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Analysis: Down Marketing Housing Finance Through Community Based Financial Systems

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DOWNMARKETING HOUSING FINANCE THROUGH COMMUNITY BASED FINANCIAL SYSTEMS

DRAFT REPORT

Prepared for
Indo-USAID Housing Finance Expansion Programme,
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PREFACE

The housing finance system in India has made a rapid progress during the last decade. It is often conjectured that the significant increase in urban housing stock and qualitative improvements in housing during 1981-91 may be attributed to the increased exposure of housing finance system. However, while the housing finance system has expanded in volume terms, it has not really reached the families below the median income of Rs.2800 per month. In the year 1991-92, only 16 percent of total institutional lending had reached this group.

On the other hand, many NGOs working in Indian cities have attempted to meet the demand for housing finance of the low income families through innovative projects and community based institutions. They have devised flexible repayment schedules, used a variety of collaterals and relied on peer group pressures for loan repayments. Some of the NGOs have promoted community based finance systems, within the ambit of the cooperative institutional structure, to help the urban poor cope with their variety of credit needs.

The NGOs' activities are, however, generally confined to small communities within a particular city. There are also genuine constraints of lack of adequate capital, inadequate technical and managerial expertise related to loan servicing, and inability to handle large volumes.

This study seeks to identify potential modes of partnerships among the housing finance institutions and the NGOs to enable the large segment of urban population improve their living conditions. A better access to credit at commercial terms, for housing and community level infrastructure facilities, would also facilitate down marketing of the housing finance system, help mobilise domestic savings from these communities and enlarge the market for housing finance.

We have undertaken this study at the behest of the National Housing Bank. We understand that this study forms a part of a series of studies being carried out on housing finance under the Indo-USAID Housing Finance Expansion Programme.

We are grateful to the National Housing Bank and the Indo-USAID Housing Finance Expansion Programme for their support. We are particularly grateful to Dr. Richard Gentz of Abt Associates for his comments. Dr. Meera Mehta, Senior Fellow, HSMI and a Consultant to Abt Associates, provided valuable inputs at all stages of the study and guided the research team at NIUA. Acknowledgements are also due to Mr. V. Satyanarayana, Ms. Padma Desai, Mr. Adwait Khare, Ms. Esther Kumar, Ms. S. Tanna, Mr. Abhijit Tanna and Mr. Rajesh Sharma, who helped us in various capacities.

The findings from this study and the potential models of linkages between HFIs nd NGOs that will emerge from the work of Abt Associates, are to be implemented

on a pilot basis in selected areas of the country. Our endeavour shall be to closely follow the experiences of such implementation.

Such a learning process shall enable us to examine the possibilities of extending the scope of community based finance institutions to a broader range of developmental activities. Such a framework rooted within the community and managed by the communities themselves, will certainly help improve the quality of life of urban residents.

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ABBREVIATIONS

ABHFL	-	Andhra Bank Home Finance Limited
AVAS	-	Association for Voluntary Action and Services
BCC	-	Baroda Citizens Council
BDA	-	Bangalore Development Authority
BOB	-	Bank of Baroda
BDCB	-	Bhavnagar District Cooperative Bank
CBCU	-	Community Based Credit Union
CBHFL	-	Cent Bank Home Finance Limited
CBO	-	Community Based Organisation
CCS	-	Credit Cooperative Society
CFF	-	Central Financing Facility
CEDMA	-	Centre for Development, Madras
CFHL	-	Can Fin Homes Limited
CFI	-	Community Finance Institutions
CFS	-	Community Finance Systems
DCA	-	Delhi Catholic Archdiocese
DHFL	-	Dewan Housing Finance Company Limited
DPG	-	Development Promotion Group
DRAS	-	Death Relief Assistance Scheme
ECCS	-	Employees' Credit Cooperative Society
EIS	-	Environmental Improvement Scheme
EMI	-	Equited Monthly Instalment
ETC	-	Employees' Thrift Cooperative
EWS	-	Economically Weaker Sections
FGHFL	-	Fairgrowth Home Finance Limited
FTCA	-	Federation of Thrift and Credit Associations
GGVL	-	GIC Gruh Vitta Limited
GIC	-	General Insurance Company
GOI	-	Government of India
GRUH	-	Gujarat Rural Housing Finance Corporation Limited
HDFC	-	Housing Development Finance Corporation
HFI	-	Housing Finance Institution
HUDCO	-	Housing and Urban Development Corporation
ICU	-	Informal Credit Union
INDBHFL	-	Indian Bank Housing Finance Limited
KHB	-	Karnataka Housing Board
KKNSS	-	Karnataka Kolageri Nivasigala Samyuktha Sanghatane
LICHFL	-	Life Insurance Company Housing Finance Limited
LIG	-	Low Income Group
LWS	-	Lutheran World Services
MAS	-	Mutual Assistance Scheme
MM	-	Mahila Milan
NGO	-	Non-governmental Organization

NHB	-	National Housing Bank
NSDF	-	National Slum Dwellers' Federation
PARSHFL	-	Parshwanath Housing Finance Company Limited
PRTW	-	Participatory Research cum Training Workshop
PNBHFL	-	Punjab National Bank Housing Finance Limited
PTC	-	Primary Thrift and Credit Cooperative
RATC	-	Regional Association of Thrift Cooperatives
RBI	-	Reserve Bank of India
RTCS	-	Regular Thrift Contribution Scheme
SAYAHFL	-	Saya Housing Finance Company Limited
SBIHFL	-	State Bank of India Home Finance Limited
SCB	-	Slum Clearance Board
SPARC	-	Society for Promotion of Area Resource Centres
TC	-	Thrift Cooperative
UBSP	-	Urban Basic Services for Poor
UTI	-	Unit Trust of India
VBHFL	-	Vysya Bank Housing Finance Limited
WTC	-	Women's Thrift Cooperative

PART I

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Chapter 1

INTRODUCTION

The role of a well developed housing finance system in meeting the goal of "Shelter for all" has been well recognised in India. The National Housing Policy of 1992 stated, " easy access to institutional finance" as a pre-requisite for accelerating housing investments.

The recently published Housing and Amenities statistics, based on Census of India 1991, suggest a significant improvement in urban housing stock. It is quite likely that an expanding housing finance system has made a positive contribution to such improvements. The growth of urban households during 1971-81 was 50.9 per cent, while the growth in residential housing stock was 48.4 per cent. Thus, the growth in housing lagged behind the growth of households in urban areas during 1971-81. However, during 1981-1991, the growth of urban households was 37.7 per cent, whereas the growth in residential housing stock was 42.5 per cent. There was also a significant qualitative improvement in the urban housing stock in terms of the materials used, increase in home ownership (53.5% in 1981 to 63.1% in 1991), and reduction in one-room houses (45.8% in 1981 to 39.5% in 1991).

The overall improvement in the urban housing stock has been quite remarkable in the last decade. Among many general economic factors, the increased access to housing finance has certainly been a contributive factor for such positive changes. During the last decade, the housing finance system in India has developed quite rapidly, with 18 institutions recognised by the National Housing Bank and over 20 other institutions, yet to be recognised.

The total institutional finance for housing is estimated to have increased from Rs. 900 million in 1987 to Rs. 2600 million in 1991. This constituted just 20 per cent of the total housing investment in the economy. There is, thus, ample scope for expansion of the housing finance system in India. However, one of the major concerns about the housing finance system expansion in India is its reach. At present, only 16 per cent of the institutional lending is for families below median income.

Downmarketing of housing finance on commercial terms is perceived to be difficult by the HFIs. Struyk and Ravicz (1992), cite four types of difficulties faced by Indian HFIs. These are : repayment capacity below the amount necessary to purchase a unit, increased frequency of late payment and default, difficulty in establishing clear title and lack of credit record.

However, the demand for housing by the households below median income has been well documented. Mehta and Mehta (1989) report housing expenditure of nearly 17 per cent of monthly income among low income households as against just 5 per cent for higher income groups. NIUA (1991) reports that access of formal housing finance is quite limited for the low income groups. In this survey of 2000 households, 41 per cent households were found to be using finances from informal sources. Nearly 31 per cent of households borrowed for a short term period at interest rates exceeding 24 per cent per annum. Flexible collateral, easy accessibility and quick processing were the these main factors that seem to have forced the low income households to borrow from informal sources.

Thus, the major issue in downmarketing of formal HFI lending appears to be that of matching the demand for housing finance among low income households to that of the requirements of the HFIs for mortgage based lending. Innovative financing arrangements focussing on alternative mechanisms for assessing creditworthiness, group security, door to door collection of savings and loan installments, and alternate collaterals are needed to increase the reach of HFIs.

This study is concerned with evolving a downmarketing strategy for housing finance. The initial terms of reference for the study focussed exclusively on the identification of NGOs as potential intermediaries to reach low income households. The study began with a list of eight potential NGOs which have done significant work in the housing sector and/or setting up of community - based finance institutions for income generating activities.

As we began the work, the list of eight NGOs was expanded to 18 NGOs. This was necessitated to understand the diversity of housing related activities and the range of experiences associated with the community based finance system. While examining the formal organisational structure of these community based financial institutions, it was found that most were established under the cooperative financial institution statutes. It was thus deemed appropriate to dwell deeper into the cooperative finance institutions and its role in downmarketing housing finance. India has a wide network of over 30,000 registered primary non-agricultural credit cooperative societies. In the states of Andhra Pradesh, Gujarat and Maharashtra, where a large number of urban credit cooperatives are located, detailed case studies were undertaken to assess their capacity for participation in housing finance. Similarly, the network of urban cooperative banks, has also been extensively involved in housing finance. Mehta and

Mehta (1992) show that in smaller towns, the exposure of Cooperative Banks is much higher than the formal HFIs.

This report presents a summary of our analysis of the major Housing Finance Institutions, the NGOs and the Cooperative Finance institutions. The review of HFIs in Chapter Two is largely confined to its current role and operations, its experiences of dealing with low income housing finance and its willingness to participate in a pilot project of downmarketing of housing finance.

The analysis of NGOs, presented in Chapter Three, is by no means exhaustive. Of the estimated 2000 NGOs working in urban area, we have identified just 18 major NGOs that have experience in shelter and finance related activities. Our focus of analysis is on the assessment of their housing related experiences and the community based finance systems that have been evolved by them. Our attempt is to identify broad patterns of such arrangements.

Unlike the information about the NGOs, the information on the functioning of the cooperative finance institutions is well documented through the National Federation of Urban Cooperative Banks Credit Societies. This information is reviewed in Chapter Four, along with a detailed analysis of a few credit cooperative societies and Urban Cooperative Banks. Various new policy initiatives to enhance the role of cooperative institutions in housing finance and the supportive mechanism necessary to strengthen their functioning are identified.

The detailed profile of the sample HFIs, NGOs and Credit institutions are provided in the second part of the study.

Chapter Two

DOWNMARKETING BY HOUSING FINANCE INSTITUTIONS

The last decade has witnessed a sharp increase in financial deepening in India and a rapid growth in the financial and capital market instruments. While in general, one would observe a substantial shift from physical assets to financial assets along with such financial deepening, this shift has not been remarkable in case of India. On the contrary, with a substantial increase in Housing Finance Institutions (HFIs), there has been a sharp rise in retail financing for housing in the last decade. With growing demographic pressures, increases in real incomes and preferences of renters for home ownership, the demand for housing finance in India has been rising and will continue to rise for a long time.

The rapid growth of Housing Finance Institutions, to meet the rising demand of housing finance is all the more impressive, given the constraints under which the HFIs in India have to operate. Despite the cumbersome foreclosure procedures, the default rates are extremely low. This is largely on account of excellent loan underwriting by the HFIs. There are also severe restrictions on deposit mobilization from households and access to long term funds to HFIs has become difficult. Yet, the HFIs have been able to leverage their equity adequately (with debt equity ratios of over 12 for HDFC and Can Fin Homes), use refinance facility from the National Housing Bank, and operate with thin spreads to make having finance a profitable venture.

While one may applaud the increased access to housing finance and growth of housing finance institutions in India, the target group to which the system addresses has remained an area of serious concern. While formal housing finance has grown from under 9 per cent of total housing investments in 1986-87 to over 20 per cent of total housing investments in 1992-93, the majority of borrowers are middle and upper income households.

Although housing finance institutions in India do not readily provide information regarding the borrowers' income, in a micro-level study for 3 cities, Mehta and Mehta (1991) found the share of Low Income Group (LIG) and Economically Weaker Section (EWS) households to be about 19 per cent of total lending in 1986-87. A more recent study (JPS Associates, 1993) states that 16 per cent of the total loan volume of Rs. 14.5

billion was sanctioned to households with incomes below the median income of Rs. 2800 per month in 1991-92. While the total loan volume to the below median income families was Rs. 2.3 billion, the National Housing Bank's (NHB) refinance for loans upto Rs. 50,000/- was Rs. 973 million in 1992-93. Given the affordability levels of below median income households, housing loans of upto Rs. 50,000/- could be considered as the maximum affordable limit for this group. Thus, the proportion such borrowers is probably under 7 per cent of the total lending.

The near exclusive focus of HFI operations on households above the median income raises some basic issues on increasing their outreach to the low income households. Furthermore, with enhanced competition among the HFIs to cater to the demand for housing finance of the same client groups, it would become increasingly necessary for the HFIs to downmarket their reach in order to maintain the past rates of growth in lending.

This chapter describes the present efforts of some HFIs in India to reach out to the low income households. For the purpose of this study, discussions with eight major HFIs, spread over the country, were held to ascertain their potential interest in participating in pilot projects for developing a down marketing strategy for housing finance.

2.1 PROFILE OF HFIs:

Of the eight HFIs contacted for the study, only HUDCO, a company owned by Government of India, has a specific mandate to serve the low income groups. It is stated that 55 per cent of its lending is earmarked for this purpose. HUDCO was also able to mobilize long term funds below market rates to fulfill its mandate. Thus, among the eight HFIs, it emerges as the largest HFI in terms of its equity base, long-term borrowing and assets.

HDFC is another major HFI that has done remarkably well, with its outstanding housing loans almost equal to that of HUDCO, but with a smaller equity base. Its long term borrowings are also quite significant, despite the fact that unlike HUDCO, it does not have access to Government guaranteed funds. Its profitability is also quite high, as most of the borrowers of HDFC belong to higher income groups. As per the information available, only 16 per cent of HDFC borrowers and 24 per cent of the total loans approved in a year were for households below the median income.

LIC Housing Finance is a relatively late entrant in housing finance, although its parent company had financed housing for its policy holders. Yet, in its five years of operations as an HFI, it has made rapid strides with total outstanding loans of Rs. 852 crores.

Table 2.1

Financial Details of Housing Finance Companies

(in Rs. Crores)

HFI	Shareholders' funds		Long term borrow-ings	Hous-ing loans outsta-nding	Invest-ments	Net current assets	Gross income	Profits before tax
	Equity	Reserves & Surplus						
GRUH	5.15	1.15	36.49	38.76	-	4.63	6.55	0.81
HDFC	68.61	256.96	2008.75	2561.71	307.94	437.15	437.50	73.05
SBIHFL	6.46	3.36	31.97	86.14	0.50	30.00	18.61	3.60
LICHFL	35.0	21.46	889.06	852.34	35.38	54.10	109.86	18.77
CBHFL	5.0	0.38	2.03	9.45	-	-1.92	1.04	0.72
GIC	5.0	2.33	56.86	44.71	16.20	2.11	8.44	2.1
CHFL	20.44	15.55	52.24	281.73	35.03	36.26	53.44	5.42
HUDCO*	165.0	230.43	2855.1	2514.7	727.50	50.39	363.69	42.10

Source : Relevant Annual Report of each institution.

*Note: * Figures for HUDCO are for 1991-92, while those for other HFIs are for 1992-93.*

All other companies, except for CAN FIN Homes, have small exposure in the housing finance market. A few of them, however, have major clientele among the below median income families. For example, the Andhra Bank Home Finance Ltd. lent only Rs. 38 crores during 1992-93, but 95 per cent of its accounts, and 75 per cent of loans were targeted at families below the median income of Rs. 2800 per month. The SBI Home Finance Limited, on the other hand, had lent Rs. 48 crores during 1992-93, but only 5 per cent of its borrowers were below the median income. (The detailed profile of each HFI is given in the second volume of this Report).

Table 2.2

HFIs : Cost of Borrowing vs. Returns on Lending

	1988-89	1989-90	1990-91	1991-92	1992-93
GRUH A	-	3.64	8.26	9.78	10.59
B	4.98	8.15	10.41	10.54	11.75
HDFC A				11.46	11.73
B	-	-	-	13.20	13.36
LIC A	-	2.36	6.58	7.33	9.49
B	-	1.82	8.40	10.54	8.12
SBI A	-	5.93	5.75	9.39	13.10
B	-	8.21	7.47	12.06	13.25
Central Bank A	-	-	-	0.34	1.671
B	-	-	-	4.0	5.2
GIC A	-	-	-	12.34	9.05
B	-	-	-	4.18	8.59
HUDCO A	-	-	11.29	12.52	13.90
B	-	-	11.42	12.50	12.58

Note : A is the average cost of borrowing and B is the average return on lending.

Much of the discussion in India revolves around the issue of affordability of housing by the low income families. The Government of India, through HUDCO, explicitly subsidizes the interest rates and imposes cost ceilings to make housing affordable. Other HFIs have doubted the repayment capacity of below median income families in view of the likely fact that many of them may not have regular streams of monthly incomes. Most of them also perceive a high credit risk in the possibility of lending to these groups.

Table 2.3

Particulars of Loans Sanctioned to below Median Income Households

Name of HFC	For families with No. of accounts	% of total accounts	For families Loan Amounts (Rs. in lakhs)	% of total loans/ amounts
ABHFL	35400	95.00	2056.90	74.51
CBKHFL	14	-	10.17	10.52
DHFL	4638	-	3120.00	35.46
FGHFL*	16	0.60	7.50	8.53
GRUH	1122	32.16	494.59	27.22
HDFC	14994	15.73	10719.26	24.00
LICHFL	7481	17.71	5395.00	9.53
SAYAHFL	6	-	2.55	3.62
SBIHFL	557	5.00	299.43	6.24
GIC	1689	-	437.05	14.68

The above figures are not available with AANVL, CFHL, INDBHFL, FARSHFL, PNBHFL and VBHFL.

* Figures are for borrowers with monthly household income of Rs. 2800 and below.

Source : JPS Associates (1993), p.19.

Downmarketing of Housing Finance:

The formal housing finance institutions' reach to families below median income is quite limited. It must, however, be noted that, as a result of the refinancing facilities available from the National Housing Bank, the proportionate lending for the lower income group has been increasing.

Our discussions with senior officials of HFIs revealed that all the HFIs, except CAN FIN Homes, were willing to participate in the pilot projects to reach out to the low income families. Their perceived constraints at present, in reaching these families on their own, relate to affordability, high credit risks and lack of clear titles.

It is however, possible to target housing loans at these income groups, as the case of Andhra Bank HFL illustrates. The affordable loan size for a family at the median income level ranges between Rs. 44,000 to Rs. 58,000, under various assumptions of the prevailing interest rates (18 per cent 12 per cent) and the income to instalment rates.

The perceived risks of late payments and defaults, from the low income groups may not be unfounded, as the evidence of NGOs working in this field suggests. (These experiences are described in the subsequent chapters). The HFIs, though willing to lend to these groups, are unwilling to keep these risks to themselves. Most would like intermediary institutions to underwrite the loans and assure timely repayments. They feel that such an intermediary would be necessary to absorb their overheads, as most HFIs would prefer to consider individual accounts of larger loan size, they expect that an intermediary with lower overheads could originate small size loans to the low income families. This, according to them, would also avoid the legal problems of mortgage linked loans which would require clear titles to properties and assessing the credit-worthiness of each borrower.

HFI EXPERIENCES OF LOW INCOME GROUP HOUSING FINANCE THROUGH NGOs:

Amongst the HFIs surveyed for this study, only HDFC has had a substantial experience of reaching the low income groups through NGOs. However, these project based loans were largely prompted through the KfW line of credit available to HDFC at 6 per cent per annum and disbursed to the beneficiaries at 7.25 per cent per annum to be repaid over 22 years. Nearly 80% of the 43 projects (covering 35,000 housing units)

financed under the KfW line of credit by HDFC, have been undertaken through NGOs. HDFC feels that with these experiences, it will be in a position to be able to work with NGOs and other intermediaries to initiate projects as per its current market based terms and interest rates.

The experiences of HDFC, which has been quite persuasive in tying up with NGOs for the KfW line of Credit, and HUDCO, which has the apparent mandate to provide 55 per cent of its lending to low income groups, have implicitly provided wrong signals to other HFIs, that financing housing for low income families is possible only through availability of 'cheaper' funds as it has to be done at subsidized rates. Except for a solitary scheme of Mathadi Workers' housing by LICHFL and GIC, no other HFI has any experience of reaching out to the low income group, other than their normal operations that qualify for NHB refinancing.

HUDCO has decided to provide loan assistance to NGOs for house construction/ upgradation for economically weaker sections on a pilot basis. Initially, HUDCO's loan assistance would be considered for implementation of such projects through selected NGOs with proven track record for having worked successfully with the developmental needs of the informal sector. The NGOs, in turn, would channelize funds to the beneficiaries. The implementation would be taken up by NGOs and the beneficiary community with the most cost effective and satisfactory options. The responsibility for savings mobilization, appropriate economic and employment generation, enhancing the capacity for servicing loans as well as taking the responsibility for repayment of the loan, shall be vested in the NGO. NGOs who have access to idle funds which do not give them adequate level of returns, could deposit these surplus funds with HUDCO to give better returns and also to act as security against defaults in repayments to HUDCO.

The terms of financing for such projects would be the same as applicable for housing construction/repairs for economically weaker sections. The security for loan may be the mortgage of properties (wherever available) or bank guarantee. If these are not available then HUDCO loan assistance could also be considered against the security of cash deposit of 10 to 30 per cent of loan amount and for the remaining loan amount, a guarantee in the appropriate form, could be given by the NGO.

Besides the NGO route of downmarketing, a few HFIs have also adopted other modes of downmarketing and increasing volume of lending. For instance, it is reported that around one-fifth of incremental lending by HDFC is routed through employers,

Table 2.4

Housing Finance Company-wise Cumulative Disbursement of NHB's Refinance in respect of Housing Loans upto Rs. 50,000/- per Unit

Name of the HFC	01.7.1992 to 30.6.1993	01.7.1993 to 31.12.1993
AB Home Finance Ltd	22,24,000	-
BOB Housing Finance Ltd.	89,72,000	-
Cent Bank Home Finance Ltd.	4,45,000	10,03,000
Can Fin Homes Ltd.	3,96,52,900	3,76,68,000
Dewan Housing Finance Corporation Ltd.	9,97,37,000	6,59,16,000
Fairgrowth Home Finance Ltd.	-	-
Gujarat Rural Housing Finance Corporation Ltd.	2,54,66,000	1,26,12,500
Housing Development & Finance Corp. Ltd.	18,15,07,000	-
Ind Bank Housing Ltd.	1,81,88,000	59,41,000
India Housing Finance & Development Ltd.	24,05,000	-
LIC Housing Finance Ltd.	20,12,36,000	-
PNB Housing Finance Ltd.	8,11,000	2,00,000
SBI Home Finance Ltd.	1,13,71,000	35,79,000
Saya Housing Finance Co. Ltd.	22,73,000	26,33,000
Vysya Bank Housing Finance Ltd.	60,000	-
Total	59,43,47,900	12,95,52,500

Source : National Housing Bank.

which ensures pay-roll deductions of loan repayments. This ensures coverage across various income groups as well as undertaking of risks by the employer. The overhead costs of HFI in servicing such loans is also lower.

Table 2.5

Scheduled Commercial Bank-wise Cumulative Disbursement of NHB's Refinance in Respect of Housing Loans upto Rs. 50,000/- per Unit

Name of the Bank	01.7.1992 to 30.6.1993	01.7.1993 to 31.12.1993
Andhra Bank	10,28,000	-
Bank of India	10,89,000	-
Bank of Maharashtra	2,13,000	45,000
Corporation Bank	4,46,000	20,000
Indian Bank	48,57,000	-
Karnataka Bank Ltd.	2,86,000	2,23,000
Lord Krishna Bank Ltd.	10,19,000	1,56,000
The Lakshmi Vilas Bank Ltd.	30,000	80,000
Bank of Madura Ltd.	7,67,000	-
Punjab National Bank	4,14,500	-
Ratnakar Bank	2,28,000	-
Sangli Bank Ltd.	3,76,400	49,800
Syndicate Bank	18,51,000	12,61,000
The United Western Bank Ltd.	16,10,000	2,22,000
Vijaya Bank	24,17,600	6,80,500
Total	1,66,32,500	27,37,300

Source : National Housing Bank

Table 2.6

Cooperative Institute-wise Cumulative Disbursement of NHB's Refinance in Respect of Housing Loans upto Rs. 50,000/- per Unit

Name of the Institution	01-7.1992 to 30.6.1993	01.7.1993 to 31.12.1993
Scheduled State Co-operative Banks		
1. Kerala State Cooperative Bank	12,19,09,000	2,96,79,000
2. Madhya Pradesh Rajya Sahakari Bank	23,80,400	-
Total	12,42,89,400	2,96,79,000
Scheduled Urban Cooperative Banks		
Rupee Cooperative Bank Ltd.	62,68,200	-
Total	62,68,200	-
Apex Cooperative Housing Finance Societies (ACHFS):		
1. Maharashtra ACHFS	2,05,68,000	1,17,01,000
2. Tamil Nadu ACHFS	81,60,000	-
Total	2,87,28,000	1,17,01,000
Agricultural Rural Development Bank (ARDB):		
1. Karnataka ARDB	6,38,64,200	2,06,12,000
2. Kerala ARDB	12,53,45,000	-
3. Maharashtra ARDB	71,76,300	-
4. Uttar Pradesh ARDB	66,74,000	-
Total	20,30,59,500	2,06,12,000
Grand Total	36,23,45,100	6,19,92,000

Source : National Housing Bank.

While such lending is possible for formal sector employees, GRUH's approach of lending through the cooperative structure is also noteworthy. In this, the cooperative society members are given housing loans, based on the assessment of credit worthiness by the executive committee. The repayments are also routed through the cooperative structure to GRUH.

Though these lending experiences of GRUH are limited to rural areas, the widespread cooperative institutions in urban areas, provide a potential avenue for downmarketing of HFI lending through the cooperative network. The NHB refinancing to the Apex District Cooperative Banks is typically used by families below median income. Routing of housing finance through the employment based credit cooperative societies provide experiences parallel to those of GRUH and HDFC and can thus be considered as a potential vehicle along with community based financing institutions.

2.3 SUMMARY

The housing finance sector in India has made rapid strides in recent years, both in increased volume of lending and in its geographical spread. However, a bulk of the HFI lending is targeted at families above the median income. Recent evidences suggest that the share of below median income families, in total loans advanced is just 16 per cent.

Downmarketing of housing finance by HFIs should be possible as the demand for housing finance on the part of families below the median income is expressed in many ways. The nature of this demand is, however, quite different. It is for smaller amounts, flexible terms of repayments and imperfect collateral. While the conventional mortgage financing approach may be suitable for some of the households in the downmarket, others with specific circumstances would require some intermediation to be reached. The NGOs and the cooperative network are two potential bridges for the HFIs to downmarket their operations. At present, very few of the HFIs downmarket their operations. Very few of the HFIs surveyed for this study have explored projects with NGO support and the cooperative network. In our opinion, there is a vast potential for downmarketing of housing finance through these intermediaries. In subsequent chapters we describe our work on NGOs and the cooperative institutions.

Chapter Three

AN ASSESSMENT OF NGO POTENTIALS

During the last decade, there has been a growing awareness of the role of 'the Third Sector' in developmental processes. Whether it is in the national policy outlooks or the agenda of the international agencies, there is a consensus on the potential offered by the Non-governmental Organizations (NGOs), especially for reaching the low income groups and those in the informal sector. The strengths of the NGOs emanate from their management styles which are both sympathetic and responsive to the needs and preferences of these groups and their ability to experiment and adapt to community needs as these emerge over time. Their potential, however, can be enhanced significantly by a conscious move towards developing professional management systems which, while maintaining the strengths also overcome the limitations of restricted reach, high costs and the need for substantial subsidies. Our explorations presented below suggest that the community based finance systems can be supported to fulfill such a role in the coming years.

While the number of NGOs in the urban sector is likely to be very large, a large proportion of these do not have any experience with housing and/or savings-credit operations. Many of them are involved with the delivery of social services, especially those related to health and education. Our review covers eighteen different NGOs, spread throughout the country and who have been involved with housing and/or savings-credit related operations. Figure 3.1 shows the distribution of the NGOs covered in this study.

3.1 NGO ACTIVITIES, COVERAGE AND LINKAGES:

On initial inquiries, each NGO seems like a unique case. However, given their background, coverage and nature of activities undertaken, some patterns emerge. Most interesting are the distinct organizational linkages which the different NGOs have developed over time. The experiences of incipient and mature community based financial systems promoted by NGOs, are also quite different.

