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Micro-Finance as a Poverty Reduction Tool-A Critical Aspect of India

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This paper attempts to provide a critical appraisal of the debate on the effectiveness of micro-finance as an Indian poverty reduction tool it argues that while micro-finance has developed some innovative management and business strategies, its impact on poverty reduction remains in doubt Micro-finance, however certainly plays an important role in providing safety net and consumption smoothening The borrowers of micro-finance possibly also beneft from learning-by-doing and from self-esteem. However, for any significant dent on poverty, the focus of public policy should be on growth-oriented and equity-enhancing programs, such as broad-based productive employment creation

I. Introduction:

There is growing interest in micro-finance as one of the avenues to enable low-income population to access financial services. India with a population of around 300 million poor people has emerged as a large potential opportunity for the micro-finance sector. With only 48% of the population accessing financial services, expanding the micro-finance sector is also important from the perspective of financial Inclusion (World Bank, 2008). Since 2004, the Reserve Bank of India (RBI) has emphasized financial inclusion as an important goal.

The recent global financial crisis also underlines the desirability of financial sector growth by broadening access to financial products rather than by facilitating excessive leverage to a subset of the population or by increasing the complexity of financial products. While there have been various initiatives to promote micro-finance in India since the 1970s, the sector witnessed rapid growth only in the 1990s. The RBI has since the mid 1990s helped in attracting funding for the sector by including micro-finance in the "priority sector", to which banks are mandated to allocate a percentage of their lending. However, no specific regulation was imposed on the sector as a whole primarily because it was felt that regulation may hamper the sector's key strengths of informality and flexibility. With the growth of the sector both in terms of size, scope and number of participants, there is however now a need for developing a more formal regulatory structure. First, regulation is needed to enable a number of large micro-finance (MFIs) to offer savings services, so as to address a major shortcoming of the sector. The largest MFIs in the country, which cumulatively account for 80% of the sector in terms of portfolio outstanding, are non-banking finance companies (NBFCs). who are unable to accept savings deposits (Ghate, 2007). In order to do so, NBFCs need to obtain investment grade rating from a credit rating institution, which is difficult for the MFIs. As a result, most of the growth in micro-finance in India has been concentrated on provision of loans or "micro credit" A number of studies have stressed the importance of savings for the poor (Rutherford, 2001). Many MFI members simultaneously both borrow and save. The lack of saving services results in their saving in less convenient, riskier and often lower yielding ways such as through purchase of ornaments. For the MFIs, this lack of access to deposits implies that they tend to be highly leveraged.

The introduction of savings services by the MFIs, has to be preceded by putting in place a framework for their prudential regulation. Second,micro-finance sector institutions are no longer solely socially motivated. Due to the growing perception that it is possible to earn high returns through micro-finance lending, commercially driven entities are also being attracted to the sector. This further underlines the need for supervision and consumer protection. Third, some MFie have started offering products such as insurance, remittances and pensions by tying up with mainstream providers. While this helps in broadening the scope of micro-finance services, it also calls for coordinated regulation of the sector particularly in view of the limited financial literacy of its participants. Such increasing overlap between various financial institutions is expected to continue. Finally, while the diversity of legal forms in the sector has arisen due to its unplanned, entrepreneurial growth, a uniform regulatory framework would enable a level playing field and prevent regulatory arbitrage. While regulation is essential, avoiding over regulation that hampers innovation and unduly increases transaction costs is also equally important.

