation	1290000
Bank loan mobilized	Rs. 54.26 Crore approx.
Self investment	Rs. 38.65 Crore approx.
Micro-Finance through Equity in Need	Rs. 27.75 Crore approx.
Average Employment generated	3.20 per unit

MICRO-FINANCE SUPPORTED MICRO-ENTERPRISES

Micro-Enterprises	Service Sector	Business	Trading
Bag Unit	Photo studio	General store	Pulses
Shoes manufacturing	Rickshaw	Stationery	Flowers
Button making	Tempo/auto	Tiffin supply	Eggs
Rope making	Computer Training	Paints	Agarbatti
Finished woods	Mobiles	Sweets shop	Candles
Wooden products	Recharge Coupons	Electronic	Pickles
Handloom	Beauty products	Electrical	Pickles
Plastic Toys	Beauty Parlor	Hardware	Biscuits
Footwear	Grocery/Kirana	Tea shop	Bread supply
Garments	Flour Mill	Fruits shop	Milk Supply
Furniture	Hair saloon	CD/DVD disc shop	Coconut shop

End Note

Jewellery	Auto repairing	Bags shop	Saree
Bangles	Tailoring	Kabadi (waste material)	Readymade garments
Baskets	Welding	Vegetables shop	Hosiery
Pottery	Spray Painting	Plastic shop	Timber
Statues & clay toys	Chat & Samosa	Hotel/food items	Cement
Pickles	Laundry	Wheat machine	Almirah
Papad	Sewing	Construction	Cycle
Agarbatti	Catering	Fast food	Pots
Candles	Tent house	Repairing work	Kite
Carry bags	Coffee Machine	Provision store	Woolen items
Bread	Carpenter	Vendor	Edible Oil
Rice mill	Plumber	Mobile selling	Rice
Flour mill	Binding work	Thelia	Books
Gas welding	Bakery	Gumati	Newspapers
Packets	PCO/fax	Paan shop	Office files
Peppermint	Light shop	Door to door selling	Packets
Battery	Video games	Dairy Products	Boxes
Parched rice	Taxi		Gas selling
	Pumping Set		Salt
	Tanga		
	Generator		
	Tyre/Tube		
	Sweeper		
	Boutique		
	Motor shop		
	Cycle repairing		
	Cycle repairing		
	Cloth ironing		
	Cloth Painting		
	Painting		

**A SNAPSHOT OF MICRO-FINANCE OPERATIONS
(BASED ON 2011-12 UNAUDITED FINANCIAL
FIGURES)**

Growth	Size	Sustainability	Risk
<ul style="list-style-type: none"> • 12.69% cash security • 95.95% operational income out of total income • 155% rise in outstanding portfolio planned in next five years • 994% rise in outstanding portfolio in last five years from 2.62 crores in 2010-11 • Cumulative retained earnings – 3.00 crores (six – 3.00 crores (six operations)) • Tangible Net worth – 4.93 crore 	<ul style="list-style-type: none"> • Outstanding loan portfolio as % of total assets – 61% • Total number of branches – 12 • 2.02 crores of investments • Ratio of Portfolio Outstanding to External borrowings outstanding: 1.11 • 87.09 crore of cumulative loan disbursements • 88 Loan/credit officers • 70 % of loan disbursement in non-farm activities such as services, trade and small business, production, micro-enterprises Total business (receipts) – 36.00 crore 	<ul style="list-style-type: none"> • Asset Quality • Yield on Assets – 21.76% • 0.26% of PAR greater than • Productivity • 8.92% of operating expenses ratio • Debt Service Coverage Ratio – 2.33% • Efficiency • Operational Self Sufficiency (OSS) – 117% • Financial Self Sufficiency (FSS) – 109% • Borrowers per field staff – 304 • 82 Thousand members • Return on Assets – 3.15% • Return on Assets – 3.15% • crore 	<ul style="list-style-type: none"> • Capital Adequacy Ratio – 26.21% • PAR > 90 days – 0.14% • Bad debts to loan outstanding 2.42% • Loan Loss reserve ratio – 4.73% • Financial Expenses ratio – 8.86% • Debt Equity Ratio – 3.22 • Risk cost ratio 0.78% • Operating expenses to total assets ratio – 8.30% • Net margin as % of assets – 3.15%

