UNIT 1 PRIME MINISTER'S ROZGAR YOJANA

Structure

1.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the need for self-employment programmes;
- describe the details of the implementation of the PMRY; and
- outline the organisational structure built for implementing the PMRY.

1.1 INTRODUCTION

The problem of providing gainful and quality employment to the new entrants to the job market has been a major challenge for India. With improving standards of health, nutrition and education, a large number of youth are entering the job market. The unemployment rate in India has increased significantly over the past 10 years and the number of unemployed persons was estimated to be about 35 million in 2002. About 60% of them are educated and nearly three fourths live in the rural areas. Another recent trend, following the 1990s, is the near stagnant growth of employment in the organised sector and negative growth in the public sector.

As a consequence, it is now pressing for the country to create gainful job opportunities for all. Denying access to employment to a major portion of the workforce or absence of employment opportunities will only deprive our youth of economic freedom. In fact, this is the single biggest problem that our planners, political parties and all right thinking individuals in the country are facing in this century. This unit aims to acquaint you with the Prime Minister's Rozgar Yojana, (PMRY)—a popular self-employment scheme.

1.2 PRIME MINISTER'S ROZGAR YOJANA (PMRY)

In the past, creation of large-scale employment opportunities has been linked with the setting up of large industries. In terms of the recent history, towns like Bhilai, Bokaro and even Bangalore to a large extent, have grown because of large-scale industrial units and the ancillary and down stream units that have come up as feeders to these units. This no longer holds good today. Today's mega projects employ far fewer persons compared to those set up in the fifties, the sixties or the seventies. Over the past 20 years or so, keeping in tandem with the management practices followed worldwide and because of increasing per capita productivity, large industries are no longer seen as generators of employment. Many have shut down or have reduced staff considerably. While productivity levels have gone up, employment levels in such industries have remained stagnant. In fact, the entire private organised sector today represents only 2.5% of all jobs. With government investment in the public sector showing a declining trend today, any growth in employment will have to come from the unorganised sector, which represents 92% of the country's employment and is much more labour intensive than the organised sector.

Globally also, the situation is no different. Small and medium enterprises generate 78% of all jobs in Japan and 69% of all jobs in Korea. The same is true for the entire developed world with minor degrees of variation. Therefore, it is now universally acknowledged, even in India, that the unorganised sector including small and medium enterprises (SMEs) will have a major role to play in the country's economic strategy. Today SMEs are regarded as the engine of growth in most economies of the world including India. They create jobs, assets and income.

Recognising the role of small and medium enterprises, the Government has for some time now, been designing a large number of programmes for the unemployed youth. Among the most significant of such initiatives is the Prime Minister's Rozgar Yojana popularly called PMRY. It was launched on 2nd October, 1993.

1.2.1 Objective and Target

The main objective of PMRY is to assist educated unemployed youth to set up self-employment ventures. The scheme aimed at setting up nearly 7 lakh enterprises and consequential employment for more than one million educated unemployed youth in the last four years of the 8th Five Year Plan. Initially, the scheme was implemented only in the urban areas of the country. Since 1994-95, it has been in operation in both urban as well as rural areas. The scheme continued in the 9th Five Year Plan with the plan target of 11.00 lakh beneficiaries with an annual target of 2.20 lakh beneficiaries. The PMRY is continuing in the 10th Five Year Plan also with the plan target of 11.00 lakh beneficiaries. The target for the year 2004-05 was fixed at 2.20 lakh beneficiaries.

1.2.2 Beneficiaries – Eligibility Criteria

The PMRY is a bank operated scheme for creating enterprises and is meant for the educated unemployed youth throughout the country in both rural and urban areas. To be eligible for assistance under this scheme, the criteria to be fulfilled are as follows:

i) **Age:** The educated unemployed youth who would like to benefit from this scheme should be between 18 to 35 years of age. There is, however, a relaxation of 5 years in the upper age limit for those educated unemployed youth who belong to J & K, Himachal Pradesh, the North Eastern States and Uttaranchal. For them the upper age limit is 40 years. Similarly, for those educated unemployed who belong to Scheduled Castes/Tribes, are ex-servicemen, physically handicapped or women, the upper age limit is 45 years.

ii) **Educational Qualifications**: As far as educational qualifications are concerned, a person needs to have cleared 8th Class. Preference is given to those already trained in a trade at Government recognised/approved institutions for at least six months.

iii) **Family Income**: The total income including the income of the spouse and the parents of the beneficiary should not exceed Rs. 40,000/- per annum.

iv) **Residency**: In order to be eligible under the scheme, it is a necessary condition that the beneficiary is a permanent resident of the area for at least 3 years. There is a relaxation of this condition for the married men of Meghalaya and the married women from the rest of the country. For both these categories, the residency criterion applies to the spouse or in-laws.

v) **Reservation**: There is a reservation provision for weaker sections. Preference is also to be given to women. The scheme envisages 22.5% reservation for SCs/STs and 27% for Other Backward Classes (OBCs). In case SC/ST/OBC candidates are not available, the State/UT Government can consider other categories of candidates under PMRY.

vi) **Others**: The beneficiary should not be a defaulter at any Bank, Financial Institution or Cooperative Bank. Further, a person already assisted under any other subsidy linked Government scheme would not be eligible under the scheme.

1.2.3 Project Cost, Subsidy and Margin Money

The financial terms under PMRY are as under:

i) **Project Cost:** Projects up to Rs. 2 lakhs for Industry & Services and Rs. 1 lakh for Business Sectors can be taken up by individual entrepreneurs under PMRY. If two or more eligible persons join together in a partnership, a project with a higher cost (up to a maximum of Rs. 10 lakhs) is also supported. However, assistance shall be limited to individual admissibility for example if 3 people take up a business sector project in Gujarat State, then project cost will be limited to Rs.3 lakh (Rs.1 lakh × 3) and subsidy will be restricted to Rs.22,500 (Rs.7500 × 3). Self Help Groups also can be considered for assistance under the Scheme provided:

- The *Educated Unemployed Youth* satisfying the eligibility criteria laid down under the Scheme volunteer to form SHGs to set up self-employment ventures (Common Economic Activity).
- A Self Help Group may consist of 5-20 educated unemployed youth.
- There is no upper ceiling on loans.
- A loan may be provided as per individual eligibility taking into account the requirements of the project.
- The SHG may undertake a common economic activity for which the loan is sanctioned.
- Subsidy may be provided to the SHG as per the eligibility of individual members taking into account the relaxation provided in North Eastern States, Uttaranchal, Himachal Pradesh and Jammu & Kashmir.
- The required margin money contribution (i.e. subsidy and margin to be equal to 20 per cent of the project cost) should be brought in by the SHG collectively.
- Loans upto Rs.5 lakh for projects under the industry sector will not require any collateral security. Exemption from collateral will be limited to an amount of Rs.1.00 lakh per member of SHG for projects under Service and Business Sectors.

ii) **Subsidy and Margin Money:** Subsidy will be limited to 15% of the project cost subject to a ceiling of Rs. 7,500/- per entrepreneur, except for North Eastern States, Himachal Pradesh, Uttaranchal and J&K, where the ceiling is Rs.15,000/-. The Banks will be allowed to take margin money from the entrepreneur varying from 5% to 16.25% of the project cost so as to make the total of the subsidy and the margin money equal to 20% of the project cost.

iii) **Rate of interest and repayment schedule:** There is no interest subsidy and the prevailing bank rate of interest is charged. The Repayment Schedule may range between 3 to 7 years after an initial moratorium.

Check Your Progress I

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) What are the age limits for various categories of beneficiaries to be eligible under PMRY.

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2) What is the maximum size of an individual project under PMRY?

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3) If an unemployed youth from Simla takes up a PMRY Unit with a Project cost of Rs. 80,000/-, what is the maximum subsidy which he is entitled to?

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1.3 IMPLEMENTATION

The District is the basic unit for the implementation of the Prime Minister's Rozgar Yojana. The District Industries Centre (DIC) is the implementing agency except in the metropolitan cities of Calcutta, Mumbai and Chennai where the Directorate of Industries does the job.

Implementation of the scheme involves identification of beneficiaries, selection of specific avocations, identification of the support system required by the beneficiary, escort service and close liaison with the banks and other local agencies concerned with industry, trade and service sectors. The District Level Task Force Committee is facilitating these activities. The Task Force comprises a Chairman who is a senior officer of the implementing agency, preferably the head of the agency, e.g. the General Manager of the District Industries Centre; Director, in the case of SISI; Additional Director of Industries in the case of the Directorate of Industries or the Dy. Commissioner of the District. Other members of the Task Force are the representatives of

- The Lead Bank.
- Two leading Banks.
- The District Employment Officer.
- One member each from DIC/SISI (Other than the implementing agency).
- One officer as a member secretary to be nominated by the chairman of the Task Force.
- The Chairman may co-opt one or more members from reputed non-governmental organisations.

Women's Concern

To ensure that the welfare of the women is taken care of, States and UTs have been instructed to invite one woman associated with the welfare of women to the meetings of the District Task Force Committee. Besides the lead bank and the leading banks, other implementing banks also should be invited to attend the District Task Force Committee meetings on rotational basis.

Responsibility of the Task Force

The Task Force is responsible for (i) motivating and selecting the entrepreneurs, (ii) identifying and preparing schemes in industry, service and business sectors, (iii) determining the activities to be undertaken by the entrepreneurs (iv) recommending loans and (v) getting speedy clearance, as and when needed, from the authorities concerned.

Procedure for applying

As mentioned earlier, the District Level Task Force, invites applications from the eligible persons to avail themselves of the facilities under the Scheme. These applications are scrutinized and interviews are held to select the suitable candidates. After the primary scrutiny, the DIC Task Force recommends applications to the various banks in whose service area the selected applicant resides. The banks in turn further scrutinize these applications. Banks are also permitted to receive these applications directly, scrutinize and send them to the Task Force Committee.

Selected candidates are given training depending upon their projects. All types of economic activities, except the direct agricultural operations like raising of crops and purchase of manure etc., are eligible as projects which can be sanctioned by the banks, which can sanction loans up to Rs. 2 lakhs per individual beneficiary.

Subsidy forms an important component of the Scheme. The rate of subsidy has been discussed earlier. In order to ensure the interest of the applicants, beneficiaries are required to contribute *margin money contribution* varying from 5 % to 16.25% of the project cost, so as to make the total of the subsidy and the margin money equal to 20% of the project cost. The Government of India releases subsidy to the various participating banks through the RBI. The benefit of the subsidy is given to an applicant only when he repays the final installment of the loan. This subsidy, in the mean time, is kept in a bank as a fixed deposit, but it does not earn any interest. The bank in turn charges interest at the normal bank rate on the loan amount minus the subsidy.

Current Status

The targets fixed, applications received, cases sanctioned and cases disbursed from the inception of the programme in 1993-94 to 2004-2005 is given in Table 1.1.

Table 1.1: Cumulative Status of Progress under the PMRY Scheme as Reported by the R.B.I.

Year	Target No.	Applications Received No.	Cases Sanctioned		Cases Disbursed	
			No.	Amount (Rs. in cr.)	No.	Amount (Rs. in cr.)
1	2	3	4	5	6	7
1993-94	40000	71581	30029	188	23035	137
1994-95	220000	405608	185803	1054	158863	872
1995-96	220000 *(260000)	554873	287218	1678	241843	1378
1996-97	220000	518104	271768	1653	228495	1352
Total :	700000	1550166	774818	4573	652236	3739
1997-98	220000	495610	263622	1592	209103	1218
Total :	920000	2045776	1038440	6165	861339	4957
1998-99	220000	501418	271342	1618	191351	1093
Total :	1140000	2547194	1309782	7783	1052690	6050
1999-2000	220000	487123	259088	1683	203454	1269
Total :	1360000	3034317	1568870	9466	1256144	7319
2000-2001	220000	458011	237896	1559	184890	1168
Total :	1580000	3492328	1806766	11025	1441034	8487
2001-2002	220000	437445	237392	1539	189860	1185
Total :	1800000	3929773	2044158	12564	1630894	9672
2002-2003	220000	414001	228031	1497	190521	1198
Total :	2020000	4343774	2272189	14061	1821415	10870
2003-2004**	220000	430961	259811	1659	204987	1276
Total :	2240000	4774735	2532000	15720	2026402	12146
2004-05** (upto Dec.2004)	250000	259899	118768	853	70127	437
Total :	**2490000**	**5034634**	**2650768**	**16573**	**2096529**	**12583**

* Plan Target was 2,20,000 it was increased to 2,60,000 to cover backlog.
** Provisional
Source: Reserve Bank of India

Check Your Progress II

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) Name the main implementing agency for the PMRY at the District level?