Proposed Model for Regulation of Microfinance In India

It is only recently that most countries have started seriously addressing micro-finance regulation. Hence the possibility of learning from the experience of other countries is limited A few Examples from countries where micro- finance sector has a reasonable history are however taken into account in the suggested framework for India. An early model of regulation developed in Indonesia involved the central bank as the regulator, with delegation of supervisionto a government owned bank, BankRakyat Indonesia (BRI) and some provincial banks (Meegher, 2002). In the Philippines, performancestandards have been developed in a collaborative manner by stakeholders in the sector, including representatives from Government, private sector as wells wholesale and retail MFIs These standards are meant for use as industry benchmarks for all types of MFIs (Aimorio et al, 2006) Bangladesh has enacted regulation of the sector only in2006 when a Central Authority to regulate micro credit was set up . The policy with regard to micro-finance in India has been largely positive and developmental and at the same time marked by caution and prudence. While the policy has brought the sector to its current state of development, in order to enable the sector to grow further in an orderly mannercertain major policy initiatives need to be taken The most important missing link in the country's financial inclusion efforts is that of adequate saving channels for the poor. While commercial banks, regional rural banks and post offices, have good geographical networks, they are often unable to provide the doorstep collection of small deposits on a regular, frequent basis as required by the low-income groups. These groupware usually unable to visit formal financial institutions during specified working hours without incurring considerable transaction costs in terms of time and money. MFI operations on the other hand are tailored to more effectively meet their requirements and hence they should be permitted to provide savings services. While the BC model attempts to increases savings avenues for the poor, large MFIs, which have the scale, required to provide these services in an economic mannerhave not been incentives to participate in it. The other important missing link in the county is the inability of the low-income persone to acces affordable remittance and payments services.Mobile banking provides the greatest scope for this to take place. In Philippines, a typical transaction through a bank branch which costUS$2.50 is estimated to cost only $0.50 when automated using a mobile phone (Asian Banker, 2007). It is proposed that to address these two missing links, some of the large MFIs should be Selectively permitted to be converted to a special category of MFI banks with lower initial capital requirements These MFI banks should be permitted to offer savings as well as mobile payment services.

Given the large geographic area of the country, licenses to collect deposits need to be provided selectively to entities, so as to enable effective regulation. Regulators should assess an MFI thoroughly based on financial, management and operational criteria. These entities should also have the capability to increase outreach substantially and reap economies of scale and scope so that lending costs in micro-finance reduce considerably. Large MF is who have a satisfactory . After license is provided, continued supervision and monitoring of these entities is called for. It may be desirable to extend deposit insurance, which is presently available to depositors in commercial and cooperative banks (up to an amount of Rs 0.1 million) to MFI Bank depositors, though it may also create moral hazard issues in any case, the contingent liability of the savings collected is likely to be on the State given India's political economy characteristics. This therefore calls for strict and close supervision and regulation.

The MFI banks should also be permitted to offer mobile payment services in Kenya, the successor M-PESA, the mobile money scheme launched by Safari COM, its largest mobile operator has nearly 7 million users out of atotal population of 38 million (Economist, 2009) The benefits for customers include quicker and cheaper transfer of money and a means to save small amounts of Money for emergencies. The huge customer base and powerful brand of the mobile company enabled outreach to unbaked segments of the population. As regulators in many banking services, other models have developed For Regulating India's Micro-finance example, in Uganda, a leading mobile company has partnered with a bank to offer a similar service (Economist 2009). In India, permitting MFI banks to partner with mobile companies to offer mobile banking services has the potential to enable access to remittance services to a large number of unbaked customers. While the banks have a relationship with these customers and are best placed to service them, the mobile companies have the technology and expertise required. Such collaborations can bring down transaction costs considerablyallowing entry to private well-governed deposit taking small finance banks as recommended by the Raghuram Rajan Committee on Financial Sector Reforms (2008). As suggested by the committee, these banks will be in closer touch with Customers and will provide tailor made products and services to them. As small banks are likely to be geographically focused, the Rajan Committee calls for offsetting their higher risk by imposing on them more stringent regulations. The measures suggested are higher capital adequacy norms, stricter prohibition on related party transactions and lower allowable single party transactions. While the last of t three may net be applicable in the case of MF, which usually have large number of small bowers, the first twosuggestions should be considered in developing regulatory norms for MFI banks. As recommended by the committee, the supervisory capacity should be developed to deliver the greater monitoring these newer banks will require. RBI would be an appropriate choice for prudential regulation of MFI banks, as it is the regulator for banks in India. This may stretch the regulatory capacity of RBI but would nevertheless be a worthwhile investment for the country as in the long run it could result in large-scale financial inclusion and financial deepening. Training a team of officials at RBI on various micro-finance models and the peculiarities of micro-finance regulation as well as the intricacies of prudential regulation will be required.