A COMPARATIVE ANALYSIS

For the year ending:	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012 (Prov.)
Ratio Analysis				
Portfolio quality				
Loan loss reserve Ratio	2.32%	3.25%	3.47%	4.73%
Loan loss reserve	40.17	65.44	90.48	83.15
Loan Portfolio EOY	1729.63	2013.61	2605.86	1757.04
Risk coverage ratio	1.75%	1.70%	0.64%	0.26%

End Note

Portfolio at Risk	30.34	34.24	16.74	4.64
Loan Portfolio EOY	1729.63	2013.61	2605.86	1757.04
Write-off ratio	0.87%	1.01%	1.04%	2.42%
Write-off /bad loans	14.98	20.33	27.08	42.46
Loan portfolio EOY	1729.63	2013.61	2605.86	1757.04
Efficiency and productivity				
Operational self sufficiency %	120.98	115.57	113.86	117.47
Total Income	351.90	465.62	581.93	496.80
Total Expenses	290.89	402.89	511.11	422.90
Operational expense ratio	10.91%	9.92%	9.21%	8.92%
Operating expenses	136.16	185.62	212.62	194.59
Average Loan Portfolio	1247.85	1871.62	2309.74	2181.45
Financial management				
Financial expense ratio	9.63%	9.46%	10.67%	8.86%
Financial expenses	120.14	177.00	246.37	193.17
Average Loan Portfolio	1247.855	1871.620	2309.735	2181.45
Current ratio	5.85	5.59	5.63	8.02
Current Assets	1810.26	2154.26	2683.32	2126.58
Current Liabilities	309.37	385.35	476.21	265.01
Debt-equity ratio	5.40	4.86	4.66	3.22
Debt	1350.90	1631.50	1989.20	1586.57
Equity	250.23	335.40	427.18	492.68
Profitability				
Return on equity (RoE)	24.38%	18.70%	16.58%	15.00%
Surplus	61.02	62.73	70.82	73.90
Equity	250.23	335.40	427.18	492.68
Return on assets (RoA)	3.19%	2.67%	2.45%	3.15%
Surplus	61.02	62.73	70.82	73.90
Assets	1910.49	2352.25	2892.59	2344.26
Portfolio yield	26.31%	24.17%	24.59%	22.77%
Financial Income	328.26	452.28	567.91	496.80
Average Loan Portfolio	1247.85	1871.62	2309.74	2181.45
Interest Yield	21.64%	20.67%	20.20%	20.21%
Interest Yield	270.09	386.90	466.57	440.79
Average Loan Portfolio	1247.85	1871.62	2309.74	2181.45
Debt Service Coverage Ratio				
(DCSR)	2.14	2.00	2.08	2.33
Surplus	61.02	62.73	70.82	73.90
Depreciation	1.69	1.88	1.80	3.85
Financial Cost (interest)	112.34	175.06	236.50	186.50
Repayment principal	668.99	1333.14	2155.36	2393.85
Repayment to lenders	282.95	609.39	949.20	953.69
Capital Adequacy Ratio (CAR)	14.07%	15.87%	15.70%	26.21%
Capital/Net worth	250.23	335.40	427.18	492.68
Risk weighted Assets	1778.09	2113.77	2721.33	1879.50

***Provisional Figures subject to reconciliation**

***The figures are pertaining to micro-finance operations in NEED, only**

We are also providing you with the operational summary of NEED microfinance of the last six years:

OPERATIONAL SUMMARY OF NEED MICRO-FINANCE OF LAST SIX YEARS

Portfolio Indicators	31/03/2012	%age Growth	31/03/2011	%age Growth	31/03/2010	%age Growth	31/03/2009	%age Growth	31/03/2008
No. of members	81633	120	68555	156	44072	153	28886	242	11944
No. of groups	18297	121	15180	160	9513	159	5993	260	2306
No. of SHGs	481	111	434	121	359	107	337	127	265
No. of JLGs	17816	121	4746	161	9154	162	5656	277	2041
No. of active groups	6623	-138	9113	123	7405	139	5324	292	1826
No. of SHGs	86	-151	130	100	130	62	211	109	194
No. of JLGs	6537	-137	8983	123	7275	142	5113	313	1632
No. of Loans disbursed (Cum.)	25835	-247	63781	159	40123	159	25179	279	9029
No. of new clients joined	13078	-187	24483	161	15186	90	16923	256	6598
No. of dropouts (Cum.)	24023	-128	30829	272	11354	284	3991	273	1460
No. of active loans end of period	25835	140	36296	116	31288	139	22574	277	8163
No. of active borrowers end of period	26781	141	37726	115	32718	131	24895	237	10484
No. of districts covered	13	-	13	130	10	143	7	-	7
No. of State covered in the country	2	-	2	100	2	100	2	100	2
No. of Field Staff	88	143	126	115	110	116	95	190	50
No. of Villages/ towns covered end of period	3000	150	2000	118	1700	113	1500	188	800
Gross Loans disbursed-(Rs. Million)	870.95	122	711.36	164	433089	161	270.15	256	105.40
Loan outstanding -(Rs. Million)	175.70	147	260.59	129	201.36	116	172.96	226	76.60
PAR> 90 days	0.14	308	0.25	-58	0.70	212	0.33	0	0
Amount O/S at Risk (Rs. in million)	0.25	208	0.66	-64	1.42	245	0.58	0	0