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2) Can you sponsor an existing unit for assistance under PMRY? (Please tick mark.)

Yes ☐ No ☐

1.4 RESOURCE ALLOCATION

The PMRY is a Central Sector Scheme, which is funded through the allocation of plan funds. Once the targets for employment generation are fixed, the Ministry of Agro & Rural Industries makes an estimate of the funds required towards subsidy, training, entrepreneurship development, administration costs, etc. These estimates are made on the basis of past experience of the subsidy requirement and administrative costs. For the 10th Plan Period, a sum of Rs. 750 crores has been set apart for the PMRY for generating 16.5 lakh jobs. The details of the budget allocation are given in Table 1.2.

After the budget is finalized and passed by the legislature, funds are released to the various agencies involved. The amount meant for subsidy, which forms the bulk of the budget, is placed with the Reserve Bank of India, who in turn pass on the funds to the various banks who implement the Scheme. The RBI releases the funds to the banks based on the progress made by them. After utilizing the first installment of funds, the RBI places its demand for the second installment with the Ministry, who then release it to the RBI. As far as the training, entrepreneurship development and contingencies are concerned, funds are placed by the Ministry of Agro & Rural Industries with the State Directors of Industries, the agency used for running the programme at the state level. These funds are released to the State Governments from time to time based on the targets fixed and achievements made. As far as the fixation of targets is concerned, the Government decides targets for the States based on a number of factors like the degree of unemployment, poverty levels, past achievements, etc. These targets are flexible to some extent and mid-course corrections are made based on the achievements made by the States.

Table 1.2: Details of Budget Allocation and Expenditure Incurred

Year	Budget	Funds Released		
		Subsidy	Entrepreneurial	Total
2002-03	169.00	152.55	15.55	168.10
2003-04	169.00	147.63	20.20	167.83

Source: Annual Report 2003-2004, Ministry of Agro & Rural Industries.

As far as the allocation of funds to the grass root level is concerned, the banks allot the funds to their branches based on the targets fixed for them in the State concerned. Similarly, funds for training are decided centrally by the Director of Industries, who allocates funds to NGOs and fixes centers district-wise for taking up such programmes.

1.5 MONITORING

The Scheme is being monitored by the *District PMRY Committee* at the district level, by the *State/UT PMRY Committee* at the State / UT level and at the Central level by a *High Powered Committee*. The composition and functions of these committees are detailed as follows.

1.5.1 District PMRY Committee

The Prime Minister's Rozgar Yojana is being monitored and guided at the district level by the District PMRY Committee under the Chairmanship of District Collector/ Dy. Commissioner. The Committee is supposed to meet once in a month and send monthly progress reports in a prescribed format to the Directorate of Industries of the State/UT concerned. It consists of the following members:

District Collector/Dy. Commissioner	- Chairman
CEO, DRDA	- Member
District Employment Officer	- Member
Lead Bank Manager	- Member
Chairman, Task Force Committee	- Member Secretary.

Besides these officers/representatives, the Chairman can co-opt any one or more of the following:

One or more prominent citizens from the fields of social services and industry/business; District Welfare Officer; District Statistical Officer; District Education Officer; a Principal from Local Engineering Colleges, Polytechnics or Industrial Training Institutes; representatives of the Directorate of Technical Education, Vocational Training or Industrial Training and representatives of banks.

Functions of the District PMRY Committee

The functions of District PMRY Committee are as follows:

- To keep the various agencies informed of the basic parameters and the requirements of the Scheme and the tasks to be performed by these agencies.
- To review progress of training and to keep a watch over all the expenditure within sanctioned limits.
- To monitor and evaluate the Scheme to ensure its effectiveness.
- To secure inter departmental coordination and cooperation.
- To monitor and help the banks in the recovery of loans.
- To give publicity to the achievements made and disseminate knowledge and buildup awareness about the Scheme.
- To send periodical statements to the State/UT Governments in the prescribed formats.

1.5.2 State /UT PMRY Committee

Monitoring and guidance for the Prime Minister's Rozgar Yojana at the State/UT level is undertaken by the State/PMRY Committee under the Chairmanship of the Chief Secretary. The Committee is supposed to meet once in a quarter to review the progress and send the report along with relevant remarks to the Ministry of Agro & Rural Industries, Government of India, New Delhi.

The composition of State/UT PMRY committee is as follows:

• Chief Secretary	Chairman
• Secretary, Department of Industries	Member
• Secretary, Department of Finance	Member
• Secretary, Department of Planning	Member
• Secretary, Department of Rural Development	Member
• Secretary, Department of Labour	Member
• Representatives of the State/UT level Banking Institutions including RBI.	Member
• Commissioner/Director of Industries and Commerce	Member Secretary.
• Director/In charge, SISI/Branch SISI of the State/UT.	Member
• Officials concerned with the Welfare of SCs/STs.	Member

Other officials and non-officials may be invited if their presence is felt necessary in the meetings.

The main functions of the State/UT PMRY Committee are:

- To provide leadership and guidance to the District PMRY committees in the planning, implementation and monitoring of the Scheme.
- To secure inter-departmental coordination between various implementing agencies and to ensure development of strong backward and forward linkages.
- To review expenditure to ensure that it remains within the sanctioned limit.
- To review the physical targets and achievements.
- To monitor and evaluate the implementation of the Scheme.
- To monitor and help the banks in the recovery of loans.
- To provide a forum for a meaningful dialogue at the State/UT level between various implementing agencies.

1.5.3 Central Level High Powered Committee

Prime Minister's Rozgar Yojana is monitored at the Central Government Level by a High Powered Committee on PMRY under the Chairmanship of the Secretary (SSI & ARI).

The Committee consists of the following members:

• Secretary (SSI & ARI)	Chairman
• Additional Secretary & Development Commissioner (SSI).	Member
• Additional Secretary & Financial Adviser, Ministry of Industry.	Member
• Adviser (VSI) Planning Commission.	Member
• Joint Secretary, Ministry of Rural Development.	Member
• Joint Secretary, Department of Banking Division, Ministry of Finance.	Member
• Joint Secretary, Ministry of Labour.	Member
• Joint Secretary, Ministry of Urban Development and Poverty Alleviation.	Member
• Joint Secretary (SCD), Ministry of Welfare.	Member
• Executive Director, Reserve Bank of India.	Member
• CMD, State Bank of India.	Member
• CMD, Canara Bank.	Member
• CMD, Central Bank of India.	Member
• CMD, United Bank of India.	Member
• CMD, United Bank of India.	Member
• Secretary, Government of Maharashtra.	Member
• Secretary, Government of West Bengal.	Member
• Secretary, Government of Uttar Pradesh.	Member
• Secretary, Government of Assam.	Member
• Secretary, Government of Tamil Nadu.	Member
• Secretary, Government of Karnataka.	Member
• Director (PMRY), Ministry of ARI.	Member Secretary.

The Chairman of the Committee may also co-opt other members/invitees to participate in the meeting.

The main functions of the High Powered Committee are:

- To ensure effective implementation of the Scheme.
- To review the progress of the Scheme in physical, financial and quantitative terms.
- To consider concurrent evaluation reports.
- To serve as a standing forum for interaction among the State Governments and different departments, banks and agencies involved in the implementation of the Scheme.
- To consider proposals for providing entrepreneurial development assistance and strengthening institutions and infrastructure related to development of entrepreneurship.
- Revision or modifications of the operational guidelines.

Check Your Progress III

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) Does a PMRY beneficiary get the benefit of subsidy at the start of the Project and why?

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2) Name three members of the District level PMRY Committee.

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1.6 TRAINING

The beneficiaries, who are sanctioned loans under the Scheme, have to undergo entrepreneurial development training of 15-20 working days for projects under the Industry Sector and of 7-10 working days for projects under the Service & Business Sectors. The ceiling on training expenditure for a project under the Industry Sector is Rs. 1,000/- per case inclusive of a stipend of Rs. 3,00/- per beneficiary and Rs. 5,00/- per case inclusive of stipend of Rs. 150/- per beneficiary for Service and Business Sectors to be made available to the States/UTs.

Table 1.3 : Number of Persons Trained under PMRY from 1993-94 to 2003-04 (upto March 2004)

Year	Beneficiaries Trained
1993-94	25664
1994-95	146183
1995-96	220956
1996-97	226267
1997-98	235856
1998-99	231365
1999-2000	227094
2000-2001	215041
2001-2002	222104
2002-2003	226933
2003-2004 (up to March 2004)	177865
Total	**2155328**

Source: Annual Report 2003-04, Ministry of Agro & Rural Industries (based on State Progress Reports).

State/UT Governments have been asked to involve reputed NGOs and Polytechnics in the training of PMRY beneficiaries. Banks are to be given preference for providing training. State/UT Governments may also consider possibilities of organising special training courses exclusively for SCs/STs and women entrepreneurs.

1.7 REVIEW

Two rounds of the evaluation of the PMRY have been completed so far. Both of these rounds were conducted by the Institute of Applied Manpower Research (IAMR). Some of the salient features of the second round of evaluation are as follows:

- The average employment generated per functional unit is 1.94.
- The distribution of beneficiaries is 50:50 in rural/urban areas.
- A large number of beneficiaries have faced problems due to insistence on collateral security by the banks.
- Against the target of 49.5% of beneficiaries from SCs/STs/OBCs, about 39% of the beneficiaries belong to these categories.
- The average amount of loan sanctioned is about Rs. 57,000/- per unit.
- Assets have been created in 89.7% of the cases disbursed.
- Wilful default has been identified in 16% of the default cases.

Based on these studies the Government has made certain corrections in the programme. However, it is seen that the PMRY is facing stiff competition from the schemes launched by State Government, which offer higher capital subsidy and more competitive rates of interest. Also, since the proportion of wilful default cases in PMRY loans is about 16% and the number of applications sponsored is much more in the case of Business Sector, many of the banks are reluctant to consider PMRY applications. In other words the experience of the PMRY has been a mixed one. While it has been successful in creating a large number of business units for employment, there have been many cases of failure in this programme.

Check Your Progress IV

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) What is the provision of training envisaged for PMRY entrepreneurs.

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1.8 LET US SUM UP

The PMRY is an important employment generation programme in the country today. It has had its own share of problems pertaining to finance, quality of entrepreneurs, marketing, etc. The problem of unemployment is also so vast that such programmes are only able to make a small dent in the overall context. However, it is extremely important to be focused on this and other similar programmes for developing small and tiny enterprises, as the success of these enterprises will form the basis for a successful rural non-farm sector in the country.

1.9 REFERENCES AND SUGGESTED READINGS

Annual Report of the Ministry of Agro & Rural Industries, 2002-03.

Annual Report of the Ministry of Agro & Rural Industries, 2003-04: Can be accessed at www.ari.nic.in .

Report of the Committee on India Vision 2020, Planning Commission, December, 2002.

1.10 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress I

1) 35 years for all educated unemployed youth.

   40 years for NE States, Himachal Pradesh and J&K State.

   45 years for SCs/STs/Ex-servicemen/Physically Handicapped and women.

2) • Rs.1 lakh for Business Sector.

   • Rs. 2 lakh for Industry/Service Sector.

3) Rs.12,000/-

Check Your Progress II

1) The District Industries Centre.

2) No.

Check Your Progress III

1) No. The benefit of the subsidy is given to the applicant only when he repays the final installment of the loan.

2) The District-level PMRY committee comprises:

District Collector/Dy. Commissioner	—	Chairman
CEO, DRDA	—	Member
District Employment Officer	—	Member
Lead Bank Manager	—	Member
Chairman, Task Force Committee	—	Member Secretary.

Check Your Progress IV

1) There is a 15-20 days' training programme for entrepreneurs in the Industry Sector and 7 to 10 days' programme for entrepreneurs in the Service/Business Sector.

UNIT 2 RURAL EMPLOYMENT GENERATION PROGRAMME (REGP)

Structure

2.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the need for self-employment programmes;
- describe the details of the implementation of the REGP; and
- outline the organisational structure built for implementing the REGP.