The non-prudential regulation of MFIs may be carried out by an independent regulator in the nature of an oversight board reporting to the RBI, so as to not to overstretch the regulatory capacity of RBI. The board should be broad based in nature consisting of representatives from Government, banks, MFIS, SHG federations, Sa-Dhan, NGOs and consumer forums. All MFIs of all legal forms should be required to register themselves with this regulator and adhere to the uniform code of conduct prescribed. The code should cover truth In lending. Transparency with regard to charges, financial education, selling appropriate financial products, practices for monitoring and collection as well as norms for provisioning of loans. Channels for customer complaints and dispute resolution should also be provided. The regulator should use creative means for communicating with SHG and MFI members so that they are made aware of them. The regulator should coordinate with other financial sector regulators namely IRDA and PFRDA with regard to insurance and pension services. Amount to having two regulators. For prudential supervision of MFI banks, regulation by RBI is proposed. For non-prudential supervision for the sector as a whole, an independent oversight board (OB) reporting to the RBI is suggested. The members of the OB should have the requisite expertise as a group and access to public and private sector experts. This can be accomplished through appropriate advisory committees.

The creation of regulatory capacity for prudential and non prudential regulation of the Indian micro-finance sector will be a major challenge but is likely to be a worthwhile investment for the country as in the long run it could result in large scale financial inclusion and financial deepening. In conclusion, it is time to address regulatory issues to enable the micro- finance sector to contribute more effectively to the goal of financial inclusion, and to provide an environment in which all stakeholders can participate with confidence. Regulating India's Micro-finance Sector: A Suggested Framework

Impact Assessment of Micro-Finance in India:

The study aims to assess on a national scale the outreach and development impact of MFI programmes in relation to different product designs and delivery systems in various parts of India.The study is part of the Micro Finance Support Project (MFSP) supported by the Department for International Development, UK (DFID) and the International Fund for Agricultural Development, and implemented by the Small Industries Development Bank of India (SIDBI) through its Foundation for Micro-Credit. The SIDBI Foundation is lending to credit-rated MFIs and providing funding support for their capacity building. As of March 2003, SIDBI hadan outstanding portfolio of $11.7 million to 45 MFs. The impact assessment is a longitudinal design coinciding with the seven-year period of the MFSP (2000-2007). The research design and pre-test phase was carried out over six months starting in July 2001. Panel data collected during the baseline (2002-2004) will be compared with follow up data to be collected two-three years later. The comparison of panel data will provide evidence for impact at the end of the project (impact being defined as 'change that can be plausibly associated with involvement in a micro- finance programmed').

The Micro-Finance Context In India:

In India there is a diversity of approaches to micro-finance, involving banks, government agencies, NGOs. The focus of this study-is the specialized MFIs who provide financial services whilst building their own financial sustainability. Most MFIs use groups as intermediaries for financial transactions, but there are different ways of working with groups. These may be broadly classified as the Self Help Group model (SHGs), the Grameen replicates and Cooperatives (the latter often catering to a specific economic sector-such as fishing, handlooms, dairying) in each of these models, the group usually assumes joint liability for loans taken by its members, but there are significant differences in the services offered and in the extent of client responsibility in financial transactions (discussed further below). A small number of MFis have an individual banking approach.

The 45 MFIs (including one Apex MFI) associated with SIDBI represent the more established micro-finance institutions in the country. They have been functioning as MFIs for at least 4 years, with experience ranging up to 10 years. In terms of scale, the range is from 1,500 to over 120,000 members. The combined membership is over 1.3 million. Most of these MFIs follow the SHG model (Table 1).