End Note

Average Loan Disbursed (Rs)	10669	103	10376	105	9845	105	9352	106	8824
Average Loan O/S per borrower (Rs)	6561	105	6907	114	6154	89	6948	95	7307
Borrowers per field staff	304	102	299	75	401	132	304	127	239
Average O/S per field staff	1996635	103	2068175	115	1830545	101	1820632	119	1532163

Tangible Net Worth (TNW)	155.45	250.23	335.40	427.18	487.68
Investments	19.12	89.23	186.09	201.80	210.23
Debt Outstanding	563.86	1350.90	1631.50	1989.20	1586.57
Cash Security Balance	96.87	236.46	332.80	414.29	223.04
Other current liabilities	12.10	61.99	52.55	61.92	41.97
Total Current Liabilities	108.97	298.46	385.35	476.21	265.01
Net Fixed Assets	3.95	11.00	11.90	7.47	7.45
Investments	19.12	89.23	186.09	201.80	210.23
Other Current Assets	39.13	80.63	140.65	77.46	364.55
Portfolio Outstanding	766.08	1729.63	2013.61	2605.86	1757.04
Total Current Assets	805.21	1810.26	2154.26	2683.32	2121.59
Net Working Capital (NWC)	696.24	1511.81	1768.91	2207.11	1856.58
Current Ratio	7.39	6.07	5.59	5.63	8.01
NWC/Current Assets %	86.47%	83.51%	82.11%	82.25%	87.51%
Debt Equity Ratio	5.50	7.51	6.50	6.24	4.04
Total Operating Liabilities (TOL)	660.73	1587.36	1964.30	2403.49	1809.61
TOL/TNW	4.25	6.34	5.86	5.63	3.71

GLOSSARY

ABCO

ABCO is an acronym for Average Borrower per Credit Officer, a measure of client - staff ratio, It is also known as Case Load

AP-based MFIs

Andhra Pradesh (AP) based MFIs are those MFIs having head quarters in Andhra Pradesh and operation in Andhra Pradesh and other states

Average Loan Size

Average Loan size represents the client per capita loan amount. It is calculated as : The Loan portfolio divided by the number of clients of an MFI.

Below Poverty Line (BPL)

Below Poverty Line is an economic benchmark and poverty threshold used by the government of India to indicate economic disadvantage and to identify individuals and households in need of government assistance and aid.

Capital Adequacy

Capital Adequacy is the measuring the solvency level of MFIs which is an important indicator of risk bearing ability of the entities. It is the proportion of the capital/ own fund held by an MFI against its total assets.

Capital to Total Assets

Ratio of net worth to total assets

Current Repayment Rate (CRR)

Current Repayment Rate (CRR) is the proportion of client loan and interest amount recovered/repaid out of the total loan and interest amount due as on a particular date.

Glossary

Debt Dependence

Debt Dependence is the proportion of total assets funded by bank loans and outside debts.

Debt-Equity Ratio

Debt-Equity Ratio is the proportion of total debt borrowed to the total equity held in a given point of time.

Debt Funding

Debt Funding refers to the percentage of loan portfolio funded by outside borrowings

External Cost

External Cost here refers to Finance cost which is determined by the lending rate of banks and hence is beyond the control of MFIs

Finance Cost

Finance Cost here refers to the interest and other expenses incurred on average bank Loan outstanding in the books of MFIs. This does not include national cost of utilizing the equity fund.

Financial Inclusion

Financial inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low income segment of society.