2.1 INTRODUCTION

The Khadi and Village Industries Commission (KVIC) was set up in the year 1956 with the objective of promoting Khadi and Village Industries, primarily in the rural areas. While the history of rural industrialisation in India dates back to the ancient times, the general perception is that with the advent of modern industries, the traditional rural industries have been neglected and the role of the village artisan has been gradually marginalized. In the recent past, it was increasingly felt that there was a need to focus on the more modern industries that have the potential to come up in the rural areas and also to upgrade the skills and productivity levels of rural workers. Accordingly, a High Power Committee was set up under the Chairmanship of the Prime Minister of India to address this issue. On the basis of the recommendations of this High Power Committee Report, submitted in May 1994, the KVIC launched the Rural Employment Generation Programme (REGP) on 1st April, 1995 with the objective of generating two million jobs (in the then remaining 3 years of the 8th Five Year Plan) under the KVI sector in the rural areas of the country. This unit aims to acquaint you with the Rural Employment Generation Programme, a popular self-employment scheme being run by the Khadi and Village Industries Commission.

2.2 RURAL EMPLOYMENT GENERATION PROGRAMME (REGP)

Before independence, the development of Khadi and Village Industries was entirely a non-governmental effort under the guidance of Mahatma Gandhi. The All India Khadi and Village Industries Board set up in 1935, was the main coordinating agency. After independence, the Government of India formally took up the task of developing Khadi and Village Industries as a coordinated activity, thereby setting up the Khadi and Village Industries Commission (KVIC) in 1956 by an Act of Parliament. KVIC plays a major role in the rural non-farm sector by developing Khadi and Village Industries. With increasing productivity levels, the farm sector is rapidly losing its ability to generate additional employment opportunities for the ever-increasing workforce in rural areas. The problem of rural unemployment has already been highlighted in the first unit of this block on the PMRY. It is in this context that the role of the Khadi and Village Industries Commission (KVIC) comes into focus as an alternative and an appropriate employment scheme for the rural people.

The functions of the KVIC are generally to plan, promote, organise and assist in the implementation of programmes for the development of Khadi and village industries. To achieve this, it undertakes (a) financing of eligible agencies, (b) training of persons employed or desirous of seeking employment in Khadi and Village industries, supervisors and other functionaries, (c) building the reserves of the materials, (d) R&D in Khadi and Village Industries sector, (e) promotion of sales and marketing of Khadi and village industries products, (f) promotion and encouragement of cooperative efforts among the persons engaged in Khadi and Village Industries, etc.

Keeping this need in mind, KVIC has been undertaking a number of programmes in the area of rural industrialisation. Initially the focus was on promoting the traditional rural industries like pottery, bee-keeping, black smithy, etc. After some time, it was increasingly felt that it was necessary to focus on the more modern industries that have the potential to come up in the rural areas and also to upgrade the skills and productivity levels of rural workers.

The Khadi and Village Industries Commission, the Central level body and the State Khadi and Village Industries Boards, functioning in various States and Union Territories, carry out Khadi and Village Industries Programmes. Though the basic objective of the KVIC programme since the very beginning was the creation of employment opportunities in rural areas, it was observed during the Eighth Plan that in view of large scale unemployment in the rural areas this aspect would need focused attention. Therefore, a High Power Committee under the Chairmanship of the Prime Minister examined this aspect in detail in 1993-94 and recommended the creation of additional two million jobs in the remaining 3 years of the Eighth Five Year Plan. In view of the above recommendation, KVIC introduced a number of major programmes for the creation of additional employment, viz Special Employment Programme for 50 selected districts through Khadi and Village Industries, Rural Employment Generation Programme, etc. The Khadi and Village Industries Commission launched the Rural Employment Generation Programme on 1st April, 1995. However, it was seen that in the initial years, the Programme did not find the required acceptance of both the bankers as well as the rural entrepreneurs. The Programme was further strengthened on the basis of the report of the Pant Committee for strengthening the Khadi and Village Industries Sector in the year 2001. Since then, there has been considerable progress in the implementation of the Rural Employment Generation Programme.

2.2.1 Main Objectives of REGP

The main objectives of the programme are:

- to generate employment in rural areas,
- to develop entrepreneurial skills and attitude among the rural unemployed youth,
- to achieve the goal of rural industrialisation and
- to facilitate the participation of financial institutions for higher credit flow to rural industries.

2.2.2 The Beneficiaries

The REGP is a Scheme meant for setting up village industries in rural areas. The categories of beneficiaries under REGP are as follows:

- Individual (Rural artisans/Entrepreneurs)
- Trusts and Self Help Groups (SHGs)
- Institutions
- Cooperative Societies

Any adult Individual Rural Artisan/Entrepreneur above 18 years is eligible for financing under the REGP. Institutions, Cooperative Societies, Trusts & SHGs are eligible for projects up to Rs. 25.00 lakhs. However, Partnership Firms, Private/Public Limited Companies, Joint Ventures, Jt. Borrowers, Co-obligators of HUF are not eligible under the Scheme.

2.2.3 Project Cost, Subsidy and Margin Money

The Scheme envisages that:

- 25% of the project cost for a project up to Rs. 10.00 lakh will be provided as "Margin Money".
- For projects above Rs.10.00 lakhs and up to Rs. 25.00 lakhs, the rate of Margin Money is 25% of Rs. 10.00 lakhs plus 10% of the remaining cost of the project (Projects costing beyond Rs.25.00 lakhs are not eligible for financing under the Scheme).
- In case of weaker section beneficiaries, viz. SCs/STs/OBCs/Women/Physically Handicapped/Ex-servicemen and for Hill border and Tribal Areas, North Eastern Region, Sikkim, Andaman & Nicobar Islands and Lakshadweep, Margin Money grant is at the rate of 30 per cent of the cost of a project up to Rs. 10 lakhs and 10% of the remaining cost of the project above this amount up to Rs. 25 Lakhs. Cost of land is not to be included in the project cost.
- Under the Scheme, the borrower is required to invest his/her own contribution of 10 per cent of the project cost. In the case of borrowers belonging to SCs/STs and other weaker sections, the beneficiary's contribution has to be only 5% of the project cost.
- Banks will appraise project feasibility technically as well as economically and take their own credit decisions on the basis of the viability of each project.
- Banks will sanction 90 per cent of the project cost in the case of general category borrowers and 95 per cent of the project cost to the beneficiaries/institutions from/of weaker sections and disburse the full amount of the sanctioned loan. After the sanction of the credit facility by the Bank, the eligible amount of Margin Money is kept as a Term Deposit for two years in the account of the borrower at the leading bank branch, and will be credited to the borrower's

loan account after a period of two years from the date of the first disbursement of loan.

- The Per Capita Investment should not exceed Rs. 50,000/- per artisan or worker, i.e. Capital Expenditure on Building/Work shed, Machinery & Furniture divided by *full-time employment* created by the project should be Rs.50,000/- or less.
- The loan provided by the Bank is a composite loan comprising Capital Expenditure in the form of a Term Loan and Working Capital in the form of Cash Credit. The Term Loan has to be repaid within 7 years while in case of the Cash Credit component of the loan, the interest payment has to be regular as per the sanctioned limit.

2.2.4 Negative List Under Margin Money (REGP) Scheme

Given below is a list of the items and activities that are supported under this Scheme.

- Any Industry/Business connected with *meat* (of slaughtered animals), i.e. processing, canning and/or servicing items made of it as food, production/ manufacturing or sale of intoxicant items like beedi/pan/cigar/cigarette, etc., any hotel or dhaba or sales outlet serving liquor, preparations using tobacco as raw materials, tapping of toddy for sale, etc.
- Any Industry/Business connected with cultivation of crops/plantation like tea, coffee, rubber, etc., sericulture, (cocoon rearing), activities related to horticulture, floriculture, animal husbandry like pisciculture, piggery, poultry, etc.
- Khadi & Polyvastra and any project producing yarn and cloth.
- Manufacturing of polythene carry-bags of less than 20 microns thickness and manufacture of carry-bags or containers made of recycled plastics for storing, carrying, dispensing or packaging of food and any other item which causes environmental problems.
- Industries such as processing of pashmina wool and such other products that require hand spinning and hand weaving, which take advantage of the Khadi Programme under the purview of Certification Rules and avail themselves of sales rebate.

Check Your Progress I

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) What is the difference between PMRY and REGP in terms of the maximum Project cost and subsidy limits?

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2) What is the upper age limit for a person to avail himself of benefits under the REGP?

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3) Can a REGP unit be set up in an urban area?

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2.3 ORGANISATIONAL STRUCTURE

In order to give an impetus to the Rural Employment Generation Programme from the side of the Government, two agencies namely, the Khadi and Village Industries Commission (KVIC) and the State Khadi and Village Industries Boards (KVIBs) play a major role in operating it. In order to understand the organizational structure, it may be useful to understand the working of the KVIC and KVIBs in this context.

The Khadi and Village Industries Commission (KVIC) is a statutory body created by an Act of Parliament. In the past, KVIC had been operating as a financial institution taking up direct lending to its institutions and also arranging finance for them through banks. Now for the first time through REGP, KVIC tries to reach out to all entrepreneurs in rural areas, i.e. from being a body dealing directly with its institutions, KVIC now has a broader field of operation for setting up rural enterprises through anybody who is capable of doing so.

KVIC is a statutory body with the prime objective of generating employment in rural areas, developing entrepreneurial skills among the rural unemployed youth and promoting rural industrialisation. The KVIC has a network of State Offices spread through out the country. They are mostly located at the State Headquarters and in a few cases they operate through more than one office in a State.

The Khadi and Village Industries Boards are State Government entities, which have mostly been set up under the Acts of State Legislatures. Their objectives are very much like those of the KVIC and in fact they act as complimentary partners of the KVIC at the State level. The KVIBs have offices at state Headquarters and in most cases even at the district level. Like the KVIC, a number of institutions are also affiliated to the KVIBs.

This network of KVIC and KVIBs supported by the Industries Department of the State Government provides the organisational support for implementing REGP in the States.

2.4 IMPLEMENTATION

Presently KVIC is implementing REGP through:

i) All Public Sector Banks,

ii) All Regional Rural Banks,

iii) Co-op. Banks approved by the State/U.T. KVIBs, Private Commercial Banks approved by the state KVIBs and

iv) Other Financing Institutions of the State and the Central Government as approved by KVIC.

Operational Details

The process involves following steps:

- The beneficiary, after deciding on the type of the Project that he/she wants to undertake, can either approach a Bank directly or through KVIC/KVIB/District Industry Centre/Gram Panchayat Office, etc.
- The Bank conducts a techno-economic feasibility study of the project and also ensures that the project meets the criteria of village industry, employment generation, rural area and beneficiary's contribution.
- Once the project is sanctioned and the first instalment of the Bank Finance is released to the beneficiary, the Bank advises the State/Regional Office of the KVIC to arrange EDP training for the beneficiary, if he/she has not already undergone such training.
- After a beneficiary's successful completion of EDP training arranged by the KVIC, the bank releases the second instalment of the Bank Finance to him/her.
- If s/he has already undergone such training either with the training centre of KVIC or KVIC or at any other training centre of repute, he/she need not undergo EDP training.
- After the Bank Finance is released, either partly or fully, the Bank submits the Margin Money claim in the prescribed format to the designated Nodal Branch of the State/Region, where KVIC has placed a lump sum deposit in advance in the Savings Bank Account of KVIC to be released as Margin Money when required.
- Once the Margin Money is released in favour of the loanee, it is to be kept as a Term Deposit for 2 years at the branch level in the name of the beneficiary/ institution. No interest is paid on the TD and no interest is charged on the loan amount equal to the TD.
- Since "Margin Money" is provided in the form of a middle end Subsidy (Grant), it is credited to the Borrower's loan account after 2 years from the date of the first disbursement to the borrower/institution.
- In case the Bank's advance goes "bad" before the 2 years period is over, Margin Money is adjusted by the Bank to liquidate the loan liability of the borrower either in part or full.
- Margin Money is a one-time assistance from KVIC. For any enhancement of the credit limit or for expansion/modernisation of the project, margin money assistance is not available.
- Margin Money assistance is available only for new project sanctioned specifically under the REGP—Gramodyog Rozgar Yojana. Existing units are not eligible under the Scheme.
- As per the existing guidelines of the Reserve Bank of India, beneficiaries already assisted under REGP are not eligible for further assistance under any another Scheme and vice-versa.
- Projects financed jointly, i.e. financed from two different sources, are not eligible for Margin Money assistance.