Micro-finance and poverty reduction:

The following indicators are used to study poverty reduction in client households: asset formation (including savings), diversification of livelihoods, reduced dependency on costly financial sources, and ability to send children to school. The feedback from focus group discussions is that women clients especially see an increase in savings as a key impact of micro-finance. Women clients now have the opportunity to save in small amounts on a regular basis- in a safe place. Involvement in a micro-finance programme is instilling a habit of saving and in some areas clients have also started saving with formal sources such as the post office. The data on - savings supports significant savings for clients in comparison with non-clients, especially for the very poor and poor who usually have limited options to save (Table 5).

Source:

Survey data shousehold information is for 10 MF Average seving information based only on SHG and Grameen sample The Cooperative MF is not included since financial transactions in coastal fisheries are at a much higher level than in the other MF The average savings amount of non-cents (except for the very poor) is higher than for clients, reflecting larger deposits in Jumal mechanisms (post office or bank) in comparison with the much smaler deposits common in micro-finance programmes

The profile of acquisition of assets is similar: 75% of the clients sample had acquired assets (productive or household) in the previous two years, 85% in the case of high involvement clients, all wealth ranks. Amongst non-clients, by comparison, 62% of all wealth ranks had acquired assets, with the proportion just 44% in the case of very poor. In terms of livelihood security, client householdshave a slightly higher number of income sources (2.00) in comparison with non-client households (1.73), and a lower dependency burden. The difference is most significant in the case of very poor and poor clients who are most likely to report an increase in overall household income in the previous two years (62% of high involvement clients compared to 32% of non-clients-poor categories).

Data on household credit (based on recall for the two years prior to the survey) supports a reduction in dependency on moneylenders among micro-finance clients as a result of access to micro-finance. Table 6 compares client

Table 1: SFMC Partners in Micro-Finance (March 2003)

MFL model	Number of MFIS	Number of Members	%
SHG	23	833,000	69.1
Grameen	10	383,000	23.0
Individual banking	6	61,000	4.3
Sector Cooperating	5	14,000	3.6
	44a	1,291,000	100.0

SFMC also partners an Apex MFL which supports another 47 smaller MF is with over 300,000 members sufficient to meet their credit needs so that clients have no choice but to go to other sources as well. In the SHG and sector specific sample, the data for high involvement clients shows Significant moneylender contributions to a higher overall debt amount. In other words, in terms of the absolute amount, the moneylender borrowings actually increase perhaps an indication of increasing creditworthiness. Assuming (on the basis of FGD feedback and case studies) that, if there were no MFI programme, clients would have borrowed half the micro-credit amount from higher cost informal sources, there would be an estimated saving of Rs1, 110/borrower ($24) on interest payments as a result of the MFI programme. For households with non-clients, and recent with high involvement clients.Other informal sources of finance include relatives, neighbors, local chit funds.

Source:

Survey data, 9 MFIs; Cooperative sample not included since average credit levels are much higher in the economic sector covered. Statistical tests for differences between client and non-client households are significant for informal sources Even for high involvement clients, however, it is clear that micro-finance is not always a poor household, this is a significant amount.

The data does not support the hypothesis that micro-finance enables clients to take advantage of educational opportunities for their children. Child school attendance rates are similar for clients and non-clients (85% at primary level, 44% at secondary level - and higher for boys than for girls in both types of household!). Some 16% of clients with school-age children had borrowed from various informal sources to meet schooling costs. Micro-finance (only group loans in the SHG model MFIs) contributes just 17% of total borrowings for education. Overall, does micro-finance help move clients out of poverty, or into less poor categories? Whilst there are some clear examples of positive.