Most of the NGOs have been engaged in a variety of activities related to community mobilization, income generation and social services. Housing has generally emerged at a later stage. Almost two thirds of the NGOs surveyed have been engaged in some finance related activities, involving both savings and credit for the households. These

FIGURE 3.1

DISTRIBUTION OF SELECTED NGOs IN INDIA

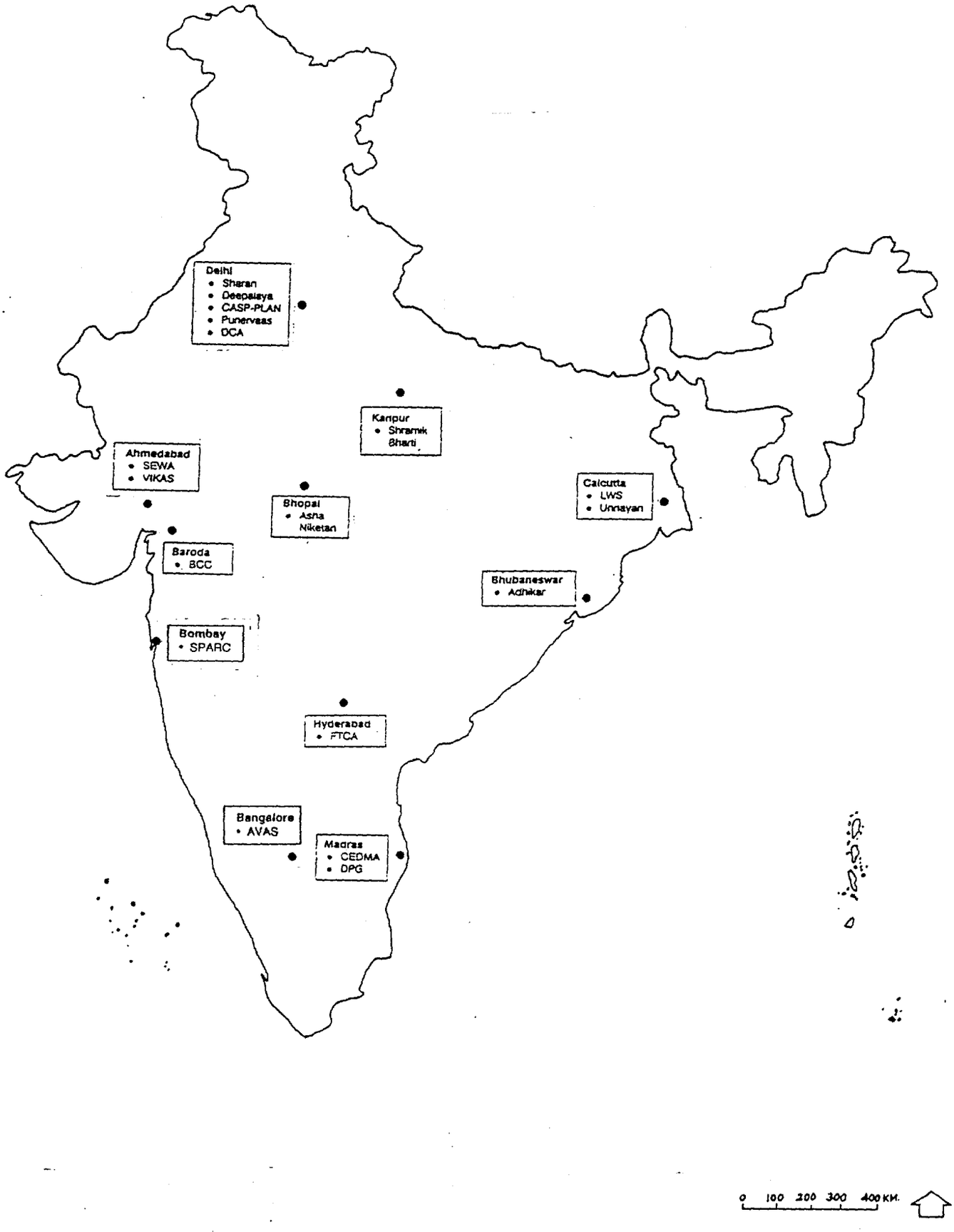


Table 3.1a: NGO Profiles 1: Age, Legal status and Activities

		Registration			Activities		
NGO	Year of Inception	Societies Regst. Act	Public Charitable Trusts Act	Other	Main	Housing	Finance
SEWA	1972	No	Yes	Co-op. Act, Trade Union Act.	Organizing self-employed women	Yes	Yes
BCC	1966	Yes	Yes	FCRA	H&E	Yes	Yes
SPARC	1984	Yes	-	FCRA	Organizing women & slum dwellers	Yes	Yes
FTCA	1989	Yes	-	Cooperative Act	Promotion of T&C societies	No	Yes
AVAS	1980	Yes	-	-	CD, Hsg.	Yes	Yes
VIKAS	1978	-	Yes	-	RD, Health, Action Research on slums	Yes	Yes (indirect)
LWS	1974	Yes	No	-	Relief, rehabilitatn.	Yes	Yes
Sharan	1979	Yes	No	-	CD	No	Yes
Deepalaya	1978	Yes	Yes	FCRA	Child sponsorship, CD	Yes	Yes
CEDMA	1977	N.A	N.A	N.A	CD, Housing	Yes	No

Shramik Bharti	1986	Yes	-	FCRA	CD, H&E	Yes	Yes
Adhikar	1989?	Yes	-	-	CD	No	Yes
CASP PLAN	1979	Yes	Yes	CASP-FCRA. PLAN-Co. Act, USA.	Child sponsorship	Yes	Yes
Punervaas	N.A	Not Registered			Vision for slum improvement	Yes	No
DPG	Not available	Yes	No	-	Research, Support to NGOs	Yes	No
Asha Niketan	1966	Yes	No	-	H&E for handicapped	Yes	No
Unnayan	1977	Yes	-	-	Organising poor, housing	Yes	No
DCA	1959	Yes	-	-	H&E, Housing	Yes	Yes (Housing Finance)

Note : CD - Community Development, COs - Community Organisations
H&E - Health & Education, RD - Rural Development
T&C - Thrift and Credit IGA - Income Generating Activities

were either through an NGO- linked financial intermediary or through savings groups or credit cooperative societies.

Registration:

Most of the NGOs are registered under the Societies' Registration Act or the Public Charitable Trusts Act and several Many are also registered under the Foreign Contribution Regulation Act, in order to be eligible to receive funds from several international agencies directly. Out of the NGOs reviewed by us, only Punervaas was not registered at all. It was essentially visualized as a link institution between the NGOs and the formal finance and other sectoral agencies. However, inquiries suggest that except for the initial pilot project, its activities have not continued.

Coverage:

One of the limitations of the NGO is its limited reach. Our review suggests that there is a considerable potential for increasing the reach as evident from the experience of some of the NGOs, like SEWA, SPARC, FTCA and to some extent, LWS which have expanded their activities beyond a small region. Most of the NGOs have a continuing relationship with the communities, within a specific city or specific clusters.

The coverage in terms of the slum settlements ranges from only three for CASP-PLAN in Delhi to over 30 for BCC in Baroda. SPARC seems to have a presence in several slum settlements of Bombay, besides initial actions in Kanpur, Bangalore and Pune. However, the exact numbers were not available. FTCA has over 380 thrift and credit societies as its members through the 14 regional federations.

The information on coverage in terms of the households or members of community groups is available for only a few NGOs. It ranges from about 825 members of savings groups for Adhikar to over 50,000 members of SEWA Union and over 250,000 members of the thrift and credit associations in the case of the FTCA.

Organizational Linkages and Structures:

As we noted above, some of the NGOs, especially those that have a large and expanding coverage, have evolved complex organizational linkages and structures. The increase in scale and coverage has been critically linked to evolution of appropriate organizational forms. Given the diversity, it is difficult to typify these structures. They

seem to evolve from the need to be rooted to specific communities, the external linkages of NGOs, and the range of activities performed.

Grass Roots Base: First, most NGOs have either directly or through partnerships with Community Based Organizations (CBOs), developed a strong grass roots base, through continuing activities with the same communities. For example, SEWA's grass roots base comes from the activities of the SEWA Union which has over 50,000 members and several trade linked cooperatives. On the other hand, both AVAS and SPARC rely on linkages with very strong CBOs (KNSS and NSDF respectively) for their grass roots base. SPARC also has used its crisis credit scheme to develop grass roots based women's organizations.

At initial stages, the voluntary workers from the community are generally involved in the NGO activities. Many are later coopted as regular members of the NGO's support staff. Interestingly, some NGOs like SPARC have managed to have the voluntary work continued by providing adequate opportunities for the community workers to be also involved into other activities like training in other settlements and cities, helping other members of the community with their immediate problems like getting ration cards, etc., as well as providing them opportunities to interact with the 'outside world' through seminars and exchange visits. These help to sustain their interest and legitimacy in the community. Such efforts can have significant impact on the administrative costs of the NGO operations as well as its ability to improve its reach rapidly.

For some of the other NGOs, the grass roots base is evolved through strong community groups, that are either involved with thrift and credit activities or for service delivery. Amongst the NGOs focussing only on service delivery, there is generally a regular field staff which is on the payroll of the NGO. The grass roots base is thus indirect in terms of the continuing presence of the NGO and its legitimacy due to its track record of 'good work' in the community.

Only three of the NGOs surveyed, namely, Punervaas, Vikas and DPG do not have a strong grass roots base on a continuing basis.

External Linkages and Strategy: In addition to the grass roots base, the second important aspect of the NGO organizational form is development and sustenance of linkages with the 'outside world'. This is influenced by the desire to generate a wider vision of growth and the related strategic ideas. This is generally done by a small

CASP PLAN	Bombay (HQ)	Delhi, Pune	3 areas in Delhi. Not known for Bombay & Pune.	-	-
Punervaas	Delhi	-	6 slums	4000 (not on continuing basis).	-
DPG	Madras	T.N, A.P, Karnataka Pondicherry.	Not Applicable		
Asha Niketan	Bhopal	-	-	-	335 children
Unnayan	Calcutta	West Bengal, Orissa	-	-	-
DCA	Delhi	-	5 slums	Approx. 700	-

CBOs - Community Based Organisations (Informal/Formal Groups, Mahila/Youth Groups, Thrift & Credit Groups, Members of Community Centres & Revolving Funds).

Table 3.1b: NGO Profiles 2. Operation and Coverage

	Areas of Operation		Coverage		
NGO	Main Areas	Other Areas	Slum settlements	HHs	Members/ Persons
SEWA	Ahmedabad	Gujarat, M.P, U.P	-	-	50000 members of SEWA Union
BCC	Baroda	-	30 slums	13000	-
SPARC	Bombay	Kanpur, Bangalore	5 Federations covering many slums	-	-
FTCA	Hyderabad	A.P, T.N, Karnataka Kerala, Goa, Pondicherry	14 regional associations & 380 T&C associations.	-	282000 members of T&CA
AVAS	Bangalore	-	12 slums	-	-
VIKAS	Ahmedabad	Jambusar Taluka, Gujarat	N.A	-	-
LWS	Calcutta	Orissa, W.B., A.P., T.N.	21 slums in Calcutta, 2 in Cuttack	-	40000 persons
Sharan	Delhi	-	6 slums	75 T&C groups	Est. 1675 members
Deepalaya	Delhi	-	21 slums (involvement for 10 yrs)	-	15000 children & their families (till 1997). 214 CBOs with a total of approximately 31 lakh members.
CEDMA	Madras	Vellore, Ennore	27 slums	-	-
Shramik Bharti	Kanpur	Kanpur Distt.	10 slums	-	-
Adhikar	Bhuba-neswar	Rural areas of Orissa	1-2 slums	-	875 members of 27 T&C groups

professional group, which may either be a separate organizational identity as in the case of SPARC or is integrated as a part of the main organization as in the case of FTCA, AVAS or SEWA. It must be emphasized that while this aspect is crucial to the growth of the NGO, without adequate emphasis on a grass roots basis, it may difficult to take up developmental activities successfully.

Developmental Activities: All the NGOs are also involved with some developmental activities, ranging from the provision of social services like health and education, support in income generating activities and thrift and credit. It is possible to distinguish amongst those who focus mainly on community mobilization and organization. These include SEWA, SPARC, AVAS, Adhikar, Shramik Bharati. The others focus more on community development through service delivery like the BCC, CASP-PLAN, Lutheran World Service, CEDMA, Sharan, etc. The only example of an NGO focussing exclusively on finance related aspects was the Hyderabad based the Federation of Thrift and Credit Associations (FTCA). Of the NGOs reviewed, 12 are engaged in some finance related activities.

Housing Related Experience:

As we noted earlier, a large number of the NGOs surveyed have had some experience related to housing and many have been directly involved with one or more housing projects in the past. At the same time, compared to their coverage, the housing activities have been quite limited. This is due to two reasons. First, involvement with housing projects require access to land which has been difficult due to the high land prices. In most cases, the NGOs have been working with slum dwellers, where the tenure related problems inhibit new housing construction. Wherever the projects have been taken up, there has been some supportive land policy by the government. In these cases there has been intensive involvement in the housing process. These NGOs invariably also get involved in providing support for legal issues related to tenure and evictions.

While most NGOs expressed a keen interest in housing of the communities, there is often a lack of technical expertise which becomes essential to develop specific projects. Support to develop such projects with community participation is a very important need. Secondly, the housing projects by the NGOs get delayed due to a variety of reasons. However, the financial systems have not been effectively utilized to counter these delays as well as deal with the delayed loan repayments. Financial innovations to capture these and tackle the delayed payments problems need to be evolved.

Table 3.2: Housing/Infrastructure Related Projects

NGO	SPARC	AVAS	Vikas	CEDMA	Punervaas	DCA	DPG	Asha Niketan	Unnayan
Yr. of starting housing related acts	-	1984	1979	1981	N.A.	Before 1978	N.A.	1979	Early 1980s
No. of projects/ schemes	2	4	4	2 projects 1 scheme in Madras	4	4	2	1	N.A
Nature of Projects/ Schemes	NHC	NHC, upgrada-tion	NHC, emergency shelter, infras-tructure mainte-nance	Self-help housing scheme, repairs	NHC (co-op housing)	NHC, repair, emergency shelter	NHC, drinking water provision	NHC, repair, emerg-ency shelter	Hsg. rights, rural hsg., emer-gency shelter
No. of houses constructed under project/ scheme	200 houses	201 houses	50 emergency shelters, 273 houses	284 houses	-	699 houses -	50 houses	150 houses	-
Under construction	150 houses	233 houses	-	642 houses	4000 houses	126 houses	79 houses	-	-
Infrastructure made available	-	-	None. Infras-tructure mainte-nance in slum	-	-	-	Bore-wells in 40 villages	-	-

Nature of assistance: Financial	Loans from HDFC's Shelter Assistance Fund	Loans from HDFC against AVAS' FD. Cash loan assistance from KSLB	Grants from Govt.	Loans from nationalised banks against CEDMA's FDS. Also direct loans.	-	Grants and/or interest free loans	N.A.	-	-
Other	Intense participation of HHs in design and implementation	Bulk purchase of material. Thru ASAG: - Site planning, - House design, - Construction methods Assistance to obtain land tenure	- Design of houses - Selection of material used	- Design of houses in consultation with people - Construction of model houses	- Formation of regd. multi-purpose co-op. societies	-	-	Design of houses, selection of indigenous materials	-

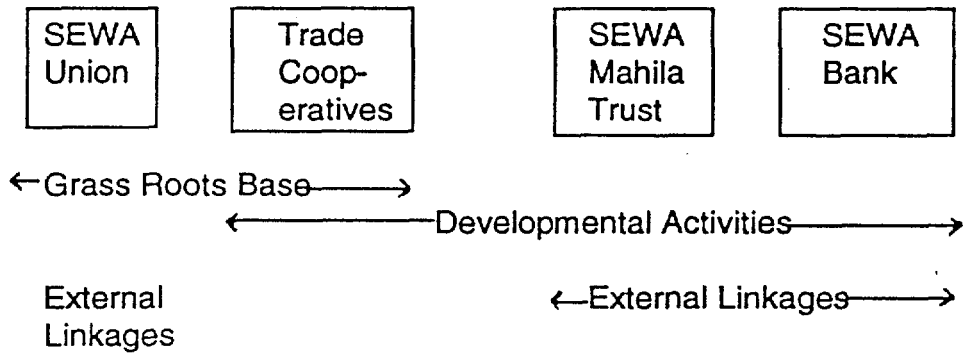
Involvement of beneficiaries	-	-	-	- Guarantee of regular repayment - Commercial org. for project planning	- Resource mobilisation - Identification of NGOs working in an area - Liaison with relevant agencies	- Co-ordination amongst governmental, non-governmental, funding agencies & beneficiaries - Project design, implementing & montoring	-	-	- Organising community to demand housing rights and infrastructure

NHC : New House Construction.

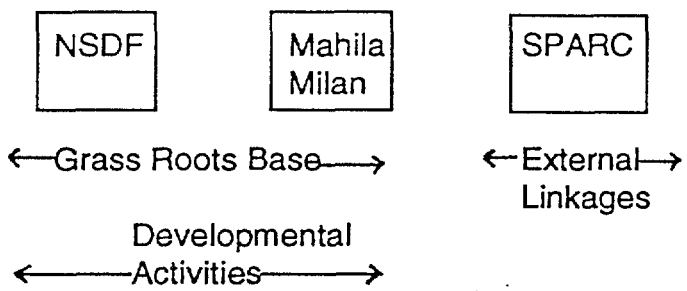
FIGURE 3.2

ORGANISATIONAL STRUCTURES AND LINKAGES : SELECTED NGOs

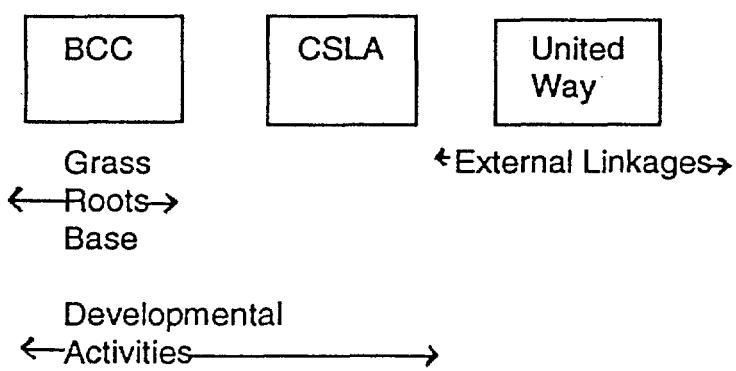
1. SEWA



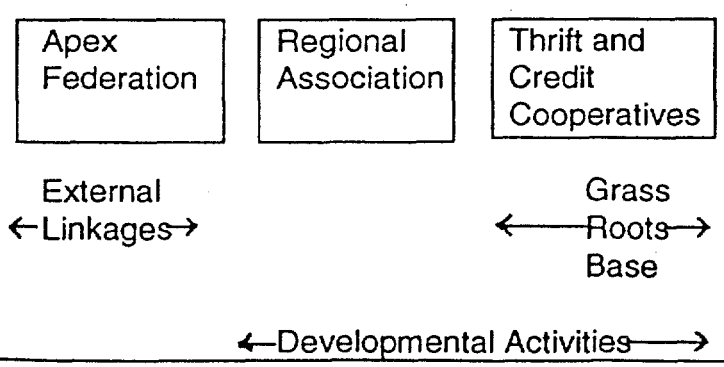
2. SPARC



3. BCC



4. FTCA



3.2 COMMUNITY BASED FINANCIAL SYSTEMS (CFS):

Out of the 18 NGOs surveyed, 12 have been involved in community based financial activities. While most have dealt with both thrift and credit, some like the LWS and CEDMA have largely been involved with cost recovery. Their extent of involvement also differs, both in terms of the reach (across households/members) and across different cities or regions.

Thrift and Credit Activities:

As we saw earlier, many of the NGOs have ventured into thrift and credit related operations, either due to these needs emerging from the communities, especially for crisis and income generation related activities (e.g. SEWA, SPARC, Sharan) or indirectly through repayments for housing related loans. (e.g. AVAS, CASP-PLAN). Only in one case, the FTCA, the NGO has specifically focussed on these activities at the initial stage itself. Only in a few cases, as we review in more detail below, have these operations led to a separate agency or organization, as for SEWA, FTCA or BCC. However, this is being visualized by some of the other NGOs like Sharan and SPARC, and will probably emerge as a strong organizational form for all NGOs.

Models of Financial Arrangements:

Just as for organizational linkages, the organizational structures for financial arrangements for each NGO also appear unique initially. However, closer scrutiny reveals two specific patterns in these arrangements. These are represented in figure 3.2 and are discussed below. Both seem to present equal potential for further growth. For each pattern, specific factors are identified, which will contribute to faster and viable growth.

1. **Group Based Financial Model:** The most common form of financial arrangement relates to a system of thrift and credit groups, linked to an NGO supported hierarchy of financial institutions.

In this model, the initial efforts are linked to the development of small savings groups, which begin with 12 to 25 households. The decisions regarding terms and conditions and procedures for compulsory savings and credit, as well as actual sanction of credit to members is done by the groups themselves. Over time, as more groups

develop, there is generally an attempt to form federations of several groups, both in order to share the financial resources as well as exchange ideas regarding improvements in systems and provide management training and support. In most cases, except the FTCA, there is no separate apex financial intermediary of all the federations formed so far.

NGOs which have been using this model include FTCA, SPARC, Sharan, Deepalaya, CASP-PLAN, Adhikar, Lutheran World Service and Shramik Bharati. Their organizational and financial structures are illustrated in Table 3.2. These NGOs make considerable effort at developing the groups and continue to provide organizational and management support. However, a small NGO like Adhikar seems to have made greater attempts to inculcate seeds of financial discipline amongst the groups by laying down the accounting procedures to be followed. Others like SPARC and Sharan have also realized the importance of sustainability. However, their efforts at introducing systems have been at the centralized level with complete automation through computer based packages.

In this perspective, it is necessary to review the FTCA experience which represents an advanced version of this model, even though it is a relatively new NGO. FTCA's experience stands apart in several ways. First, its focus is explicitly on development of thrift and credit societies only. Secondly, it has introduced a clear and logical organizational structure, where the local decision-making is retained by the thrift and credit groups which may or may not be registered. (75 percent are registered as non-agricultural cooperative societies under the relevant State Cooperative Acts). The extent of operational sophistication is thus dependent upon the group characteristics. However, at the level of Federation and the Apex financial intermediary, greater sophistication in financial management is possible and is being developed with external donor agency support. Attempts are also being made to move towards supporting the establishment costs at these levels through financial operations.

The advantage of this approach is that it is possible to incorporate existing societies/associations and the federations can also use their training support to start new ones. For example, in Hyderabad, the Federation has signed a MOU with UNICEF and the Government of Andhra Pradesh to provide training for starting thrift and credit societies under the MOUD scheme of Urban Basic Service for the Poor (UBSP). Thus, expansion of the system becomes possible rapidly. SPARC also uses a similar strategy of expanding its operations through training in Crisis Credit and Housing Savings scheme. It is also worth noting that SEWA Bank has also used the group approach for

Table 3.3 : Group Based Financial Arrangements

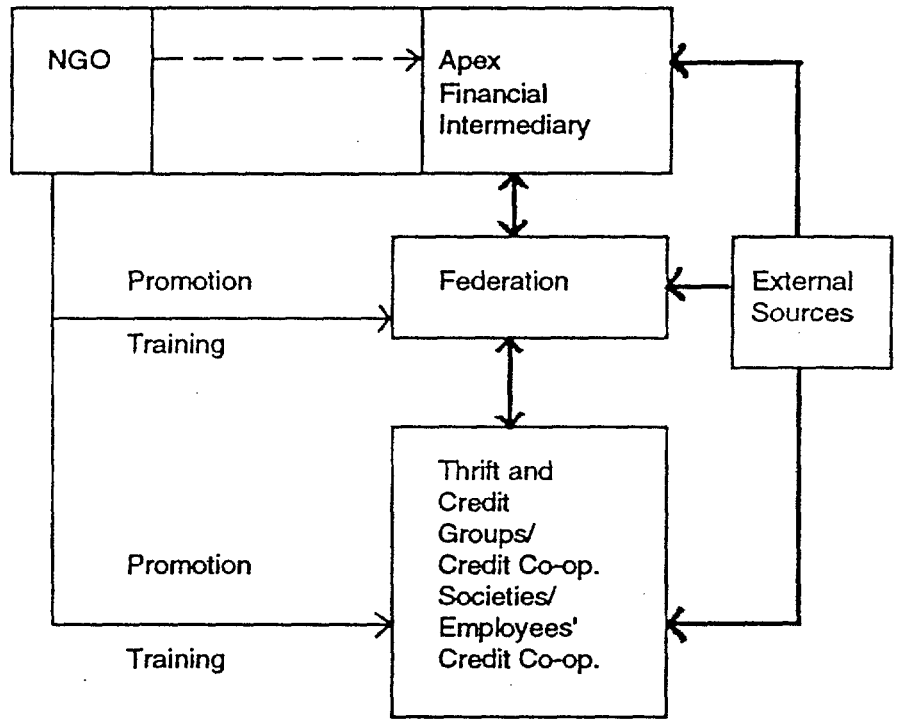
	Thrift & Savings Groups			Federations			Apex Institution
NGO	Form	Total no.	Total members (avg. size)	Form	Total no.s	Total members	Main Function
SPARC	TCGs	N.A.	N.A.	Federation unregistered	5	N.A.	Proposed - Promotion - Finance
Sharan	TCGs	75	1675 total (max. 15)	Federation unregistered	3	40 TCGs	-
FTCA	TCGs CCs	80 300	282000	Federation; Regd. Society	14	80 TCGs 300 CCs	FTCA - Promotion - Finance
Deepalaya	TCGs COs CRF	6 182 31	10-20 21,472 31,402,50	-	-	-	-
Shramik Bharti	TCGs	67	1500 (25-30)	-	-	-	-
Adhikar	CCs	27	875 (9 to 160)	Unregistered federation	1	all 27 TCGs	-
CASP-PLAN	CCs	3 in Delhi	(<60)	-	-	-	-

Note : COs - Community Organisations
CCs - Credit Co-operatives
CRF - Community Revolving Fund
TCGs - Thrift & Credit Groups - Unregistered

Figure 3.3 a

COMMUNITY BASED FINANCIAL SYSTEMS

1. Group Based Financial Arrangement



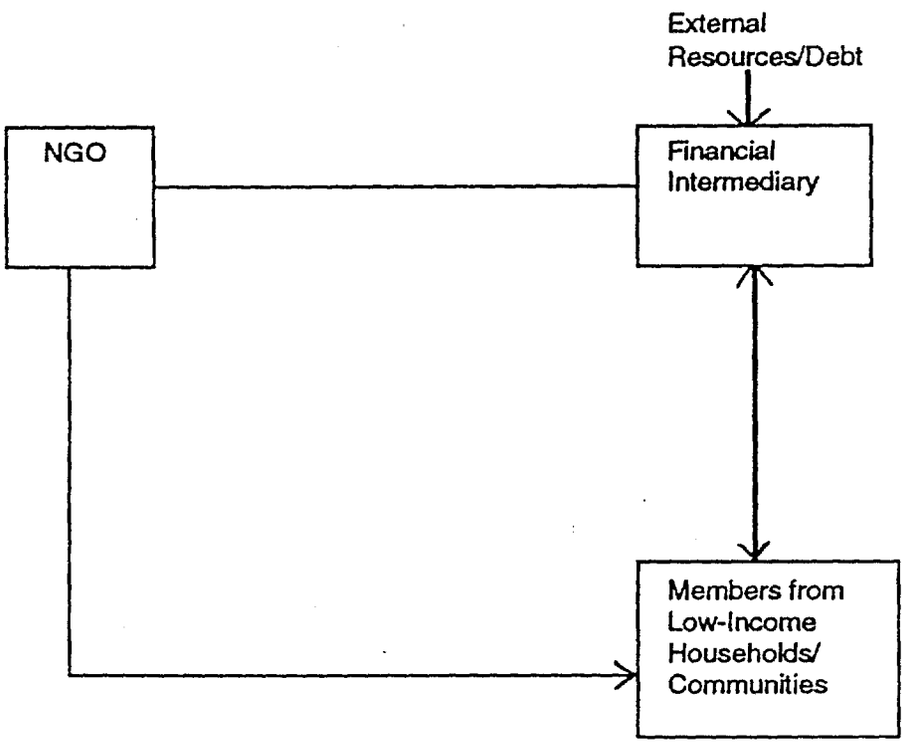
Financial Linkages

Promotion, training and management support.

FIGURE 3.3 b

COMMUNITY BASED FINANCIAL SYSTEMS

2 - NGO Linked Financial Intermediary



Financial linkage

Support staff for savings mobilisation, cost recovery

expanding its activities in the rural areas adjoining Ahmedabad, where the SEWA Union did not have a strong presence.

Vikas Centre for development, in Ahmedabad has also suggested a similar model in their proposal for Habitat Development Fund (HDF). However, its focus is more on the 800 existing informal and unregistered thrift and credit groups which Vikas has surveyed through a research study for HDFC. Further details of these groups and the proposed strategy for evolving a financial arrangement are not available at present.

Such group based approaches have been used in the rural sector to a large extent. In fact, the apex financing agency for agriculture, the NABARD, has introduced a special scheme linking commercial banks directly to NGO facilitated self help groups. It is necessary to review the NABARD experience in this regard. Many NGO operations, like the MYRADA and Samakhya have developed effective and viable financial management systems using the group based model to reach the rural poor households, considered to be high credit risk.

2. **NGO Linked Financial Intermediary:** This model of financial arrangement is based on the principle of a strong financial intermediary, more akin to a regular banking operation. The low income groups are direct members of this, rather than through the smaller savings groups as in the case of the earlier model. The decision-making is thus more centralized, though it is through their representatives on the Board of this Financial Institution. For example, in SEWA Bank, the members elect the managing committee of the Cooperative Bank. To the extent that all individuals are not necessarily interested in being closely involved with decision-making, this approach is equally valid.

This model, though not widespread, represents two examples of NGO linked financial arrangements, namely SEWA Bank in Ahmedabad and the Community Savings and Loan Association (CSLA) by BCC in Baroda. It is indeed interesting that these two NGOs are quite different in their approaches. SEWA focusses more on the community mobilization, struggle and income generation related developmental activities, whereas BCC's focus is more on service delivery and projects. However, both have evolved similar financial arrangement, though the CSLA is still not registered whereas SEWA Bank is registered as an urban cooperative bank.

COMPARISON OF THE TWO MODELS:

There are major differences in the above two models. First, in terms of the mechanisms used for mobilizing savings and cost recovery. In the previous model, this is essentially decentralized to the group or society. In this model, however, it becomes essential to evolve specific organizational structures for these, as well as introduce more innovative collection mechanisms. BCC, uses its field staff from other activities for these. On the other hand, while SEWA also uses the field staff of SEWA Union, it has also introduced collection mechanisms through boxes kept with their members.

The second difference is in terms of the use of group pressure for recovery. In the first model, this is automatically incorporated due to the decentralised structure of thrift and credit groups or societies. In second model, group pressure has to be explicitly introduced to ensure cost recovery. These differences probably hint at higher transaction costs. These maybe internalized by the NGO through its other activities. However, the extent to which these costs can be internalized needs to be checked in relation to the scale and profitability.

The two models, in actual operations present different opportunities and constraints.

The first is in terms of the growth potential of the CFS. The first model presents far greater possibilities in this regard, as it is possible to expand the systems even in areas where the NGO may not have any significant presence through thrift and credit groups. In fact, even SEWA Bank has been using the group approach to expand in the rural areas. It is also possible to incorporate the existing thrift and credit groups as is being done by the RATCs under the FTCA, and is being proposed by Vikas. This means that the expansion delinked from intense NGO inputs which tend to be very expensive and time intensive.

The second comparison should be with regard to internalizing the establishment costs. On one hand, in the group based model there is a possibility of linking the services and pooling of resources at appropriate levels. As in case of the FTCA, these costs can then be covered at each level by surpluses generated by appropriate financial services. However, if the nature of services at each level are not carefully identified, this may only end up in adding unnecessary costs at each level. This will ultimately increase the costs for the borrower. In relation to our earlier discussion on the NGO structures, the lowest level of the thrift and credit group in the three tier structure in the group

based model must focus on the grass roots base. The middle tier of federation or regional association as in the FTCA structure, must focus more on the developmental activities including those related to finance. The top apex tier must concentrate on the external linkages and strategy development.

In this aspect, the second model of NGO linked financial intermediary is likely to be more dependent on the NGO for meeting its establishment costs, albeit indirectly. This is mainly due to the fact that the grass roots base comes from the NGO operations and not directly as in the case of the group based model. In this model, scale and NGO's grass roots strength become crucial for the success of the financial intermediary also.

The third aspect relates to the potential for external resource mobilization and access to credit for an individual member. In the group model, there is far more flexibility with regard to external resource mobilization as illustrated in Figure 3.2. An institution in any tier has the opportunity to mobilize external resources, depending on its abilities. On the other hand, individual credit worthy members of a poorly performing society, maybe unnecessarily constrained for funds. In the second model, while there is less flexibility for mobilizing external resources, an individual member has more direct access to a larger institution and its greater resources.