Feedback and Reporting System

The Banks has to submit the Margin Money claim to the Commission (KVIC) every quarter certifying that the criteria laid down for availing the benefits of Rural Employment Generation Programme (REGP) have been complied with by the Banks meticulously.

The Bank will have to submit a State-wise Quarterly Progress Report to the Commission regarding the number of units financed under the Scheme, total limit/credit sanctioned, funds released and Margin Money placed at their disposal and utilized.

Check Your Progress II

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) Can you sponsor an existing unit for assistance under REGP?

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2) Fill in the blanks:

The KVIC State Office and the ……………..are the two Government agencies implementing the REGP at the State level.

2.5 RESOURCE ALLOCATION

The Khadi and Village Industries Commission operates the Rural Employment Generation Programme on behalf of the Ministry of Agro & Rural Industries. Here also, based on the target fixed for employment generation for the country as a whole, the REGP is given a certain target to fulfill during a financial year. Based on the target fixed and the average amount of funds required for creating one job, the budget for the programme is finalized and placed before the Parliament. Funds are allotted for margin money subsidy, entrepreneurship development, training, marketing including exhibitions and festivals, awareness camps and publicity and promotional activities.

The funds for REGP are placed by the Government with KVIC on a quarterly budgeting basis. Based on the claims from the various banks, the KVIC Central Office places funds directly with the banks and also distributes to them through their State Offices and Khadi and Village Industries Board. The programme is monitored at the State level by the State Khadi and Village Industries Board and also the State Office of the KVIC.

2.6 FORWARD AND BACKWARD LINKAGES

To ensure the success of this credit linked entrepreneurship development programme, it is necessary to have the necessary forward and backward linkages. Experience has shown that unless these linkages are in place, it is very difficult for the programme to succeed in isolation. As a part of the backward linkages, the most important are the workshops, exhibitions and awareness camps organised at Village, District and State Levels. The Awareness Camps are usually of one-day’s duration. These camps are meant to introduce potential beneficiaries to the REGP and sensitise the various stakeholders about the programme. The participants at the Village Level include KVIC Officials; State KVIB Officials; Sarpanchs/Gramsevaks; Revenue Officer; Local Bank Officials and Local NGOs.

The objective is to introduce the REGP to the participants and then discuss the possible projects that can be taken up using locally available resources. During the camp, a successful REGP entrepreneur of the locality is also introduced for sharing his experiences with the participants.

At the District Level, the participants at such awareness camps include the following:

- District collector or his representative
- Officials of the DIC/SSI/DRDA in the Districts
- Lead District Manager
- Chairman/General Manager/Lead District Officer
- Chairman/General manager of RRB in the District
- Chairmen of the Co-operative Banks approved by State KVI Board for implementation of REGP
- KVIC Officials
- District KVI Board Officials
- Faculties of designated EDP Training Centres
- NGOs in the District
- REGP beneficiaries in the District

Besides what is discussed in the village Awareness Camps, the District Workshops also include:

- Exhibition of Products manufactured by beneficiaries under REGP and
- Film shows pertaining to KVIC Programmes.

The State Level Workshops are meant for the following participants:

- State government functionaries preferably Secretary/Joint Secretary of Institutional Finance
- The Convener of SLBC
- Regional/Zonal Managers of Public Sector Banks
- Chairmen of RRBs
- Chairmen of Co-operative Banks approved by State KVI Board for the implementation of REGP in the State
- KVIC Officials
- Chairman and CEO/Managing Director/Secretary/Executive Officer and other officials of the State KVI Board
- NGOs in the State
- REGP beneficiaries.

2.7 ENTREPRENEURSHIP TRAINING

In order to ensure the success of the rural enterprise, it is important that entrepreneurs, particularly the first generation entrepreneurs, are trained in developing and managing the enterprise. To achieve this, all beneficiaries under REGP are to undergo a 3-day EDP Training Programme at designated Training Centers at the District Level. These Training Programmes are either carried out at the Department Training Centers run by KVIC/KVIB or other institutions/NGOs. The bank, which processes the loan applications of the beneficiaries, sponsors them for the Training Programme. After the Training Programme is over, the Center, which imparts the training, certifies that the beneficiary has undergone the said training.

The content of the training programme includes the following:

i) Introduction to REGP
ii) Managing the Village Industries Unit
iii) Resource Management
iv) Marketing
v) Production and Quality Control
vi) Maintenance of Accounts
vii) Interaction with other Agencies, etc.

2.8 MARKETING AND PROMOTION OF REGP

As a measure of providing marketing support for REGP beneficiaries, the KVIC undertakes a number of promotional activities like exhibitions, etc. These exhibitions are of various durations ranging from a minimum of 5 to 10 days. They are given adequate publicity for the benefit of REGP entrepreneurs. Buyer-Seller meets and discussions on marketing, sales strategy, quality control, packaging and design development are also are organised at these exhibitions. Besides these exclusive exhibitions for REGP beneficiaries, they are also encouraged to participate in the District, State and National Level Exhibitions of KVIC that are organised through out the year.

The KVIC also arranges for other promotional support to REGP through hoardings, banners at important places, posters, publicity through the electronic media, printing of village industries directories, etc.

The Rural Employment Generation Programme has been showing a steady growth particularly during the last few years. The cumulative number of projects, margin money utilised and corresponding employment generated may be seen from table-1 below.

Table 1: Projects Sanctioned & Employment Generated up to January 2005

Details	Up to 2003-04	2004-05
No. of Projects Sanctioned	186252	10992
M.M. Utilized (Rs. in Crores)	1079.47	126.64
Employment Generated (Persons in lakhs)	22.75	2.82

Source: Achievements in REGP, Khadi & Village Industries Commission at www.ari.nic.in

REGP help line counter is open at all State/Regional Offices, Training Centres of KVIC and in all State KVI Boards to impart information with regard to the Scheme, its operation, EDP training and Banking Sector help, etc.

Check Your Progress III

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) At what levels are the REGP Awareness Camps organised in the States?

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2) What is the marketing and promotional support envisaged under REGP?

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2.9 REVIEW

The REGP was evaluated by the Vaikunthbhai Mehta Research Centre for Decentralised Industries in 2003-04. The major findings of the evaluations are as follows:

- A total of 10% of the118466 projects (financed up to 2001-02) were studied.
- 61% projects were found working satisfactorily, 14% were being set up, 2% were working but sick, 10% were working but not satisfactorily and 13% were closed.
- Most of the employment was created under agro and food based industries together with minerals based industry. Agro and food based industries attracted the largest number of projects, i.e. 27%.
- 96% of the self-employed and 74% of the wage earners are working on full-time basis.
- 89% of the self-employed and 82% of the wage employed are male.
- More than 50% share of employment belongs to the SC/ST/OBC category.
- Out of every 10 entrepreneurs, 9 received funds within 3 months of the sanction of loan.
- Most of the projects procured raw material locally with no specific problems of availability of the raw materials.
- The component of wages and salaries in production related enterprises comes to about 33%.
- 70% of the enterprises have shown satisfaction about the functioning of the projects.
- By and large the experience of the REGP has been quite a happy one. There have been several success stories and it is felt that REGP has been quite effective in setting up sustainable rural enterprises, which has led to the growth of the rural economy.

2.10 LET US SUM UP

The REGP is one of the most popular employment generation programmes in the country today. The implementation of the programme has picked up pace in many States of the country recently. As a result of this, several good and sustainable labour intensive projects have come up in the rural hinterland. However, the programme is able to touch only the fringes of the vast problem of unemployment in the county. Much more needs to be done with regard to the marketing of products and services and training of the beneficiaries selected under the REGP.

2.11 KEY WORDS

Rural Areas : Any area classified as a village as per the revenue records of the state concerned, irrespective of its population. It also includes an area classified as town, provided its population does not exceed 20,000 as per 1991 census.

Village Industries : Any industry located in a rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of artisan or worker does not exceed Rs. 50,000 or such other sum as may be specified by the Central Government from time to time.

Margin Money : The subsidy provided by the Government for setting up the project. The scale of Margin Money assistance is 25% for projects upto a project cost of Rs.10 lakh and 10% of the balance project cost beyond Rs.10 lakh.

2.12 REFERENCES AND SUGGESTED READINGS

Annual Report of KVIC for 2002-03.

Annual Report of the Ministry of Agro & Rural Industries 2002-2003

Annual Report of the Ministry of Agro & Rural Industries 2003-04: can be accessed at www.ari.nic.in .

Evaluation Study of KVI Programmes by Programme Evaluation Organisation of Planning Commission, May, 2001.

Report of the Pant Committee on Khadi and Village Industries: Published by KVIC.

2.13 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress I

1) The upper limit for PMRY is Rs.2 lakhs while that for REGP is Rs.25 lakhs.
2) There is no upper age limit.
3) Yes, provided the town has a population of less than 20,000.

Check Your Progress II

1) No. Only new units are eligible for assistance.
2) Khadi and Village Industries Board (KVIB)

Check Your Progress III

1) Village Level

   District Level

   State Level

2) Exhibitions at the district, state and national level, buyer sellers meetings, publicity in print and through electronic media, banners and hoardings, etc.

UNIT 3 RASHTRIYA MAHILA KOSH

Structure

3.0 OBJECTIVES

After studying this unit, you should be able to:

- describe the main features of RMK;
- describe Kosh's mode of operation;
- critically examine the need for micro-finance for women; and
- explain the concept and features of micro-finance as a tool for empowering women.

3.1 INTRODUCTION

It has been felt for sometime that *the credit needs* of the poor, especially women and particularly those in the unorganised sector, have not been adequately addressed by the formal financial institutions of the country. The vast gap between demand for and supply of credit in the sector established the need for a national credit fund for women. Rashtriya Mahila Kosh (RMK) is a step in this direction. We have in the first two units of this block discussed in detail the need for self-employment programmes including Prime Minister's Rozgar Yojna (PMRY) and Rural Employment Generation Programme (REGP). In this unit, we would like to acquaint you with the scheme for Rashtriya Mahila Kosh (RMK), which addresses micro-finance needs of women and is expected to serve as a tool for empowerment of women.

3.2 RASHTRIYA MAHILA KOSH (RMK): PROGRAMME BRIEF

In order to understand and appreciate the basic philosophy behind the establishment of the RMK, it is important for you to know the need for micro-finance. It is an established fact that the credit needs of the poor especially women and particularly those in the unorganized sector have not been adequately addressed by the formal financial institutions of the country.

3.2.1 Need for Micro-finance

Since the 1950s, various governments in India have experimented with a large number of grant and subsidy based poverty alleviation programmes. Studies show that these mandatory and dedicated subsidized financial programmes, implemented through banking institutions, have not been fully successful in meeting their social and economic objectives.

Experiences with these programmes have revealed that they were often not sustainable. They perpetuated the dependent status of the beneficiaries; depended ultimately on government employees for delivery; led to misuse of both credit and subsidy; and were treated at best as poverty alleviation interventions. Banks too never really looked on them as a profitable and commercial activity.

According to a 1995 World Bank estimate, in most developing countries the formal financial system reaches only the top 25% of the economically active population. The bottom 75% have no access to financial services apart from moneylenders. In India too the formal financial institutions have not been able to reach the poor households, particularly women in the unorganised sector. Structural rigidities and overheads result in high costs of small loans. Organisational philosophy has not been oriented towards recognising the poor as credit worthy. The problem has been compounded by low level of influence of the poor, either about their credit worthiness or their demand for savings services. Large banks, at the behest of the Government, have often implemented micro-finance programmes. Low levels of recovery have been further eroded due to loan waiver programmes leading to institutional disenchantment with lending to small borrowers.

All this gave rise to the concept of micro-credit for the poorest segment along with a new set of credit delivery techniques. With the support of NGOs, an informal sector comprising small Self Help Groups (SHGs) started mobilizing savings of their members and lending these resources among the members on a micro-scale. The potential of these SHGs to develop as local financial intermediaries to reach the poor has gained recognition because of their community-based participatory approach and sustainability – recovery rates have been significantly higher than those achieved by commercial banks in spite of the loans going to the poor, unorganised individuals without security or collateral.

The poor in India define the micro-finance market. During 1993-94 the Planning Commission estimated 36 per cent of the population or 320 million people living below the poverty line. Accordingly, there were about 140-150 million women living below the poverty line. Assuming that only 30 per cent of the country's poor women were ready to adopt micro-finance as a method of poverty alleviation, it was estimated that about 40-45 million poor women would need credit.