Financial Solvency

Financial Solvency here refers to Financial Strength of an MFI. Solvency amount MFIs indicates the financial risk bearing ability of the entities, especially in the event of unforeseen shock leading to financial loss.

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) refers to the market value of all final goods and services produced within a country in a given period.

Internal Cost

Internal Cost here includes Operation Cost (Operating Expenses Ratio -OER) which in turn comprises of Personnel Cost, Administrative cost, Depreciation and Miscellaneous Cost.

Interest Rate Cap

Interest Rate Cap refers to the interest rate ceiling of 26 percent fixed by RBI chargeable by MFIs from the loan lent to their clients.

Leverage

Leverage is generally measured as the amount (in multiples of own capital amount) borrowed from outside sources including banks.

Margin

Margin refers to the difference between the finance cost on portfolio and the total yield on portfolio. This term is analogous to the concept of Net Interest Margin (NIM) widely used in banking parlance. Margin Cap refers to the ceiling of Margin of 12 percent fixed by RBI.

Malegam Committee

Malegam Committee is the RBI Board Sub-committee, under the chairmanship of Y.H.Malegam, which investigated the issues affecting the microfinance sector and submitted reported to the RBI in 2011

Managed loan Portfolio

Managed Loan Portfolio is the loan assets originated by MFIs and later sold to banks for getting liquidity. The MFIs continue to manage it - collection of repayment on behalf of the banks which purchased the portfolio.

Operating Expense Ratio

Ratio of staff, travel, administration costs, other overheads and depreciation charges of the MFIs (non-financial costs) to the average loan portfolio during a year.

Operating Model

Operating Model of an MFI in this report refers to the model under which majority of the clients are served by the MFI. The same MFI may serve a small portion of clients under other models also.

Operating Self sufficiency (OSS)

Operating Self Sufficiency (OSS) shows the sufficiency of income (Operating Income and Investment income) earned by MFIs to cover the cost like operating cost, loan loss provision and finance cost, incurred for conducting the operation.

Other State MFIs

Other State MFI are those MFIs having head quarters in states other than Andhra Pradesh and having main operation in any of the states (mainly outside of Andhra Pradesh)

Portfolio at Risk (PAR)

PAR indicates the proportion of outstanding amounts of all loan accounts having past due/arrears to the total outstanding loan. In general, PAR 60, i.e. , the portfolio/part of the portfolio remaining unpaid 60 days and beyond crossing the due date, would be used as a measure to assess the portfolio quality.

Qualifying Assets

Qualifying Assets are loan portfolios created by MFIs adhering to certain conditions to make the MFIs eligible to be called as MFIs and to raise loans from banks under Priority Sector Advances Scheme (as per recent RBI norms).

Return on Assets (RoA)

Return on Equity (RoA) is the universally accepted profitability measure which , in essence, is the percentage net income earned out of total average assets deployed by MFIs during a given period, say a year.

Return on Equity (RoE)

Return on Equity (RoE) is the net income earned out of average equity of MFIs held by MFI during the given period.

Self Help Groups (SHGs)

SHGs refer to groups of 10-12 women coming together to form a semi formal community based institution to meet their common financial and social needs. SHGs are linked to mainstream banks for depositing surplus savings of the SHGs and to obtain loans (popularly known as SHG Bank Linkage Programme -SBLP)

Yield on Portfolio

Yield represents total income from microcredit operation-Interest income, processing fees/service charge-earned out of average loan portfolio outstanding. It does not, include investment income. It is a good proxy/surrogate for loan interest rate.

Zero Tolerance Policy

it is generally refers to the tendency of MFIs not to 'tolerate' (entertain) loan repayment default by their borrowers

LIST OF ABBREVIATION

MFI:	Micro Finance institution
MF:	Micro-Finance
SIDBI:	Small Industries Development Bank of India
NABARD:	National Bank for Agriculture and Rural Development
AGB:	Aryavert Gramin Bank
SHG:	Self Help Group
JLG:	Joint Liability Group
WUG:	Water Users Group
FIG:	Farmers' Interest Group
MM:	Mahila Mandal
PRI:	Panchyati Raj Institution
MBSED:	Market Based Skill & Entrepreneurship Development
NEED:	Network of Entrepreneurship and Economic Development
RRB:	Regional Rural Bank
DFID:	Department For International Development
IDS:	Institutional Development Services
ITID:	Information Technology Institutional Development
FWWB:	Friends of Women World Banking
HDFC:	Housing Development Finance Corporation
NHB:	National Housing Bank
SEWA:	Self Employed Women's Association
NBFC:	Non-Banking Finance Corporation
LSA:	Livelihood Service Advisor
UM:	Unit Manager
BM:	Branch Manager
HIV:	Human Immunodeficiency Virus
NRM:	Natural Resource Management
EIGSEP:	Entrepreneurship Linked Income Generation For Self Enterprising Person
UNIFEM:	United Nations Development Fund For Women
FF:	Ford Foundation
NGO:	Non-Government Organization
VHG:	Village Health Guide
ME:	Marketing Entrepreneurs