Savings and Credit Operations:

The main difference in these NGO linked community based financial arrangements are the procedures and mechanisms used for savings and credit. These are highlighted in tables 3.3 and 3.4. The main observations which emerge from these are as follows:

Savings Mobilization: Unlike the conventional notions that these groups do not have any capacity to save, the CFSs very clearly demonstrate the possibility of mobilizing savings from these groups. The average savings amounts are, however, not very high and range from Rs. 15 to Rs. 50 per month. However, introduction of special savings schemes for housing and infrastructure provision have generally evoked a very positive response. Unfortunately, detailed and systematic data on savings patterns is not maintained to draw more meaningful results.

i. Method and frequency of collection: There are essentially two methods of collection being used. The first is door to door collection by paid staff (whose costs are generally covered by other programmes of the NGO which are financed by grants) or by community volunteers. The collection frequency varies from daily (reported only by

Table 3.4 : Savings Mobilisation by Community Based Financial Systems

NGO	Collection method	Frequency of collection	Rate of interest	Minimum amounts	Fines on delays in compulsory savings	Special savings schemes or incentives
SEWA	Door to door collection by bank's field staff. Savings boxes provided	Weekly/monthly	As per RBI guidelines. Higher rate than comm. banks	N.A.	N.A.	- Group Life/ Hut Insurance - Different deposit schemes - Deposit insurance
BCC	Savings collected from members & deposited with accountant	Weekly (Friday/Sat.)	6%	Yes - Rs. 10 per month	Fine of Re 1/- levied after grace period of 15 yrs.	Group savings for community infrastructure
SPARC	Door to door collection by community volunteers	Daily	Not known	Divided by one member	No	Savings mobilized separately for housing. Crisis Credit Scheme.
Sharan	Deposited by members in group meetings	Monthly	Varying rates for each group decided by them	Fixed amounts varying between Rs. 10-100 for each group	Yes	Matching contribution from revolving funds
FTCA	Done by each group seperately	Monthly	As divided by one T & CG and CCs (9 to 16%)	Varying for each group	Varying for each group	- Death Relief Scheme - Mutual Assistance Scheme
AVAS	Saving boxes provided	Monthly	Bank rate for Savings Accounts	Not applicable	-	Linked to housing

Deepalaya	Deposited by members to group leaders	Monthly	Bank rate for savings accounts	N.A.	Yes	Revolving chit funds, 'save' a Re a day' scheme, 'Bal Bhavishya Kosh'
Shramik Bharti	Deposited by members to group leaders	Monthly	N.A.	Fixed amount: Rs 10 or Rs 20	N.A.	-
Adhikar	Deposited with any official of co-operative.	Monthly	Bank Rate	Decided by group	No	-
CASP-PLAN	Deposited by members with any official of credit co-op.	Monthly	Bank rate	Rs.20/ per month	Yes. Fine imposed if savings not deposited before 10th of every month	-

SPARC) to weekly or monthly collections. The second method, which is used by most in the group based arrangement, is either monthly collection during the group meetings or members directly depositing with the group/society leaders. Many NGOs have also introduced the system of special collection boxes which are kept by the women/members to collect the savings as and when possible. These are then opened in the presence of the member and NGO staff/community volunteer.

ii. Returns on savings and other incentives: It is interesting to note that the returns offered on savings are generally not high, despite the fact that in many cases, the interest on loans are kept high. In most cases, it is linked to the prevailing bank interest rates for savings accounts. In some cases, however, no interest is paid at all. The main attraction for the low income groups to save in these CFAs is thus not the returns but the possibility of access to loans at rates far lower than the informal 'moneylenders'.

In many cases the NGOs have also attempted to introduce other incentives related to insurance, special savings scheme related to housing or community infrastructure, as done by SPARC in Bombay and BCC in Baroda slums. The FTCA in Hyderabad has, through its regional associations, introduced a death relief scheme.

iii. Minimum savings requirements: Most CFAs, like the credit cooperatives reviewed in the next chapter, have minimum savings requirements which carry some, at times very severe, penalties for delayed payments. While this is very important for inculcating a habit of regular thrift, it does not link the savings to the household economy directly. Most NGOs do not have innovative savings instruments related to time deposits or monthly incomes, as done by the more mature cooperative societies.

Credit Operations: The credit operations in the CFSs are generally in direct contrast to the prevailing notions of financing the low income groups.

i. Small, short term loans: In most CFSs, the credit policies focus on creating access to maximum number of borrowers by keeping a ceiling on the maximum loan amounts and lending for short to medium term only, which permits the maximum roll over of funds. The shorter terms are also felt to be essential for reducing the credit risk. In most cases, there is some attempt to assess the credit worthiness by previous savings and repayment records, though only some of the agencies require a minimum savings period of 6 to 12 months. Some of the CFAs also require a minimum savings balance, ranging from 10 to 33.3 percent of the loan amount. This assesses the past savings behaviour and provides a hedge against default.

ii. Loans for different purposes: Another important aspect of lending to the low income groups relate to their need for credit for a variety of purposes, ranging from crisis, consumption, income generating activities as well as for housing and infrastructure services. Of the different CFAs, only SEWA (50%) and BCC (66%) show a significant proportion of the lending for housing, largely for repairs and upgradation purposes. In the case of AVAS and CEDMA, the housing loans from other financial institutions have been routed through them. The thrift and credit associations under the FTCA have been providing housing loans upto Rs. 40,000 for construction.

iii. Cost of credit: Probably, the most important finding relates to the rather high interest rates at which credit is given. This is especially true when the group/community decided the rates on their own. The interest rates range from about 12 to 36 percent. These are generally fixed in relation to the prevailing 'market rates' in the locality. This finding is in direct contrast to the usual misconceptions about subsidised interest rates on the grounds of affordability.

iv. Security for loans: A large proportion of the loans are unsecured and based on the direct knowledge of the borrower. In some cases, the personal guarantees of one to two other members is required, especially for larger amounts. In cases of registered financial institutions, like the cooperative societies or banks, the value of unsecured loans cannot exceed Rs. 20,000. For secured loans, the security is largely in the form of gold or other movable property.

Mortgage loans are not found in any case, except when an external financing institution has used the NGO as a facilitator while lending to the households directly or to their housing cooperative. The two specific cases in this regard have been AVAS, for its Sudhamnagar project and SPARC for two of their housing projects in Bombay. In both the cases, the loans have been provided by HDFC. The experience in these suggest the need to introduce more innovations at the project level to deal with the delays in project implementation as well as repayments.

v. Default and delinquency: It is very common to hear claims of very high 'cost recovery' by most NGO linked CFSs. However, these claims are largely not supported by systematic records. For two of the CFAs where such records are available, the delayed payments range from 8 to 16 percent of outstanding loan balance for SEWA. The FTCA reports high recovery rates for the primary thrift and credit cooperatives in the range of 95 to 100 percent, though some had recovery rates of only 75 percent. Detailed data to ascertain these claims were, however, not available. The only other NGO, BCC, which

was able to give a detailed estimate for delinquency, reported 31 percent of total loan accounts to be in default. While this rate may seem very high, it must be remembered that the loans are made for a maximum of 20 months. It should also be remembered that the detailed reports as prepared by the BCC-CSLA are the first step to pursuing better loan recovery by any financial institution.

Discussions with the staff of many NGOs and their financial intermediaries suggest that bad debt is almost absent. The BCC staff particularly emphasized this aspect. Their data also show that only 1 percent of the loan accounts were actually bad debt. Even in these few cases, their savings and shares with the CSLA were to the tune of 38 percent of the outstanding loan balance. Despite the delays in payments, there are often some regular payments being made by these defaulters. This suggests that a better assessment of the credit worthiness of the borrower initially, or more sensitive loan instruments with periodic adjustments of the repayment period are necessary. More importantly, linkages using the CFSs need to build up reserves to compensate for the likely delinquency.

Financial Performance and Management:

Given the rather weak reporting systems, it is difficult to assess the financial performance of the community based financial systems. However, for at least three of these, namely, SEWA Bank, Community Savings and Loan Association (CSLA) of BCC and the FTCA and its regional associations, better financial reporting permits this to some extent.[1]

Capital Structure: The details of capital structure presented in Tables 3.6 and 3.7, show the importance of thrifts and deposits, which range from 56 to 86 percent in the total capital employed. For the SEWA Bank, the debt equity ratio is already high, though its plans to enhance its equity base may provide the possibility of further deposit mobilization and borrowing. In fact, it has shown considerable growth in deposit mobilization in recent years.

For FTCA, the capital, for itself and the RATCs, have essentially come from the deposits from the PTCGs under different schemes like the Death relief assistance scheme (DRAS), fixed deposits and regular thrift contribution scheme (RTCS). The volumes

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1 We would, however, point out that this assessment is based on the reported and published figures as the scope of this assignment did not permit more detailed inquiries into the accuracy of the reported information.

Table 3.5: Terms and Conditions of Credit in Community Based Financial System

NGO	Rate of interest (%)	Repayment period	Minimum savings required	Minimum savings period	Maximum loan amounts
SEWA	10.5 to 16.5% as per RBI, guidelines, based on loan amounts	1 to 3 years (can give long term loans for 10 years also)	-	Repayment/savings round checked	Maximum unsecured loan* Rs. 15,000.
BCC	12% p.a.	20 months	Minimum balance 20% of loan amount	6 months	Rs. 2000/-
SPARC	12% consumption 24% productive	Fixed by borrower, not exceeding 2 years	Not used	Checked but not specified	Generally not exceeding Rs. 25,000/-
Sharan	Interest rates decided by each group. May vary from bank rate	12 months maximum	Decided by each group	Decided by each group	Rs. 2000/-
FTCA	14 to 24%	-	33.3% of loan amount	-	Rs. 1000 to Rs. 40,000
Deepalaya	No interest charged	N.A.	Min. balance of 10% of loan amount	6 months	N.A.
Adhikar	24 to 60%	Maximum 18 months	Not used	1 year	Rs. 2000 to Rs. 6000
CASP-PLAN	14% p.a.	12 months		18 months	6 times more than contribution/ savings
DCA	4%	Maximum 100 instalments	-	6 months	Rs. 12,000

under these schemes are so far not really adequate to cover the costs as seen below. The debt equity ratios of 2.7 for the primary thrift and credit societies (PTCG) under the RATC- Hyderabad are lower than for SEWA Bank and BCC-CSLA, suggesting the possibilities of further credit absorption, especially as the utilization of available funds is very high at almost 90 percent.

Lending and profitability: The analysis presented in Table 3.6 shows rather contrasting performance for SEWA Bank and BCC-CSLA. Both have reasonable profit levels, comparable to some of the HFIs, though lower than the leading ones like HDFC and LIC Housing. However, in both these cases, the profitability has declined over the last three years. The reasons for this appear to be different. In the case of SEWA Bank, the reasons maybe attributed to the decline in credit to deposit ratio. As it does not report the interest income from lending and investments separately, this may only be speculated. It may also be linked to the rising cost of funds which may have resulted from the changing structure of deposits. On the other hand, in the case of CSLA - BCC, the declines seem to be related more to considerable expansion in lending with problems of the delayed payments. The data available from them suggest that about 31 percent of the loan accounts are in default. For SEWA, the delayed payments as a proportion of recoverables are to the tune of 16 percent.

SEWA Bank's low credit to deposit ratio suggests the possibility of increased lending from their own funds. Further, SEWA has recently increased its authorized share capital from Rs. 3 million to Rs. 5 million. It may thus be able to more than double its share capital over the next few years. This will also allow it to mobilize far greater funds, through either deposits or external borrowings. On the lending side, SEWA has so far avoided long term loans, concentrating only on short and medium term loans. It is however, now set to consider these both to improve its credit deposit ratios, and therefore, profitability, as well as satisfy the emerging demand for housing finance from its members.

Despite the high fund utilization and a spread ranging from 2 to 12 percent across the different PTCGs under the RATC Hyderabad, their aggregate performance shows rather low profits at 2.4 per cent return on assets and 9.7 percent returns on total equity. This may hint at either high transaction costs or significant delays and defaults in loan repayments.

Table 3.6
Financial Details for SEWA Cooperative Bank and CSLA -BCC
(in Rs '000)

		SEWA Bank			CSLA BCC		
	Reference Date	30.3.91	30.3.92	30.3.93	30.3.91	30.3.92	30.3.93
I.	Liabilities and Owned Funds	34417.1	39107.1	67122.6	249.5	409.9	1156.4
a.	Share Capital	1460.4	1779.5	2136.3	42.7	65.7	177.3
b.	Reserves	2383.3	3176.8	3868.3	0.0	31.4	49.6
c.	Compulsory Savings	0.0	0.0	0.0	175.4	277.5	743.8
d.	Deposits	24466.3	28237.7	53470.0	0.0	0.0	0.0
e.	Borrowings	2682.0	2682.0	2682.0	15.0	18.0	158.0
f.	Other	2684.6	2463.9	4138.8	0.0	0.0	0.0
g.	Profits	740.5	767.2	827.2	16.4	17.3	27.7
II.	Assets	34417.1	36643.2	67122.6	249.5	409.9	1156.4
a.	Loans	12014.9	17214.0	20535.5	170.4	294.9	1016.5
b.	Investments and Deposits	19370.0	18757.0	40247.0	25.0	82.2	131.5
c.	Cash and Bank Balance	967.1	376.6	1287.6	54.1	32.8	8.4
d.	Other	2065.1	295.6	5052.5	0.0	0.0	0.0
III.	Income Expenditure Account	90-91	91-92	92-93			
1.	Income	3876.5	3923.3	7350.3	18.4	20.4	47.9
a.	Interest on loans and investments	3674.5	3835.3	6951.5	11.9	16.5	28.0
b.	Other	202.0	88.0	398.8	6.5	3.9	19.9
2.	Expenditure	3136.1	3156.1	6523.1	2.0	3.0	20.2
a.	Interest	1752.1	1652.5	4331.3	0.3	0.7	0.0
b.	Establishment	1384.0	1503.6	2191.8	1.7	2.3	20.2
3.	Profits	740.4	767.2	827.2	16.4	17.4	27.7

Sources: Based on the Annual Reports of SEWA Bank and CSLA-BCC.

Table 3.7

Financial Performance of SEWA Cooperative Bank and CSLA-BCC

		SEWA Bank			CSLA BCC		
		90-91	91-92	92-93	90-91	91-92	92-93
	a. CAPITAL STRUCTURE						
1.	Deposits/Owned Funds	6.37	5.70	8.90	4.11	2.86	3.28
2.	Debt Equity Ratio (Deposits+Borrowings)/Owned Funds	7.06	6.24	9.35	4.46	3.04	3.97
3.	Liability Structure (Percentage to total)						
		100	100	100	100	100	100
	Share Capital	4.71	4.96	3.44	18.32	16.73	15.71
	Reserves	7.69	8.85	6.22	0.00	8.00	4.39
	Deposits+Camp. Savings	78.94	78.71	86.02	75.25	70.68	65.90
	Borrowings	8.65	7.48	4.31	6.44	4.58	14.00
	b. OPERATIONS						
4.	Debt-Coverage Ratio (Income-op. exp)/Int.exp.	1.42	1.46	1.19			
5.	Cost coverage ratio (Income-int. exp.)/op. exp.	1.53	1.51	1.38	10.65	8.57	2.37
6.	Cost of Funds (%)	7.16	5.85	8.10	0.17	0.25	0.00
	Returns on Lending (%)	11.71	10.66	11.44	6.09	4.38	2.44
	Spread (%)	4.55	4.81	3.34	5.92	4.12	2.44
7.	Loans Outstanding/Deposits (%)	49.1	61.0	38.4	97.1	106.3	136.7
8.	Loans Outstanding/Working Capital (%)	34.9	47.0	30.6	68.3	71.9	87.9
9.	Rate of recovery (%) (Ontime payments as a % of total recoveries)	84.0	84.0	84.0			
10.	Est. Cost/Outstanding Loans ('00 Rs)	11.5	8.7	10.7	1.0	0.8	2.0
	c. PROFITABILITY ANALYSIS						
11.	Profits as a % of total assets	2.15	2.09	1.23	6.57	4.24	2.40
12.	Profits as a % of Shareholders' Funds	19.26	15.48	13.78	38.41	17.92	12.21

Sources: Based on the Annual Reports of SEWA Bank and CSLA-BCC.

Costs of Operation: It is often not recognized that the costs of reaching the low income groups are likely to be far higher. This is borne out by the available data from these three institutions. The reported establishment costs for SEWA Bank at about 10 to 11 percent of the outstanding loans are almost double those reported for the urban credit cooperative societies for Gujarat. The reported costs for BCC-CSLA are very low at 2.4 percent in 1992- 93. However, in both these cases, the actual costs as absorbed by the parent NGO are very high. While we do not have the information for SEWA, the BCC's estimates are that the value of time spent by BCC staff on CSLA activity maybe as high as Rs 200,000 per year.

This is also true for the FTCA and various RATCs under it. At present the establishment costs are being met by grants from external donor agencies. However, there is a consciousness regarding this and attempts are being made to introduce financial services whose spreads will in the future be able to cover these costs. The different deposit mobilization schemes and lending permit the RATC to cover 66 percent of its costs at present. Its spreads are as high as 7 percent. The picture for the FTCA itself is different, with the financing services having been started only recently, and the considerable reliance on subsidies for meeting the establishment costs. However, the funding agencies have shown awareness regarding these and there is discussion on the possibility of capital expansion to cover the costs. It is in this regard also that the possibility of routing bulk housing finance through this arrangement needs to be explored.

3.3 SUMMARY

The recent literature on housing finance has repeatedly emphasized the possibility of enhancing household savings rates by developing better housing finance systems. The review of NGO experiences point at the possibility of using access to housing finance also for strengthening the community based finance systems. The emphasis in such arrangements has to change from the lower interest rates, which have been the mainstay of low income housing finance in India so far, to supporting the development of financially viable community based finance systems. Any available subsidies must very consciously go towards the initial building up of such systems. Even these efforts must, however, be designed to become financially viable in the medium to long term.

It must be pointed out that the access to housing finance can also be critical to sustaining and increasing the interest in regular thrift by the low income groups. The

experience of SPARC (housing savings) and BCC (group infrastructure savings) suggest that it would be possible to enhance savings, if access to housing finance is possible. In fact, the discussions with SPARC personnel suggest that in later years, it was difficult to sustain the flow in their housing savings scheme as the housing loans did not materialize. Similar observations were also made by the staff of Sharan. They indicated that in their savings groups, a demand is now emerging for larger loans and for purposes related to housing. However, such loans would require funds beyond those available with the community based systems themselves.

In India, there are a large number of NGOs working in urban centres. However, their involvement in shelter related projects is minimal. There are only a few NGOs that have focussed exclusively on housing. On the other hand, income generating activities have been the focus of many NGOs. Over the years, a few of them have attempted community based finance systems to help the urban poor cope with their credit needs.

Our review of 18 NGOs spread across the country, was a purposive selection of those involved with shelter or finance related activities. While the shelter related activities were largely promoted by links with formal institutions – HDFC or HUDCO, the finance based systems appear to have evolved through the expressed needs of the communities. Both these experiences, as reported in this chapter, are valuable to extend the housing finance system's reach to families below the median income.

Our studies of NGOs involved in community based finance system shows that while there is a tremendous potential for housing finance, it requires a cautious approach, as the technical and managerial skills within the group is limited and may not be sufficient to handle larger volumes of loan. There is need for better financial management, assessment of credit worthiness of borrowers and reduction of administrative costs. The rather high rate of delayed payment requires specific mechanisms of risk funds to absorb the problems of cash flows or working capital for housing finance operations. The HFIs certainly have an edge over the NGOs in these aspects and a partnership with NGOs will strengthen the capacity of the community based finance system to be sustainable on a long term basis. Such a partnership will also benefit from the strengths of NGOs and the community groups regarding its easy access to the low income families, savings mobilisation and a deeper understanding of the real demands of the low income families.

Chapter Four

URBAN COOPERATIVE FINANCE SYSTEMS

The review of NGOs in the previous chapter highlighted the use of cooperative financial institutions by many of them for financial operations, the notable ones being the SEWA Bank and the FTCA in Hyderabad. The cooperative movement in India has been quite widespread with a very large network of primary cooperative institutions which is supported by a governmental structure of financial, regulatory and training institutions. The FTCA provides an example of such support coming from a NGO, as discussed in the previous chapter. In this Chapter, we review the structure of cooperative financial institutions in the urban centres.

4.1 Types of Urban Cooperative Financial Institutions:

Within the cooperative structure in the country, there are two primary cooperative financial institutions which operate in the urban areas, the primary cooperative banks and the primary non-agricultural cooperative credit societies (PNASs). As a large proportion of these institutions are in the urban areas, they are also referred as the 'urban cooperative banks' (UCBs) and the urban credit cooperative societies. There are basically two types of credit societies, namely the Employees' (or Salary Earners') credit cooperative societies (ECCSs) and the other Urban Credit Cooperative societies (UCCSs). In 1990-91, of the total PNASs, almost 75 percent were of the formel type, that is the SECSs.

Cooperative Credit Societies:

Most literature on cooperative finance institutions points out that while the rural credit cooperative societies face considerable problems of overdues and bad debt, such problems are far less for the urban credit cooperative societies. Discussions with the cooperative officials suggest that the SECSs are likely to be financially healthier than the UCCSs. This is largely because in the former, it is possible to use payroll deductions for savings and loan repayments.

Table 4.1
Regional Spread of Urban Credit Cooperative Societies
and Urban Cooperative Banks, 1991

	State/UT	Urban Cooperative Societies					Urban Cooperative Banks			
		No.of Societies	Societies per 1 lakh Urban Population	Membership in Thousands	Average Size of Society	Members per 1 lakh Urban Population	No.of Banks	No.of Branches	Banks per 1 lakh Population	Branches per 1 lakh Population
1.	Anchra Pradesh	2740	15.32	1656	604	9260	66	107	0.37	0.60
2.	Assam	797	32.04	77	97	3100	7	8	0.28	0.32
3.	Bihar	645	5.68	4	6	40	5	8	0.04	0.07
4.	Goa	173	36.06	40	231	8340	6	40	1.25	8.34
5.	Gujarat	3245	22.78	1520	468	10670	295	606	2.07	4.25
6.	Haryana	374	9.22	62	166	1530	8	11	0.20	0.27
7.	Himachal Pradesh	245	54.54	155	633	34510	4	4	0.89	0.89
8.	Jammu & Kashmir	-	-	-	-		3	8	-	-
9.	Karnataka	1418	10.20	886	625	6370	216	417	1.55	3.00
10.	Kerala	859	11.18	1229	1431	16000	59	173	0.77	2.25
11.	Madhya Pradesh	873	5.69	373	427	2430	42	65	0.27	0.42
12.	Maharashtra	10907	35.71	4812	441	15760	386	1501	1.26	4.91
13.	Manipur	134	26.50	21	157	4150	5	11	0.99	2.18
14.	Meghalaya	53	16.06	20	377	6060	2	2	0.61	0.61
15.	Mizoram	-	-	-	-	-	1	1	-	-
16.	Nagaland	-	-	-	-	-	-	-	-	-
17.	New Delhi	-	-	-	-	-	17	47	-	-
18.	Orissa	757	17.87	139	184	3280	14	27	0.33	0.64
19.	Punjab	986	16.45	81	82	1350	6	7	0.10	0.12
20.	Rajasthan	743	4.11	73	98	400	23	53	0.13	0.29
21.	Tamil Nadu	1680	8.81	1370	815	7180	137	190	0.72	1.00
22.	Tripura	15	3.56	8	533	1900	1	1	0.24	0.24
23.	Uttar Pradesh	1617	5.86	536	331	1940	44	70	0.16	0.25
24.	West Bengal	3618	19.34	1864	515	9960	48	73	0.26	0.39
25.	Arunachal Pradesh	4	3.62	1	250	900	-	-	-	-
26.	Chandigarh	146	25.35	8	55	1390	-	-	-	-
27.	Pondichery	51	9.86	22	431	4260	2	3	0.39	0.58
	Total	32080	14.94	14957	466	6960	1397	3433	0.65	1.61

Source : NAFCUB (1992), Statistical Profile of Primary Non-Agricultural Credit Societies
NAFCUB (1992), Statistical Profile of Primary (Urban) Cooperative Banks

As it is common to relate the cooperative movement with the rural sector, it is not often recognized that there are over 32000 credit cooperative societies in the urban centres in India with over 15 million members. Their total outstanding lending in 1990-91 was around Rs. 20 billion, with deposits of Rs. 12 billion (NAFCUB, 1992). Inquiries and discussions with the concerned cooperative officials suggest that these societies cater largely to the lower middle classes and low income groups, though specific studies of the income profiles of their members are not available.

Cooperative Banks:

In addition to these societies, the other important cooperative financial institutions are the primary urban cooperative banks. There are almost 1400 cooperative banks with over 3400 branches throughout urban India. The cooperative banks mobilize deposits from the household sector and lend to both the small trade and manufacturing enterprises as well as the households. They can thus essentially be classified as Savings Banks. Their close rapport with the households for savings mobilization make them ideal vehicles for financing the household sector. The total membership of these UCBs was about 14 million in 1990-91 with outstanding lending of over Rs. 80 billion and deposits worth Rs. 101 billion.

While recent studies on the relative shares of these cooperative institutions in savings mobilization and lending to the household sector are not available, an older study covering the period from 1951 to 1975 highlights the very important role of these societies and cooperative banks. During the period from 1971-72 to 1975-76, the cooperative institutions' share of total borrowings by the households was as high as 31 percent as against only 5.6 percent of the savings by the households. (Swami, 1981). The available data for 1989-90 and 1990-91 suggests that the share of cooperative banks in net deposits by the household sector had increased to 14.9 and 18.1 percent.[1] In 1990-91, the aggregate deposits of the urban cooperative institutions were Rs. 11,337 crore (NAFCUB, 1992a), or 5.24 percent of the aggregate deposits of the scheduled commercial banks.[2]

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[1] The total net deposits for cooperative banks for these two years were 1428 and 1497 crore rupees (NAFCUB, 1992a) and for the household sector were 9572 and 8248 crore rupees (CSO, 1993) respectively.

[2] The aggregate deposits of the scheduled commercial banks were 216279 crore rupees. (RBI Bulletin, November 1993)

We review the organizational structure, coverage, financial status and operations of these cooperative financial institutions in the following sections.

Organizational Structure:

The elaborate structure of institutions at different levels and their linkages are illustrated in Figure 4.1. It is clear from this that linkages with the primary cooperative institutions occur in a variety of ways.

Credit Cooperative Societies: Both the SECSs and PNASs are organized on cooperative principles under the State Cooperative Acts. On their formation, they have to be registered with the Registrar of Cooperatives.

They have to adopt the bylaws for their operation, in line with the separate model bylaws available for each type. Each society has to elect a chairman and a secretary every two years. There is generally an executive committee for deciding on the loan approvals. In larger societies, this may be in the form of a Board of Directors.

The society also specifies its area of operation and the coverage is generally confined to the given urban area. In some of the larger urban centres, like Bombay, it is also likely that the area of operation is confined to a few wards. In actual practice, the UCCS's operation is generally confined to a limited geographical area. On the other hand, the SECSs are organized at the place of work.

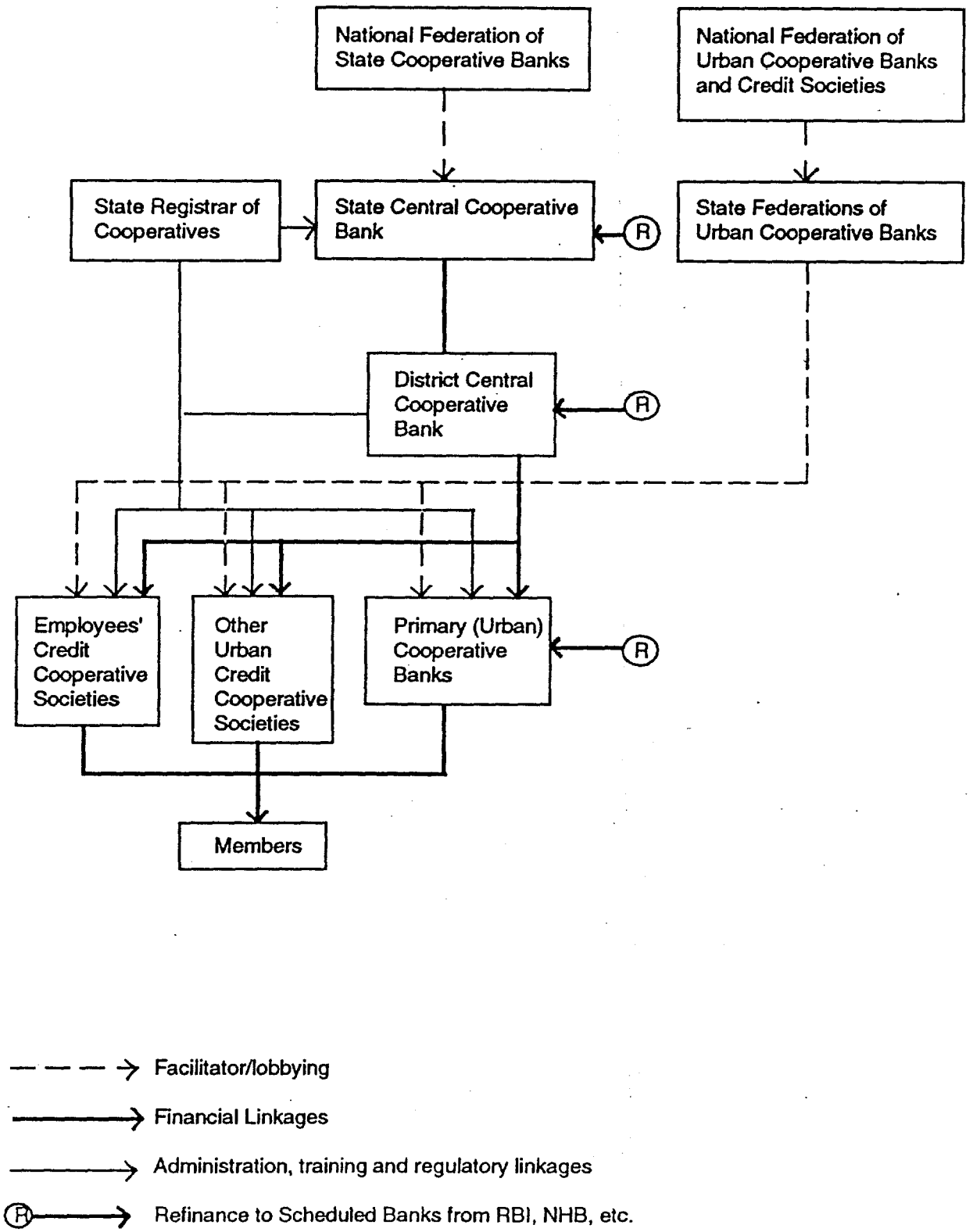
The average size of PNASs was 475 in 1991. However, as evident from Table 4.1, there is considerable regional variation in average size. On the basis of the information available from two of the leading states, there is not considerable variation in size between SECS and UCCS.

Urban Cooperative Banks: The urban cooperative banks function under the purview of the Banking Regulations' Act of the RBI. There are norms laid down for the entry and viability of these banks which have to be attained within 3 to 5 years. The viability and entry point norms are reviewed every five years. The norms differ for the four different size classes of cities and are specified with reference to the share capital, working capital, reserves, deposits and advances.

Unlike the credit cooperative societies, the coverage of the UCBs is wider, extending over several districts in some cases also. Many of the banks also have branches in the

FIGURE 4.1

COOPERATIVE FINANCE INSTITUTIONS IN URBAN CENTRES



same or different cities. The average size of a bank is much larger with membership per bank ranging from 7000 to 12000 in the three states reviewed.

4.2 Regional Coverage:

The cooperative movement is largely concentrated in specific regions in the country. Thus, almost 65 percent of the 32,000 societies, and 67 percent of the UCBs are concentrated in just four states of Maharashtra, Gujarat, West Bengal and Andhra Pradesh. Table 4.1 presents the information related to their regional spread and their importance in different states. When the aggregate statistics are related to the urban population, it becomes evident that the cooperatives are widespread in many other regions also, including Assam, Goa, Himachal Pradesh and Chandigarh.

These institutions are also available in the smaller cities as illustrated for Gujarat in Table 4.2. Over 50 percent of the UCBs in Gujarat are located in cities with less than 100,000 population. This is important as the experience of some of the HFIs shows that there is a considerable demand for housing finance in the smaller cities and the price to affordable loan ratios are also more favourable. However, some of the HFIs have found it difficult to lend in these cities due to inadequate reach. It thus becomes attractive to use the cooperative structures especially to tap the market in these centres.

4.3 Aggregate Financial Status:

Tables 4.3 and 4.4 illustrate the financial status of these urban cooperative institutions.

Urban Credit Cooperative Societies: The financial status of PNASs as on June, 1991, indicated a total working capital of Rs. 32,000 million and an outstanding loan balance of Rs. 20,000. The deposit mobilization was to the tune of almost Rs. 12,000 million. Table 4.3 highlights these details. The average size of a society was Rs. 9.96 lakh of working capital and Rs. 6.23 lakh of outstanding loans.