Table 5: Households That Save - A Comparison of Micro-Finance Clients and Non- Clients (Excluding Savings At Home)

Households	Total	Households that save				
Sample	**Total**	**Very poor**	**Poor**		**Boderline**	**Non-poor**
Clientsa	n = 1,692	98%	100%	98%	98%	98%
bAverage HH savings(Rs)	n = 1,728	5,900	2,000	3,200	4,800	13,000
%MFI programme	28%	76%	44%		35%	16%
Non-clientsa	n = 568	40%	185	27%	45%	60%
bAverage HH savings(Rs)	n = 501	12,000	1,000	4,700	5,900	27,000

shifts from successful enterprises supported by micro-finance, a comparison between high involvement and low involvement clients (cross- sectional analysis) does not clearly support the hypothesis. The wealth ranking profile is quite similar, and amongst high involvement clients (whose average time with an MFI programmed is over 5 years) a significant proportion- 42% are poor, including 11% very poor. Clearer findings on this will be possible from the follow-up survey of the same householdscore themes of WSSD. The Programme of Action affirmed the primacy of national responsibility for social development, including poverty eradication. but also called for international support to assist government's in developing strategies. The Programme of Action suggested ways to involve civil society in social development and to strengthen their capacities. Clients by involvement level:

It called on Governments to mobilize resources for social development, including poverty alleviation. The WSSD Programme of Action was to be implemented within the framework of international cooperation that integrated the follow-up to recent and planned UN conferences relating to social development, for example,

Table 6: Household Borrowings (Total Over Previous two Years From Any Source)

n-sample borrowers	Credil household	Credit from different sources			
MEV group	Bank	Moneylenders	Other informal		
EIR range		14-41%	12-18%	36-200%	0-36%
Clients(n=1.491)	Rs 19,600 ($425) 100%	34%	8%	34%	25%
Non-clients(n=394)	Rs18,400 ($400) 100%	-	16%	44%	40%
Recent (n= 431)	Rs14,300 ($310) 100%	19%	8%	47%	26%
High(n= 561)	Rs27,700 ($600) 100%	45%	7%	24%	24%

Children's Summit in 1990, the Environment and Development Conference in 1992, the Human Rights Conference in 1993, the Population and Development Conference in 1994 and the Women's Conference in1995. The United Nations System Conference Action Plan (UNSCAP) designated poverty alleviation as the integrating theme for follow-up to world conferences. It called for UN system action in five areas: Jobs and sustainable livelihood.

(1) Regenerating the environmental issues.
(2) the enabling environment.
(3) Social service for all
(4) Arrangement of women and gender mainstreaming
(5)Jobs and sustainable livelihood

UNDP and UN Resident Coordinators were asked to coordination system efforts in the five areas. UN development organizations have their own individual mandates. Micro-finance is one tool for poverty alleviation. The enabling environment influences the effectiveness of micro-finance in the other four areas of poverty alleviation interventions. The UN organizations' mandates in the area of micro-finance primarily lie in the area of that contribute effectively to poverty alleviation. The responsibility for provision of capital rests with governments, with support from bilateral donors and international financial institutions (Report of United Nations, 1995). FEW SCHEME OF A GOVERNMENT OF INDIA There are so many schemes for the enlistment of poor In India. One of them Micro-credit programmes is run primarily by NABARD in the field of agriculture and SIDBI in the field of Industry, Service and Business (ISB). The success of Micro-credit programme lies in diversification of services. Micro Finance Scheme of SIDBI is under operation since January 1999with a corpus of Rs. 100crore and a network of about 190 capacity assessed rated MFI/NGOS Under the programme, total amount of Rs. 191 core have been sanctioned up to 31st December 2003, benefiting over 9 lakh beneficiaries. Under the programme, NGOs/MFIs are supposed to provideequity support in order to avail SIDBI finance. But they find it difficult to manage the needed equity support because of their poor financial condition.