3.2.2 Establishment of RMK

Thus in order to fulfil the need for a formal quasi-formal credit delivery mechanism which is client-friendly, has simple and minimal procedures, disburses quickly and repeatedly, has flexible repayment schedules, links thrift and savings into credit and has relatively low transaction costs both for the borrower and the lender, the Government of India established the **Rashtriya Mahila Kosh (RMK)** known as the **National Credit for Women** in 1993. RMK is an independent registered society of the Department of Women and Child Development in the Ministry of Human Resource Development, the Government of India. It started with an initial corpus of Rs. 310,000,000 with the aim to supplement the effort of the banking sector by filling the gap between what the poor need and what the banking sector offers.

3.2.3 Objectives of RMK

The main objectives of RMK are to:

- promote or undertake activities for the promotion of credit as an instrument of socio-economic change and development through a package of financial and social development services for women;
- promote and support schemes for improving the facilities for women for:
  - — sustenance of their existing employment,
  - — generation of further employment,
  - — creation of assets,
  - — redemption of assets and
  - — tiding over consumption and social and contingent needs;
- demonstrate and replicate participatory approaches in the organisation of women's groups for effective utilisation of credit resources leading to self-reliance;
- promote and support experiments in the voluntary and formal sector using innovative methodologies to deliver credit and other social services to disadvantaged women;

sensitize existing government delivery mechanisms and increasing the visibility of poor women as a vital and viable clientele with regard to the conventional financial institutions;

- promote research, study, documentation and analysis of the role of credit and its management;
- co-operate with and secure the co-operation of the Central Government, State Governments and Union Territory Administrations, credit institutions, industrial and commercial organisations and non-governmental, voluntary and other organisations and bodies in promoting the objectives of the RMK; and
- accept subscriptions, grants, contributions, donations, loans, guarantees, gifts, bequests, etc. on such terms and conditions as are consistent with the aims and objectives of the RMK.

3.2.4 Important Functions of RMK

The RMK discharges the following important functions for the furtherance of its objectives:

i) The RMK seeks to enable women to achieve economic independence. It strives to go beyond credit delivery and provides services for integrated development centered around the needs of the poor women. Credit is linked mainly to production and economic activities.

ii) Education of credit management is integrated with the provision of credit, along with literacy and skills training for individual women, leadership training among groups for self-management, etc.

iii) Accessibility of credit to poor women has been improved in terms of physical distance, simplification of procedures, flexibility and other measures conducive to increased utilisation, etc.

Box 1

RMK- Focus on Poor Women

- Among the poor, the *women* are the most disadvantaged. They are characterised by lack of education and access to resources, both of which are required to help them work their way out of poverty and for upward economic and social mobility.
- The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy. This is so because of their low social status and lack of access to key resources.
- Evidence shows that groups of women are better customers than men; they are better managers of resources; benefits of loans are spread wider among the households if loans are routed through women; mixed groups are often inappropriate in the Indian society and the record of all-male groups is worse than that of all women groups everywhere.

3.2.5 Organisation and Management of RMK

A Governing Board of sixteen members consisting of senior officials of the Central and the State Governments and specialists and representatives of organizations active in the field of micro-credit for women is administering the RMK. The Executive Director is the Chief Executive Officer of the RMK responsible for the proper administration of the affairs of the RMK under the overall supervision, direction and control of the Governing Board.

Check Your Progress I

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) Mention the two main activities of RMK.

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2) What are the reasons for RMK to focus on poor women?

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3.3 MAIN LOAN SCHEME

Let us now understand the features of the main loan scheme of the RMK. In this section you will know how the scheme is operated, who are the eligible organisations, purpose of loans, maximum amount of loans, repayment, rate of interest, incentives on interest rates and margin money to be contributed by the borrowers.

3.3.1 The Scheme

The Main Loan Scheme aims to provide credit to poor women both in rural and urban areas for income generation activities. Only the women below the poverty line are eligible for support under this scheme. The credit facility is channelled through eligible organisations to needy women in a simple/flexible manner without insistence on any type of collateral.

3.3.2 Eligible Organisations

RMK disseminates credit mainly through the following organisations:

3.3.2.1 Non-Government Organisations (NGOs)/ Social Organisations (SOs)/ Voluntary Agencies (VAs)

The general requirements and eligibility norms are as follows:

General Requirements

The general requirements include:

i) The NGOs/SOs/VAs should have broad-based objectives, serving the social and economic needs of the community as a whole and women and weaker sections in particular. It should have an outreach of services in its operational area and it must not work for profit.

ii) The NGOs/SOs/VAs should have the necessary flexibility, professional competence, basic financial management capability and organizational skills to implement the lending programme.

iii) The office-bearers of the NGO/SOs/VAs should not be elected members of any political party.

iv) The NGO/SOs/VAs should have a proper system of maintaining accounts which should be audited and published every year and there should not be any serious irregularities.

Eligibility Norms

NGOs/SOs/VAs meeting the above general requirements and fulfilling the following eligibility norms may apply directly to RMK in the format prescribed for the loan application.

i) The organisation should be registered for more than 3 years as on the date of application to RMK.

ii) The organisation should have experience in thrift and credit management for 3 years or more.

iii) The application should clearly reflect the source of funds utilized for credit earlier.

iv) Recoveries of the loans should be of a high order (of at least 90% of its dues).

v) There should be a proper and specific clause/provision in the Bye-laws/ Memorandum of Association of the Organisation empowering it to borrow or to raise loans from any outside agency.

vi) The organisation's audited accounts and balance sheets should appropriately reflect its experience in providing credit and managing recoveries, etc. Also, the audited accounts should reflect sound financial management/health and there should be no observations of a serious nature by the auditors.

vii) There should be adequate infrastructure and staff to implement the micro- credit programme.

3.3.2.2 Women's Development Corporations (WDCs)

Women's Development Corporations (WDCs) running on sound lines and having adequate experience in thrift and credit administration of at least three years are eligible to borrow under the Main Loan Scheme.

Eligibility Norms

The eligibility norms are:

i) Norms of eligibility as indicated for SOs/VAs are also applicable to the WDCs.

ii) Wherever necessary, the WDCs also are required to obtain State Government Guarantee for borrowings from RMK. However, in cases where the WDCs are not making losses, State Government Guarantee may not be required.

3.3.2.3 Co-operative Societies

The eligibility norms are:

i) Cooperative Society(s) having at least 1/3 women members in its/their General Body and also adequate representation of women on its/their Managing Committee are eligible for borrowings from RMK.

ii) Loans obtained from RMK are to be given by the Society to eligible women members only.

iii) The society should be working with profit at least for the last two years.

iv) All other norms of eligibility as in case of SOs/VAs are applicable for Co-operative Societies.

3.3.2.4 Indira Mahila Block Samitis (IMBSs)

Indira Mahila Block Samitis (IMBSs) registered under Indira Mahila Yojana (IMY) are eligible to borrow from RMK for onward lending to SHGs/poor women members.

Eligibility Norms

The eligibility norms are as follows:

i). The IMBS should be a registered organisation under the IMY Scheme.

ii) It should have adequate experience in forming and stabilizing Self Help Groups (SHGs), mobilizing savings, managing credit and maintaining proper books of accounts at SHGs/IMBSs level.

iii) Its audited accounts and balance sheets should appropriately reflect its experience in providing credit and undertaking recoveries, etc.

iv) There should not be any irregularities/adverse observations in its audit reports.

3.3.2.5 Suitable State Government Agencies

Suitable State Government Agencies such as DRDAs, Dairy Federations, Municipal Councils, etc. are eligible to avail assistance from RMK for lending to poor women for income generation activities.

Eligibility Norms

Norms of eligibility as in case of SOs/VAs are applicable.

3.3.2.6 Refinance to Mahila/Urban Co-operative Banks

RMK provides 100% refinance assistance to Mahila/Urban Co-operative Banks on finances provided by them to poor women either directly or through SHGs within the norms of the RMK Main Loan Scheme as applicable from time to time.

Eligibility

All norms of eligibility as in case of SOs/VAs are applicable

3.3.3 Purpose of the Loans

The loans drawn from RMK are to be used by the borrowers for undertaking income generation activities unless specifically sanctioned for other purposes.

3.3.4 Maximum Amount of Loans

The maximum amount of loan that can be given to an individual borrower under the Main Loan Scheme is Rs.15,000/- per borrower depending upon the activity to be undertaken. However, a borrower can avail herself of repeat loans or higher loans within the above ceiling after satisfactory repayment of the previous loan.

3.3.5 Repayment

Loans drawn from the RMK by the organisations are repayable within a period of 36 months in 8-10 quarterly instalments with an initial gestation period of 6 months.

However, NGOs/SOs/VAs/Organisations may fix suitable repayment schedules and recover the dues from the borrowers even before the repayment period depending upon the level and period of income generation. Any amount recovered in advance from SHG/members by the NGOs/SOs/VAs/Organisations may be utilized/recycled for providing loans to fresh beneficiaries/VAs/SHGs/Organizations, but it should not in any way affect the repayment to be made by the SOs/VAs/Organisations to RMK.

3.3.6 Rate of Interest

The rate of interest for finance sanctioned by RMK will be such as may be determined by the RMK from time to time. At present, the rate of interest applicable is as follows:

i) RMK to NGOs/SOs/Vas/Organisations 8%

ii) The interest shall be calculated quarterly using reducing balance method and will be payable by the NGOs/SOs/VAs/Organizations to the RMK every quarter on 30th June, 30 Sept., 31st December and 31st March each financial year.

iii) The NGOs/SOs/VAs/Organisations shall charge interest not exceeding 18 p.a. using reducing balance method to the:

— SHGs or

— Individual borrowers financed directly by the NGOs/SOs/VAs/Organisations wherever SHGs are yet to be formed. NGOs/SOs/VAs/Organisation will endeavor to organise/cover the individual borrowers into SHGs as early as possible.

iv) SHGs will take their own decision on the rate of interest to be charged to the borrowing members, which in any case shall not exceed 18% per annum as per present norms of RMK.

3.3.7 Incentives on Interest Rates

Besides the interest spread of 4% available to the NGOs/SOs/VAs/Organisations to meet their transaction cost, the following performance-linked incentives are admissible to the NGOs/SOs/VAs/Organisations:

i) For timely disbursement an amount equal to 1 % of the loan amount disbursed by the SOs/VAs/Organisations to SHGs/members within the stipulated period (i.e. within 30 days from the date of release of funds by RMK to NGOs/SOs/VAs/Organisations) will be refunded by RMK.

ii) For conducting training and education programmes for SHGs and the development and up gradation of skills among the borrowers, an amount equal to 1% of the total loan amount disbursed by RMK to the GOs/SOs/VAs/Organisations will be refunded.

iii) If the NGOs/SOs/VAs/Organisations repay to RMK the installment as per the repayment schedule, 0.5% of the amount repaid will be refunded.

The above incentives are calculated on yearly basis (i.e. 1st April to 31 March of each financial year) based on actual performance and are paid/remitted to the organizations separately at the end of the financial year.

3.3.8 Margin Money to be Contributed by Borrowers

SOs/VAs/SHGs/ultimate borrowers are required to contribute margin money amounting to 10% of the total credit to be availed from RMK.

3.4 PROCEDURE FOR AVAILING RMK LOANS

You should familiarize yourself with the following procedure laid down by RMK for availing loans under the scheme.

- The loan application in the prescribed format from the eligible organisations along with the requisite documents mentioned therein is scrutinized for its eligibility.
- If found eligible, it is considered for a pre-sanction study.
- The decision about the sanction of loan is taken on the receipt of the pre-sanction study. RMK then issues a sanction letter to the organisation along with its terms and conditions and procedure for drawing funds.
- The organisation should pass a resolution in the Managing Committee indicating that the terms and conditions are acceptable.
- The application for drawing funds and other documents filled in properly and completed in all respects, as per the instructions contained in the prescribed form, is sent to RMK.

- On receipt of this application, complete in all respects with required documents, the first installment of the loan as per the conditions of the sanction letter is released.
- A monitoring study after one month from the date of disbursement is carried out by the RMK. Based on its report RMK considers the release of the 2nd installment or otherwise advise the NGOs/SOs/ about the next course of action.
- Recovery of loans by the organisations is covered by an agreement letter-cum-Guarantee Deed.
- The organisations are expected to adhere to the repayment schedule indicated in Disbursement Advice to get the benefit of incentives and also avoid penal interest.
- On nearing the successful completion of the first cycle of the RMK loan process— sanction, disbursement, utilisation, repayment, etc.— the organisations may apply for a repeat loan in the prescribed application form. It is sanctioned on the basis of part performance/monitoring study reports. Thus, the process of recycling of funds to women continues.