This suggests a rather low level of operations. The debt equity ratio is only 2.08, suggesting possible expansion of operations. At present, in some of the states, the PNASs are allowed to mobilize external funds only through borrowings from the District Central Cooperative Bank (DCCB). The loans from this source are only 22.4 percent of their total liabilities. The PNASs are eligible to borrow from the DCCB for a maximum of 10 per cent of [(share capital + reserves)- losses]. For all India level, the details of total

losses are not known. However, the total borrowings of PNASs are less than just the sum of their share capital and reserves. This also suggests the possibilities of considerable increases in debt mobilization by the PNASs. Almost a half of the funds of PNASs are derived from deposits (45 %), largely from the households. On an average, the credit deposit ratio is very high at 1.7, though it was only 0.63 for the total working capital. This is partly due to the fact that the loans are of largely short term while the deposits tend to be renewed continually.

The comparative picture for the three states presented in Table 4.4 highlights the more successful performance of these societies for Gujarat and Maharashtra. The societies making losses ranged from only 6 percent for the ECCS in Maharashtra to over 30 percent in Andhra Pradesh. While it is generally suggested that the ECCSs are less likely to have credit risk, the UCCSs in Gujarat show relatively better performance in Gujarat. More importantly, except for the ECCS in Andhra Pradesh, the overdues never exceed 15 percent of the total outstanding loans.

Urban Cooperative Banks: The financial status of the UCBs as on June, 1991, indicated a total working capital of Rs. 134 billion and an outstanding loan balance of Rs. 80 billion. The deposit mobilization was to the tune of almost Rs. 101 billion. The average size of working capital of a bank was Rs. 95.8 million and Rs. 57.3 million respectively.

The UCBs have a higher aggregate debt equity ratio at 6.9, though they are dependent only on the deposit mobilization. Credit deposit ratios are lower than those of the UCCSs and ECCSs, though comparable to the commercial banks in general. Their larger scale enables more profitability and possibility of absorbing the overdues which are almost in the same range as for the cooperative societies. Thus, in Gujarat, none of the cooperative banks made losses in 1990-91 and the percent share in Maharashtra was also only 3.4.

4.4 Financial Operations of Credit Cooperative Societies:

The main functions of the SECS, UCCS and UCBs are to mobilize thrift and enable their members to have access to credit. The regularity of thrift is an important consideration in deciding on the credit worthiness of the member. The UCBs with a far greater volume offer the regular banking services.

Table 4.2

Distribution of Urban Cooperative Banks by Size of City, Gujarat, 1993

	Population of City/Town	Urban Cooperative Banks		Bank Branches	
		Number	% to total	Number	% to total
1.	More than 10 Lakhs	61	21.18	181	55.69
2.	1 to 10 Lakhs	63	21.88	85	26.15
3.	10000 to 1 Lakh	136	47.22	56	17.23
4.	Less than 10000	28	9.72	3	0.92
	Total	288	100.00	325	100.00

Source : Status of Cooperative Banks, 1993, mimeo.

Table 4.3

Financial Status of Urban Cooperative Societies and Urban Cooperative Banks, India

(All monetary values are in Rs Lakhs)

		Cooperative Societies		Cooperative Banks	
		All India	Average Per Society	All India	Average Per Bank
	Total Number	32080		1397	
I.	CAPITAL STRUCTURE (June 1991)				
1.	Share Capital	65419	2.04	44807	32.07
2.	Own Funds	19703	0.61	103276	73.93
3.	Deposits	118009	3.68	1015689	727.05
4.	Borrowing	58579	1.83	0	0.00
5.	Working Capital	319692	9.97	1338953	958.45
6.	Outstanding Loans	197588	6.16	800313	572.88
II.	ANNUAL PERFORMANCE (1989-90)				
1.	Net Deposits	10871	0.34	142816	102.23
2.	Loan Advances	195221	6.30	98296	n.a.
	(1990-91)				
1.	Net Deposits	14956	0.47	149680	107.14
2.	Loan Advances	200185	6.23		n.a.
III.	FINANCIAL RATIOS				
1.	Deposits/Owned Funds	1.39		6.86	
2.	Debt Equity Ratio (Deposits + Borrowings)/Owned Funds	2.07		6.86	
3.	Loans Oustanding/Deposits	1.70		0.79	
4.	Loans Oustanding/Working Capital	0.63		0.60	

Source : As per Table 4.1

Notes : The Financial ratios are based on aggregate statistics only, as detailed information on individual societies/banks is not available

Capital Structure:

Most of the credit cooperative societies, as we observed earlier, have a far greater reliance on their own funds, with the debt equity ratios generally not exceeding 2.0. However, there is some tendency to rely more on the deposits, once a certain volume of owned funds is achieved. The basis and extent of different sources are explained below in greater detail.

Share Capital: Besides an entrance fee, a new entrant has to buy shares of the society, which are generally Rs. 10 each. The share capital is also enhanced by conversion of the compulsory savings to share capital at the end of a given year. This helps in enhancing the own funds of the society. The member is generally willing for such conversion as the interest on the deposits is lower than the 12 percent dividend paid by most of the societies. Secondly, any member who does not have adequate deposits (25 percent of the loan amount) is required to retain some percent of the loan as share capital. Some societies make it compulsory for the members to have a specified percentage of the loan amount as shares. For example, SECS of the Bhavnagar District Cooperative Bank requires the members to buy 10 percent of the loan amount as shares for the first loan and 2 percent of the loan amount for the second loan, till the member has at least 25 percent of the maximum permissible loan amount in the society's shares.

The society bye-laws generally also put a maximum limit on the total shares which can be held by an individual member. Given the cooperative nature of the society, the voting rights are not linked to the share capital. Each member has only one vote.

External Borrowings: According to the State Cooperatives Acts in some of the states or by convention, the PNAS are permitted to borrow from the respective District Central Cooperative Banks.

In Gujarat, the DCCBs have been lending to the PNASs under the 'incidental finance' or through over draft facility. The loan has to be repaid in 1 year, though in most cases, if the repayment is found satisfactory, the loan is renewed. The interest is 16.5 percent, with a penal interest rate of an additional 1.5 percent for delays. The data for Gujarat indicates that on an average 58 percent of the ECCSs and 50 percent of the UCCSs had borrowed in this manner during 1990-91. The borrowings were, however, of very low values and generally did not exceed 2 to 3 times the net owned funds.

The PNAS is not constrained by any RBI regulations regarding the interest rate to be charged on lending. Thus the decision regarding spread for the borrowings from DCCB is essentially a decision of the executive committee. In most cases, the rates are in the range of 18 to 19 percent. Our studies of a few societies suggest that the UCCSs tend to charge a slightly higher rate of interest, probably due to the greater problems with delayed payments. In some cases, the societies borrow from the DCCB for a specific purpose like purchase of televisions by the members, as was done by the Ahmedabad Cotton Mills' Employees' Cooperative Credit Society. In such cases, the members had to produce a bill as proof of purchase for this loan.

It must be pointed out that for the DCCBs lending to the PNAS, especially the SECS is a preferred option, due both to the higher rate of interest, good repayment records and relatively lower transaction costs. In fact, in most cases, these societies have a good rapport with the DCCBs and it is easy for the DCCBs to assess their track record as there is regular accounting done by the society and annual audit by the Cooperative Registrar's office. The details given in Tables 4.6 to 4.9 bear this out. Only 2 of the 7 UCCSs had external borrowings, while 4 of the 7 ECCSs had external borrowing. In neither case have the borrowings exceeded the share capital.

The details of the DCCBs from Bombay and Ahmedabad suggest that they have adequate additional resources with the credit to deposit ratios being low at 0.5, as against a permissible 1.0. If it is possible to work out some arrangement for them to extend finance to the PNASs for the purpose of housing, these can be used as incentives and to augment their own resources. Thus, HFCs can in fact consider lending to DCCBs on a part refinance basis for onlending to the SECSs and UCCSs for housing purposes, based on their assessment of these societies depending on their past repayment record. These options are described in the concluding chapter of the report.

Savings Mobilization: Most societies have a compulsory thrift system. Under this, an amount decided at the formation of the cooperative society, is to be saved by each member every month. The amounts may range from as little as Rs. 10 to Rs.100 and more. The amounts are decided on the basis of ability and willingness of a large proportion of the members. Over time, the society may also increase this amount. The interest to be paid on savings is also decided by the society. Of the societies studied by us, this has ranged from as low as 6 percent to a higher return of 14 percent. The deposits with the PNASs are not covered by the deposit insurance, as are the deposits with the banks.

Table 4.4

Comparative Financial Status and Performance

		Employees' Credit Cooperative Societies			Other Urban Credit Coop. Societies *		Urban Cooperative Banks		
		Andhra Prdesh 1986-97	Gujarat 1991-92	Maha-rashtra 1990-91	Gujarat 1991-92	Maha-rashtra 1990-91	Andhra Prdesh 1986-97	Gujarat June 1991	Maha-rashtra 1990-91
1.	No.of Societies/Banks	2541	2724	6117	620	4790	61	288	381
2.	Average Membership per Society/Bank	298	450	441	392	447	7327	7228	11717
3.	Average Working Capital per Society/Bank (Rs Lakhs)	1.00	6.94	17.34	5.25	5.65	4.60	119.70	100.97
4.	Financial Ratios								
a.	Deposits/Owned Funds	0.82	0.91	0.30	1.33	1.16	6.43	5.19	6.28
b.	Debt Equity Ratio (Deposits+Borrowings)/Owned Funds	1.37	1.30	0.61	1.62	1.43	6.43	5.19	6.73
c.	Loans Outstanding/Deposits	2.60	2.30	3.57	1.68	1.24	0.73	0.81	0.78
d.	Loans Outstanding/Working C	1.08	0.75	0.75	0.67	0.62	0.70	0.58	0.59
5.	Liabillity Structure (Percentage to total)								
a.	Share Capital	16.80	31.69	27.94	21.96	17.67	3.93	3.28	3.26
b.	Reserves	25.44	11.69	34.32	16.28	23.50	9.53	12.88	9.68
c.	Deposits	34.72	39.68	18.48	50.71	47.84	86.53	83.84	81.31
d.	Borrowings	23.04	16.93	19.26	11.05	10.98	0.00	0.00	5.75
6.	Operational Performance								
a.	Percentage of Scoieties/ banks making loss	30.54	15.01	6.16	12.42	23.07	19.67	0.00	3.41
b.	Loans Overdue as a % of Loans Outstanding	23.66	3.82	3.82	14.66	14.79	8.54	11.42	12.61
c.	Structure of Overdue Loans as % of Loans Outstanding								
	Upto 1 Year	-	1.29	-	3.92	-	-	3.16	3.85
	1 to 2 Years	n	0.84	n	4.73	-	-	1.79	1.49
	2 to 3 Years	a	0.79	a	3.15	n	n	1.84	1.24
	Over 3 Years	-	0.90	-	2.86	a	a	4.63	6.02
	Total	23.66	3.82	3.82	14.66	14.79	8.54	11.42	12.61

Source: Relevant State Level Registrar of Cooperative Societies

Note : 1. * Details of UCCS are not available for Andhra Pradesh

2. The Financial ratios are based on aggregate statistics only, as detailed information on individual societies/banks is not available

Table 4.5

Aggregate Financial Details of Cooperative Societies, Gujarat, 1991-92

(All monetary values are in lakh Rupees)

		Employees' Credit Cooperative Societies		Other Urban Credit Cooperative Societies	
		Total	% to Total	Total	% to Total
I.	TOTAL LIABILITIES	17484	100.0	3004	100.0
1.	Share Capital	4932	28.2	561	18.7
2.	Reserves	1819	10.4	416	13.9
3.	Deposits	6174	35.3	1296	43.1
	Current	438	7.1	143	11.1
	Savings	2921	47.3	647	49.9
	Fixed	1838	29.8	367	28.3
	Others	977	15.8	138	10.7
4.	Borrowings	2635	15.1	282	9.4
5.	All Other Liabilities	1924	11.0	448	14.9
II.	ASSETS	18898	100.0	3256	100.0
1.	Cash on Hand	330	1.7	39	1.2
2.	Bank Balance including FDs	1455	7.7	300	9.2
3.	Investments	830	4.4	99	3.0
4.	Loans Outstanding	14171	75.0	2177	66.8
a.	Short Term	13326		2153	
b.	Medium Term	845		24	
c.	Loans Overdue	542		319	
d.	Bad and doutful debt	7		2	
5.	Land and Buildings	156	0.8	74	2.3
6.	All Other Assets	1956	10.3	567	17.4
	Difference between Assets and Liabilities	1414		252	

Source : State Registrar of Cooperatives, Gujarat

Table 4.6
Financial Details of Selected
Employees' Credit Cooperative Societies
(All monetary values are in '000 Rupees)

		Maharashtra Housing Board ECS	Mahanand Dairy Employees Cooperative Society	Bhavnagar Distt. Co-op Bank ECS	ST ECS	Excel Industries ECS	Blind Men's Association Staff Cooperative	Ahmedabad Cotton Mills ECS
1.	City	Bombay	Bombay	Bhavnagar	Bhavnagar	Bhavnagar	Ahmedabad	Ahmedabad
2.	Year of Establishment	1968	1989	1965	1968	1972	1973	1960
3.	Age (Years)	26	4	29	26	22	21	33
4.	Members	3302	425	373	1912	931	157	724
5.	Audit Class			A	A	B	B	B
	Reference Date	30.3.93	30.3.93	30.6.93	30.6.93	30.6.93	30.6.93	30.6.93
I.	Liabilities and Owned Funds	12384.9	600.9	5666.3	16524.6	6600.7	2114.7	2860.0
a.	Share Capital	3830.0	319.5	1035.3	5800.0	2612.7	1257.5	1218.4
b.	Reserves	1995.5	10.7	350.5	914.6	971.2	68.5	77.1
c.	Compulsory Savings	0.0	0.0	0.0	5617.2	2228.5	0.0	0.0
d.	Deposits	5259.7	118.0	0.0	716.9	157.9	0.0	983.7
e.	Borrowings	0.0	63.0	4086.3	0.0	0.0	672.1	384.7
f.	Other	831.7	68.8	41.6	2584.0	44.9	0.3	17.3
g.	Profits	468.0	20.9	152.6	891.9	585.5	116.3	178.8
II.	Assets	12384.9	600.9	5666.3	16532.7	6600.7	2114.7	2860.0
a.	Loans	9563.9	581.8	5385.2	15603.1	5144.6	2055.4	2467.1
b.	Investments and Deposits	1551.6	0.0	275.5	473.0	89.8	58.0	90.4
c.	Cash and Bank Balance	33.9	1.6	1.9	5.6	9.8	0.6	2.6
d.	Other	1235.5	17.5	3.7	451.0	1356.5	0.7	299.9
III.	Income/Expenditure Account	92-93	92-93	92-93	92-93	92-93	92-93	92-93
1.	Income	1061.2	67.6	189.4	2663.3	832.0	232.6	361.1
a.	Interest from Loans	847.7	63.8	188.4	2661.8	673.9	220.9	176.9
b.	Other	22.6	3.8	1.0	0.6	49.5	6.1	184.2
c.	Interest from inv/dep	190.9	0.0	0.0	0.9	108.6	5.6	
2.	Expenditure	593.2	46.7	36.8	1771.4	246.5	116.3	182.3
a.	Interest	430.0	24.4	0.0	842.4	33.1	110.8	150.0
b.	Establishment	163.2	22.3	36.8	678.0	213.4	5.5	32.3
c.	Others	0.0	0.0	0.0	251.0	0.0	0.0	0.0
3.	Profits/Deficits	468.0	20.9	152.6	891.9	585.5	116.3	178.8

Table 4.7

Financial Performance of Selected Employees' Credit Cooperative Societies

		Maharashtra Housing Board ECS	Mahanand Dairy Employees Cooperative Society	Bhavnagar Distt. Co-op Bank ECS	ST ECS	Excel Industries ECS	Blind Men's Association Staff Cooperative	Ahmedabad Cotton Mills ECS
	a. CAPITAL STRUCTURE							
1.	Deposits/Owned Funds	0.90	0.36	0.00	0.94	0.67	0.00	0.76
2.	Debt Equity Ratio (Deposits+Borrowings)/Owned Funds	0.90	0.55	2.95	0.94	0.67	0.51	1.06
3.	Liabillity Structure (Percentage to total)							
a.	Share Capital	34.55	62.50	18.92	44.45	43.76	62.93	45.74
b.	Reserves	18.00	2.09	6.41	7.01	16.27	3.43	2.89
c.	Deposits	47.45	23.08	0.00	48.54	39.97	0.00	36.93
d.	Borrowings	0.00	12.32	74.68	0.00	0.00	33.64	14.44
	b. OPERATIONS							
4.	Debt-Coverage Ratio (Income - Op. Exp)/Int Exp	2.09	1.86	0.00	2.36	18.69	2.05	2.19
5.	Cost Coverage Ratio (Income - Int.Exp)/Op.Exp	3.87	1.94	5.15	2.69	3.74	22.15	6.54
6.	Cost of Funds (%)	8.18	13.48	0.00	13.30	1.39	16.49	10.96
	Returns on Lending (%)	8.86	10.97	3.50	17.06	13.10	10.75	7.17
	Spread (%)	0.69	-2.51	3.50	3.76	11.71	-5.74	-3.79
7.	Loans Outstanding/Deposits	1.82	4.93	0.00	2.46	2.16	0.00	2.51
8.	Loans Out./Working Capital	77.22	96.82	95.04	94.38	77.94	97.20	86.26
9.	Est.Cost/Outstanding Loans (%)	1.71	3.83	0.68	4.35	4.15	0.27	1.31
	c. PROFITABILITY ANALYSIS							
10.	Profit as a % of total assets	3.78	3.48	2.69	5.39	8.87	5.50	6.25
11.	Profit as a % of Shareholders' Funds	8.03	6.33	11.01	13.28	16.34	8.77	13.80

Source : Based on Published Annual Reports of Each Society

Notes : 1. Debt Service = (Total Income - Expenditure other than interest)/Interest Expenditure

2. Cost of Funds = (Interest Exp.) * 100 / (Deposits including savings + Borrowings)

3. Returns on Lending = (Interest Income) * 100 / (Total Outstanding Loans)

Table 4.8
Financial Details of Selected
Other Urban Credit Cooperative Societies
(All monetary values are in '000 Rupees)

		Shramik Credit and Supply Cooperative Society	Rajpur Bhagyodaya Credit and Supply CS	Samaj Sahayak	Sahayak Credit and Supply Cooperative Society	Platinum Credit and Consumers' Cooperative Society	Yerala Cooperative Society	Salgaan Sanmitra Cooperative Society Ltd.
1.	City	Ahmedabad	Ahmedabad	Baroda	Ahmedabad	Bhavnagar	Bombay	Bombay
2.	Year of Establishment	1987	1983	1970	1971	1960	1976	1970
3.	Age (Years)	7	11	24	23	34	18	24
4.	Members	450	538	1962	2068	1684	9122	5855
5.	Audit Class	B	B	A	B	A	A	A
6.	Type	UCCS	UCCS	UCCS	UCCS	UCCS	UCCS	UCCS
	Reference Date	30.6.93	30.6.92	30.6.91	30.6.92	30.6.92	31.3.92	31.3.92
I.	Liabilities and Owned Funds	308.8	628.6	4947.4	5441.6	15901.1	26340.4	31745.8
a.	Share Capital	255.0	429.5	536.6	1675.2	1941.9	4402.6	6368.8
b.	Reserves	26.5	61.9	935.0	1371.6	1444.5	1742.9	2315.4
c.	Compulsory Savings	0.0	0.0	2620.8	564.8	1107.4	0.0	438.2
d.	Deposits	0.0	0.0	579.9	1477.1	9068.4	11772.2	12592.3
e.	Borrowings	0.0	0.0	0.0	0.0	0.0	4761.0	3356.9
f.	Other	3.3	87.0	0.0	137.6	1411.0	3230.6	5983.6
2.	Profits	24.0	50.2	275.1	215.3	927.9	431.1	690.6
II.	Assets	308.8	628.6	4947.4	5441.6	15901.1	26340.4	31745.8
a.	Loans	307.2	595.5	4375.8	5404.4	10339.5	20461.6	22578.6
b.	Investments and Deposits	0.0	0.0	567.2	0.0	5136.1	2295.4	2189.8
c.	Cash and Bank Balance	1.6	8.4	4.4	1.9	176.5	113.2	13.5
d.	Other	0.0	24.7	0.0	35.3	249.0	3470.2	6963.9
III.	Income/Expenditure Account	92-93	91-92	90-91	92-93	92-93	92-93	92-93
1.	Income	29.5	65.7	602.3	543.1	2341.7	2611.2	3494.4
a.	Interest from Loans	28.2	64.8	599.5	542.4	1988.7	2107.3	3239.4
b.	Other	1.3	0.9	2.8	0.7	2.3	73.8	35.9
c.	Interest from investments	0.0	0.0	0.0	0.0	350.7	430.1	219.1
2.	Expenditure	5.5	15.5	327.2	327.8	1413.8	2180.1	2803.8
a.	Interest	0.0	0.0	275.0	182.8	1240.2	599.6	1668.8
b.	Establishment	5.5	15.5	47.4	89.8	160.3	1446.2	1035.0
c.	Others	0.0	0.0	4.8	55.2	13.3	134.3	100.0
3.	Profits/Deficits	24.0	50.2	275.1	215.3	927.9	431.1	690.6

Source: Based on Published Annual Reports.

Table 4.9

Financial Performance of Selected
Other Urban Credit Cooperative Societies
(All monetary values are in '000 Rupees)

		Shramik Credit and Supply Cooperative Society	Rajpur Bhagyodaya Credit and Supply CS	Samaj Sahayak	Sahayak Credit and Supply Cooperative Society	Platinum Credit and Consumers' Cooperative Society	Yerala Cooperative Society	Salgaan Sarmitra Cooperative Society Ltd.
	a. CAPITAL STRUCTURE							
1.	Deposits/Owned Funds	0.00	0.00	2.17	0.67	3.00	1.92	1.50
2.	Debt Equity Ratio (Deposits+Borrowings)/Owned Funds	0.00	0.00	2.17	0.67	3.00	2.69	1.89
3.	Liability Structure (Percentage to total)							
a.	Share Capital	90.59	87.40	11.48	32.92	14.32	19.41	25.40
b.	Reserves	9.41	12.60	20.01	26.95	10.65	7.69	9.24
c.	Deposits	0.00	0.00	68.50	40.13	75.03	51.91	51.97
d.	Borrowings	0.00	0.00	0.00	0.00	0.00	20.99	13.39
	b. OPERATIONS							
4.	Debt-Coverage Ratio (Income - Op. Exp.)/Int. Exp.	0.00	0.00	2.02	2.48	1.76	1.94	1.47
5.	Cost Coverage Ratio (Income - Int.Exp.)/Op.Exp.	5.36	4.24	6.91	4.01	6.87	1.39	1.76
6.	Cost of Funds (%)	0.00	0.00	8.59	8.95	12.19	3.63	10.18
	Returns on Lending (%)	9.18	10.88	13.70	10.04	19.23	10.30	14.35
	Spread (%)	9.18	10.88	5.11	1.08	7.05	6.67	4.16
7.	Loans Outstanding/Deposits	0.00	0.00	1.37	2.65	1.02	1.74	1.73
8.	Loans Outstanding/Working Cap.	99.48	94.73	88.45	99.32	65.02	77.68	71.12
9.	Est.Cost/Outstanding Loans (%)	1.79	2.60	1.08	1.66	1.55	7.07	4.58
	c. PROFITABILITY ANALYSIS							
10.	Profit as a % of total assets	7.77	7.99	5.56	3.96	5.84	1.64	2.18
11.	Profit as a % of Shareholders' Funds	8.53	10.22	18.69	7.07	27.40	7.01	7.95

Source : Based on Published Annual Reports of Each Society

Notes : 1. Debt Service = (Total Income - Expenditure other than interest)/Interest Expenditure

2. Cost of Funds = (Interest Exp) * 100 / (Deposits including savings + Borrowings)

3. Returns on Lending = (Interest Income) * 100 / (Total Outstanding Loans)

The procedures for savings mobilization vary for different societies. In most cases, the members are expected to make the deposits in the office of the cooperative before a fixed date every month. Most societies also have penal charges in case of delayed payments. For SECS, however, the compulsory savings are deducted directly from the monthly salary of the employee through an arrangement with the employer.

Some of the larger and/or older societies have also introduced different savings instruments like fixed deposit scheme where the amount is doubled in five years, or other time deposits. For example, the deposit schemes offered by the Platinum Credit and Consumer Cooperative Society are illustrated in Table 4.10.

Table 4.10
Deposit Schemes of Platinum Credit and Consumer Cooperative Society, 1992

Fixed Deposit	5 years	Amount doubled
Other Time deposits	2 years	13.0 % rate of interest
	1 year	12.5 % rate of interest
	3 months	11.0 % rate of interest
Call deposits	Minimum 30 days	9 % rate of interest

Source: Platinum Credit and Consumer Cooperative Society, Bhavnagar, Gujarat.

Credit - Assessment, Disbursal and Recoveries:

Credit is available to all members. There is generally a minimum period of regular compulsory savings required by all societies before a member becomes eligible for a loan. This varies from 6 months to about 2 years. The procedures for sanctioning the loans are simple as the executive committee generally has a fairly good knowledge of the member. Essentially, the procedure involves applications by all the interested members by a specified date each month. The loans are sanctioned on the basis of date of application. Rejections are not many (about 5 percent for the selected societies). Depending on the cash flow situation there maybe waiting lists, in which case the application is carried over to the next month. For the older societies, the borrowing limits from the DCCB provide adequate funds. This is largely due to the limits on maximum loan size and the dominance of short term loans. For example, the available details for Gujarat suggest that 92 percent of the loans advanced during 1991-92 were for a short term.

Table 4.11

Loans Advanced by Purpose in Urban Cooperative Societies, Gujarat, 1991-92

		ECCS		UCCS	
		Short Term	Medium and Long Term	Short Term	Medium and Long Term
1.	Small Scale Industries	0.02	0.00	1.15	0.71
2.	Trade and Commerce	1.58	0.00	5.28	0.55
3.	Minor Repairs to Properties	14.04	0.00	3.05	0.00
4.	Construction Loans	0.00	33.42	0.00	0.00
5.	Consumption	47.28	0.00	32.55	25.96
6.	Others	37.09	66.58	57.96	72.78
	Total	100.00	100.00	100.00	100.00
	Total Amount in Lakhs	12965	1139	2130	148

Source : State Registrar of Cooperatives, Gujarat

Table 4.12

Loans Advanced by Amounts, Gujarat, 1991-92

		ECCS		UCCS	
A.	Percentage to Total Borrowers				
		Short Term	Medium Term	Short Term	Medium Term
1.	Less than Rs 500	32.9	2.5	33.3	18.4
2.	Rs 501 to Rs 1000	21.6	6.7	29.2	73.9
3.	Rs 1001 to Rs 3000	28.8	32.9	30.7	5.9
4.	Rs 3001 to Rs 5000	9.1	46.3	3.1	0.0
5.	Rs 5001 to Rs 10000	5.5	6.6	2.8	1.8
6.	More than Rs 10000	2.1	4.9	1.0	0.0
	Total	100.0	100.0	100.0	100.0
	Total No.of Borrowers	645153	46077	136890	15179
B.	Percentage to Total Amount				
		Short Term	Medium Term	Short Term	Medium Term
1.	Less than Rs 500	7.8	0.3	8.2	7.1
2.	Rs 501 to Rs 1000	9.0	1.6	15.5	67.1
3.	Rs 1001 to Rs 3000	30.9	18.8	48.7	14.6
4.	Rs 3001 to Rs 5000	18.4	44.0	8.3	0.0
5.	Rs 5001 to Rs 10000	18.5	14.3	11.7	11.3
6.	More than Rs 10000	15.4	20.9	7.6	0.0
	Total	100.0	100.0	100.0	100.0
	Total Amount in Lakhs	12965	1703	2130	148

Source : State Registrar of Cooperatives, Gujarat

Purpose of Loans: The loans are available for any purpose. However, they are largely used to meet social obligations, health related expenses and also for housing upgradation or construction. The details for Gujarat suggest that the ECCSs are more likely to give loans for housing related purposes. As shown in Table 4.11, the ECCSs in Gujarat have given 14 percent of the short term and 33 percent of the medium and long term loans for housing during 1991-92.The total value of loans during this year by PNASs in Gujarat was Rs. 227.6 million.

Loan sizes: The size of the loan is generally linked to the savings and is four to five times this amount. Alternatively, as noted above, a certain proportion of the loan amount is required as shares. There are clear limits in all the PNASs regarding the maximum loan amounts available to any member. Clearly, this amount is linked to the total resources of the society and are determined by both owned funds (share capital and reserves) as well as deposit mobilization. The former of these also determine the total borrowings possible from the DCCB. At the initial formative stages of a cooperative, the maximum loan amounts are low, in the range of Rs. 500 to Rs. 2,000. Over time, as the funds position improves, the maximum loan amounts are also increased. For example, for the Shramik Credit Cooperative Society in Ahmedabad which is only 6 years old, the maximum loan amount is only Rs. 2,500. However, for the Platinum Credit and Consumer Cooperative Society in Bhavnagar, which is 34 years old, the maximum loan amount is Rs. 50,000 and the maximum repayment period is 50 months.

The detailed information available for Gujarat, presented in Table 4.12, highlights the fact that credit cooperative societies focus on giving a large number of smaller loans.

Thus, generally over 50 to 70 percent of the loans are for less than Rs. 1,000. In terms of the value, however, the largest share is of loans between Rs. 1,000 and Rs. 5,000. Even for ECCSs, the loans above Rs. 10,000 are about 20 percent of the total loan amounts advanced.

Security for Loans and Defaults: The loans advanced by the credit cooperative societies are unsecured and largely based on personal surety/guarantee of other members. The UCCSs also gave 16.4 percent of the total loans using immovable property as security. (Refer table 4.13).

The real effective security in cooperative society lending thus is group and peer pressure. The rapport of the executive committee with the members and a quick

Table 4.13
Loans Outstanding by Security
(at the end of March, 1992)

	Security	ECCS		UCCS	
		Total	% to Total	Total	% to Total
1.	Immovable Property	183	1.3	417	16.4
2.	Surety	10406	73.4	944	37.1
3.	Unsecured	1935	13.7	995	39.1
4.	Others	1647	11.6	191	7.5
	Total Outstanding	14171	100.0	2547	100.0

Table 4.14
Delinquency in Repayments in Urban Cooperative Societies, Gujarat
(As on March, 1992)

		ECCS		UCCS	
A.	Number of Defaulters	Total	As % to Total Borrowers	Total	As % to Total Borrowers
1.	Total Defaulters	25332	3.4	6548	3.6
2.	Upto 1 Year	7733	1.0	2115	1.2
3.	1 to 2 Years	6613	0.9	1281	0.7
4.	2 to 3 Years	3884	0.5	2112	1.2
5.	Over 3 Years	7102	1.0	1040	0.6
	Total Borrowers		746000		181000
B.	Amount Overdue	Total in Lakhs	As % to Total Outstanding	Total in Lakhs	As % to Total Outstanding
1.	Total Overdue	542	3.8	319	14.6
2.	Upto 1 Year	183	1.3	85	3.9
3.	1 to 2 Years	119	0.8	103	4.7
4.	2 to 3 Years	112	0.8	68	3.1
5.	Over 3 Years	128	0.9	62	2.9
	Total Outstanding Loans in Lakhs		14171		2177

Source : State Registrar of Cooperatives, Gujarat

follow-up are critical in this approach. Further, the high priority given to the past repayment records and regularity in thrift for credit sanctions also act as an incentive for regular payments. This is evident from the detailed information on delayed payments presented in Table 4.14 for Gujarat. During 1991-92, only about 3.5 percent of the borrowers had defaulted. The total default amounts ranged from 3.8 to 14.6 percent of the total outstanding loans for the ECCS and UCCS respectively. Unfortunately, as the available data does not report the total recoverables, it is not possible to ascertain the recovery rates.