The problem has got aggravated due to declining interest rate on deposits. The office of the development commissioner (Small Scale Industries) under Ministry of SSI is launching a new scheme of Micro Finance Programme to overcome the constraints in the existing scheme of SIDBI, whose reaches currently very low. It is felt that Government's role cane critical in expanding reach of the scheme, ensuring long term sustainability of NGOs/MFIs and development of Intermediaries for identification of viable projects.

Salient Features of Microfinance Programme of Government of India-(www. laghuudyog.com/schemes/micro-finance. htm) Arranging fixed deposits for MFIs/ technical assistance and demonstration of models NGOs:

Under this scheme government of India arrange money to MFI/NGO like SIDBI for micro credit to poor. Training and studies on micro-finance programme: Government of India would help SIDBI in meeting the training needs of NGOs, SHGS, intermediaries and entrepreneurs and also in enhancing awareness about the programme. Institution building for 'intermediaries' for identification of viable projects The Government of India would help in institution building through identification and development of intermediary organization', which would help the NGOs/SHGs in identification of productpreparation of project report, working out forward and backward linkages and in fixing marketing technology tie-ups. The SISIS would help in the identification of such intermediaries In differentareas.

Budgetary Provision For The Scheme During 10th Plan:
Here was a budgetary provision in 10th five-year plan and hoping more funds in next plan. **Administrative arrangement:** A committee has been formed to control and monitor the administrative arrangement of MFI/NGOS.**MICRO-FINANCE TERMINOLOGY Micro credit:** This is a small amount of money loaned toa client by a bank or other institution. Micro credit can be offered, often without collateral, to an individual or through group lending. **Micro-finance:** This refers to loans, savings, insurance, transfer services and other financial products targeted atow-income clients **Micro-insurance:** This is a system by which people, businesses and other organizations make payments to share risk. Access to insurance enables entrepreneurs to concentrate more on growing their businesses while mitigating other risks affecting property. health or the ability to work. **Remittances:** These are transfer of funds from people in one place to people in another, usually across borders to family and friends. Compared with other sources of money that can fluctuate depending on the political or economic climate, remittances are a relatively steady source of funds. **Micro-savings:** These are deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements. Savings accounts allow households to save small amounts of money to meet unexpected expenses and plan for future investments suchas education and old age. Inclusive financial sectors: It allows poor and low-income people to access credit, insurance, remittances and savings products. In many countries, the financial sectors do not provide these services to the lower income people. An inclusive financial sector will support the full participation of the lower income levels of the population. Micro entrepreneurs: These are people who own small-scale businesses that are known as micro enterprises. These businesses usually employ less than 5 people and can be based out of the home. They can provide the sole source offamily income or supplement other forms of income. Typical micro entrepreneur activities include retail kiosks sewing workshops, carpentry shops and market stalls.

Unbaked: This describes people who have no access to financial services through any type of financial sector organization such as banks, non- bank financial institutions, financial cooperatives and credit unions, finance companies, and NGCs. Implicit in this definition is that financial services are usually available only to those individuals termed "economically active" or bankable.

Case study examples(i) Successful Micro-Finance Support Enables a widow to Earn Independently

When her husband died, Saraswathyamma continued to live in the family house and was supported by her son and daughter-in-law. Their one-acre of land now belonged to her son. But they were a poor family and did not look after Saraswathyamma. So, she decided to move out and fend for herself. With a small loan (Rs1,000 -$22-interest free) from neighbors, she started a snack center in the village. Soon after starting the center, she joined an SHG. This was two years ago. As a member, she has taken two loans (Rs4,000 and 5,000- $87 and $109) from the MFI, which she used to buy an electric grinder and expand her working capital. She manages the Tiffin center by herself and the business is doing well. Loan repayments have all been on time and she now eams a net profit of up to Rs3, 000 ($63) per month. Business is profitable, despite some problems: not being able to work when she is ill, or dealing with customers who expect service on credit. Her plans now are to save enough money to start a new hotel on the main road outside the village-not for herself, but for her son...South India, rural, SHG model A traditional family handloom business grows through regular inputs of Micro-credit Chabita Mana's family of five was very poor, with no permanent source of income. Handloom weaving was the traditional occupation of her husband's family. But her husband worked only as a daily wage laborer, not eaming enough to meet the household's needs. So, Chabita decided to borrow Rs2,500 ($54) from a local moneylender to purchase a loom and raw material to start weaving cotton dhotis.