Check Your Progress II

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) What are the eligibility norms for the following to apply for loans under the RMK scheme.

a) NGO

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b) Women Development Corporations

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3.5 PROMOTIONAL AND OTHER INNOVATIVE SCHEMES

The Kosh has taken a number of promotional measures for popularising the concept of micro-financing, thrift-credit, formation and stabilisation of self-help groups and also enterprise development for poor women. This section is aimed at familiarising you with some of the promotional and other innovative schemes of RMK which are as follows:

a) **Loan Promotion Scheme**

The Loan Promotion Scheme has been designed to promote the activities of thrift and credit among smaller but potentially capable NGOs/organisations that do not meet the requirement of three year's experience in thrift and credit management. The requirement of experience under the Loan Promotion Scheme has been reduced to one year, i.e. the NGOs/Organisation must have at least one year's experience in thrift and credit. However, other eligibility norms are the same as in the case of RMK Main Loan Scheme. The maximum loan amount given to an NGO/Organisation under this scheme is Rupees five lakhs.

b) **Micro-credit for Education and Skill Up gradation**

Another scheme developed by RMK is *Micro-Credit for Up gradation of Skills and Education.* Here, the focus is on exploiting newly emerging opportunities in the IT Sector, Call Centers, Cyber Cafes, Data Entry Operators as well as on skills in traditional service sectors (e.g. house keeping, garment designing/fabrication, etc.). It is also proposed to support credit programmes for education linked to professional/ educational programmes which are likely to result in income enhancement/generation.

c) **Support for Crop Credit and Off-Farm Activities for Women**

RMK has recently approved the eligibility of women borrowers to avail themselves of credit facilities for raising agricultural crops which may require inputs like seeds, fertilizers, pesticides, etc. as also for land development and various off-farm activities. This component will receive greater thrust in future within the Main Loan, Loan Promotion and Revolving Fund Schemes. RMK will also reserve a significant portion of its corpus to support off-farm livelihood activities among women's SHGs. This support will be focused in districts with a high percentage of landless families. RMK will partner agencies with training, marketing and other linkages in these sectors to channel credit under this head to State Government agencies, cooperative bodies and NGOs, etc. which are eligible for assistance for lending to SHGs.

d) **Support for Small Consumption Loans**

It is common knowledge that women, besides requiring credit for income generation activities, also require small quantities of money from time to time for various emergent consumption needs such as buying food grains, paying for the education of children, medical treatment of family members or in case of extreme poverty, even clothing, etc. Out of the total proportion of RMK credit facilities, 0.5 percent of the amount sanctioned can be utilized for meeting such needs. It is also proposed to build in a component of consumption credit as an incentive to disciplined recovery behaviour. SHG members with a clean track record of repayment of their loan for six months will be automatically eligible for consumption loan (presently to be pegged at a maximum of Rs.500/- per borrower) for personal needs.

e) **Food Credit Scheme (FCS)**

Food Credit Scheme aims at mobilizing food grains as a resource and leverages the same to raise credit, the SHG collects food and in turn leverages a larger volume of the same for distribution among its member. FCS is an SHG of women from the lowest income group. Once the SHG is constituted with the help of an NGO/DRDA, it nominates 2-3 persons to manage the SHG. Each member makes an annual deposit of 5 Kg of food grains into the food bank (in 5 equal installment) to begin its activities. The critical issue is that only the deposit entitles the family to draw up to 10 times the quantity deposited. Thus the total entitlement of each family to draw from the food bank would be 50 kg (@ 10 × 5 kg). However, at any given time, even a 1 kg deposit would entitle the family to withdraw up to 10 kg of food grains.

The organising NGO/IMO (Intermediate Micro-financing Organisation) normally sponsors an application of between 10-15 SHGs under this scheme. RMK extends credit for setting up food banks and basic infrastructure for the SHGs through the NGO. NGO/IMO in turn assists the SHG with cash credit to purchase between five to seven quintals of food grains as its 'pending resource' on a scale of 50 kg per family, depending on the number of families in each SHG.

The members of the SHG have the option to repay the grain loan in kind or its cash equivalent to the food bank maintained by the SHG. The SHG uses the cash as a reserve to increase its stock of grains and/or to keep apart some of the money for repayments. This is the fulcrum on which the entire success of the idea hinges. It does not matter if the grain being replenished against the food loan is different from the one drawn. The decision on the kind of grain and ratios/cash equivalent acceptable as repayment is best left to the individual SHG. However, all repayments to the NGO/IMO and by NGO/IMO to RMK have to be in cash. The rate of interest on food credit is the same as that for RMK's other schemes with incentives for early repayments.

f) **Credit Facilities for Land Purchase, Land Redemption and Land Leasing Activities**

It has been felt that availability of land for shelter or a small piece of land for undertaking land based activities like growing of vegetable, horticulture, piggery, poultry, etc. which can bring better returns has been a major constraint faced by women who are attempting to improve their economic status and supplement their family incomes. RMK has included the acquisition of land by individuals in a women's group or by SHG members collectively as an approved purpose of RMK credit facilities within the individual ceiling of loan eligibility.

The SHG may avail such loans for undertaking lease of a common plot of land/pond/ wasteland or similar properties from Panchayati Raj Institutions (PRIs)/State Governments or from any individual for the purpose of cultivation, horticulture, fisheries, wasteland development or any other income generating group activities.

g) **RMK's Information, Education and Communication (IEC) Scheme**

RMK is spending up to 5 per cent of total loan sanctioned on its IEC activities. This creates greater awareness about the concept of micro-finance in general and RMK schemes in particular. RMK's IEC Scheme includes both the market development role and the advocacy role.

Under the market development role, RMK is currently undertaking training of new NGOs, other intermediate level partners, SHG leaders and borrowers, monitors, master trainers, nodal NGOs, ICDS/IMY staff, women, etc. and their media orientation through conferences, exhibitions, fairs, etc.

Under the advocacy role, RMK is organising seminars/workshops involving governments, banks, foreign funding institutions, apex and intermediate organisations, women, WCD officials and officials of other Departments/Ministries.

h) **Nodal Agency Scheme (NOA)**

The Nodal Agency (NOA) Scheme was originally introduced in 1996-97 and subsequently revised in 1999 by RMK. The aim is to bring in larger numbers of new and small intermediate organizations into RMK fold to increase its outreach, especially in under-covered areas. This is being done through the processes of reorientation, training, capacity building and transfer of technology.

RMK delegates the requisite functions to well established, tried and tested NGOs that possess the necessary infrastructure and experience in group dynamics and micro-finance, such as identification of potential NGOs, pre-sanction studies, training, monitoring and processing of applications up to the stage when the new intermediate organisation can be linked directly with RMK under its loan schemes. The Nodal NGO undertakes the above functions in a sequential and time-bound manner under the guidance of RMK.

i) **Self-Help Group (SHG) Development Scheme**

The objective of this scheme is to help, reorient and train small IMOs (that lack resources and have very little or no experience of group dynamics, thrift and credit) and provide them with the means to start formation and stabilisation of groups. The scheme is applicable only to IMOs that are not eligible for any of the other loan schemes of RMK.

Under this scheme, RMK provides interest free loan up to Rs.100,000 for starting 25 SHGs @ Rs.4000/- per group. This covers the cost of survey, identification of members, organising meetings, training, stationary, local transport of IMO functionaries, etc. The loan given can be converted into a grant @ 25% of total savings generated by the SHGs from their own savings. The loan is repayable in 30 months. Any non-converted amount at the end of 30 months is recovered @ 8% rate of interest.

j) **Revolving Fund Scheme**

The Revolving Fund Scheme was introduced with a view to provide more flexibility to the NGOs implementing income generation programme of the Kosh. Under the scheme, a credit of up to rupees one crore for each State and that up to a maximum of rupees three crores are sanctioned at a time to experienced and selectively identified organisations. The organisations are expected to revolve the funds by utilizing recoveries for providing credit to more self-help groups or their members particularly in the uncovered areas. The repayment starts on the completion of 12 months from the date of release of the loan and is to be completed in four half yearly instalments. The total repayment period is 30 months.

As you can see from the box below, RMK has made major strides in the area of women's empowerment. It is now considered as one of the important schemes in the area of credit for women.

Box 2

Achievements of Rashtriya Mahila Kosh

Since its inception on 30 March 1993 up to December 2002, RMK has achieved the following landmarks:

- A credit of Rs. 118 crore has been sanctioned.
- 4,35,535 women have benefited under various schemes.
- Alliances have been made with 1,066 NGOs throughout the country.
- Rs. 89 crore have been disbursed under its various schemes.

Check Your Progress III

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) Mention the benefits of Loan Promotion Schemes.

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2) Which of the following schemes mobilizes cash savings as resources and leverages them to raise credit? (Tick mark the correct answer.)
   - Support for crop credit and off-farm activities for women.
   - Support for small consumption loans.
   - Food credit scheme.

3.6 LET US SUM UP

In this unit we discussed the Rashtriya Mahila Kosh, the premier micro-credit agency of the country, with its focus on women and their empowerment through the provision of credit for livelihood and related activities. At the outset we learnt about the need for, and the concept and features of micro-finance in the country. We discussed the background in which the scheme was set up. We then went on to understand the aims, objectives, function and management of RMK. Then we focused on the details pertaining to the Main Loan Scheme along with the procedure for applying for loans under this scheme. Then we had a look at the other promotional measures for popularizing the concept of micro-financing, thrift-credit, formation and stabilization of self-help groups and also enterprise development among poor women. Finally, we looked at the achievements of RMK in the country.

3.7 KEY WORDS

Self-Help Groups : A voluntary association of homogenous persons who work together for their social and economic empowerment. In practice, an SHG is a group of 10-20 people who meet at regular intervals, to pool in their savings and create a common fund. The money in this fund is lent out by the group to individual members, at an interest rate that is decided by the group.

3.8 REFERENCES AND SUGGESTED READINGS

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Workshop on Best Practices in Group Dynamics and Micro-credit (Manesar, Haryana: February 15 – 17, 2000), 2000: Department of Women and Child Development, The Ministry of Human Resource Development, Government of India, New Delhi and Gender Quality Fund, Canadian International Development Agency, New Delhi.

3.9 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress I

1) The two main activities of RMK are:
   - To provide micro-credit in the form of small loans primarily for income generation activities and also for consumption and contingency needs; and
   - Organize micro-savings in the form of thrift and small savings from borrowers own resources.
2) The reasons are that poor women are the most disadvantaged because of the lack of education and access to resources. Also evidence shows that groups of women are better managers of resources and are good promoters.

Check Your Progress II

1) The eligibility norms that apply for loans under the RMK Schemes are:

   a) *for NGOs*
   - The organisations should be registered for more than three years.
   - The application should clearly reflect the sources of credit funds utilised earlier.
   - Recoveries of loans should be of a high order (around 90 per cent of its dues).
   - There should be a proper and specific clause/provision in the bye-laws/memorandum of association of the organisation empowering it to borrow or raise loans from any outside agency.
   - Its audited accounts and balance sheets should appropriately reflect its experience in providing credit and managing recoveries, etc. There should not be any loss or objectionable observations in its audit report

   b) *for Women Development Corporations*

   Women Development Corporations running on sound lines and having adequate experience in thrift and credit administration of at least three years and fulfilling the eligibility norms applicable to NGOs are eligible for obtaining credit from RMK.

Check Your Progress III

1) The Loan Promotion Scheme has been designed to promote the activities of thrift and credit among smaller but potentially capable NGOs/Organisations that do not meet the requirement of three year’s experience in thrift and credit management. With a year of experience in thrift and credit, they are eligible for a loan of Rs.5 lakhs.
2) Food Credit Scheme.

UNIT 4 PROGRAMMES OF DEVELOPMENT FINANCE CORPORATIONS

Structure

4.0 OBJECTIVES

After studying this unit, you should be able to:

- define the role of financial institutions in rural development;
- describe the networks of financial institutions, their working and role in rural development;
- critically examine the role of financial institutions in the context of problems experienced by the rural people; and
- explain the prospects of making rural institutions viable and accountable.