Profitability:

At an aggregate level, as we reviewed earlier, the cooperative societies in Gujarat show a better performance with only 12 to 15 percent of them making losses. The ECCSs in Maharashtra perform even better. However, amongst the UCCSs in this state, almost a fourth are in the red. The profitability analysis shown for the selected societies in Tables 4.7 and 4.9, range from 7 to 27 percent on shareholders' funds and 1.6 to 9 percent on the total working capital. We explore the possible explanations for this performance below.

Spread on Operations: For a financial institution, one of the main aspects of profitability relates to the spread achieved. Interestingly, for the selected credit cooperative societies, the spread was negative for three ECCSs and ranged from 0.7 to 11.7 for the others. For UCCSs, the spreads were generally higher with only one society having a low spread of 1.1 percent. For all others, these ranged from 4.2 to 10.9 percent.

Costs of Management: Compared to the very high management costs reported for the NGO linked financial systems in the previous chapter, the credit cooperative societies show a much lower level of costs. For the 14 selected cooperative societies, the establishment costs ranged from as low as 0.27 percent of the total outstanding loan balance to the highest at 7 percent. For most, however, the costs were largely in the range of 1 to 2.5 percent. Further, in most cases, the financial operations adequately covered these costs with the cost coverage ratios being generally in the range of 3 to 5. There is also no significant difference between the ECCS and UCCS for management costs.

The detailed data available for Gujarat for 1991-92 suggest somewhat higher costs of management, including depreciation and other expenses at about 6 percent of the outstanding loans. (refer Table 4.15).

Table 4.15

Costs of Management for Urban Credit Cooperative Societies, Gujarat, 1991-92
(All monetary values are in '00000 Rupees)

		Employees' Credit Cooperative Societies		Other Urban Credit Cooperative Societies	
		Total	% to relevant totals	Total	% to relevant totals
a.	Salaries	274	29.11	65	46.62
b.	Rent	22	2.33	10	6.83
c.	Depreciation	1	0.16	5	3.51
d.	Other Expenses	644	68.40	60	43.04
	Cost/Borrower in Rs	136		92	
	Cost/Member in Rs	77		23	
	Cost/Society in Rs	34564		22544	
	Cost/Outstanding loans (%)	6.4		6.1	

Source : State Registrar of Cooperatives, Gujarat

Table 4.16

Operations of Credit Cooperative Societies, Gujarat, 1991-92

(All monetory values are in '000 Rupees)

		Employees' Credit Cooperative Societies		Other Urban Credit Cooperative Societies	
		Total	% to relevant totals	Total	% to relevant totals
1.	Number of Societies	2724		620	
2.	Total Members	1225000		613000	
a.	Number of members borrowing during the year	691230	56.43	152069	24.81
b.	Number indebted at the end of the year	746000	60.90	181000	29.53
3.	Number of Societies Advancing	2265	83.15	511	82.42
4.	Total Loans and Advances (Rs Lakhs)	14667		2284	
a.	Loans	14667		2279	
	Short Term	12965	88.39	2130	93.49
	Medium Term	1703	11.61	148	6.51
b.	Cash Credits and Overdrafts	0		5	
5.	Total Recoveries (Rs Lakhs)	14129		2121	
a.	Loans	14129		2115	
	Short Term	12558	88.88	1962	92.76
	Medium Term	1571	11.12	153	7.24
b.	Cash Credits and Overdrafts	0		5	
6.	Total Borrowings (Rs Lakhs)	5610		535	
7.	Number of societies borrowing	1569	57.60	307	49.52
8.	Profit/Loss (No. of Societies)				
a.	Profits (886),(123)	2166	79.5	511	82.4
b.	Loss (76,9)	409	15.0	77	12.4
c.	No Profit/No Loss	149	5.5	32	5.2

Source : State Registrar of Cooperatives, Gujarat

4.5 Role of Urban Cooperative Banks (UCBs):

The UCBs play a significant role both in mobilizing household deposits and, especially, in lending to the household sector. They have a fairly good rapport with their members which can be extremely useful for housing finance also. In fact, the available data for Gujarat suggests that the urban cooperative banks played an important role in housing with the outstanding loans of over Rs. 16460 million for this purpose in 1990 at about 11 percent of the total lending. Detailed studies of selected cooperative banks showed that the housing loans as a proportion of total outstanding loans has come down from 51 percent in 1984-85 to 33.4 percent in 1989-90 for the Anyonya Cooperative Bank.

We explore the possible reasons for this based on the discussions with some of the leading banks in Ahmedabad, Baroda and Bombay.

Housing as a Priority Sector: The UCBs are required to lend 60 percent of their funds for the priority sector. For housing, the loans of less than Rs. 25,000 are considered as a part of the priority sector. Given the price levels for housing, this limit makes the price to loan ratios very unattractive for the potential borrowers. On the other hand, for many of the banks, the credit to deposit ratios are rather low, ranging between 0.5 to 0.6, suggesting the possibility of increased lending. It would thus be advisable o increase the loan ceiling for housing to be included as a priority sector, at least in line with the NHB pattern for refinance.

Limits on Extent of Housing Finance: The RBI, through its circular in 1989, has fixed the maximum limit on lending for housing at 10 percent of the net worth or 25 percent of the incremental deposits. While this limit may not affect the very large UCBs , some of the smaller UCBs, which had an extensive portfolio for housing, have been constrained by this limit.

Possibility of lending to Primary Housing Cooperative Society: At present, due to the State Cooperative Acts, the UCBs which are also considered as primary ones, are not permitted to induct the primary housing societies as members. If this is permitted, it would enable the UCBs to improve their lending for housing purposes considerably. This requires a change in the state level Cooperative Acts.

Permission to lend for schemes under Section 21 of ULCRA: At present, the UCBS are not permitted to lend for housing schemes taken under Urban Land Ceiling exemptions.

As these schemes are cheaper and compatible with the affordability of the borrower groups, such a permission will enhance their role in reaching the lower middle classes for housing finance. However, HDFC does lend for schemes under Section 21 of ULCRA.

Technical Assistance/ Refinance/ Risk Fund: Some of the smaller UCBs like SEWA do not have the experience of long term mortgage financing. They would benefit from technical assistance and some support in the form of a risk fund in the initial years to get them started. This may also be true for other Women's UCBs. This approach will help larger cooperative societies that do not require additional funds. Housing finance institutions will improve their credit/deposit and credit/working capital ratios and, therefore, improve profitability. However, initially it may be helpful to provide refinance (line of credit) for this purpose which will help to build up their expertise and confidence for long term lending. Subsequently, they will be able to carry out these activities with their own funds.

4.6 SUMMARY:

Our review of the urban cooperative finance systems has highlighted the widespread, but little known and even less studied network of over 32,000 non-agricultural Urban Credit Cooperative Societies in India. This network serves the lower middle income and low income groups in urban centres. They also have considerable regional spread. The Gujarat experience suggests that the cooperative finance institutions can particularly help increase the reach in smaller urban centres where most HFIs do not have branches.

Of the two types of credit cooperative societies, the ECCS are more potential candidates for linkages as it would be possible to have employment linked loans with payroll deductions. As the other UCCSs are generally more location (neighbourhood) specific, their potential as intermediary will be greater for housing upgradation loans.

In general, we found that specific efforts are required to develop housing market information systems. This will enable a number of members to purchase houses in the same locality. On the other hand, ECCSs, as they are linked to the workplace and enable payroll deductions, do not face such constraints. However, even in this case, market information would be extremely helpful. The HFIs also seem to have a misconception of the prevalent house prices. It is quite likely as we saw in cities of Gujarat, Andhra Pradesh, Kerala and Madhya Pradesh, that the private sector developers have been

constructing housing, within the affordable costs for the low income groups.

The Urban Credit Cooperative Societies are essentially based on the principle of developing regular thrift habits amongst their members. Over time, they advance to a wider variety of savings instruments. The lending is closely linked to the internally mobilised resources, the owned funds and deposits. External borrowing is generally confined to 15 percent of the total capital employed. There appears to be considerable potential for increasing their resource base as their credit deposit ratios (and even ratio of credit to total working capital) are high. Such infusion of resources, however, has to be done quite carefully as 6 to 30 percent of such cooperatives were found to be making losses in the three states reviewed. Further, there are delays in loan repayments and even the spreads were found to be negative in some of the societies studied.

The credit societies, till they are quite mature, generally have a ceiling on maximum loans and give only short-term loans. While the credit societies may be given funds even on a bulk basis using them as intermediary, the loan conditions need to be specified carefully and in relation to the past performance of the society. Some innovative financial arrangements to cover the delinquency risk and good underwriting criteria to assess the credit worthiness of the borrower are essential.

Our analysis suggests that both the credit cooperative societies and Urban Cooperative Banks have been lending for housing purposes. However, the credit societies and even some of the smaller urban cooperative banks which have been giving funds for housing repairs and upgradation, do not have any way of monitoring the use of the loan. While an elaborate monitoring system would increase the management costs substantially, it may be feasible to develop a technical assistance facility for a group of cooperatives in a financially viable manner, which can also take on a monitoring role. An NGO like FTCA and its regional associations may be ideally suited to perform such a role.

Our discussions with a number of officials in the cooperative sector suggest that there may be two possible approaches to linkages. In the first case, the cooperative may essentially act as an intermediary, as an originating and servicing agency of loans for which they have received bulk credit from an HFI on certain terms and conditions. This may be done with the employer and/or the District Cooperative Registrar, facilitating the process of identifying the specific cooperative societies. In this arrangement, strict financial appraisal of the cooperative society would be necessary.

In the second arrangement, the role of the cooperative may be to assist the HFI in loan origination and servicing. However, the actual loan agreement could be made directly between the HFI and the borrower. The cooperative may receive a service charge for its assistance. This arrangement would be preferable for larger loans and in cases where the cooperatives do not have any direct experience. Over time, with successful performance, the linkage may mature into a bulk loan arrangement.

For the cooperative banks, enhancing their role for housing finance requires some supportive policy changes by RBI, related to removal of the restrictions on their lending, inclusion of all housing loans upto Rs. 2.0 lakhs as priority sector lending, and direct refinancing by NHB as in the case of other HFIs. These policy changes are essential, as the UCB's target group is largely the families below the median income.

On the whole, while such linkages and financial arrangements need to be developed carefully and cautiously to ensure long-term system viability, there seems to be considerable potential in exploring the infrastructure of cooperative financial institutions in Indian cities, both to enhance the reach of these groups and to expand the market for housing finance. It is likely that these arrangements will themselves help to strengthen the cooperative system, if the financing is approached on a totally commercial basis.

PART II

PROFILES

PROFILES OF HOUSING FINANCE INSTITUTIONS

LIST OF HOUSING FINANCE INSTITUTIONS

1. Can Fin Homes Limited
2. Cent Bank Home Finance Limited
3. Dewan Housing Finance Corporation Limited
4. General Insurance Company Gruh Vitta Limited
5. Gujarat Rural Housing Finance Corporation Limited
6. Housing and Urban Development Corporation
7. Housing Development Finance Corporation
8. Life Insurance Corporation Housing Finance Limited
9. State Bank of India Home Finance Limited

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1. *CAN FIN HOMES LTD. (CHFL)*

Background:

CAN FIN Homes started its operations in 1988. Its main promoter is Canara Bank. CHFL has branches in 10 states and 2 Union Territories. Since its inception, it has assisted in the construction of 52,000 dwelling units.

The company's paid up capital increased from Rs. 10.00 crores in 1992 to Rs. 20.44 crores in 1993.

Downmarketing Housing Finance to Low Income Groups:

CHFL has mainly catered to the salaried class, so far. Even this has been restricted to new house construction. Its officials believe that persons without a regular, salaried income of Rs 3000/- (minimum) do not have the ability to repay a home loan. CHFL perceives that there are several problems in lending to the urban poor. They are,

- Problem of recovery
- High degree of mobility of slum-dwellers, which may make them leave without a trace, after obtaining a loan.
- Lack of legal title, raising the possibility of eviction.

Conditionalities :

CHFL is not willing to finance ventures involving low income groups, and is reluctant to participate even in pilot projects. Its present lending rate to low income groups is 16 per cent and the company is unwilling to lower the same, unless it gets matching concessions/ benefits.

CHFL would only consider linkage projects with NGOs of 'good reputation', only if low-cost funds are made available to it, with a minimum spread of 4-4.5 per cent for the company, and the NGO provides organisational guarantee to repay the loans.

Operational Highlights: CHFL	(1992-93) *(in Rs Crs)*
Funds Employed	
Shareholders' Funds	35.99
Share Capital	20.44
Reserves & Surplus	15.55
Application of Funds	
Housing loans	281.73
Investments	35.03
Current Assets, Loans & Advances	55.50
Less: Current Liabilities & Provisions	19.23
Net Current Assets	36.26
Fixed Assets	
Gross Block	2.19
Less: Depreciation	0.57
Net Block	1.61
Profit Before Tax	5.42
Profit After Tax	1.65
Profit After Tax	
P.A.T. available for appropriations	6.97
Establishment Expenses as % of Outstanding Loans	1.17

Source : CHFL, Annual Report, 1992-93

2. *CENT BANK HOME FINANCE LIMITED (CBHFL)*

Background :

Cent Bank Home Finance Ltd. was set up in 1991. Initially, for a year, it was known as Apna Ghar Vitta Nigam Ltd.

Its main promoter is Central Bank of India. Its sponsors include UTI, NHB and HUDCO. The company also secured assistance from HDFC in its formation and smooth running.

The company has its Registered Office in Bhopal and the state of Madhya Pradesh is its core area of operation. Currently, it has 7 branches - 5 in M.P., 1 in Delhi and 1 in Bombay. The company's authorised capital is Rs. 25 crores and its paid up capital is Rs. 5 crores (as on March, 1993).

Downmarketing Housing Finance to Low Income Groups :

Cent Bank Home Finance has not gone into low-income housing finance in a big way. In 1992-93, its loans to LIGs have been placed at 10.52% of its total loans sanctioned (JPS, 1993).

Loans to LIG given till now have covered salaried employees only, with 4-5 years of service in an organisation. Loans upto Rs. 25,000 have been given to this category of people, as per NHB guidelines (12.5% rate of interest, where .5% is the tax on interest, payable in a maximum of 20 years). CBHFL also gives loans to Housing Boards (and their final beneficiaries), Development Authorities, private developers and Co-operative Housing Societies.

Its loans have to be secured by equitable mortgage of property and personal guarantee/shares/ LIC policies/NSC/UTI units/Fixed Deposits with Central Bank of India.

The company is willing to enter the areas of low-income housing finance with either direct loans to individuals or with a line of credit to NGOs.

Operational Highlights : CBHFL	1992-93 *(in Rs. Crs.)*
Funds Employed	
Shareholders Funds	5.38
Share Capital	5.00
Reserves & Surplus	0.38
Loan Funds	2.24
Secured Loans	2.03
Unsecured Loans	0.20
Application of Funds	
Housing Loans	9.45
Investments	0.19
Current Assets, Loans & Advances	2.12
Less: Current Liabilities & Provisions	2.12
Fixed Assets	
Gross : Block	0.05
Less : Depreciation	0.03
Net : Block	0.05
Profit Before Tax	0.72
Less : Provision for Taxation	0.22
Profit After Tax	0.49
P.A.T. Available for Appropriations	0.55
Establishment Expenses % of Outstanding Loans	0.99

Source : CBHFL Annual Report, 1992-93

3. *DEWAN HOUSING FINANCE CORPORATION LIMITED (DHFL)*

Background :

DHFL is a housing finance company incorporated and the Companies Act, 1956. It has been classified as an HF1 by NHB and the Ministry of Finance, GOI.

DHFL lends at interest rates specified by NHB to individuals, co-operative societies, corporate bodies and association of persons for residential houses other than resort houses. It also provides free Accident Risk Cover and Property Insurance to the extent of loan liability to safeguard the continued possession of the property by the borrower and/or his family.

DHFL offers NHB's Home Loan Account Scheme as well as 3 other schemes - the Home Plus Scheme for individuals, the Progressive Repayment Scheme for Businessmen and professionals and the Regressive Repayment Scheme for applicants due for retirement in 5-10 years who apply jointly with younger applicants.

Table 1

Loan Terms of DHFL, 1993

Loan Amount (Rs.)	Interest Rate P.a %	Repayment Period
1. Upto 7,500	10.00	7 - 15 years (extendable upto 20 years)/age of retirement of 60 years.
2. 7,501 - 15,000	11.50	
3. 15,001 - 25,000	13.00	
4. 25,001 - 50,000	15.00	
5. 50,001 - 1,00,000	15.50	
6. 1,00,001 - 2,00,000	16.00	
7. 2,00,001 - 5,00,000	18.00	

Source : DHFL.

4. GIC GRUH VITTA LIMITED

Background :

GGVL was incorporated in 1990. It was jointly promoted by the General Insurance Company of India and its subsidiaries with IFCI, ICICI, UTI, HDFC and SBI.

GGVL has offices in Bombay, New Delhi, Calcutta, Madras, Bangalore, Hyderabad, Kochi, Lucknow and Panaji and will soon cover all state capitals as well.

Currently, it has an equity capital base of Rs. 5 crores. However, its rights issue proposed shortly would expand the same to Rs 10 crores, which will provide the necessary leverage for additional borrowing of Rs. 50 crores as per NHB guidelines. (Its authorised share capital is Rs. 50 crores).

Downmarketing Housing Finance to Low Income Groups :

In 1991-92, 14.68% of the total loans sanctioned by GGVL went to below medium income households (JPS, 93). GGVL has financed 1600 loans of Rs.25,000 each under, its scheme called GIC Apna Ghar Yojana (AGY), to mathadi workers in Bombay. These account for almost 35% of its loans given under the scheme. In this project, direct payroll deduction has been arranged to minimize credit risk.

It has a number of schemes for long-term housing loans to individuals, groups and corporate bodies, for the purchase, construction and renovation of dwellings.

The appraisal of applicants for the scheme is done on the basis of their age, qualifications, number of dependents, stability and continuity of income, or attainment of 65 years of age, whichever is earlier. The security for a loan is the title deed of the property. Guarantee by two individuals is acceptable too, besides collateral security by assignment of LIC policy/pledge of units of GIC Mutual Fund/UTI/NSC.

Its parent company GIC has so far sanctioned loans to the tune of Rs. 600 crores to state government and agencies like HUDCO, for their housing programmes.

Table 1

Operational Highlights : GGVL	1992-92 *(in Rs. Crs.)*
Funds Employed	
Shareholders Funds	7.33
Share Capital	5.00
Reserves & Surplus	2.33
Loan Funds	2.24
Secured Loans	56.86
Application of Funds	
Housing Loans	
Investments	44.71
Current Assets, Loans & Advances	16.20
Less: Current Liabilities & Provisions	3.78
Net : Current Assets	1.67
Fixed Assets	2.11
Gross : Block	1.04
Less : Depreciation	0.05
Net : Block	0.66
Profit Before Tax	2.11
Less : Provision for Taxation	0.65
Profit After Tax	1.46
Profit After Tax Available for Appropriations	1.57
Estbalishment Expenses as % of Outstanding Loans	2.24
Cumulative No. of Loans Sanctioned	6268

Source : GGVL, Annual Report, 1992-93.

Table 2

GGVL : Loan Terms Under Different Schemes

Scheme	Amount (Rs '000)		Repayment period	Interest (%)
	Minimum	Maximum		
Apna Ghar Yojana (AGY)	20	500	5-20 years/ retirement age/ 65 years	13-16.5
Employees' Housing Schemes	50	350	5-7 years	16-17
Housing repair/ Renovation Scheme	10	50	7 years/ retirement age / 65 years	14-16
NRI Housing Loan Scheme	-	10	5-15 years/ retirement age/ 65 years	N.A.
Line of Credit through CO'.	as required by co. for loan sanctions to employees		7-20 years.	As per AGY scheme
Line of Credit 'to company'	as required by co. for loan sanction to employees under Housing Loan Scheme		N.A.	As per AGY scheme
Construction Finance Scheme	50% of total project cost		6 months 3 years (36 months)	20-22

Source: GGVL

5. GUJARAT RURAL HOUSING FINANCE CORPORATION LIMITED (GRUH)

Background:

GRUH Finance was established in 1986 with a view to pioneer a systematic flow of institutional finance for rural housing in Gujarat. Though incorporated in July 1986, it began its lending operations in January, 1988. GRUH was initially promoted and supported by the Government of Gujarat, HDFC, International Finance Corporation, Washington and the Aga Khan Fund for Economic Development. The Ahmedabad Study Action Group (ASAG) conducted a feasibility study prior to the setting up of the company.

GRUH has raised funds from NHB, UTI, LIC, Commercial Banks and other financial institutions. It has also attempted to mobilise household savings through attractive deposit schemes.

In 1992-93, GRUH entered the capital market with its maiden Composite Rights cum Public Issue. GRUH has an authorised capital of Rs. 10 crores and a paid up equity base of approximately Rs. 5 crores.

Downmarketing Housing Finance to Low Income Groups:

In 1991-92, 27.2% of its total loans were sanctioned for low income households, according to a 1993 study by JPS. GRUH is currently exploring the possibility of KfW-NGO tie-ups in rural areas. It has also linked up with ASAG in Valod, Gujarat, to provide housing finance to 9000 low-income families (with an average loan requirement of Rs. 8000/- per unit).

GRUH currently utilises the milk cooperatives and other cooperative structures as facilitators for servicing their loans to rural households.

Conditionalities:

The company is willing to explore the idea of a line of credit arrangement to low income households in the peripheral areas of cities through NGOs. It is also willing to relax certain requirements like security and repayment period. However, it insists that its lending will be at least above its own cost of funds.

GRUH gives loans for upgradation and extension in rural areas and is willing to do the same in urban peripheries. It is also open to the idea of giving loans for community infrastructure also.

Operational Highlights: GRUH	(1992-93) *(in Rs. Crs.)*
Funds Employed	
Shareholder's Funds	
Share Capital	5.15
Reserves & Surplus	1.15
Loan Funds	40.35
Secured Loans	36.49
Unsecured Loans	30.86
Application of Funds	
Housing loans	38.76
Investments	-
Current Assets, Loans & Advances	6.36
Less: Current Liabilities & Provisions	1.72
Net Current Assets	4.63
Fixed Assets	
Gross Block	0.73
Less: Depreciation	0.12
Net Block	0.61
Profit Before Tax	0.81
Less:Provision for Tax	0.17
Profit After Tax	0.64
Profit After Tax	
P.A.T. available for appropriations	0.79
Establishment expenses as % of outstanding loans	2.5

Source: GRUH Annual Report, 1992-93

6. HOUSING AND URBAN DEVELOPMENT CORPORATION LTD. (HUDCO)

Background :

HUDCO is a public sector techno-financial institution for housing in India. It is a public company registered under the Companies Act, 1956. The chief promoter of HUDCO is the Government of India through the Ministries of Urban Development. The corporation had an equity base of Rs.165 Crs.in 1991-92, the highest amongst all HFIs in India.

Downmarketing of Housing Finance to Low Income Households :

HUDCO is the only HFI with a mandate for 55% allocation of funds for EWS/LIG households (with 15% for EWS rural). The major emphasis in low income financing has been on more liberal financing terms in relation to lower rates of interest, larger repayment period. and higher loan to cost ratios. In addition, there have been cost ceiling for low income housing, determined in relation to affordability. HUDCO has been able to mobilise long term, low-cost funds to meet this requirement. The Corporation's policies have been geared to achieve the goals set by the National Housing Policy, the thrust area being housing for low income groups. HUDCO has so far not only financed social housing schemes but also attempted to provide basic community facilities and infrastructural services. It has also been involved in self-help housing and sites and services schemes, core housing, and shelter upgradation. HUDCO essentially provides bulk loans to a variety of public housing agencies, development authorities, etc. It has not concentrated on ensuring cost recovery from these groups, relying more on government guarantees.

HUDCO has several schemes especially designed for low-income households - the Basic Sanitation Scheme, the Land Bank for the Shelterless Scheme and the recently started scheme for financial assistance for low income households through NGOs.

Under the Land Bank for the Shelterless Scheme, 5-15% of the land developed in any project of HUDCO has to be reserved for the shelterless. So far, 350 ha have been reserved under the scheme but the utilisation this land has not been significant. HUDCO plans to introduce special scheme to use this land.

Under its scheme for financing low-income groups through NGOs, HUDCO proposes to team up with NGOs with a proven track record and provide loan assistance for house construction or upgradation for economically weaker sections on a pilot basis. The responsibility for savings mobilisation, employment generation, enhancing the capacity for servicing loans as well as the responsibility for repayment of the loan, shall be vested in the NGO. The terms for such loans would be the same as for other EWS loans. (Currently, HUDCO charges 9% interest on EWS loans.). The security may be mortgage of property/bank guarantee/a cash deposit of 25% of the loan amount or a guaranttee in appropriate form, by the NGO. NGOs that have idle funds which do not give them adequate returns could deposit these with HUDCO to give better returns and act as security against defaults in repayments to HUDCO. At present, HUDCO is considering the collaboration with several NGOs including CEDMA, SEWA and BCC, under this scheme.

Table 1

Operational Highlights : HUDCO	1991-92 *(in Rs. Crs.)*
Funds Employed	
Shareholders Funds	
Share Capital	165.00
Reserves & Surplus	210.37
Loan Funds	3306.26
Secured Loans	95.55
Unsecured Loans	2815.27
Application of Funds	
Loans for hsg., urb. devel, sanitn., bldg. mat. schemes, etc.	2460.98
Investments	727.50
Current Assets, Loans & Advances	2723.81
Less : Current Liabilities & Provisions	158.68
Net Current Assets	2565.13
Fixed Assets	
Gross Block	17.39
Less : Depreciation	3.77
Net Block	13.61
Profit Before Tax	
Less : Provision for Taxation	41.05
Profit After Tax	27.80
Profit After Tax Available for Appropriations	28.07
Estbalishment Expenses as % of Outstanding Loans	0.30
Cumulative No. of Loans Sanctioned	N.A

Source : HUDCO, Annual Report, 1991-92.

Table 2

Loan Terms of HUDCO

Category	Maximum Loan Amount	Rate of interest (%)	Repayment period (years)
EWS			
(Urban) EWS house	19,500	9	15
Community Toilets	N.A.	10	12
Repairs/ Additions	9,500	9	10
LIG			
LIG House	42,000	12	15
Repairs/ Additions	21,000	12	10
MIG			
MIG House	21,000	14.5	15
Repairs/ Additions	55,000	14.5	10
HIG			
HIG House	2,00,000	16.5	15
Repairs/ Additions	100,000	16.5	10
Slum Upgradation, E/S, including inner city area	4,000	As per EWS norms	
Handloom Workers & Bidi Workers	Housing loan as per HUDCO norms and subsidy on working shed loan as per GOI guidelines.		

Source : HUDCO

7. HOUSING DEVELOPMENT FINANCE CORPORATION (HDFC)

Background:

HDFC was formally incorporated in 1978. It was promoted by ICICI, the International Finance Corporation and the Aga Khan foundation, each contributing to the equity of the Corporation. Since then, HDFC has received loans/guarantees from USAID, the Commonwealth Development Corporation, the International Finance Corporation, KfW and the World Bank. In 1981, it promoted a wholly owned subsidiary, HDFC Developers Ltd., to undertake the construction of housing projects. In 1989, it established the Centre for Housing Finance at Lonavala, which offers international training in Housing Finance Management.

HDFC has also promoted other housing finance companies like GRUH finance, CAN FIN Homes and SBI Home Finance. Since 1991, it has promoted the coalition of Housing Finance Institutions jointly with UNCHS (Habitat).

HDFC's head office is in Bombay and its has 25 other offices spread over different cities in the country. It is the premier private housing finance company in India. The company had an equity base of Rs. 68.62 crores in 1992-93.

HDFC's cumulative loan disburals so far have been approximately Rs. 3594.32 crores. It has financed 7.2 lakh units through its cumulative loan approvals.

Downmarketing Housing Finance to Low Income Groupss:

HDFC has, in recent years, made an effort to reach out to low-income borrowers through its Shelter Assistance Fund and through a line of credit arrangement with the Kreditanstalt fur Wiederaufbsau (KfW), a German Development Bank.

A study by (JPS, 1993) indicates that HDFC sanctioned 24% of its loans to below median income (Rs. 2800 p.a) households between 1991-92.

KfW, on the other hand, sanctioned a line of credit of DM 25 million to HDFC for the financing of low income projects. Up to March 31, 1993, DM 12 million (Rs. 17.65 crores) was disbursed. HDFC has sanctioned Rs. 39.97 crores so far, for 43 low-income projects covering 34,550 units, under this line of credit, of which Rs. 15.74

crores has been disbursed. The average cost per unit and the average loan works out to Rs. 19,000 and Rs. 11,500 respectively.

In 1992-93, a second line of credit was offered to HDFC by KfW, totalling DM 30 million. HDFC intends utilising this, for infrastructure development projects and for the promotion of building centres, in addition to existing activities of house construction, improvement and extension.

Loans to low-income households are either given directly or routed through NGOs. HDFC also collaborates with governmental housing projects for low income groups.

The KfW line of credit comes to HDFC through the Government of India (in rupees) at 6 per cent annum and the same is disbursed to beneficiaries at 7.25 per cent per annum, the term of the loan being 22 years. The loans are disbursed in instalments, depending on the stages of construction. HDFC emphasizes on peoples' participation and self-help wherein beneficiaries contribute both in terms of cash and labour for the construction of their houses. HDFC also makes an attempt to ensure that low-cost technologies and locally available materials are used for making houses that are affordable.

Of the projects taken up under the KfW line of credit, 80% are through NGOs, the other 20% being through governmental agencies and development authorities. Most of their projects have been in rural areas, as they have found it difficult to identify appropriate projects in urban areas.

Conditionalities:

HDFC is willing to explore the possibilities in a downmarketing strategy both with the NGOs and the Corporative Financial Institutions. It is willing to allow a spread to them to meet their overheads as well as towards a risk fund. HDFC top management was extremely positive about using the urban credit cooperative society network, although the initial emphasis should be on the Employees' Credit Cooperatives as these enable payroll deductions. HDFC has also provided technical assistance to some of the NGO linked financial institutions to improve their loan origination and servicing processes. Such efforts would help considerably in the operationalisation of the downmarketing strategy.

Table 1

Operational Highlights: HDFC	(1992-93) (in Rs Crs)
Funds Employed	
Shareholders' Funds	
Share Capital	68.61
Reserves & Surplus	256.96
Loan Funds	3038.07
Application of Funds	
Housing loans	2561.71
Investments	307.94
Current Assets, Loans & Advances	595.90
Less: Current Liabilities & Provisions	158.74
Net Current Assets	437.15
Fixed Assets	
Gross Block	82.32
Less: Depreciation	25.48
Net Block	56.83
Profit Before Tax	73.05
Less:Provision for Tax	17.50
Profit After Tax	
P.A.T. available for appropriations	55.55
Establishment Expenses as % of Outstanding Loans	0.83
No. of Loans Sanctioned in 1992-93	1,09,382
Cumulative no. of Loan Sanctioned	7,19,458

Source : HDFC, Annual Report, 1992-93.

Table 2
Loan Terms of HDFC

Loan (Rs.) amount	Rate of interest	Repayment period
Upto 7500	10.5	Range 5-20 years (Retirement age/65 years of age)
7501 - 15000	12.0	
15001 - 25000	13.5	
25001 - 50000	15.5	
50001 - 100000	16.0	
100001- 500000	16.5	
KFW line of credit N.A.	7.25	22 years

Source : HDFC

8. LIC HOUSING FINANCE LTD. (LIC HFL)

Background:

LIC Housing Finance Ltd. was set up as a separate company (distinct from LIC) in 1989. Its main promoter is LIC of India, a statutory body set up by an Act of Parliament, the LIC Act, 1956. Its other major shareholders are Unit Trust of India, Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India. As on March 1993, LIC HF had 63 offices throughout the country. It also enjoys the backing of 5 lakh agents of LIC of India. The company's authorised capital is Rs. 1000 million and its paid up capital amounts to Rs. 350 million.