Abbreviation

MP:	Micro-Planner
PSIs:	Public School Institutions
HRD:	Human Resource Development
EDC:	Enterprise Development Center
RCSF:	Rural Community School Financing
SA-DHAN:	The Association of Community Development Finance Institutions
BWTP:	Banking With The Poor
IIX:	Impact Investment Exchange Asia
FI:	Financial Inclusion
WFTO:	World Fair Trade Organization
AFTO:	Asia Fair Trade Organization
FTF India:	Fair Trade Forum
MMR:	Maternal Mortality Rate
CDR:	Crude Death Rate
CBR:	Crude Birth Rate
NMR:	Neonatal Mortality Rate
CPR:	Contraceptive Prevalence Rate
LER:	Life Expectancy
TFR:	Total Fertility Rate
UNF:	Unmet Need for Family Planning
FY:	Financial Year
NCAER:	National Council of Applied and Economic Research
CMCR:	Center for Micro Consumer Research
NSDC:	National Skill Development Corporation
RBI:	Reserve Bank of India
SBI:	State Bank of India
SAC:	State Advisory Council
MD:	Managing Director
CEO:	Chief Executive Officer
ASSOCHAM:	Associated Chambers of Commerce and Industry of India
SAIL:	Steel Authority of India Limited
SEBI:	Securities and Exchange Board of India
NSE:	National Stock Exchange
UBI:	Union Bank of India
PNB:	Punjab National Bank
BoI:	Bank of India
SLBC:	State Level Banking Commissions

GRANITE:	Grassroots Reach-out & Networking in India on Trade & Economics
SRC:	State Resource Committee
ICICI:	Industrial Credit and Investment Corporation of India
ECB:	External Commercial Borrowing
PE:	Private Equity
CB:	Capacity Building
RPCD:	Rural Planning & Credit Department
CCLimit:	Cash Credit Limit
OD:	Over Due
OTRR:	On Time Recovery Rate
RR:	Risk Rate
DER:	Debt Equity Ratio
ROA:	Return On Assets
ROE:	Return On Equity
PAR:	Portfolio At Risk
OSS:	Operational Self Sufficiency
FSS:	Financial Self Sufficiency
OFC:	Operational Financial Cost
FC:	Financial Cost
FCRA:	Foreign Contribution Regulation Act
CA:	Chartered Accountant
CS:	Company Secretary
SRI:	Systematic Rice Intensification
SWI:	Systematic Wheat Intensification
RET:	Renewal Technical Energy
TERI:	Tata Energy Research Institute
PDS:	Percentage of Dissolve Salt
CWS:	Center for Water and Sanitation
CSR:	Corporate Social Responsibility
SC:	Scheduled Castes
ST:	Scheduled Tribes
OBC:	Other Backward Classes
NCAER:	National Council Of Applied Economic Research
CMCR:	Centre for Macro Consumer Research
BCs:	Business Correspondents
CGAP:	Consultative Group for Aids to the Poor

Micro-Finance, a movement that emerged in 1990s, provides poor people with access to credit. This movement has been hailed by many as a means of mobility out of poverty. Here is the story of one organization's quest to incorporate social dimensions like health (including safe drinking water, nutrition, family planning welfare & stabilization), education, market-based skill and entrepreneurship development, mainstreaming youth, livelihood promotion and micro-enterprises, sub-sector based producer companies and fair trade under its umbrella, with a "non-profit" mindset. Although commonly understood as an economic activity, micro-finance is as much a human and social endeavour. NEED's experience reveals that this approach has helped lift the poor out of the cycle of poverty.

Currently, our grass-roots network reaches nearly 6500 villages and around 32,50,000 people in the urban slums and in the rural districts of Uttar Pradesh & Bihar, India. Our potential is limitless and we, as Social Entrepreneurs, seek your support to continue to grow and excel.....

ISBN.....



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