4.1 INTRODUCTION

As we have seen, rural development programmes aim at reducing poverty and unemployment among the areas, classes and socially discriminated groups. In India, providing equality of opportunities in access to skills, credit and appropriate technology is a constitutional duty of the State and a large number of financial institutions have been set up to fulfil this task.

It is the duty of these financial institutions to see that money and services for development reach to meet the productive needs of persons experiencing undeserved want. At the same time, as custodians of public money for social justice interventions, they also have to justify the end-use of expenditure in terms of prudence, sustainability and empowerment.

In this unit, we will examine the working of some of the important programmes implemented by India’s leading financial institutions for the people living in rural areas. We will, in particular, discuss the programmes of (i) NABARD, (ii) IDBI and (iii) NSFDC.

4.2 ROLE OF FINANCIAL INSTITUTIONS IN RURAL DEVELOPMENT

The three financial institutions we are going to discuss (NABARD, IDBI & NSFDC) are among the many financial institutions functioning in the country for achieving rural development objectives. The structure of financial institutions in India is described briefly as follows:

Financial institutions perform a variety of roles in development, but essentially they either channel funds (i) from lenders to borrowers or (ii) from savers to investors. They can, thus, be *banking* or *non-banking* in character. Important non-banking financial institutions are insurance companies, investment trusts, pension funds, hire-purchase companies and building societies among others. You can appreciate the significance of financial institutions in terms of the range of services performed by them and the combined might of institutional networks (public, cooperative and private) engaged in the task. Their lending and investments can radically transform areas, classes and individuals by providing for skill-training, productive assets, entrepreneurship, self-employment, new technologies and upgrading of services critical to faster growth. A properly developed network of viable and accountable financial institutions can go a long way in promoting cooperation, self-help and family security.

It is possible to outline the significance of financial institutions in our country's rural development on the basis of the work done so far. When we do that we notice certain clear landmarks. Perhaps the first thing, which strikes us is the contribution of the services provided by the banks. Notable transformation has been witnessed, since bank nationalisation, in terms of (i) extensive network of branch, (ii) promotion of modern banking habits, (iii) credit facilities for the poor and needy persons, (iv) mobilization of untapped savings and (v) diversification into new areas and norms of business. We will write more about banks while examining the activities of NABARD (an apex institution created for agriculture and rural development), but it is appropriate to record here itself that India has been a pioneer in evolving its own brand of institutional framework for rural credit delivery (comprising rural branches of commercial banks, cooperative credit institutions and regional rural banks) and policies (related to rural infrastructure, agriculture, poverty alleviation and small borrowers). Today we stand at a point in our economic history where we can think of making the rural credit delivery system more viable and accountable, but we should not underestimate the fact of having developed a system which many countries still lack.

Rural development, anywhere in the world, requires sufficient monetization of economy, which means ratio of financial assets to physical assets in rural areas grown on account of massive improvements in financial infrastructure and proliferation of a variety of financial instruments. Proper monetization of rural economy in India cannot be achieved through banks alone. To develop rural India, we require active involvement of specialized public and private financial institutions capable of promoting investments in industries, infrastructure, insurance, etc. in rural areas as well. Historically, public sector has been a dominant provider of such services in our country. Since 1964, IDBI has been the principal financial institution of our country in promoting industrial development; HUDCO (Housing and Urban Development Corporation) has been the premier public finance institution for rural housing programmes and the LIC (Life Insurance Corporation of India) and the GIC (General Insurance Corporation of India) dominate life and non-life insurance sectors respectively. Recent entry of Agricultural Insurance Company of India in the field of food and livelihood security is also a public sector investment.

National-level public finance institutions have nation-wide spread, as a result of which rural areas also benefit. They also have special schemes for the rural areas and population. Investments are massive, innovative and visible. However, predominance of public financial institutions in rural India is a given situation but not an ideal one. Why are private financial institutions reluctant to enter rural areas in a meaningful manner? Private financers have so far viewed the Indian rural development projects as non-viable and operationally cumbersome. To a great extent, this view even persists now despite the recent invigoration of the capital market and general improvement in the rural situation. What, therefore, can be done is to strengthen public financial intuitions through (i) viability-oriented operational reforms and (ii) effective linkages with the enterprising groups and institutions of the civil society (i.e. self-help groups, voluntary agencies and consumer associations). We will write more about these aspects in the subsequent sections of this unit and also see how the Reserve Bank of India (as the regulator of the Indian economy) has recently addressed the problems of financial non-viability and economic stagnation.

Check Your Progress I

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) What role can financial institutions play in rural development?

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4.3 NATIONAL BANK FOR AGRICULTURAL AND RURAL DEVELOPMENT (NABARD)

The National Bank for Agricultural and Rural Development (NABARD) is an extremely important institution of our country. As the name suggests, it is an intervention by the government to improve India's agriculture and rural development.

Our first attempt should be to understand the context in which this institution has been created under an Act of Parliament. We can do this by listing out the problems and prospects of agriculture and rural development in relation to the well-being of our people. On agriculture depends the livelihood of the seventy percent of India's population, nearly twenty-five percent Gross Domestic Product and future of the poor and the vulnerable. The State, therefore, has to intervene to improve agricultural production and rural standards of living. A matter of immediate concern is the decline (between the 1980s and 1990s) in total factor productivity and investment in rural areas. In certain rural pockets, poor standards of living (infrastructure, shelter and human rights) have reached alarming points. Sustainability of non-viable rural institutions, particularly rural financial institutions, is also a critical problem in providing services to the poorest of the poor living in the margins of environment.

Seen in this context, NABARD is a solution to the problems. It provides refinance assistance to commercial banks, state cooperative banks, regional rural banks and state land development banks. It does this either on automatic basis or under pre-sanctioned procedure. NABARD also provides refinance to banks for financial assistance under government-sponsored programmes like the Integrated Rural Development Programmes, action plans of Scheduled Castes/Scheduled Tribes Development Corporations and the programmes for the development of non-conventional energy resources.

NABARD provides long-term funds to micro-enterprises in rural areas, medium-term funds to the cooperative societies for financing their members for the purchase of shares and has a large number of short-term refinance schemes. Its short-term refinance schemes provide (i) credit-limits to state/district central cooperative banks for meeting their working capital requirements and (ii) working capital to primary/apex weaver's cooperative societies, industrial cooperative societies and rural artisan members of primary agricultural societies. For financing non-agricultural activities in rural areas, NABARD provides short-term credit-limits to regional rural banks. NABARD has also decided to advance a floating refinance rate for advances over rupees two lakhs.

NABARD maintains many funds for specific purposes. National Rural Credit (Long-term Operations) Fund is used for re-scheduling of loans. National Rural Credit Stabilization Fund is meant for providing conversion loans for production credit. Rural Infrastructure Development Fund takes care of the inadequacy of public investment in agriculture by providing loans to the state governments, Panchayati Raj Institutions, non-governmental organisations and self-help groups.

NABARD was set-up, as an apex development bank, in 1982. As an apex bank, it is required to develop policies, programmes and approaches for financing India's rural development. Thus, it is not merely a source of funds but also an institution mandated to innovate policies and operations to achieve its goals. It is, indeed, a huge organisation spread all over the country and has massive funds to provide for rural development. However, we can appreciate the role of NABARD in rural development to a reasonable extent only when we realize the vast coordinating role it has to play in formulating and grounding its schemes. To do this, we will examine the work it has done innovatively in certain areas. The examples, which are described below are specimens of excellence in innovation and coordination.

4.3.1 Micro-Credit Initiative

NABARD is one of the very few institutions in the world engaged in working out a strategy for assisting the rural poor, especially women, through the micro-finance initiative. The initiative started in a systematic manner in 1992 after the institution got convinced (on the basis of research studies) that the basic credit needs of the poor were not high in quantum. What the poor needed most was an opportunity to get timely credit in a hassle-free environment. Realizing this, the bank developed the micro-credit initiative through self-help groups.

NABARD now proposes to reach a population of about hundred million rural poor through one million self-help groups by the year 2007-08.

The micro-credit programme seeks to promote financial transactions between formal rural banking systems in India with informal self-help groups as clients. Three different models of promoting credit linkages have been found feasible:

Model-I : Self-help groups formed and financed by banks.

Model-II : Self-help groups formed by non-governmental organisations and formal agencies, but directly financed by banks.

Model-III : Self-help groups financed by banks using non-governmental organisations and other agencies as financial intermediaries.

The process is strengthened through capacity building measures like training in group formation and the management of funds.

Some of the leading non-governmental organisations in the field of micro-credit (e.g. Mysore Resettlement and Development Agency, Professional Assistance for Development Action and Development of Human Action Foundation) are closely associated with the activities of NABARD. In the backward states and districts, where organized support from non-governmental organisations was lacking, NABARD has experimented with the volunteer promotion programme.

The micro-credit initiative of NABARD has provided a new dimension to rural banking and a hope for viability (because of a very high percentage of recovery from the beneficiaries at very nominal cost). NABARD's initiative in micro-credit has also provided a new policy thrust for the Government of India and the Reserve Bank. Micro-credit initiative has yet to cover the length and breadth of the country, yet it is a breath of fresh air in the field of rural development.

RIDF Projects

Some of the projects undertaken under NABARD's Rural Infrastructure Development Fund (RIDF) also need to be studied to understand the complexities of project-financing in rural India in terms of location-specific problems and innovativeness of solutions. We list a few RIDF projects to provide illustrations.

The projects undertaken under NABARD's RIDF include (i) rural road and bridge projects, (ii) primary schools, (iii) primary health centres, (iv) village haats, (v) joint forest management projects, (vi) terminal and rural market projects, (vii) rain water harvesting projects, (viii) fish jetties, (ix) micro and mini hydel projects, (x) rural drinking water supply schemes, (xi) citizen information centres, (xii) anganwadi centres, (xiii) shishu shiksha kendras, (xiv) construction of small dams, weirs and barrages, (xv) projects for reclaiming water-logged areas, (xvi) modernization of old irrigation tanks, (xvii) flood control projects, (xviii) market yards, (xix) food processing parks and (xx) cold chains.

An important feature of NABARD's RIDF is people's participation in the planning and management of projects. Another important aspect is its emphasis on undertaking incomplete projects and projects where investment so far has been neglected.

4.3.2 Initiative for High-Tech Agriculture

Realizing the significance of high-tech agriculture for economic growth, NABARD has introduced opportunities in financing projects related to the areas of high-tech agriculture such as (i) horticulture (ii) floriculture, (iii) tissue culture, (iv) bio-pesticides, (v) bio-fertilizers, (vi) vermiculture, (vii) green and poly houses, (viii) agro-processing, (ix) food processing and (x) seed production. Detailed policy-norms for financing such projects have been evolved by NABARD to encourage and evaluate high-tech agriculture projects received from agri-business promoters.

Check Your Progress II

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) What are the agencies in India through which a person living in a rural area can obtain micro-finance?

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2) What is the purpose of NABARD's Rural Infrastructure Development Fund?

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4.4 INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI)

The Industrial Development Bank of India (IDBI) is another significant apex financial institution of our country. It was set-up by an Act of Parliament in 1964 as a development finance institution to promote India's industrial growth through planning, promotion, development and coordination. Since 1964, IDBI has promoted a large number of financial institutions which, directly or indirectly, promote rural development as well.

In this section, we will focus on the programmes of one such institution set up by the IDBI. We shall discuss the role of SIDBI (Small Industries Development Bank of India) in rural industrialization. We have chosen SIDBI because, as a subsidiary of the IDBI, it is mandated to develop India's small-scale industries by paying special attention to the development of small units and cottage and tiny sectors in villages. SIDBI is important because it is an apex national institution for the promotion, financing and development of small-scale industries and, thus, is the principal coordinator of all financial institutions engaged in the task of developing small-scale industries. SIDBI started as a fund of the IDBI in 1986 and grew to be its subsidiary in 1990.

Our first attempt in this section should be to understand the context in which IDBI and its subsidiary SIDBI have been created by Acts of Parliament. When we do so, we find both elements, continuity and change, in operation. We find elements of continuity in the desire of the nation to create self-employment opportunities and balanced regional development in the country, while elements of change are seen in the context of the efficiency demands of the market in ensuring that rural industries grow in a sustainable manner. IDBI has accordingly adjusted to the emerging needs of the nation. Through its financing, big public sector industries were set up in backward rural areas and, in pursuance of the policy of balanced regional growth, a system of targeted fiscal and financial initiatives was worked out through its state industrial development corporations spread all the country. A similar targeted incentive system was worked out for small-scale industries through IDBI's refinance facility.