Downmarketing Housing Finance to Low Income Groups:

LIC HFL sanctioned approximately 9.5% of its total loans to people with incomes less than Rs. 2800 in 1991-92 (JPS, 1993). So far, it has mainly catered to the salaried, middle-class. Its current schemes are also designed for this category.

The Company has 4 loan schemes for individuals, of which 3 schemes require life insurance policies as collateral. It also lends against fixed deposits and mortgage of property (as additional collateral). The company gives loans to corporate bodies as well, for building houses for their employees, etc. and to public housing agencies like State Government Housing Boards, Police Housing Corporations and City Development Authorities.

One of its ventures into low-income housing finance was the Mathadi Workers' Scheme. In this scheme, the loan repayments were ensured through payroll deductions. It has also collaborated in a World Bank aided sites and services project. In some other efforts in West Bengal, they have found the problems of high defaults.

Currently, for loans upto Rs. 25,000, LIC HFL charges an interest of 12% p.a, payable in EMIs for a maximum of 30 years.

Conditionalities:

LIC HFL is willing to enter the low-income housing market, on an experimental basis, at first. It is willing to consider a line of credit arrangement through NGOs, allowing some spread to the NGOs. It would also like to train NGO personnel for

financial management. It also sees possibilities in collaborating with State Government Housing Boards for EWS housing.

At present, LIC HFL cannot give infrastructure loans, as the articles in its memorandum do not permit the same. However, the company is willing to consider the idea of amending the same at a later date, for community level infrastructure projects in low income areas.

Table 1

Operational Highlights :LICHFL	(1992-93) *(in Rs Crs)*
Funds Employed	
Shareholders' Funds	56.46
Share Capital	35.00
Reserves & Surplus	21.46
Loan Funds	889.52
Secured Loans	889.06
Unsecured	0.46
Application of Funds	
Housing loans	852.341
Investments	35.38
Current Assets, Loans & Advances	116.75
Less: Current Liabilities & Provisions	62.64
Net Current Assets	54.10
Fixed Assets	
Gross Block	4.35
Less: Depreciation	0.51
Net Block	3.83
Capital Advances	0.10
Profit Before Tax	18.77
Less:Provision for Tax	5.30
Profit after Tax	13.47
P.A.T. available for appropriations	13.49
Establishment Expenses as % of Outstanding Loans	0.76

Source : LICHFL, Annual Report, 1992-93.

Table 2

Loan Terms of LIC HFL

Loan Amount (Rs.)	Interest rate per annum (%)	Maximum repayment period
Upto 25,000	12.0	30 Years
25,001 - 3,00,000	16.0	"
3,00,001 - 5,00,000	16.5	"

Source : LICHFL

Table 3

LIC HF: Loan Terms Under Different Schemes

Scheme	Amount (Rs '000)		Repayment period	Interest (%)
	Minimum	Maximum		
Griha Jyoti (Group Insurance)	25	100	Max. 20 years/ Super an. 65 years	12.5 15.0
Griha Tara (Bima Sandesh Policy)	10	500	"	12.5 16.5
Griha Prakash (LIC Policyholder)	10	500	"	12.5 16.5
Griha Lakshmi (second house) LIC policy not a pre-req.	200	1000	15 years/ Super ann/70 years.	17.0 19.0

Source : LICHFL

9. STATE BANK OF INDIA HOME FINANCE LIMITED (SBI HFL)

Background:

SBI Home Finance Ltd. was set up in 1988. The link with SBI is useful in mobilising substantial household deposits and channelising them into housing finance. In its initial years, the company received managerial support from the State Bank of India and Housing Development Finance Corporation. Besides the services of experienced staff of these oganisations, SBIHFL was also extended a line of credit by the State Bank of India, while HDFC shared some business with the company.

The main area of operation of SBIHFL has been Eastern and North Eastern India. Its head office is in Calcutta. It has 4 regional offices at Bhubaneswar, Guwahati, New Delhi and Patna and plans to have offices in Bombay and Hyderabad as well.

The company has an equity base of Rs. 15 crores. It has disbursed loans to the tune of Rs. 96 crores so far and has financed approximately 30 lakhs units. Most of itslending activities have been linked to different state housing boards.

Downmarketing Housing Finance to Low Income Groups:

Of its total loan disbursals in 1991-92, 6.24% were sanctioned to people with incomes less than Rs. 2800/- (JPS, 1993). Most of its lending has been to middle and upper income groups. Credit has been disbursed as per NHB guidelines. Loans are given against mortgage of property or government guarantee. The repayment period is generally 4-5 years and may extend to a maximum of 10 years. The rate of interest is charged as per NHB guidelines.

The company generally gives individual loans greater than Rs. 5000 to low income households. Loan sizes generally vary between Rs. 15,000 - 20,000 for households in that category.

SBI HFL also has provisions for giving group guarantee loans, if associations of 25 or more people are formed. Hoever, to avail such a loan, a group must have legal land titles.

Conditionalities:

The company is keen to go in for low-income financing in a big way-- for new housing/upgradation/infrastructure. However, it would not venture into this unless individuals/groups can show evidence of possession of land titles. Comparing themselves with HDFC, officials of SBIHFL mentioned that HDFC has several advantages over the latter. It is, therefore, easier for HDFC to mobilise low-cost funds from several sources, which it can use to finance low-income groups. If SBIHFL were to gain access to such funds, they would definitely increase their volume of lending to the poor.

On the other hand, the company would not like to risk giving loans without property mortgage, as it does not have the same kind of contact base in the community that would ensure repayments. At the same time, they would not like to work with NGOs as intermediaries, as in their opinion, the actual benefits will not reach the intended beneficiaries if a third party is involved. However, NGOs' help could be sought in identifying individuals or groups that could receive loans. However, SBI HFL would prefer that the acutal assessment of beneficiaries, loan disbursement, repayment, etc. would be between the beneficiaries and itself.

Table 1

Operational Highlights	(March 1993) (in Rs Crores)
Funds Employed	
Shareholder's Funds	18.36
Share Capital	6.46
Reserves & Surplus	3.36
Share Application Money	8.53
Loan Funds	
Secured Loans	31.97
Unsecured	67.04
Application of Funds	
Housing loans	86.14
Investments	0.50
Current Assets, Loans & Advances	154.75
Less: Current Liabilities & Provisions	124.75
Fixed Assets	
Gross Block	0.42
Less: Depreciation	0.11
Net Block	0.33
Profit Before Tax	3.60
Less:Provision for Tax	1.13
Establishment Expenses as % of Outstanding	1.58
No. of Loans Sanctioned in 1992-93	10,464
Cumulative No. of Loans Sanctioned	30,274

Source : SBI HFL, Annual Report, 1992-93.

PROFILES OF NON GOVERNMENTAL ORGANIZATIONS

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LIST OF NON-GOVERNMENTAL ORGANIZATIONS

1. Adhikar
2. Asha Niketan
3. Association for Voluntary Action and Services
4. Baroda Citizens Council
5. CASP-PLAN
6. Centre for Development, Madras
7. Deepalaya
8. Delhi Catholic Archdiocese
9. Development Promotion Group
10. Federation of Thrift and Credit Associations
11. Lutheran World Services
12. Punervaas
13. SEWA
14. Sharan
15. Shramik Bharti
16. Society for Promotion of Area Resource Centres
17. Unnayan
18. Vikas

1. ADHIKAR

Background:

Adhikar is an NGO based in Bhubaneswar, Orissa. It operates in rural areas of Khurda District, Nayagarh District and Nawarangpur District as well.

The organisation has been working to build strong community based organisations to protect the interests of the oppressed and for empowerment. It also strives to generate awareness on the environment, empower women, enhance 'youth force' and to safeguard consumers' interests through legal support.

Nature of activities undertaken :

Adhikar has been involved in diverse activities, which are listed below:

- Environmental protection (mainly through mass campaigns, generating public opinion for sanitation, afforestation, etc.).
- Housing rights campaign, against eviction of slum dwellers.
- Consumer education (especially of youth and women).
- People's Banking System in urban and rural areas.
- Youth camps on national integration, communal harmony, role of youth, environmental issues, etc.
- Education (setting up of 8 remedial education centres in urban and rural areas).

Finance related activities:

Adhikar has initiated a 'People's Banking System' (savings societies/groups) in urban and rural areas. These are all women's groups.

In Bhubaneswar City, there are currently 27 savings societies under Adhikar's Banking System, with a total membership of 875. Adhikar is attempting to provide a common forum for all the societies, by creating a federation. The total strength of each society ranges from 9 to 160. The total deposits of 20 of these societies that are members of the federation are approximately Rs. 360,300 (the remaining 7 societies will join the federation soon). The average savings per member is Rs. 457/-.

The maximum credit disbursed varies from society to society -- it ranges between Rs. 100/- to Rs. 6000/- for different societies. Interest rates charged on loans are very high (2% - 5% per month). Interest rates are higher for societies giving smaller loans. So far, approximately 66% of members have received loans. A fine/penalty is levied if defaults occur.

Table 1 :

Savings Societies Promoted by Adhikar in Bhubaneswar City

No. of Societies	27
No. of Slum areas	12
Total Membership	845
Total deposits (20 societies)	360,325
Average savings per member	457
No. of loanees (20 societies with a total membership of 789)	523
% of members receiving loans (20 Socs.)	66.28

Source: Adhikar.

Each member has a membership card, on which a record of total savings, credit and repayment is kept. A copy of the card is also kept in the savings group. Each society prepares a Monthly Financial Statement, in which a record of deposits, credit, withdrawals, interest paid, etc. is maintained. A cash book is also maintained, in which reciepts (cash in hand, savings collected, credit repayment, interest collected and borrowing, if any) and payments (credit, savings withdrawal, interest paid back, bank deposits, cash in hand, etc.) are recorded.

Housing related activities:

The housing related activities of the organisation mainly revolve around organisation building of the poor to demand for infrastructure and protest against eviction. Adhikar also provides legal support against the threat of eviction.

ADHIKAR
D/4, Unit 3,
Bhubaneswar - 751001
Orissa.

Contact Person : Mohammed Amin

Phone : 404841

2. *ASHA NIKETAN*

Background:

Asha Niketan is a social service organization, established in 1966. It is based in Bhopal.

Sources of financing :

Asha Niketan receives funds from the state government of Madhya Pradesh and also the Central Government. It provides 25 freeships to children and charges their families for services rendered. Government grants have mainly been used for the construction of school/hospital buildings.

Nature of Activities Undertaken:

Asha Niketan has been involved in a variety of activities :

- rehabilitation of the handicapped,
- job opportunities and income supplementation,
- vocational training for women and youth,
- adult literacy and education for children living in slums,
- rural development in areas around Bhopal,
- housing,
- agro-industries (dairy, poultry, carpentry, metal workshop, etc.)

At present, Asha Niketan is running a hospital and a residential school for mentally and physically handicapped children and for those with impaired hearing. A total 175 children are enrolled in the school for the handicapped while 160 children are enrolled in the school for deaf.

Housing related activities :

Asha Niketan's housing related activities are restricted to a single housing project. The project was taken up at the behest of the government of Madhya Pradesh, for

rehabilitating slum dwellers near their place of work. Asha Niketan examined the accepted systems of structure for mass housing involving pre-fabrication and mass production. After studying a number of possible systems, it finally settled for the "portal frame system" devised at the Maulana Azad College of Technology at Bhopal. The cost of the structure worked out to Rs 1300. One skeleton hut, containing two tenements (for two families) was planned to have a plinth area of 41.36 sq.m, costing Rs 2600. The use of indigenous materials was emphasized for the "filling-in" of walls, partitions and floors. Since the filler walls were so designed that they did not have to bear any load, they could easily be constructed by the dwellers themselves.

Asha Niketan actively participated in the construction of 150 such units. It also helped organize people (in those 150 units) into a community. The maximum repayment period was 20 years. Initially, repayment was routed through Asha Niketan to the Housing Board. However, after changes in personnel in Asha Niketan, the degree of closeness / contact (of the organization) with the community reduced and the Housing Board began to accept repayments directly. With the lessening of contact with the people, the kind of monitoring possible earlier, became virtually impossible and there were considerable sales/transfers or defaults.

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ASSOCIATION FOR VOLUNTARY ACTION AND SERVICES (AVAS)

Background :

AVAS is a voluntary organisation registered under the Societies Registration Act, Bangalore. It was initiated in 1980 by a group of professionals (most of them, architects) and social activists. Gradually, the organisation began to get involved in the improvement and development of selected slum settlements.

Grass-roots Base :

AVAS seems to have gained a firm footing in slums of Bangalore. This is evident from the kind of programmes undertaken by the organisation, with community participation at every stage. In a rehousing project at Laxmipuram, for example, the fact that AVAS was approached by the community for help (in stalling eviction proceedings and starting the rehousing project), is indicative of the kind of recognition and support AVAS enjoys, as a result of its previous efforts at community mobilization.

Nature of Activities Undertaken :

AVAS' initial work was aimed at ensuring basic services like water, pavements, street lights, ration cards, etc. that were missing in slums. Getting to know the communities and their priorities, establishing liaison with the concerned governmental agencies, arguing the case of the poor, making them aware of their rights and organising them to demand what is their due, identifying and mobilizing the community's resources (human and material) and tapping resources of the state, were some of the main tasks undertaken by AVAS.

The thrust of AVAS' activities in all the slums it is involved in, has been to resolve the issue of land ownership and then take up the sort of activities as demanded/needed by each community (whether housing/sites and services/environmental upgradation, etc.).

Besides community mobilization, housing and basic services, AVAS' other activities include health care and development programmes pertaining to health, non-formal and adult education and vocational training programmes.

AVAS is also an active participant in the activities of a state level Slum-dwellers' Federation in Karnataka, on the issues of evictions and demolitions. It has participated in various struggles and strikes on behalf of slum dwellers in the state.

Finance related Activities :

Finance related activities of AVAS emerged mainly out of a single project in Sudhamnagar slum in Bangalore, with the assistance of HDFC. AVAS first solved the knotty problem of land tenure by seeking and obtaining the land on lease for the slum dwellers from the Samaj Seva Trust in Bangalore. Detailed socio-economic surveys were also conducted in the area by AVAS and a rehousing scheme was formulated in consultation with the slum dwellers, with technical assistance from the Ahmedabad Study Action Group (ASAG). Governmental authorities Bangalore Development Authority (BDA) and Bangalore City Corporation were also approached for the provision of infrastructure by AVAS.

Finance related activities of the project took off after grants were received from CEBEMO, a Netherlands based organisation, for providing new houses to the slum dwellers in the area. AVAS approached HDFC for assistance in financial management. During subsequent discussions, HDFC suggested that instead of providing a one time grant to the people, the funds received (Rs.15 lakhs) could be placed as a corpus fund with HDFC. The fund could then be used to leverage a loan to be provided by HDFC to the slum dwellers. The interest earned on the deposit would take care of defaults, if any, and would also provide funds for infrastructure development in the slum. The original capital could then be reused later for meeting the housing needs of other low-income groups. Finally, HDFC sanctioned a loan of Rs. 32.26 lakhs for the project.

People in the slum were found to belong to the LIG and EWS categories (income-levels of families were reassessed by HDFC, after AVAS' survey). HDFC approached KfW, a German development bank, to finance both categories of people, but the latter expressed its inability to provide assistance to LIG households. Therefore, HDFC decided to assist them out of its Shelter Assistance Fund, with loans at an interest rate of 9% per annum. EWS beneficiaries, on the other hand, receive low-cost KfW funds, at an interest rate of 7.25% per annum.

Loans are being given for new houses and upgradation (in case of people already having existing concrete structures). Of the 302 families AVAS is working with in Sudhamnanagar, 233 have sought loans from HDFC. The size of the loan sought varies

from family to family. While a few sought only Rs. 5000 - 7000, most of them asked for Rs.15,000, to a maximum of Rs. 20,000. Families asking for smaller loans have assured in their affidavits that they would mobilize the balance resources from informal sources/sale of their own property in villages/from their employers in the construction business.

In a bid to ensure joint responsibility for repayment, the income affidavits have been signed jointly by 3 families. In order to involve the community in the project, an informal committee of 30 members has been formed. Each member represents at least 10 families in different pockets of the slum. The committee meets regularly to discuss the progress of various activities and to evolve a regulatory framework to monitor the project.

After consultations with the community and HDFC, it was decided that all families seeking financial assistance would open new bank accounts, with both husband and wife as co-signatories of the account. Eventually, Canara Bank agreed to open joint accounts of HDFC and each family.

AVAS has also evolved a system of collection of savings and loan repayments, through boxes designed specially for the purpose, with different compartments for savings and loan repayments. These are kept with the families and opened once a month in the presence of the family and AVAS' staff.

Housing/Infrastructure related Activities :

AVAS has been involved in several housing/infrastructure projects in Bangalore. Perhaps the fact that it was set up by a group of architects explains its interest and involvement in such projects. It is interesting to note that its finance related activities are an offshoot of a housing project. Moreover, AVAS is probably one among many NGOs, that is involved in housing finance alone (most other NGOs' savings and credit related activities encompass several aspects other than housing too).

Four major housing projects have been taken up by AVAS so far in the slums of Lakshmipuram, Koramangala, Someshwara and Sudhamanagar, in Bangalore. AVAS's role in each of the projects has been that of a guide, legal and technical advisor, intermediary between other non-governmental and governmental agencies, organiser and awareness generator.

At Lakshmipuram, AVAS effectively stopped the bid to evict slum dwellers, secured ASAG's technical assistance for the design, layout, cost estimates and construction methods, discussed alternatives with Lakshmipuram slum residents, convinced HUDCO (which was financing 80% of the project cost) to revise its norms for plot sizes for the slum (for which 10' x 15' plots were envisaged), liaised with BCC (the Corporation) to provide services like water, sewerage and electricity, free of cost. The estimated project cost of Rs. 16.13 lakhs was to be divided equally among the 127 families and the equated monthly instalment to be repaid to HUDCO was worked out at Rs.105 p.m. per family.

AVAS's main contribution in the project was to ensure that the people themselves participated in its actual implementation. A committee of residents - the Lakshmipuram Rehousing Construction Association was formed through AVAS' efforts, to undertake actual construction, monitoring and implementation of the project. Inspite of setbacks due to litigations and procedural delays, the motivation level of the people was kept high and the project was completed in 7 years' time.

At Someshwara, AVAS initiated and completed a housing project for 46 families in 4 months' time. The houses had been damaged by floods. The slum dwellers completed the community housing project, with each house costing approximately Rs.11,000 each. Labour was provided by them and they helped build each other's houses. The concept of 'land sharing' was successfully executed in the slum. Besides, several welfare activities were initiated, to prepare youth and women for development action. Both the projects described above are examples of participatory planning, co-operation between governmental and non-government agencies, absence of the trauma of dislocation, and provision of affordable housing.

At Koramangala slum, where people evicted from different slums by the corporation squat on a garbage dump, AVAS recognized the need to improve shelter conditions. The cash-loan assistance scheme of the Karnataka Housing Board (KHB) was made available to the community. It was decided that the families would first be given Rs.1000/- each as against Rs. 5000/- or more normally given as first instalment. They would have to dig the foundation themselves and utilise the first instalment to construct the foundation. If utilized property, the rest of the money would be given to them. The initial loan was utilized properly by the people, and of the 57 families that first approached AVAS, 28 have availed the cash-loan assistance scheme. However, KHB has recently stopped the scheme, so, for the time being at least, the project has come to a dead end.

In the Sudhamnagar project described earlier, AVAS prepared a new layout plan with 18′ x 27′9" plots, to accommodate 302 families. For each family, AVAS determined individually, the kind of inputs required to upgrade or rebuild the houses (where they were dismantled and rebuilt due to plot reorganization).

A survey was conducted to see what could be salvaged and reused out of the existing materials (doors, windows, tiles, etc.). A core unit was designed in consultation with slum dwellers, which included a multi-purpose room, a cooking alcove and a wash area. It was planned that the unit would be incremental in nature. A survey of existing basic services was conducted and the BDA and the Corporation were approached for water connections, electrical points, waste water connections to the city sewage system and underground sewage lines.

On the whole, discussions with AVAS staff and visits to their project sites suggest intense efforts required for the management of housing projects. However, the strong technical support from architects with a bent for community based management has contributed to this process. AVAS has also felt the need to evolve financial systems in the settlements where they work so that housing finance repayments can automatically be linked to these and it was possible to mobilize savings to leverage more funds.

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4. BARODA CITIZENS COUNCIL (BCC)

Background :

Baroda Citizens Council is registered under the Societies Registration Act, 1860, the Bombay Public Trust Act, 1950, and the Foreign Contribution Regulation Act.

The council was formed jointly by the Baroda Municipal Corporation, M.S. University of Baroda and local industrialists. Since its inception in 1966, the council has been working in areas like pre-schooling and school readiness, coaching classes, recreation centres, rehabilitation of disabled children, city-wide immunisation, women's health, income generation for women, skill training for youth, day care centres for senior citizens, research and publications and awareness generation, etc. in slums and other areas of Baroda.

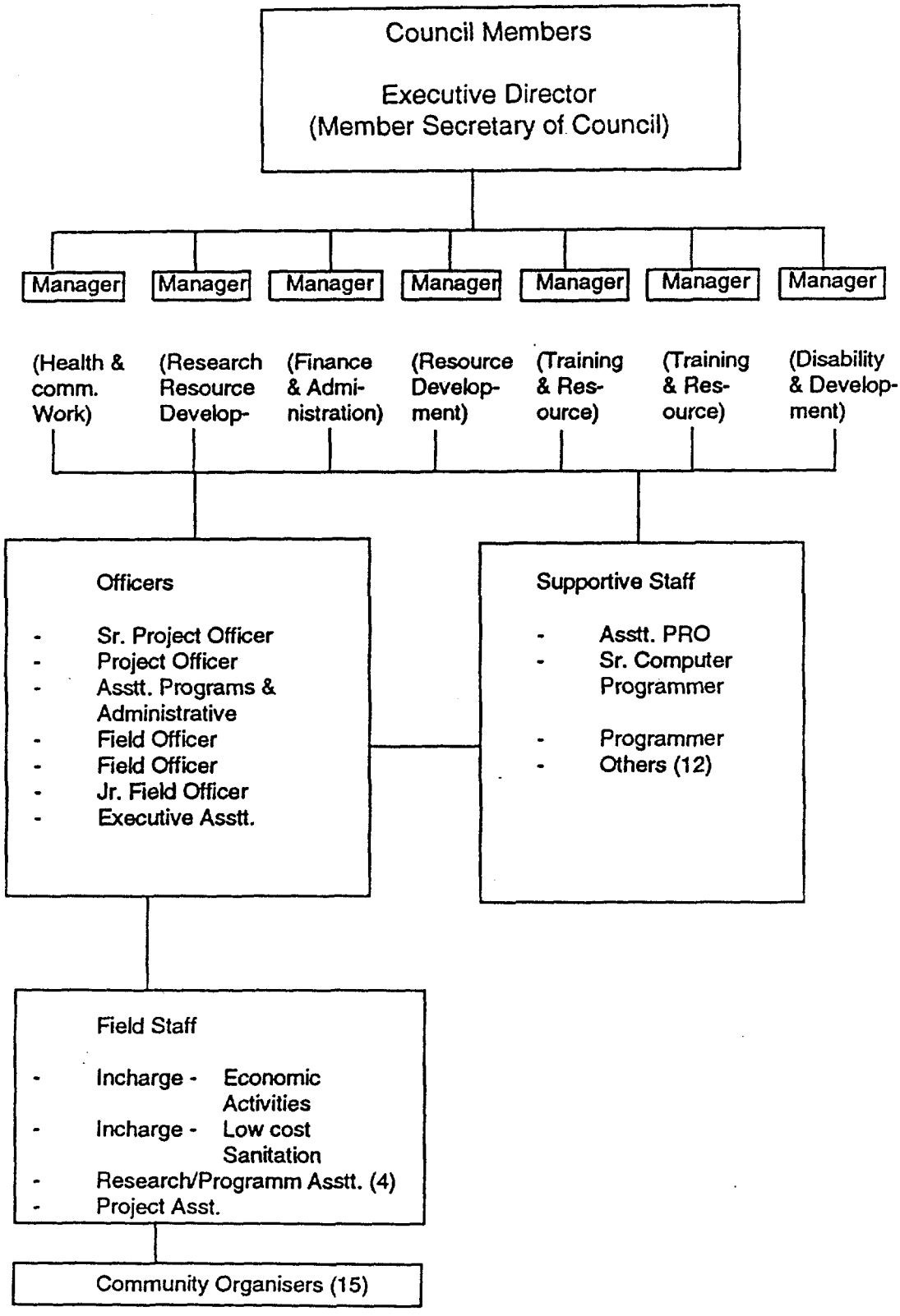
BCC is currently working in 30 slums of Baroda covering about 13,000 households. The average reported income of the households in these areas is about Rs 1266 (BCC Annual Household Income Report, 1992-93). In all its community development programmes, peoples' participation is sought to be ensured (through financial contributions, services, material and human support).

In constrast with NGOs like SEWA and SPARC, BCC's main emphasis is on service delivery and not community organisation and struggle. These NGOs perceive their mission as part of a movement, whereas BCC strives to improve service delivery through participation. However, due to its emphasis on participation, BCC does have a strong community presence.

Organisational Structure and Linkages:

At present, BCC has 21 Council Members, comprising eminent people of Baroda: academicians, industrialists, civil servants and professionals who take all major decisions for BCC, though they are not involved in the day-to-day functioning of the organisation. The Executive Director of BCC, who serves as the Member Secretary of the Council, handles the latter. The top heavy structure of BCC has, in fact, proved advantageous for the organisation, especially with regard to resource mobilisation and attaining necessary permits, etc. from the government.

BCC: ORGANISATIONAL STRUCTURE



BCC has seven managers who work under the Executive Director. They handle different portfolios :

- Health and Community Work (1)
- Research and Resource Development (1)
- Finance and Administration (1)
- Resource Development (1)
- Training and Resource Development (2)
- Disability and Development (1)

The Project team gets inputs from all the Managers. The Team consists of a Senior Project Officer, Project Officer, Assistant Programmes and Administrative Officer, Field Officers with different ranks, Field Staff (7) and Community Organisers (15). The Supportive Staff consists of an Assistant Public Relations Officer, Computer Programmers (2) and administrative and other staff (12). (refer Chart 1).

An organisation formed by BCC is the United Way of Baroda, an umbrella organisation for voluntary agencies operating in Baroda. The Director of BCC also heads this organisation. The latter strives to link different agencies so that they can serve the community better through co-ordinated efforts. There are plans to expand this to cover all NGOs in Gujarat.

Sources of Financing :

BCC has mobilised funds from several different sources in India and abroad. It has received aid from international agencies like USAID, Ford Foundation, Portsmouth Housing Trust, U.K., UNICEF, American Express, Indo-German Social Service Society and Action Medeor, West Germany. In India, it has received funds from from Housing Finance Institutions like the National Housing Bank and the Housing Development Finance Corporation, besides non-governmental organisations like Action-Aid, India and Help Age, India. It also taps governmental funds from the Gujarat State Welfare Board, Baroda Municipal Corporation, Ministry of Health and Family Welfare, Government of India, Ministry of Social Welfare, Government of India, the Youth Board of the Government of Gujarat and the Directorate of Social Defence, Government of Gujarat. Other major sources of funds of the council, have traditionally been the industrial houses of Baroda (proprietors of some of these serve as council members). In recent years, BCC has received funds from Alembic Chemical Works, Gujarat State Fertilizers Corporation, Miles India Ltd., Transpek Industry Ltd., Sayaji Iron & Engineering Ltd., and Raymon Glues and Chemicals.

Nature of Activities Undertaken:

BCC's main areas of concern are education, health, income generation, low-cost sanitation, housing and leadership development among the urban poor in Baroda. It is also involved in research, training and publications for information dissemination to the community and to NGOs in Baroda.

The council has helped set up several institutions in Baroda like a rehabilitation centre for persons affected by leprosy, a drug deaddiction and counselling centre, a women's organisation and a couple of organisations of the youth in slum areas.

Finance Related Activities:

Community Savings and Loan Association (CSLA):

BCC perceived through its work in slums in Baroda, that inadequate access to finance was one of the major problems faced by slum households. Therefore, a Community Savings and Loans Association was set up in 1989, with the following objectives.

i. To co-ordinate the activities of small savings groups.
ii. To organise the poor to form self-sustaining economic organisations.
iii. To provide financial assistance for house repairs, toilet constructions, pregnancy, hospitalisation and self employment.
iv. To inculcate the habit of saving among the poor and help them in the process.

The Community Savings and Loan Association (CSLA) is not a registered body yet. There are plans to make it so, in the near future.

Currently, the Association has about 3884 members. Its membership has grown gradually from 1245 between 1989-91 to the above-mentioned figure in 1993. As many as 66% of the total members are female.

Table 1

Community Savings and Loan Association

Growth in Membership

Year	Members
01-07-91 to 31-16-91	1245
01-07-91 to 31-03-92	1929
01-04-92 to 31-03-92	3249
01-04-93 to 30-09-93	3884

Source : CSLA.

The Association is free to mobilise funds from external sources. So far, it has received assistance at subsidized rates from Action Aid, India at Bangalore. It has also received a loan of Rs. 5 lakhs from HDFC, which is routed through BCC. The loan has been advanced against a fixed deposit of Rs. 50,000 placed by BCC with HDFC. In addition to providing financial assistance, HDFC is also providing assistance to CSLA in improving the system. HDFC's professional team studied the existing accounting and management system of CSLA and suggested several improvements, most of which were accepted :

a. Savings should be 20% of the loan amount.
b. A loan/entry form should be introduced.
c. Three types of separate collection sheets should be merged into a single form.
d. Loan installments must be calculated as equated monthly installments.
e. The computer programme for accounts should be updated to provide separate transaction and master files.

HDFC's guidance has proved beneficial to CSLA. This is evident in its growth in membership and its total volume of loans disbursed from Rs. 2.74 lacs to Rs. 14.48 lacs, in the same period.

Organisational Structure of CSLA:

The Community Savings and Loan Association has an Advisory Committee consisting of Council Members of BCC, the Executive Director and Managers of BCC and Consultants.

The actual running of the CSLA is monitored by the committee of Supervisors. The CSLA has Area-Wise Teams - each of which is headed by a Supervisor. Supervisors of all the Area Teams together form the above - mentioned committee. All decisions of CSLA are made by this committee, major ones are made in consultation with the Advisory Committee. Supervisors of CSLA are employees of BCC - they thus serve in dual capacities. They may be Computer Programmers/Field Officers/Field Staff of BCC. Supervisors strive to guide and associate with members. They generally do so through Community Organisers (there are 1 or 2 in each Area Team, depending on the size of the area), who are members of the community. There are a total of 28 COs, who are selected by BCC. They make door-to-door visits, provide guidance and ensure collection of loan instalments. COs of CSLA may also serve BCC in other capacities, for example as 'balwadi' teachers, nurses, midwives, etc. in other programmes. (refer chart). This dual responsibility of staff has helped in the creation of a lean organisational structure and close identity of the community with BCC. Each Area Team meets once a month. A part-time accountant also works for CSLA. BCC provides office space and computer facilities for monthly accounts and other records. It also bears all the administrative expenses of CSLA.

Operational Procedures for Savings and Loans :

Savings are collected once a week (Friday/Saturday) and deposited in banks. Applications for loans are reviewed by the committee for a week, before loans are advanced.

Loans are generally given between the 11th - 15th of every month, or, between the 21st and 25th of every month. Sometimes, emergency loans are also given at short notice on other dates. Housing loans are generally given once a year, in the rainy season. Loan applications are first scrutinised by supervisors and the applicant's background is cross-checked with COs or through personal visits before approval.

