Banking on poor to get business

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IT is a long-standing notion of the banking sector that the 'Poor are not creditworthy and hence not bankable.' On the other hand, with two million Self Help Groups (SHGs) in the country, of which 38,000 are in the Pune district, does the number stand evident to our rural development?

In a report published by a financial daily in 2004, Dr Medha Dubhashi, an Associate Professor with the Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM), had stated that SHG training and advocacy seems to be a bandwagon that everyone wants to jump on to without understanding the issues involved.

There is no impact analysis on the training provided by the institutions. Quantity most often takes precedence over quality as targets are imposed.

With an objective to upscale SHG development through proper institutional mechanism, VAMNICOM in association with the Grameen Bank, conducted a programme on micro financing in Dhaka, Bangladesh from January 21-24. The programme named 'Micro finance and Micro enterprise: Exposure visit to Grameen Bank' aimed at exposing and sensitising the office- bearers of Cooperative banks to understanding the philosophy and operations of Grameen Bank and examine the model vis-à-vis the SHG bank linkage model in India. Nobel laureate and founder of the famous Grameen Bank in Bangladesh, Muhammad Yunus, interacted with the group and shared his ideas.

Some points adopted by the Grameen Bank

- No collaterals for lending.
- No requirements for legal documents.
- Repayment of loan in small installments from the income generated from business.
- The values of integrity and responsibility are instilled through peer groups.
- Institutional structure is strong at branch-area-zonal levels, hence close monitoring of utilisation of loans is possible.
- Loans are dispersed within a week.
- An exhaustive Management Information System (MIS) exists. Branch staff stay in villages, and loan lending and recovery is transacted at the door-step of the borrower.
- Staff is motivated. They receive performance-based incentives, over and above their salary that are at par with government fixed scales.

Dr Medha Dubhashi greeting Muhammad Yunus, founder of Grameen Bank of Bangladesh.

"The Grameen Bank has illustrated the way to lend to the poor. It has shown that lending to the SHGs is a viable proposition. There is 99 per cent recovery," said Dr Dubhashi, who headed the programme.

Grameen Bank is also now self-reliant, based on its own resources, whereas our system is dependent on National Bank for Agriculture and Rural Development (NABARD) the apex development bank, which provides re-finance to lending institutions to channelise the credit to the rural sectors.

"Its high time the cooperatives follow the procedures and practices based on the principle that 'poor are bankable,' as the poor have the skills and capacity but lack financial assistance," said Dr Dubhashi.