Refinancing activities of SIDBI are examples of the recent policy-thrusts. Some of the principal refinancing activities of SIDBI are given below:

- The Composite Loan Scheme to refinance term loans to the artisans of small industries (in tiny sectors) for acquisition of equipment/working capital/work sheds.
- The Scheme to refinance term loans to scheduled castes, scheduled tribes and physically challenged persons for acquisition of equipment/working capital.
- Schemes to refinance Khadi & village industry institutions for purchase of mobile sales vans/vans for transporting finished products or raw materials.

- The National Equity Fund scheme to provide equity-support to entrepreneurs.
- The Single Window Scheme to refinance term loans for fixed assets and assistance for working capital.
- The Mahila Udyam Nidhi for providing equity support to women entrepreneurs for setting up new small scale industrial projects.

SIDBI provides line of credit to the State Small Industries Development Corporations for raw material and marketing support to entrepreneurs. It has set up a Venture Capital Fund for small scale entrepreneurs using innovative indigenous technology and expertise. Support services provided by SIDBI extend to enhance the capabilities in the areas such as entrepreneurship development, skill up gradation, technology up gradation, marketing-support and product development.

4.4.1 Rural Industries Programme

Rural Industries Programme of SIDBI aims at developing viable and self-sustaining tiny/small enterprises in rural and semi-urban India by harnessing local entrepreneurial talent. Professional support is provided under this programme by identifying ventures, linking them with formal banking channels, providing escort services at each stage and strengthening technology content of projects. Rural Industries Programme of SIDBI is important because it consciously chooses backward districts and focuses on project sustainability. SIDBI proposes this programme to be extended to 100 districts. Philosophically, the programme intends to bring in a shift from the culture of subsidy to the practice of techno-economic viability, appropriate linkages and carefully coordinated follow-up of projects.

4.4.2 Micro-Credit Initiative

SIDBI has, as a proactive step to facilitate accelerated and orderly growth of micro-finance sector, set up a major project called Small Industries Foundation for Micro-Credit. While discussing NABARD, we observed the advantages of the micro-credit initiative in development. The intention of the SIDBI project is to develop SIDBI as the apex wholesaler for micro-finance in India by providing a complete range of financial and non-financial services to the retail micro-finance institutions. The success of micro-finance has led to the promotion of a large number of micro-finance institutions and the creation of a market as well. By providing a complete range of services (such as loan funds, grant-support, equity and institution-building support) to the emerging micro-finance institutions, SIDBI wants to strengthen the capabilities of these institutions. Besides attempting to develop a network of service-providers in the micro-finance sector, SIDBI is also contemplating to advocate appropriate policies and regulations in micro-finance. With a view to providing quality manpower in micro-finance sector, SIDBI is working out a nation-wide strategy for training in micro-finance. SIDBI has also taken initiative to develop capacity building programmes in micro-credit for formal financial institutions such as cooperative/private sector banks.

4.4.3 SIDBI Report on Small-Scale Industries Sector (1999)

An in-depth analysis of the performance of the Small-Scale Industries Sector was carried out by SIDBI in the year 1999. The study showed that the total factor productivity of small-scale industries during the period 1980-81 to 1994-95 (excepting 1989-90) was greater than that of the large-scale sector at the all-India level. The study also revealed that during this period small-scale industries had a higher profitability than the large-scale industries. Both small and large-scale industries achieved a similar growth in the Gross Value Added (about 8.7 per cent per annum). The growth in output of small-scale industries was lower (7 per cent per annum) as compared to 9 per cent annual growth in the output of large-scale industries. The growth in total employment of small-scale industries was at the rate of 1.3 per cent per annum as compared to 0.9 per cent per annum growth in employment in the large-scale industries depicting the relatively higher contribution of small-scale industries in employment generation. The capital invested showed a growth of 6.6 per cent in large-scale industries as compared to about 4 per cent growth in small-scale industries. Labour productivity rose at a rate of 7.6 per cent per annum in small-scale industries and at a rate of 8.1 percent per annum in large-scale industries over the period 1980-94. Over the same period, capital productivity rose at a rate of 2.4 per cent per annum in the small-scale industries and at a rate of 2.2 per cent per annum in the large-scale industries. Thus, while labour productivity showed a slightly higher growth in large-scale industries, capital productivity showed a slightly higher growth in small-scale industries. The study further showed that in view of the rapid growth and substantial contribution of small-scale industries sectors, there is an urgent need for evolving a regular system for collecting data on small-scale industries and also for upgrading them. New units come up every year for different lines of production, while existing units either diversify or expand or in certain cases close down. SIDBI report, thus, highlighted the limitations of the available data pertaining to small-scale industries and highlighted the crucial role of information on policy-decisions.

4.5 NATIONAL SCHEDULED CASTES FINANCE AND DEVELOPMENT CORPORATION (NSFDC)

We have so far examined the role of two important public finance institutions in India's rural development. Institutions are functional devices through which concerns and needs of societies are met. Being a sub-set of economic institutions, financial institutions all over the world provide certain basic common functions. However, the roles financial institutions are expected to play depend on the socio-economic mandate on the basis of which they are set up. In this section, we will focus on the financial institutions set up to cater to some of the pressing special needs of our society.

One such institution is the National Scheduled Castes Finance and Development Corporation, which was set up in 1989 and has become a model for many social justice development finance institutions in the country. Now there are national development finance corporations for scheduled tribes, minorities, backward classes, safai karamcharis and physically-challenged persons, which more or less follow the NSFDC-model. The Government of India has set up these corporations and provides full resource back-up for small loans at subsidized rates. State governments have also set up similar corporations at the state level and eligible persons are benefited through a channel of financing run from the national corporation to the districts (through their state corporations). Uniqueness of these corporations lies in the subsidized nature of lending. The National Scheduled Castes Finance and Development Corporation, for example, provides term-loan to its beneficiaries at the rate of 6-8% and finances micro-credit at the rate of 4-5% per annum. The second feature of their uniqueness is the fact that these corporations exclusively cater to persons with special problems and those coming from low-income families. The National Scheduled Castes Finance and Development Corporation, for example, provides loans and free skill-training to the scheduled caste persons coming from low-income families (for rural areas Rs.40,000/- per annum). The basic idea is to fight poverty and stigma through entrepreneurship development and, thus, provide equality of opportunity in society. Let us see some specific examples to understand where social justice public finance institutions differ in approach.

4.5.1 Micro-Credit Initiative

We have gone through the details pertaining to the efforts of NABARD and SIDBI. The National Scheduled Castes Finance and Development Corporation, too, has schemes of micro-credit for low-income scheduled caste men and women. Like

NABARD and SIDBI, the National Scheduled Castes Finance and Development Corporation too provides micro-credit finance directly or through the self-help groups/ NGOs. The difference lies in the rate of interest charged from the beneficiaries (@ 5% per annum generally and @ 4% per annum for women). Lower interest rates for scheduled caste persons have been fixed to support entrepreneurial endeavours of the group requiring special care. This example shows that philosophical concerns of the finance institutions can be different. There can be a difference between profit-making financial institutions and 'not for profit' social justice financial institutions. While both the categories have to be viable and professionally competent, in case of the former profit-accumulation would be the prime motive while in case of the later profits would be ploughed-back to subsidize interest rates to the maximum level.

4.5.2 Needs Assessment and Opportunity Profiles

All financial institutions assess needs of their customers. The social justice public finance institutions focus on the special needs of their beneficiaries more sharply. In case of the scheduled caste persons who live mostly in rural areas in difficult circumstances with almost negligible market or social-support, accurate needs-assessment is a tough challenge. The first task usually is to understand the past, present and future of these communities in the context of enterprise development and then prepare appropriate inter-disciplinary opportunity profiles and linkage plans for their development. (What applies to the scheduled caste finance and development strategy also applies to the other aspirants of social justice.) The National Scheduled Castes Finance and Development Corporation, therefore, has recently prepared 101 Opportunity Profiles suited to the special needs of the low-income families of scheduled castes. Opportunity Profiles provide an option to the beneficiaries while choosing viable and easily manageable projects in the emerging fields. Opportunity Profiles of the social justice public finance institutions also adopt a different approach in working out the logic of project appraisal and calculation of the rate of returns.

4.5.3 Accountability to the Beneficiaries

Realising that ground realities for persons experiencing stigma and undeserved want are extremely difficult and complex, the National Scheduled Castes Finance and Development Corporation, in its lending policy document, has set parameters to enforce accountability of its State Channeling Agencies to the beneficiaries in terms of selection, disbursement and asset-procurement. This, again, is a measure to protect the weak and enforce development as a right. The parameters on accountability, incidentally, also highlight the problems experienced by the poor who approach the financial institutions to seek services. Given below are some such parameters:

- Compulsory registration of applications.
- All applications, thus registered, to be examined in a time-bound manner by a duly constituted selection committee.
- The reasons for selection/rejection to be necessarily mentioned in all such cases.
- Selection/rejections to be necessarily communicated to the applicants as soon as possible.
- No high cost scheme to be forwarded without the related field verification report.
- Selections to be made in proportion to the sanctioned units with suitable wait listing.
- Sanctions to be communicated to the beneficiaries as soon as possible.
- Sanction letter to the beneficiary to include all terms and conditions as well as the documents required from him/her.
- In the selection of assets, choice of beneficiary to be a prime consideration.

We have, thus, seen that financial institutions are needed for the accelerated growth of people, areas and classes. In the context of undeserved want and equality of opportunity, public financial institutions are required to be fully supported and adequately strengthened so that they provide justice to the people and sustainability to the overall financial system.

Check Your Progress III

Note: i) Write your answer in the space provided.

ii) Check your answer with the possible answer provided at the end of the unit.

1) What is the aim of SIDBI's Rural Industries Programme?

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2) Why are Opportunity Profiles important for a borrower?

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4.6 LET US SUM UP

You have gone through Unit 4 of this block. It could be summarized as follows:

- With the help of financial institutions, lending and investment in rural areas can improve.
- Our country, therefore, requires viable and procedurally fair financial institutions.
- While there are apex public finance institutions for rural development (generally and exclusively) expansion of private financial institutions to rural areas is required to strengthen the process of development.
- NABARD, SIDBI and NSFDC are examples of national endeavours in the development of rural areas and people. These endeavours should mature into overall justice, sustainability and accountability.
- Financial institutions can develop rural areas only when they accurately assess needs, adjust financing procedures with the spirit of public service and maintain their viability.

4.7 KEY WORDS

Apex Institution	:	A controlling/coordination institution functioning at the top level of an institutional setup.
Capital	:	Stock of wealth which can be used for further production.
Credit	:	Permission to delay payment for goods and services until they have been received.
Equity	:	Funds contributed by the owners of a business.
Finance	:	Money needed or used to support an activity.
Institutional	:	Pertaining to an organisation of a public character.
Intermediary	:	Acting as a mediator.
Loan	:	A sum of money lent.
Retail	:	The practice of selling goods or offering services in small quantities to general public.
Self-Help Group	:	A voluntary association of homogenous persons who work together for their own social and economic empowerment.
Wholesale	:	Offering goods and services in large quantities and at a price that allows a person or institution to sell again at a profit.

4.8 REFERENCES AND SUGGESTED READINGS

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4.9 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress I

1) Financial institutions can improve lending and investments. They can radically transform areas, classes and individuals through skill-training, productive assets, entrepreneurship, self-employment, new technologies and by upgrading services that are critical for faster growth. A properly developed network of viable and accountable institutions can go a long way in promoting cooperation, self-help and family security.

Check Your Progress II

1) A person living in a rural area can obtain micro-finance from banks, self-help groups, voluntary organisations and development finance corporations.

2) The purpose of NABARD's Rural Infrastructure Development Fund is to undertake incomplete projects or projects where investment so far has been neglected.

Check Your Progress III

1) SIDBI's Rural Industries Programme is an attempt to effect a shift from the culture of subsidy to the practice of techno-economic viability, appropriate linkage and carefully coordinated follow-up of projects. It aims at developing viable and self-sustaining tiny/small enterprises in rural and semi-urban India by linking them with the formal banking channel.

2) Opportunity Profiles provide a means of looking into options while choosing viable and easily manageable projects in the emerging fields. They also explain techno-economic feasibility of and the likely returns from the chosen projects to the beneficiaries.