The current recovery is 70-72% It was 60-65% earlier, because supervisors were not so much in contact with the community. Besides, there was no formally delineated

guarantee system at the time (guarantors, etc). Loan repayments are now effected by having guarantors for each loan and by constant reminders to the defaulters through community organisers. So far, no loan has been written off (except one case in which the person in question expired).

The committee of supervisors meets once a month to check how many loans were taken since the last meeting, what the repayment is like, who the defaulters are, etc., and take appropriate action.

Monthly, quarterly, half-yearly and annual accounting is done. A half-yearly progress report is given to all members. Annual accounts are presented in a general body meeting attended by supervisors, COs and members. Prior to the meeting, a balance sheet report is given to all members.

CSLA has set the following terms and conditions, to be followed by its members:

1. Loans are advanced only to people affiliated for 6 months (earlier 1 year) to savings groups recognised by CSLA. In case a person is disabled, this requirement is relaxed to 3 months.

2. An entry fee of Rs. 2/- is imposed on people who become members. A minimum of one share (worth Rs. 10/-) has to be bought by each member. A minimum monthly saving of Rs. 10/- is compulsory.

3. A fine of Re 1/- is levied if savings are due (there is a grace period of 15 days after which the fine is imposed). On loan installments, a fine of Rs.2/- per month is levied.

4. For every loan, 10% has to be invested compulsorily in shares.

5. Loans are advanced against a minimum balance of 20% of the loan amount in the borrowers' account. In case a person cannot fulfil the requirement and is in dire need, this amount is cut from the loan.

6. An interest of 6% is paid on savings, while an interest of 12% is charged on loans. CSLA is supposed to pay a dividend of 12% on shares held by members, annually.

7. Loans are generally advanced for the following purposes :
   - Hospitalisation (delivery, etc.)
   - House repair
   - Income generation
   - Sanitation (toilets) and infrastructure (handpumps)

8. A service charge of Rs. 25/- is levied on each loan.

9. Persons below the rank of supervisor are not authorised to sanction loans. Community organisers can only recommend members desirous of taking loans.

10. Two persons have to act as guarantors for each loan to be advanced. A person cannot be a guarantor more than two times.

11. Currently, the maximum loan amount is Rs. 2000/-. Although there is a demand for larger loans, BCC attempts to cover more families. The maximum repayment period is 20 months.

CSLA : Loan Details

In any given period, the percentage of members receiving loans for house repairs has generally been higher (50% or more of total members receiving loans, except in 1993) than that for other purposes. However, the average size of loans for this purpose has been much smaller than that for other purposes. On the other hand, loans for hospitalisation have been larger than those for other purposes, followed by those for low-cost sanitation, income generation and house repairs, respectively.

The percentage of members receiving loans has been increasing steadily over the years. While approximately 24 per cent members received loans over a period of 24 months between 1989 and 1991, in 1993, this was achieved in 6 months.

It is interesting to note that the average loan size for each purpose, whether for house repairs, income generation or hospitalisation has remained consistent over the years. The average loan size has seldom exceeded Rs. 2000/- in any given period (except in 1991-92). However, BCC perceives that the demand is for loans of Rs. 5000/- or more and that the groups are capable of absorbing much greater amounts, given a chance to do so. BCC would therefore like to set up linkages between CSLA and HFIs.

Table 2

CSLA : Particulars of Loans

Particulars	01-07-89 to 31-06-91 24 months	01-07-91 to 31-03-92 9 months	01-04-92 to 31-03-93 12 months	01-04-93 to 30-09-93 6 months	Total
1. House Repairs					
No.	193050	149480	602150	508700	1453380
%	208	121	341	264	934
2. Income Gen.	70	58	53	56	57
No.	46900	57110	270730	195500	570240
%	54	46	64	103	267
3. Low Cost San.	17	22	24	22	22
No.	21350	21800	114300	85500	242950
%	23	18	157	43	241
4.Hospitalisation	8	9	10	9	9
No.	12970	28230	140725	118100	300025
%	17	24	81	65	187
	5	11	13	13	12
Total					
No.	274270	256620	1127905	907800	2566595
%	302	209	643	475	1629
	100	100	100	100	100

Source : CSLA.

Table 3

Loan Details

Purpose of loan	01-07-89 to 31-06-91 (24 months)		01-07-91 to 31-03-92 (9 months)		01-04-92 to 31-03-93 (12 months)		01-04-93 to 30-09-93 (6 months)	
	Avg. loan size (Rs.)	Members receiving loan (%)	Avg. loan size (Rs.)	Members receiving loan (%)	Avg. loan size (Rs.)	Members receiving loan (%)	Avg. loan size (Rs.)	Members receiving loan (%)
House repairing	928	16.7	868	6.3	928	10.5	762	6.5
Income genera-tion	1235	4.3	1241	2.4	1211	2.0	1176	6.8
Low cost sani.	1765	108	4230	0.9	728	4.8	1737	6.2
Hospitali -sation	1926	1.4	1898	1.2	1988	2.5	1816	4.8
Average loan size for all purposes	1464	-	2059	-	1214	-	1373	24.6
Total mem. receiving loans for all purposes (%)	-	24.2	-	10.8	-	19.8	-	24.6

Source : Computed on the basis of CSLA Loan Report, 1989-93.

Financial Performance of CSLA:

Over the past 4 years, CSLA has mobilized approximately Rs. 1.1 million as savings. Against this, it has provided total loan assistance worth Rs. 2.6 million. It is interesting to note that according to its mid-year balance sheet for 1993-94, its credit/ deposit ratio was 1.3, in comparison with 0.4 for SEWA Bank. However, CSLA pays an interest of 6 per cent only on its savings and has not paid any dividend to its shareholders, so far (although it is supposed to pay a dividend of 12 per cent on shares annually, as per its terms and conditions). Like SEWA Bank, about 70 per cent of CSLA's resources also comprise savings mobilised from members. Its debt/equity ratio at 4.9 suggests the possibility of further deposit mobilisation on borrowings from other institutions. Despite the higher credit/deposit ratio, on a better spread between cut of funds and returns on lending, CSLA's profits are extremely low. Compared to 1 to 2 per cent profits on working capital for SEWA, CSLA's profits are only 0.12 per cent of the working capital. This suggests that the recovery has probably not been very good.

Table 4

Balance Sheet - September 1993

Funds	Amount (Rs.)	Loan and Deposits	Amount (Rs.)
Share capital	2,60,735	Loan outstanding	15,06,246
Savings	11,40,633	Interest due	20,000
BCC loan Assistance	67,018	Deposit with HDFC	30,000
Action aid loan	1,08,500	Deposit with bank	55,753
Reserve fund	9,064	Cash in hand	23,220
Total	16,35,219	-	16,35,219

Source : CSLA.

Table 5

Financial Ratios for CSLA - 1993-94

1.	Debt-Equity Ratio (Deposits + Loans/ Shareholders' funds)	4.9
2.	Credit/Deposits + Loans	1.14
3.	Credit/Working Capital	0.92
4.	Profits/Working Capital (%)	0.13
5.	Operational Expenditure/ Operating income	0.74

Source : Computed on the basis of data in mid-year accounting report of CSLA.

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ANNEXURE

Nature of Activities: Sector-wise Inputs of BCC

Education

* Pre-schooling (Balwadis)
* School admissions
* Coaching classes for school-going children
* Non-formal education classes for dropouts, working children and women.
* Recreation centres

Health

* Community clinics with focus on "mother-and child" health care
* Ante and post natal care
* Family planning
* Vaccination
* Iron and Vitamin A supplement
* Education related to health

Economic

* Skill training for non-student unemployed or underemployed youth
* Income generation activities for women
* Assistance in employment or self employment
* Savings and credit society
* Procurement of ration cards

Low Cost Sanitation and Housing

* Family toilets
* Water pumps
* Drainage
* Soak pits
* New houses
* Shelter improvement

Leadership Development

* Strengthening of existing voluntary groups
* Promotion of new groups

* Study tours
* Practical training within and outside Baroda

Research, Training and Publications

* Primary and/or Secondary field data collection, analysis and report writing
* Use of computers in development projects
* Publications and dissemination of information
* Computerised data bank
* Staff development
* Training programmes geared to voluntary sector

Assistance to local NGOs through "United Way"

* Resource mobilisation from local sources
* Financial and management assistance
* Public education
* Dissemination of information and publications useful to voluntary sector
* Direct attention to Baroda community issues.

5. *CASP - PLAN*

Background:

CASP, Community Aid and Sponsorship Programme, is a national level voluntary agency working in rural and urban areas of India through integrated development programmes. It was set up in 1975.

CASP is registered under the Bombay Public Trust Act, Societies Registration Act and Foreign Contribution Regulation Act. Since it is a non-profit making organisation, all contributions and donations to the organisation are exempted under Section 80G of the Indian Income Tax Act.

CASP-PLAN is a collaboration between CASP and PLAN International, a private development organisation founded in 1937 in England. It is registered under the Company Act of USA. PLAN operates in those developing countries that need human or financial resources to help the underprivileged. Since World War II, it has helped more than half a million children and their families in 27 countries in Asia, Africa, Latin America and the Caribbean.

PLAN has adopted the sponsorship model, wherein foster parents from developed countries distribute material benefits to needy, sponsored children. In India, CASP is one of PLAN's partners that undertakes such activities. CASP-PLAN in India reaches out to the families and the community through the children.

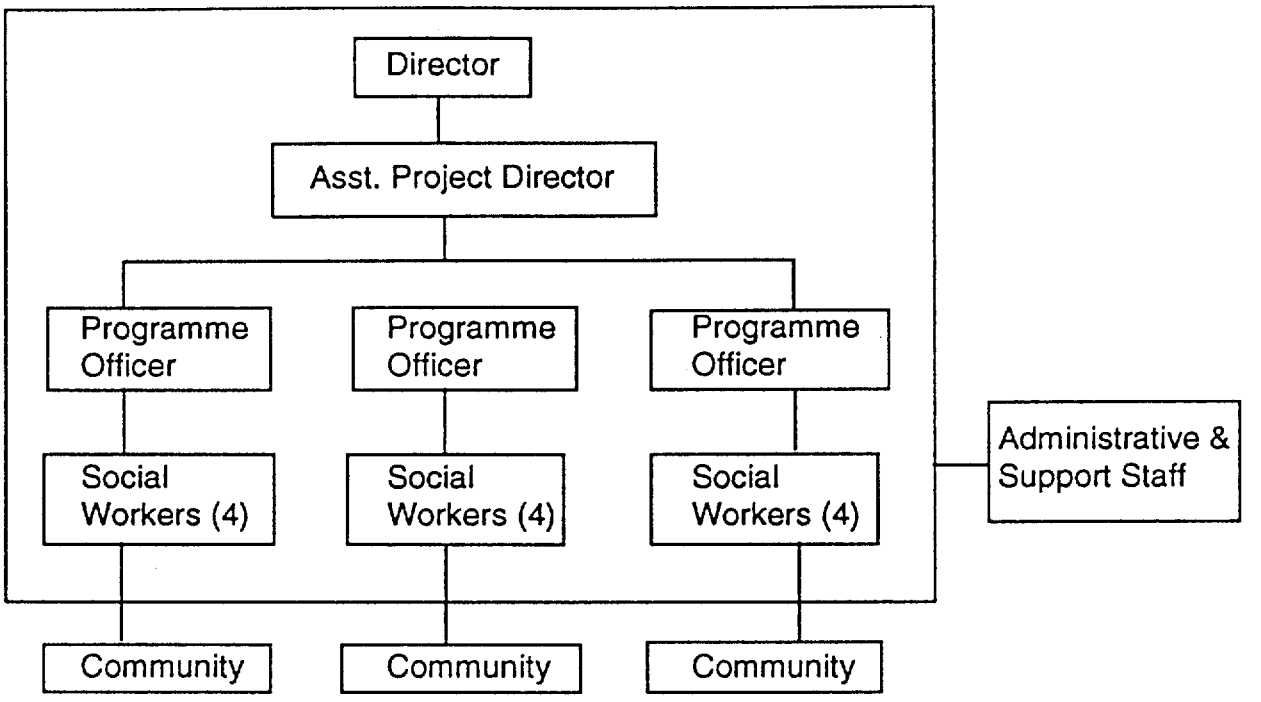
The CASP-PLAN partnership began in 1979. CASP-PLAN programmes are running in Bombay, Pune and Delhi and the focus is on integrated community development. In Bombay, it has been working in Parksite slum in Vikhroli, Dindoshi in Goregaon and in Bhandup, besides the World Bank aided slum upgradation project. In Delhi, it operates in slums of Govindpuri and Okhla and in the unauthorised colony of Sangam Vihar.

Organisational Structure:

The organisational structure of the CASP-PLAN Project, Delhi, is depicted in Chart 1 : CASP-PLAN has a similar set up in Bombay and Poona as well.

CHART 1

ORGANISATIONAL STRUCTURE : CASP-PLAN PROJECT, DELHI



Grassroots Base :

The organisation appears to have a strong grass-roots base. This is evident from its mode of operation. Generally, it establishes a contact base in the community through children and their families, helps from community organisations, and then guides those organisations in implementing all their programmes till they become self-sufficient.

Members of the community make all major decisions on their own, elect their office-bearers and plan and implement their own programmes. CASP-PLAN detaches itself from the organisations' activities, once they become self-sufficient. Community participation and decision-making at every stage (from planning to implementation) has made CASP-PLAN a people-based organisation.

Sources of Financing:

CASP-PLAN mobilizes most of its funds from PLAN International. (The organisation CASP, on the other hand, mobilizes funds from the Govt. of Maharashtra, Govt. of India, various individuals and organisations, both formal and informal, in India and abroad (including donor countries of PLAN International). In all, CASP mobilizes more than Rs. 120 million annually, from sources worldwide.

Nature of Activities Undertaken

CASP-PLAN began functioning with the idea of sponsoring children of low-income families and helping them to lead better lives (with a focus on educating the child). Since then, its areas of concern have expanded from education of children alone to community health, adult education and literacy drives, income generation and community organisation.

In Delhi, CASP-PLAN has taken up different kinds of activities in each area where it operates. In Govindpuri, it has been involved in education, health, community development, home upgradation and income generation schemes.

In Okhla, CASP-PLAN has focussed on the mobilisation of community resources and identification of eligible community members to work as teachers and health workers. It has also provided a community centre and a temporary drainage nullah there.

In Sangam Vihar, CASP-PLAN has attempted to make the community work for itself. Sanitation programmes were undertaken in the area, in collaboration with Sulabh International. CASP-PLAN helped the community to form 'Sanitation Associations' and gave money to the same to be onlent to HHs for the construction of toilets. Each HH was made to contribute Rs. 250/- initially, while CASP-PLAN contributed the rest at that time. Since then, the Sanitation Associations have been collecting Rs. 100/- per month from each HH as repayment of the amount (the total cost of each toilet being Rs. 1500/-). Repayments have been going into the revolving fund of each association and this money is to be used for the maintenance of the toilets.

Similarly, in Bombay, CASP-PLAN has been forming and strengthening community organisations and making them self-sufficient in decision-making and planning and implementation of programmes, and in lobbying for better facilities and infrastructure from concerned authorities.

Finance Related Activities :

CASP-PLAN has helped women in its project areas in Delhi to form 3 credit co-operatives. These were formed according to the guidelines of the Delhi State Co-operative Union. CASP-PLAN gave seed money of Rs. 6000/- to them as a grant. Currently, the co-operatives have a common revolving fund of Rs. 23,000.

Initially, CASP-PLAN helped in the formation of the co-operatives and took an interest in their operation. Loans were earlier given directly by CASP-PLAN to members. However, over a period of 3 years, the organisation phased out gradually, after the groups became self-sufficient.

One of the co-operatives in Govindpuri, has 57 members. Originally, it had 37 members when it started functioning in 1987. In its last meeting (held in Dec. 1993), the group has decided not to expand any further as that would lead to problems of assessment of repayment capabilities of each member, and to follow up defaults (close contact between members is perceived by them as one of the major reasons for the success of the co-operative).

All terms and conditions of savings and credit are decided and modified by members themselves. Members decided that they would have to save for a period of 18 months after the formation of the group, before any loans could be given. Each member has to save Rs. 20/- per month, on which she earns the bank rate of interest.

Savings have to be deposited by members with any of the office bearers of the credit co-operatives before the 10th of every month.

To obtain a loan, members have to file an application which is reviewed by the office bearers (comprising the President, Secretary and Treasurer) of the credit co-operative. The loan amount may be a maximum of 6 times more than the contribution of the members. The average loan size is Rs. 2000/-. The maximum repayment period is 1 year. There has to be one guarantor for each loan. However, there is no security or collateral for any loan. Group pressure alone is used to ensure repayment of loans.

Records are maintained in members' pass-books and in a register. Since the scale of operation is not large and since each group is quite small and manages its own affairs entirely, it has not been found necessary to computerize records.

Each association has a furnished office provided by CASP-PLAN. (This has been perceived as an essential feature of organisation building of the poor, that gives the organisations a sense of identity). Meetings of the credit co-operatives are held either once a month, or once in two months.

Housing/Infrastructure Related Activities:

CASP-PLAN has been involved in housing/infrastructure provision to families with sponsored children.

In Govindpuri, Delhi, for example, it has provided bricks to HHs (free of cost) to upgrade their own houses. People were asked to make a matching contribution of cement, roof materials as well as labour. The exercise has proved successful, as all the houses are now pucca structures.

CASP-PLAN has also helped provide potable water and undertaken road repairs in slums in Delhi. As mentioned earlier, it has also provided toilets in Sangam Vihar, in collaboration with Sulabh International.

In Bombay, CASP-PLAN had taken up a resettlement project (housing and infrastructure and income generation) for pavement dwellers (292 HHs) evicted from a Central Bombay area to a plot in Dindoshi, in Goregaon. 'Rahiwasi Mandals' and 'Mahila Mandals' were created, in the area, which were guided in bargaining for a school for their children from the Education Department, for greater frequency of buses

from BEST, and for water connections and greater number of WCs and a dispensary from BMC. Since housing was the primary felt-need, CASP-PLAN also devised a scheme of subsidised housing (with subsidies depending on income levels) and provided labour free of cost, for the construction of houses.

In Nehru Camp, Govindpuri, Delhi, CASP-PLAN helped in the formation of a housing co-operative, through which it planned to start a housing project there. However, the plans fizzled out as DDA did not allot the land, even 5 years after an application was submitted. As a result, the co-operative also became dysfunctional.

Employees of CASP-PLAN opine that it is impossible to undertake housing/ infrastructure projects in slums in Delhi, without legal tenure. When the SEWA experience was mentioned to them, they cited their own experience in Govindpuri where their plans of constructing a community centre came to nought as DDA did not allow it. As far as collaborations with financial institutions are concerned, they again expressed their reservations, as their attempts to link up with banks have always posed problems related to security/collateral. Hence, they feel that for any collaboration with a financial institution, involvement of governmental agencies can not be ruled out, and would, in fact, be necessary, wherever government land is involved.

Conditionalities:

CASP-PLAN being flush with resources from PLAN International, does not find it necessary to build up a risk fund to cover defaults/administrative expenses. They are a completely non-profit seeking organisation and their goal is to build organisations of the poor that are capable of decision making, assessment of beneficiaries, exerting pressure for repayment, if necessary, minimizing their own risks and meeting their own administrative and other costs through their revolving fund. Thus, they are not looking for incentives or risk money but are more interested in community mobilisation activities.

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6. CENTRE FOR DEVELOPMENT, MADRAS (CEDMA)

Background:

Center for Development, Madras (CEDMA) is a non-governmental organisation founded in the year 1977. Its primary goal is to stimulate the urban and rural poor to make organised efforts to bring about changes and development in their lives, based on decisions made by them. The organisation is registered under the Societies Registration Act of 1860.

Nature of Activities Undertaken:

CEDMA is mainly involved in community development and organisation and awareness generation. It has organised several people's conferences for people to learn lessons out of their own experiences and through their own analysis. It has also promoted peoples' organisations in different slum communities of Madras and in villages, around issues central to their development, thus allowing them to participate directly in the development process.

CEDMA has taken particular interest in the formation of a number of women's groups in Madras, which have been registered under the Societies Registration Act. Regular meetings, study sessions and conferences are held to generate awareness among women of their rights and to discuss issues they are faced with (e.g. 'status of women', 'role of women in primary health', etc.). Self-employment training programmes for women, revolving funds for women traders, day-care centres for children of working women, in-service training programme for balwadi teachers, etc. are some of CEDMA's other activities.

CEDMA also takes a keen interest in youth, in enhancing their role in development. So far, it has concerned itself with awareness generation, education and self-employment training programmes for youth.

The organisation is also involved in programmes on 'Community Health and Development', organising 'Health Forums', social work in hospitals (counselling and follow-up services, and special services for epileptic patients), and development of less-abled children.

It is also involved in rural development in Tamil Nadu (organising the rural poor, training programmes for rural youth, organising women, self-employment training programmes for women, etc.).

Finance Related Activities:

CEDMA is not greatly involved in savings and lending activities. It has provided the seed capital for the revolving funds of a number of petty traders' associations in Madras (vegetable vendors, fruit vendors, etc.). One such association was able to utilise the revolving fund amount of Rs.1.75 lakh for a period of 7 years, for income generation. All such associations are legally constituted bodies registered under the Societies Registration Act.

Their legal status facilitated them to seek loans from nationalized banks, for their trades. However, when it was found that the banks were making undue delays in the processing of their loan applications, CEDMA's assistance was sought by different associations to set up a revolving fund. Zonal Councils have been created for these associations. CEDMA has taken particular interest in forming women petty traders' associations.

Based on the decisions of women's organisations and zonal councils, a number of women petty traders have been given small loans (Rs. 300 - 500) under the 'Revolving Fund' scheme. Representatives of these organisations are responsible for the collection of installments from the petty traders regularly. They also convene regular meetings of petty traders to understand problems faced by them in the repayment of loans and work out strategies to overcome difficulties faced by them.

CEDMA extends a housing loan facility to slum households wherever it initiates 'participatory housing schemes'. Prior to 1984, CEDMA used to make housing loans available through nationalized banks, by acting as guarantor and placing fixed deposits with banks. However, it perceived the rigidity of nationalized banks and since 1984, it has been lending to the urban poor directly. The housing loan facility is extended only to families having savings bank accounts and a minimum savings amount of Rs. 500/- to their credit. In its housing loan scheme for corporation employees in Madras, the loan amount was a uniform Rs. 7000/- for all 65 beneficiaries. So far, recovery for the project has been to the tune of 85%.

Currently, CEDMA is encouraging members of a cycle rickshaw workers' association in Vellore to save Rs. 2500/- per family to facilitate the processing of housing loan applications for Rs. 14,500/- per family, to enable 127 HHs to build their houses on land allotted to them by the government of Tamil Nadu. To be eligible for a housing loan, members first have to save a marginal amount. CEDMA is likely to collaborate with HUDCO for the project. It will act as guarantor for the loan and will place 25 per cent of the loan amount as a deposit with HUDCO. The proposal is yet to be sanctioned.

The maximum repayment period varies with the size of a loan. For example, for loans of Rs. 7000/- for housing, it is 76 months.

For housing loans, CEDMA tries not to hand over cash loans to beneficiaries. Instead, it makes an effort to buy materials required for house construction in bulk and supply it to individual families. CEDMA has set up brick-making training units, from which bricks are available at cost price. Similarly, doors and windows may be supplied to families at reasonable cost, from the carpentry training units set up by CEDMA. (CEDMA has also created a materials bank). Thus, out of the loan amount, only Rs. 1,000/- needs to be given in cash, to help the families meet labour charges for skilled workers. People are encouraged to provide unskilled labour. This helps promote the self-help initiative and minimizes construction cost.

Housing related Activities:

CEDMA has initiated 'participatory housing schemes' in slums in Madras, Vellore and Ennore. Before initiating such schemes, it first helps Community Development Councils to secure land ownership for people in an area. So far, approximately 300 houses have been constructed under different participatory schemes initiated by CEDMA and around 650 houses are under construction.

Besides loans for construction of new houses, CEDMA also gives loans for upgradation and margin money. Generally, it organizes the community in an area to form councils. Prior to the commencement of housing related activities, the organisations themselves conduct household surveys to study the socio-economic conditions of the families.

Members themselves decide on the plinth area of houses to be constructed, loan amounts, etc. They are consulted by CEDMA in designing their houses and planning the project. CEDMA also constructs model houses for their benefit. In most cases,

unskilled labour is provided by the people themselves. CEDMA co-ordinates the activities of CDCs and women's organisations and governmental organisations like Tamil Nadu slum Clearance Board, for these projects.

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7. DEEPALAYA

Background:

Deepalaya is a voluntary organisation, set up in 1979. It was registered under the Societies Registration Act, in 1980. It is also registered under the Foreign Contributions Regulation Act. Deepalaya has been involved in programmes for children, since its inception. Initially, it was known as Deepalaya Education Society and was later rechristened Deepalaya. Though education was its only activity, since 1985, its activities have diversified considerably, to cover community health and education, income generation and community organisation.

Deepalaya is currently involved in 21 slums in South Delhi and West Delhi, covering 15,000 children, their families and communities. (It has helped in the formation of 182 community organisations and 31 community revolving funds). It will phase out of these areas gradually by 1997. The organisation is involved in a slum cluster for a maximum of 10 years (with a maximum of 6 years devoted to phasing in, and a maximum of 4 years for phasing out). The phase out programme for West Delhi has been initiated.

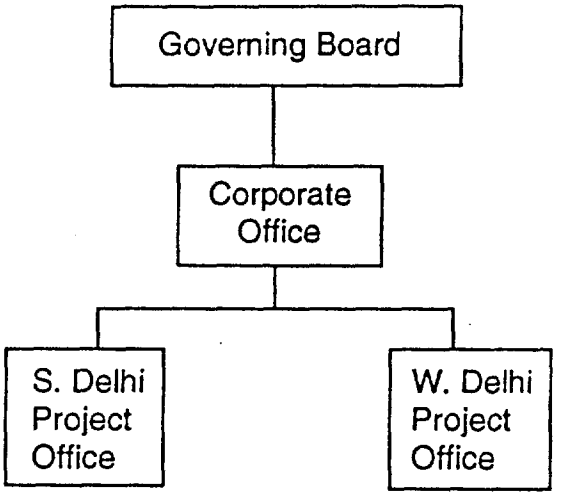
Organisational Structure:

Deepalaya has a General Body with 11 members and a Governing Board with 8 members, who make all major decisions for the organisation and chart future courses of action. The organisation has a Corporate Office with statutory functions and 2 project offices - 1 in South Delhi and the other in West Delhi.

Earlier, the organisation used to mainly employ people with Master's degrees in Social Work. However, in recent years, this practice has been discontinued (while there were 60 MSWs earlier, there are now 20), and the organisation now prefers to induct fresh graduates and train them to be social entrepreneurs. There are virtually no permanent employees in the organisation. All employees are hired on contract, coterminus with project budget approval. This practice has helped the organisation to maintain a lean organisational structure. The new organisational structure has been devised to facilitate functioning at various levels and to breed healthy inter and intra departmental relations. The revised structure seeks to delink the Corporate Office from the day-to-day operations of the South Delhi Project, the Deepalaya Formal School and

CHART 1

DEEPALAYA: ORGANISATIONAL STRUCTURE



the West Delhi Project, completely. The intent of this revamping is also to enable the projects to function as independent entities.

Sources of Financing:

Deepalaya's child sponsorship programme has been funded by PLAN, International. It has mobilised resources from several foreign funding agencies like MSE, Pace, Italy, Save the Children Fund, U.K. and Aide et Action, France. It has also received recognition and support from the government, e.g. from the Home Ministry and the Ministry of Urban Development and from NGOs like Child Relief & You, as well as from HDFC.

Nature of Activities Undertaken:

One of Deepalaya's main activities has been child sponsorship. Initially, it began with 200 children, but by 1986, 900 children were covered. In 1992, the sponsorship level rose to 9000, and currently, it covers 15,000 children. Its sponsorship programme has mainly focussed on health and education.

Although its sponsorship activities have been continuing, since 1986, Deepalaya has been working with the children's families and communities as well. Currently, Deepalaya's programme can be categorized under four heads - education, community health, income generation and resource development, and community organisation.

Deepalaya has set up 5 community centres with 3500 members, and 31 community revolving funds covering 31,40,250 beneficiaries. Deepalaya is also involved in housing related activities.

Finance Related Activities:

Deepalaya has helped in the formation of a few thrift and credit groups: 5 groups in West Delhi, with 10-20 members in each, and 1 group in South Delhi with 21 members. Members of these groups deposit their savings on a weekly basis. Members have to save regularly for 6 months, before they become eligible for credit. The size of loan depends on the quantum of savings. Loans are given against savings equal to 10% of the loan amount. A service charge of 4 per cent is levied on each loan, although no interest is charged.

Besides these thrift and credit groups, Deepalaya has also helped in the formation of several community organisations, which are more like interest groups. As mentioned before, these organisations also have finance related activities. For example, if these organisations give loans for housing, individual taps or toilets or business, they recover the same and thus build up revolving funds. Terms and and conditions of lending are similar to those for thrift and credit groups formed with Deepalaya's assistance. All the community organisations have bank accounts, and their total deposits are Rs. 40 lakhs.

Deepalaya has floated a couple of innovative schemes to provide incentives to people to save regularly.. One is "Save a Rupee a Day" Scheme, under which, 3000 accounts have been opened in United Bank of India. If people save Rs. 30/- per month under this scheme, Deepalaya contributes Rs. 30/- to them every month, as an incentive. Another scheme is "Bal Bhavishya Kosh", under which, 250 recurring deposit accounts for Rs. 50/- per month, for 36 months, have been opened in the same bank.

In each of the groups, loans are given without any collateral. Joint guarantee by group members is the only means of loan repayment. It is only in case of housing loans that the "parchee" is taken over by the organisation and kept in safe custody (with Deepalaya), and identity cards issued by the Government are examined by Deepalaya officials. So far, repayment of housing loans has varied between 80 per cent - 90 per cent, while that for income generation has been higher - approximately 90 per cent. On an average, recovery is around 80%.

Housing Related Activities:

Initially, Deepalaya used to arrange for grants for housing, varying between Rs.8000 - 25,000. However, since the bank involved (Indian Overseas Bank) withdrew from the arrangement, grants are given by Deepalaya which are collected back by the community organisations to build up their revolving funds. Housing grants are given for new housing and repairs and upgradation. Each organisation/group has an internal auditor who maintains a ledger. Accounts are handled by the groups themselves, although earlier, it was done by a person from the community.

Deepalaya provides assistance to slum dwellers to build one or two room temements, repair existing houses and temporary shelter in slums, etc. through its housing associations which cover approximately 600 families.

Deepalaya had also undertaken a housing project in Raghubir Nagar, Delhi, where 300 single-storey houses were built with funds mobilized by Deepalaya. However, people were very enterprising and managed to obtain funds from other sources (in addition to the loan from Deepalaya), and most houses have now gone up to 3 floors. Committees of 'beneficiaries' were formed for supervision, selection of materials, etc. Repayments for the project are still going on.

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8. DELHI CATHOLIC ARCHDIOCESE (DCA)

Background:

The Delhi Catholic Archdiocese is registered under the Societies Registration Act. It was established in 1959. Its area of operation comprises the Union Territory of Delhi and the districts of Gurgaon, Faridabad, Mahendragarh, Rohtak and Sonepat in Haryana. DCA's organ for social service is known as 'DJP' (Development, Justice and Peace).

Organizational Structure:

DJP has 20 full-time and 172 part-time workers. Staff meetings are held every month, for decision-making, evaluation and learning from past experiences. These are attended by the entire full time staff and representatives of the part time staff. Occasionally, orientation programmes are also organised by staff members. The chief of DJP is its Director, a priest at DCA.

Sources of Financing:

DCA has mobilised resources from several sources, both foreign and Indian, for example, Caritas, India, Indo-German Social Service Society, Miserior, Germany, CEBEMO, Holland, Helpage, India, the Canadian International Development Agency and Government of India through the Central Social Welfare Board and Ministry of Education. DCA's central office expenses (administration, auditing and accounts) are met by Miserior, Germany. DCA also raises resources from local contribution such as donations from churches and other local institutions.