At around the same time, in 1998, she joined the savings group promoted by a local MFI. After regular savings for six months, Chabita got her first MFI loan of Rs2, 000 ($43), which she invested back in her business. Since then, she has taken four loans increasing in amount each year (Rs3,000, R$5,000, R$7,000 and Rs8,000-up to $174). All the loans were used to expand working capital and were repaid in full with income from the enterprise. Both Chabita and her husband now work full time in handloom weaving. They earn up to R$4,000 ($80) a month and have employed another woman to work with them. They have plans to expand the business and start weaving saris as well. She expects to get a larger loan from the MFI to buy another loom and hire moreweavers.North, rural, GrameenWealth rank now Borderline

(III) Micro-Finance Contributes to Expansion of a Tea Shop But Falls to Support After a Vijay Singh came from a farming family. But after he broke his back in a tractor accident, he leased out his land and decided to start a small teashop on the highway outside the village. He invested money from his land and borrowed from two moneylenders to get started. Then, he took a loan of Rs5,000 from the MFI, and used this to expand his working capital, repaying within the year. The shop was doing very well but just as he was planning to convert his wooden stall to a pucca brick structure, the shop was set on fire. All the goods were damaged. He approached the MFI for a loan to repair his shop and replenish the inventory, but his request was turned down-since the MFI had limited funds. So he has had to tur again to moneylenders.North, rural, SHG-male individual borrower

(Iv) The Risks of Poverty Undermine Micro-Credit Investment-But Micro- Finance Holds Out Options for the Future

Venkatamma is a widow with four children (3 sons, 1 daughter) aged 8 to 19 years. The two older children, both boys, work as laborers breaking rocks into small kankar (stones) that are used to lay roads. The two younger ones go to school, but stay home if there is work to do. Venkatamma, too, sometimes breaks kankar or sells firewood. She also works as an agricultural casual laborer but rains have been scarce for the past two years and farm labor is hard to come by. She has been a member of a local MFI four years.With savings of Rs1, 360 ($30) she is Secretary of her micro-finance group. She has taken one group loan in the past two years - Rs1, 000 ($22) to cover food expenses and, before that, an enterprise loan of Rs5, 500 ($120) from the MFI to purchase five goats. However, the goat investment proved unsuccessful. Her young daughter, kept back from school to graze the animals, could not protect them. Within two months all five goats were dead and there was still the loan to repay -Rs610 a month, from a monthly family income of just Rs1, 000. As Secretary of the group. Venkatamma knew that she had to set the right example and repay the loan. She managed to repay and is now thinking of taking another loan. If she gets a loan this time, she would like to start a small teashop or buy some sheep. She feels that sheep would be safer than goats. South, rural, SHG, WHH

II. Conclusion

problems of unemployment. There are over 24 DeitEburon. Jain, Pankaj, and Mick Moore (2003). "What makes Microcredit Programme Effective? Fashionable Falaces and Workable Realities. IDS Working Paper 177Institute of Development Studies, University of SussexCreating self-employment opportunities is Hug. Hamidul (2004) "Surviving in the world of one way of attacking poverty and solving the crore people below the poverty line in our country. The Scheme of Micro-finance has-been found as an effective instrument for lifting the poor above the level of poverty by providing them increased self-employment opportunities and making them creditworthy. A basic effort of last decade, the micro-finance objectives in India have reached at top point similar to Bangladesh. With some effort substantial progress can be made in taking MFIs to the next orbit of significance and sustainability. There is a need of Designing financially sustainable models and increase outreach and scale up operations for poor in India People belong to villages are still unaware about banking policies and credit system.

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