Nature of Activities Undertaken:

Initially, in the 1960s, DCA was involved in relief measures like provision of food, clothing, etc. In the 1970s, it set up an Employment Bureau and started a vocational training programme. It also started providing financial help for self-employment and welfare measures like health care and housing.

At present, DCA's programmes cover a wide range of activities - educational (balwadis/schools for dropouts and adults), social awareness (legal aid, development motivation and leadership training), health (community health, naturotherapy, re-

habilitation of the disabled), self-employment (financial assistance and vocational training), housing and helping the aged (financial assistance).

Housing/Finance related Activities:

DJP has undertaken a number of housing projects. Its finance related activities are linked to the same. Initially, DJP built 72 tenements for destitute families and leprosy patients in Dakshinpuri, Madangir and New Seemapuri in Delhi. The organisation also constructed 98 houses for those who were capable of repaying interest - free loans in the flood-hit village of Khanda in Sonepat District, Haryana. It was only after the 1978 floods in Delhi that DJP entered the arena of housing finance and constructed 529 houses with two-thirds of the cost as interest free loan and the rest as grant upto a maximum of Rs. 1000 in Jahangirpuri, totalling up to Rs. 3000. So far, DJP has achieved 67% recovery and ploughed back the same into other housing schemes. Funding for its second phase of housing in Jahangirpuri and Nandnagari, is almost entirely through the recoveries made earlier. In 1986, DJP mobilised funds from foreign sources, to the extent of Rs. 184,000. By mid-1989, 126 applicants were provided with loans, with the total investment amounting to Rs. 11.28 lakhs.

Loan Sanctions:

Eligibility Criteria:

Certain eligibility criteria have to be met before an applicant can obtain a loan from DJP:

(a) Per capita income is less than Rs 350/- (earlier, this figure was Rs 200/-, but it was revised in 1987-88).

(b) He/she does not own a house anywhere (excluding a *jhuggi/jhopri*. Even if the applicant is part owner of a house in another place, he/she is eligible.

(c) He/she owns legally, a plot of land.

Condition (c) is not applicable if a person wants to purchase a house and not construct it. Plot papers issued by DDA were taken as collateral. However, if a case was felt to be genuine, this stipulation was relaxed.

Table 1

DCA: Loan Details

Year	No. of loans given	Total loans dis-bursed (in Rs.)	Average loan size
1982	2	10,000	5,000
1983	36	2,93,000	8,138
1984	25	1,60,000	6,400
1985	16	1,95,000	12,188
1986	22	1,95,000	8,864
1987	11	1,10,000	10,000
1988	6	55,000	9,167
1989	8	78,000	9,750

Source : Gupta, D.B. et.al. (1993), *Housing and India's Urban Poor,* Har-Anand Publishers, New Delhi.

Procedures, Terms and Conditions of Credit:

Once the eligibility criteria are satisfied, an application form has to be filled and submitted to the DJP office. Details on the form are verified verbally with the applicant, and if found satisfactory, a Field Officer is deputed to carry out physical verification. This includes verification of the number of family members, meeting the neighbours and inquiring about the applicants' status, income, reliability, papers - in case of a construction loan, etc. It is surprising to note that in spite of such an elaborate system of verification, the default rate is quite high.

The maximum loan amount is Rs. 12,000 (it has been revised periodically, from Rs. 5000 in 1982 to Rs. 10,000 in 1983, to the figure mentioned above for 1989). (The actual loan amount differs in each case, depending on the repaying capacity and past savings and building materials on hand -- in case of house construction). Another stipulation is that neither the construction nor the house purchase loan should exceed Rs. 35,000 (earlier, this was Rs. 25,000). In case the cost is greater than the DJP loan, the rest is to be met from other sources.

Guarantee of two persons is required for a loan. These are generally other DJP beneficiaries. In case of permanent employees, identity cards and ration cards are checked. Loans are given in two equal instalments for house construction and in one lump sum for the purchase of a house. (Initially one bulk instalment was the norm for house construction as well, but this was perceived to be faulty. At one point, DJP started buying materials for beneficiaries after asking them to find out the cheapest possible building materials available in the market, rather than giving them cash loans. However, later, it settled for two instalments. Another pre-requisite for receiving loans is that the loanee must have a bank account, as the loan is paid into the account.

The plot papers of a loanee must be handed over, before credit is disbursed and until the loan amount is repaid. In case of house purchase, ownership documents are to be handed over. An interest rate of 4% is charged on loans, which may be increased to 12% in case of persistent defaults in repayment. DJP also insists that a photograph of the loanee be submitted. Another requirement is that the beneficiary must save for at least six months unless he/she lives in a rented house. This was done to inculcate the habit of saving and to ensure that applicants do not borrow money at a very high rate of interest for the initial downpayment. An agreement containing terms and conditions of credit, repayment procedures and the action prescribed in case of default, is signed by both parties. After the release of each instalment, field officers make personal visits to ensure that construction has been carried out.

The repayment of loan in instalments of Rs. 125/- per month starts after the house has been constructed. The loan amount and the interest on the same is supposed to be returned in a maximum of 100 instalments. However, this is not a hard and fast rule, and may be relaxed, if necessary.

The loanee is supposed to deposit the loan instalment in the DJP office. Initially, the DJP field staff used to collect the instalments every week/month from the beneficiaries, by the door to door collection method. However, this became an expensive proposition because of frequent defaults, and was therefore discontinued.

A study of defaults in one of DJP's housing schemes (Gupta et. al., 1993) shows that all the 126 beneficiaries have defaulted (for different lengths of time) at some stage or the other. Another study of DJP projects (Gautam, 1990) shows details of loan recovery. (Refer Table 2).

Table 2: Loan Recovery : DCA
(As on October, 1989)

	Purpose of loan	
	House construction	House purchase
Paid	363 (31.3)	2 (11.7)
Still paying	757 (65.2)	13 (76.5)
Bad debt	40 (3.5)	2 (11.7)
Total	1160 (100)	17 (100)

Note : Figures in parentheses show column percentages.

Source : Gautam, 1990, Title of Thesis, Unpublished Thesis, School of Planning, Ahmedabad.

Only in case of beneficiaries whose instalments are deducted from their salaries, the repayment is regular and the right amount.

In case of defaults for 2-3 months, a reminder is sent to the person concerned. If the same continues for another 2-3 months, another reminder in stern language is sent. Before sending a legal notice, a final letter of warning is also sent. No unpleasant action is taken against those who are physically and financially unable to repay loans as stipulated. DJP does not expect a 100 per cent return, or that the loan would be repaid in regular instalments. As long as the beneficiaries are serious about repayment, DJP officials seem content.

The Role of DCA:

In its housing projects, DCA essentially acts as a co-ordinator between various agencies. For example, in the Jahangirpuri project, DCA was involved in project design, implementation, monitoring and co-ordination of funding agencies like CARITAS and IGSSS, NGOs like Services Civil International, Catholic Relief Services, Helpage, ST.

Vincent de Paul Society, and governmental agencies like Delhi Administration, Indian Social Institute, etc., each of which was involved in the project in different capacities.

DCA also ensured the participation of beneficiaries in the design of houses and construction.

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9. DEVELOPMENT PROMOTION GROUP (DPG)

Background:

DPG is a registered society based in Madras. Its area of operation extends over Tamil Nadu, Andhra Pradesh and Pondicherry. It is essentially an NGO that offers research and consultancy services.

The organisation specializes in the following:

- Rural Development Planning,
- Evaluation Studies including Cost Benefit and Social Impact Analysis,
- Organisation of seminars, conferences and workshops on themes related to development,
- Marketing support to NGOs for village produce,
- Financial and manpower planning for rural development,
- Village level training and skills development.

Sources of financing:

DPG has mobilised funds for its projects from a variety of sources. CAPART and EZE, Germany have been major sources of funding, having financed several of its projects. While CAPART has mainly funded projects related to drought management/ promotion of drinking water, EZE has mainly funded projects on support to NGOs. The Indian Environmental Society has funded its environmental awareness campaigns.

The group has also mobilized resources from Action Aid, Karnataka, Christian Aid, London and the German Consulate General (FRG). Local contribution has also been a major source of financing on several projects.

Nature of activities undertaken:

DPG has been engaged in empirical research studies on problems of the poor, rural development programmes (with special reference to water, sanitation, skill development, housing and cottage industries), development of appropriate methodologies for monitoring rural development and community development programmes and consultancy on projects related to rural development/cottage industries/project evaluation, market studies and accounting management.

It has also produced a number of publications for other NGOs, for example a self-study series for NGOs in accounts management, and training of NGOs for accountancy, translations of CAPART guidelines for rural development projects into Tamil and distribution of the same to NGOs, and a Quarterly News Review for NGOs.

DPG has also been involved in a few housing/infrastructure related projects.

Housing/Infrastructure Related Projects:

The Group has taken up these kind of projects, mainly in rural areas. In VOC Distt, Tamil Nadu, for example, it has constructed 50 brick and tile houses with toilets, for scheduled caste beneficiaries. Currently, it is involved in the construction of a further 79 houses.

DPG has also undertaken a project to provide drinking water through borewells in 40 villages facing acute water shortage in Tamil Nadu. It has backed this up with a research study on the functioning of borewells in the villages.

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10. FEDERATION OF THRIFT AND CREDIT ASSOCIATIONS (FTCA)

Background :

FTCA was set up in 1989 with the help of the Cooperative Development Foundation in Hyderabad which is a public society for promoting cooperatives. FTCA is registered as a public society under the Societies Registration Act, 1860. It is an apex body for 14 Regional Associations of Thrift Cooperatives (RATC) which have 385 Primary Thrift Cooperatives/Societies under them with individual membership of 2.82 lakhs. Since January 1993, FTCA has been operating independently from the Cooperative Development Foundation. The Federation is an associate member of the Asian Confederation of Credit Unions.

FTCA membership consists of 19 RATCs in the states of Andhra Pradesh, Karnataka, Tamilnadu, Goa, Pondichery and Orissa. However, during the financial year 1992-93, FTCA was associated with only 14 RATCs.

Nature of Activities Undertaken:

Three kinds of activities undertaken by FTCA. One, lobbying activities, where it liases with the government for more favourable legislation. Second, it helps in the promotion and development of thrift cooperatives through technical and managerial assistance as well as training and counselling. Its third area is finance, in which it pools the financial resources of RATCs and enables better utilization of the same by making these available to different RATCs. In the future, FTCA also needs to mobilize external debt which may be disbursed through its Central Financing Facility (CFF) as discussed later.

Finanace related Activities:

Linkages with the Thrift and Credit system :

The Thrift Cooperative (TC) System comprises of a three tier structure. Primary Thrift Cooperatives join Regional Associations and these Regional Associations join the Federation on a voluntary basis.

i. Financial : PTCs mobilise thrift and deposits from members under the Death Relief Assistance Scheme (DRAS). PTCs place the funds generated from DRAS with the RATCs. RATCs also have Regular Thrift Contribution Scheme (RTCS) and Fixed Deposit Scheme in which the PTCs make regular contributions and also place their surplus funds with RATCs. RATCs use these funds to finance PTCs under its their Mutual Assistance Scheme (MAS).

RATCs participate in FTCA's Central Finance Facility (CFF) in which each RATC is expected to deposit regularly and also place their surplus funds. FTCA uses these funds to finance RATCs under its CFF. FTCA mobilises grants from external agencies and these are used as financial assistance (both capital and recurring grants) for RATCs' organisational development.

ii. Non-financial : In collobaration with the Cooperative Development Foundation, Hyderabad, FTCA offers training to primary cooperatives and RATCs. It also offers couselling, audit and accounting services to RATCs. In turn, RATCs provide both training and accounting and auditing services to primary cooperatives.

1. **Primary Thrift Cooperatives :**

The base tier is composed of Primary Thrift and Credit Cooperatives (PTC). While these may be known by a variety of names like Thrift and Credit Cooperative Society, Savings and Loans Cooperative Society, Credit Union, Community Thrift and Credit Society, Urban Cooperative Society, etc, they are largely modelled on the Primary Non-Agricultural Credit Cooperative Societies, registered under the State Cooperative Act. These basically include the Employees' Credit Cooperative Societies and the Other Urban Credit Cooperative Societies which are either based in a neighbourhood or represent a social or occupational group. Of the almost 400 PTCs under FTCA system, 75 percent are registered under the Cooperatives Act or as a Public Societies. The other 25 percent are informal and unregistered.

The main activities of the PTCs are regular mobilisation of a promotion of members' income as thrift, as long as they earn, to meet their post working period needs, to enable members to save in various forms to suit their needs, to offer loans to members towards working capital, asset formation, and consumption needs to provide financial counselling to enable members to earn more and to save more; to provide death relief to write off the loan of deceased members; and other financial services which are directly related to thrift and credit for the welfare of its members (FTCA, 1993).

Table 1
Details of Thrift Cooperatives within the FTCA System

		As on 30.11.93	
			% to total
1.	Number of Member PTCs	385	
a.	No.of registered PTCs	302	78.4
b.	No.of unregistered PTCs	83	21.6
2.	Individual Members in PTCs	282000	
3.	Average Membership/PTC	732	
4.	Total Funds in PTCs (Rs. in Lakhs)	19323	
5.	Average Funds/PTC (Rs. in Lakhs)	50.2	
6.	Borrowings		
a.	From District Central Cooperative Bank		
i.	Number	135	
ii.	Amount Rs. in lakhs	4984	
b.	From RATCs		
i.	Number	106	
ii.	Amount Rs. in lakhs	131	
c.	Total Borrowings (Rs. in lakhs)	5115	

Source : Statistical Information of Member Thrift Cooperatives of RATCs as on 30 Nov 1993, FTCA, mimeo.

Thrift Mobilisation :

Primary Thrift Cooperatives use three different procedures for thrift mobilisation for their members. One, is a uniform amount in which each member deposits a fixed amount. Second, is a slab system in which members are allowed to choose their income group. Monthly thrift starts from Rs. 20 for the income group of less than Rs. 1000 and thereafter increases by Rs. 20 for corresponding increase of Rs. 1000. In this system, there is no ceiling on the thrift amount and member is encouraged to save as per his/her income or 50 percent of the interest on the loan amount. Third, is a percentage system in which a fixed percentage of income (generally 6 percent) is collected as thrift and is used when incomes of the members are clearly measurable. While the first two methods are popular with the NTCs and WTCs, the percentage system is mainly used by ETCs.

Generally, the actual collection is monthly and delays are seriously dealt with. During 1993-94, the interest rates on thrift varied from 9 to 16 percent. The interest on thrift is generally capitalised annually for achieving better capital base for the member by the time he retires. The total thrift collected by PTCs in TC system stands at Rs. 19332 lakhs.

Recently, FTCA has introduced a Death Relief Assistance Scheme (DRAS) in which each individual member deposits a certain amount. The objective of the scheme is to provide financial relief in the event of death of a member and to provide loan security for the PTC. The relief consists of repayment of the loan from this account. The relief differs by the age group of member at the time of participating in DRAS, varying from 20 times the initial deposit in the case of the age group of 18-35 to 5 times for age group of 55-60.

So far, 62 percent of PTCs have undertaken the scheme with the participation of 25,100 individuals. The total funds collected in this scheme acmount to Rs. 116.96 lakhs.

Lending :

Credit is extended to members for all purposes. However, in the case of NTCs and ETCs, the priority areas are income generation activities and emergency. Housing loans by these two types of PTCs vary form Rs. 5,000 to Rs. 20,000. On the other hand, bigger ETCs offer higher amounts for housing. Most of the PTCs offer credit three times the thrift amount. NTCs and WTCs offer credit in the range of Rs. 1000 to Rs. 40,000.

Recently, the APSRTC Employees Thrift and Credit Cooperative has increased the loan amount for house construction/purchase form Rs. 1 lakh to Rs. 3 lakh. The interest rates on lending vary from 14 to 24 percent. The interest margin of 3 to 6 percent between thrift and credit is used for administrative expenses of PTCs.

Applications are made by members directly and are scrutinised by the Board of Directors. During the scrutiny, the savings pattern, accumulated savings, past repayment record, purpose of the loan and the guarantors credibility are assessed.

Cost recovery performance varies across PTCs. There are societies with 100 percent cost recovery. This is mainly because of severe penalties on defaults which are as high as one month's interest for 1 day's delay, local and social pressure and sense of responsibility on the part of members. On the other hand, there are some societies with a cost recovery performance of only 75 percent which is mainly due to weak leadership, lack of procedures and seasonal influences such as migration for work (Henk op het Veld, 1993).

Borrowings by PTCs :

PTCs borrow from three sources - District Central Cooperative Bank (DCCB), Mutual Assistance Scheme (MAS) of Regional Associations of Thrift Cooperatives (RATC) and from other PTCs The total borrowings of PTCs accounted for Rs. 5,115 lakhs by 30th Nov 1993.

Financial Performance of PTCs :

Most of the PTCs are self-reliant. The financial details of the PTCs within the RATC, Hyderabad, are presented in Table 2.

While ETCs have total assets at an averages of Rs. 40 lakhs per society, the NTCs and WTCs have Rs. 8 lakhs and Rs. 0.5 lakhs per society respectively. The main source of funds for NTCs and WTCs is thrift and deposits. On the other hand, the ETCs' resource base consists of thrift and deposits, share capital and borrowings.

As evident from Table 2, WTCs and NTCs offer short term loans (in the case of WTCs, the loans advanced during the year exceed loans outstanding at the end of the year which indicates that most of the loans are of less than one year's duration). The ratio of loans outstanding to deposits for ETCs far exceeds that of other PTCs, which is

Table 2

Financial Details of PTCs in Hyderabad RATC

(as on 31st March 1993)

(Rs.)

		ETCs	NTCs	WTCs	Total
1.	No. of PTCs	26	9	15	50
2.	Membership	20118	1707	1455	23280
3.	Average Membership/PTC	774	190	97	466
4.	Paid Staff	41	9	1	51
5.	Liability Structure (Rs. in Lakhs)				
a.	Share Capital	195.2	0.0	0.0	195.2
b.	Reserves	71.1	7.0	1.2	79.3
c.	Thrift and Deposits	533.2	50.1	5.3	588.6
d.	Borrowings	146.9	2.6	0.5	150.0
e.	Others	66.9	11.9	0.3	79.1
	Total	1013.3	71.5	7.3	1092.2
6.	Loans Outstanding (Lakhs)	901.7	63.6	6.6	971.8
7.	Loans Advanced during the year (Lakhs)	654.7	55.4	10.2	720.3
8.	Profits (Lakhs)	24.3	1.8	0.5	26.6
	Financial Ratios				
1.	Deposits/Owned Funds	2.00			2.14
2.	Debt Equity Ratio (Deposits+Borrowings)/Owned Funds	2.55			2.69
3.	Liability Structure (Percentage to total)				
a.	Share Capital	20.63	0.00	0.00	19.27
b.	Reserves	7.51	11.68	17.44	7.83
c.	Thrift and Deposits	56.34	83.94	75.71	58.10
d.	Borrowings	15.52	4.37	6.85	14.80
4.	Loans Outstanding/Deposits (%)	169.12	126.98	122.80	165.11
5.	Profits as a % of total assets	2.39	2.53	6.72	2.43
6.	Profit as % of Owned Funds	9.11	25.94	40.05	9.67

Source : Annual Report of RATC, Hyderabad, 1992-93

mainly because these societies have better share capital and access to finance. The profitibality of PTCs are reasonable at 2.4 percent as a percentage of total assets.

Organisational Structure : The General Body of the each PTC meets once in a year. The General Body reviews the performance of the society and takes major decisions like those or interest rates, reviews loan and thrift amounts and takes up new activities. Each PTC has a Board of Directors that is elected from among its members in a general body meeting. The elected members of the board nominate a President and a Vice-President. Credit Committees/Audit Committees may also be elected by the general body. The term of office for the Board of Directors is 3 years. The Board of Directors also appoint a Secretary who may or may not be a member. The Board meets monthly in case of NTCs and WTCs and quarterly in case of ETCs to make decisions on loan applications, membership applications and other issues. In the case of ETCs, Secretaries and other staff are responsible for the day-to-day functioning of the society. RATCs provide technical assistance for NTCs and WTCs in auditing and accounting.

2. Regional Associations of Thrift Cooperatives (RATCs) :

The Regional Associations of Thrift Cooperatives form the second tier in the TC system. Primary Thrift Cooperatives within a defined area join a particular RATC. An RATC is generally promoted for a cluster of 4 to 5 districts. RATCs are registered as public societies or as non-profit voluntary organisations under the apllicable state laws. Most of the RATCs were registered during 1990-91, except RATC-Hyderabad (which was registered in 1984) and RATC Bangalore (in 1985). The objective of the RATC is to promote primary societies in a region and to offer financial services related to Death Relief Assistance and Mutual Assistance Schemes and non-financial services like training, accounting and auditing.

The average membership of RATC is 28 PTCs, which in turn have an average individual membership of 774. There are great differences across RATCs with regard to membership and extent of resource mobilisation. The regional variations are shown in Table 3. Some of the major are those in RATCs Madras, Bangalore, Goa and Hyderabad.

The growth of RATCs interms of membership is impressive (refer Table 4). The number of PTCs joining RATCs have increased by 10 percent during the time span of 11 months (31st December 1992 to 30th November 1993). At the same time, individual membership grew at a rate of 7.3 percent.

Table 3

Regional Spread of RATCs as on 30 Nov 93

(Rs.)

	RATC	No. of PTCs	Membership in PTCs	Total Funds of PTCs (Lakhs)	Borrowings in Lakhs			No.of PTCs in DRAS	No.of Members in DRAS	% to total members	Total DRAS Deposits (Lakhs)	DRAS Deposits per member in Rs
					DCCB	RATC-MAS	Total					
1.	Bangalore	22	57000	1960	316	22	338	7	4100	7.19	23	570
2.	Chitradurga	13	5000	78	11	1	12	7	200	4.00	1	470
3.	Cuddaph	32	11000	93	90	12	101	21	3600	32.73	8	211
4.	Goa	60	25000	1387	635	20	655	33	2300	9.20	18	776
5.	Gulbarga	23	9000	243	0	6	6	10	1000	11.11	5	457
6.	Hubli	24	15000	397	28	5	33	10	900	6.00	5	521
7.	Hyderabad	49	24000	1086	0	17	17	42	4000	16.67	18	443
8.	Karimnagar	43	13000	404	213	10	223	26	2500	19.23	8	313
9.	Madras	20	63000	6414	1720	0	1720	15	200	0.32	1	325
10.	Manglore	12	7000	3189	1224	2	1226	9	600	8.57	3	518
11.	Pondichery	8	3000	160	113	2	115	6	600	20.00	3	468
12.	Vellore	36	17000	941	0	3	3	15	800	4.71	4	441
13.	Vijayawada	17	6000	580	35	18	53	11	2400	40.00	16	654
14.	Vishakapatnam	26	27000	2392	599	14	614	26	1900	7.04	7	347
	Total	385	282000	19323	4984	131	5115	238	25100	8.90	117	466
	Average per RATC	28	20143	1380	356	9	365	17	1793		8	

Source : Statistical Information of Member Thrift Cooperatives of RATCs as on 30 Nov 1993, FTCA, mimeo.

Finance related Activities:

Resource Mobilisation and Lending :

RATCs mobilise their resources from three sources - Death Relief Assistance Scheme (DRAS), Regular Thrift Contribution Scheme (RTCS) and Fixed Deposit Scheme.

PTCs place the funds generated from the Death Relief Assistance Scheme (DRAS) with RATCs. These funds are used for circulation among member PTCs under the Mutual Assistance Scheme (MAS) or for interlending.

RATCs attract additional funds from member PTCs under the Regular Thrift Contribution Scheme (RTCS) and the Fixed Deposit Scheme by offering up to three times of their deposit's worth. Under RTCS, thrift cooperatives are generally required to deposit 5 percent of their thrift collection.

FTCA recently started the Central Financing Facility (CFF) to finance RATCs. By the end of the financial year 1992-93, 3 RATCs availed this facility with total borrowings under CFF amounting to Rs. 4 lakhs.

The major source of funds for RATCs is the DRAS. The deposits from DRAS accounted for nearly 84 percent in total funds of RATCs by the 30th November, 1993 (refer Table 4). Thus, the financial performance of RATCs greatly depends on the ability to mobilise resources under DRAS. In this respect, RATCs' performance is phenomenal. PTCs participating in RATCs' - DRAS scheme grew at a rate of 53 percent during a time span of 11 months (31st December 1992 to 30th November 1993). By 30th Nov.'93, 62 percent of the PTCs have participated in RATCs' - DRAS as against 39 percent on 31st March 92. Individual membership during those 11 months increased by 76 percent.

There are regional differences in RATCs' performance with regard to resource mobilisation under DRAS. RATCs which have achieved more than 20 percent of participation rate of individual members in DRAS are Vijayawada, Cuddaph, Pondichery and Hyderabad (refer Table 3).

RATCs offer finance to PTCs under the Mutual Assistance Scheme (MAS) which is generally three times the deposits of each PTC in RTCS and DRAS. The loans given under MAS have registered a growth rate of 80 percent during 11 months. This growth

Table 4

Performance of RATCs

		31.3.92	31.12.92	30.11.93	Growth (%) During 31.12.92 to 30.11.93
1.	No. of PTCs	310	350	385	10.0
2.	PTCs in DRAS	121	156	238	52.6
3.	Participation rate of PTCs in DRAS (%)	39.0	44.6	61.8	
4.	PTCs Membership	230863	262928	282000	7.3
5.	DRAS Membership	8478	14296	25100	75.6
6.	Participation rate of members in DRAS (%)	3.7	5.4	8.9	
7.	DRAS Deposits in Lakhs	33	62	117	88.6
8.	DRAS Deposits per member in Rs	395	434	466	7.4
9.	Other Deposits	11	22	23	2.6
10.	DRAS Deposits as a % of total deposits	75.0	73.8	83.6	
11.	MAS Loans in Lakhs	40	73	131	79.8
12.	MAS Loans as % of total deposits	90.4	86.9	94.1	

Source : Henk op het Veld (1993),
Statistical Information of Member Thrift Cooperatives of RATCs as on 30 Nov 1993, FTCA, mimeo.

rate of lending by RATCs was made possible by a corresponding increase of about 89 percent in DRAS deposits.

By offering credit to PTCs, RATCs try to monitor/improve the performance of PTCs. The main conditionalities of availing the MAS are targets of DRAS membership (at least 25 percent of total members in a PTC), surplus in the previous year and more than 90 percent of cost recovery performance by a PTC. RATCs also try to exercise control over non-financial activities such as auditing and accounting procedures, staff recruitment rules, appointment of chief executives, etc.

Financial Performance of RATCs :

The financial performance of RATC - Hyderabad is presented in Table 5. Deposits account for nearly 92 percent in the RATC's total resource base. The rest cosnstitutes of own reserves and capital grants from FTCA. The RATC advanced Rs. 18.44 lakhs of loans to PTCs under MAS which accounted for nearly 71 percent of the total assets. For the financial year 1992-93, the spread (the difference between returns on lending and cost of funds) is 7 percent. Inspite of such a high spread, the profitability of the RATC is very low, being just 0.5 percent of total income. This is mainly because establishment expenditure is as high as 40 percent in total expenditure. To a certain extent, operating expenditure is being met by the recurring grants from FTCA. As a result, both debt coverage ratio and cost coverage ratio are less than one.

Nature of Activities Undertaken:

The main activities of RATCs are as follows:

i.Training : RATCs provide training for employees of PTCs in auditing, accounting, implementation of schemes, education and administration. During 1992-93, RATC-Hyderabad conducted one training programme on auditing and accounting in which 12 staff members from PTCs have participated.

ii.Promotion : RATCs promote new PTCs. During 1992-93, RATCs promoted 37 new PTCs.

iii.Finance : They help thrift cooperatives in designing schemes and suggest guidelines for thrift mobilisation. They also offer finance to thrift cooperatives.

Table 5
Financial Performance of RATC, Hyderabad, 1992-93 (Rs Lakhs)

	Reference Date	31.3.93
I.	**Liabilities and Owned Funds**	26.14
a.	Capital Grant	0.09
b.	Reserves	1.76
c.	Deposits	24.11
	DRAS Deposits	14.51
	RTCS and Fixed	6.10
	Others	3.50
d.	Unutilised Grants	0.02
e.	Other	0.16
II.	**Assets**	26.14
a.	MAS Loans	18.44
b.	Investments and Deposits	2.89
c.	Cash and Bank Balance	4.81
d.	Other	0.00
III.	**Income/Expenditure Account**	
1.	**Income**	4.19
a.	Interest from Loans	3.02
b.	Grants	0.66
c.	Interest from inv/dep	0.03
d.	Services	0.48
e.	Others	0.00
2.	**Expenditure**	4.18
a.	Interest	2.26
b.	Establishment	1.68
c.	Others	0.24
3.	Profits/Deficits	0.02
IV.	**Financial Ratios**	
1.	Debt-Coverage Ratio (Income - Op. Exp)/Int Exp	0.71
2.	Cost Coverage Ratio (Income - Int.Exp)/Op.Exp	0.66
3.	Cost of Funds (%)	9.37
	Returns on Lending (%)	16.38
	Spread (%)	7.01
4.	Loans Outstanding/Deposits	76.47
5.	Est.Cost/Outstanding Loans (%)	9.11
6.	Profits as a % of total assets	0.08
7.	Profits as a % of total income	0.50

Source : Annual Report, RATC, Hyderabad, 1992-93

Note : Income from grants has been excluded while calculating Debt Coverage Ratio and Cost Coverage Ratio.

iv. Auditing and Accounting : They offer auditing and accounting services to thrift cooperatives especially for unregistered cooperatives. By the end of 1992-93, 148 PTCs were availing these services.

Organisational Structure :

Each member PTC sends one staff delegate and one board delegate to the RATC General Body. The Board of Directors of RATC consists of 6 members and 3 staff delegates who are elected by the General Body for a term of three years. The Board in turn elects a President and a Vice-President. The Board of Directors meets monthly whereas the General Body meets twice a year (once in June for approval of accounts and activities and in January for elections and discussions on the annual budget).

An evaluation report on report on FTCA (Veld, 1993) points out that "Although good leadership is viable in the cooperatives, the functioning of these regional boards needs upgrading in the fields of policy formulation, planning and budgeting, discipline in elections, meetings and attendance as well as stimulating better communication among thrift cooperatives ".

RATCs are managed by a Secretory (or a Coordinator) assisted by a Development Officer an Accountant and/or an Assistant, depending on the size of the RATC. Most of the staff members of RATCs are graduates in commerce or accounts with some work experience in cooperatives.

Veld (1993) suggests that there is a need to identify competent leadership and staff in RATCs. It also suggests that training of staff and leadership is necessary in financial services and management, skills in motivating people, group management, reporting, promotion and lobbying.

3. Federation of Thrift and Credit Associations (FTCA)

FTCA forms the third and the top tier in the TC system. It is registered as a public society. Membership of the FTCA consists of 14 Regional Associations of Thrift Cooperatives in the states of Andhra Pradesh, Karnataka, Tamilnadu, Goa and Pondichery.

FTCA made efforts to promote 4 more RATCs in the state of Kerala during 1992-93. "However, as elections were not held to cooperatives in Kerala and the

possibility is remote in the near future, keeping in view the difficulties in activising the RATCs without the elected directors in thrift cooperatives, promotion of new RATCs is suspended. In pursuance of the decision taken by the end of 1991, promoting the State Associations of Thrift Cooperatives (SATCs) was also not taken up since the necessity, role and viability of SATCs will be clear only when RATCs are viable and sustainable" (FTCA, 1993). During the finacial year 1992-93, FTCA worked with all RATCs except those in Bhubaneshwar, Mysore, Madurai, Coimbotore, Tirunelvell and Tiruchi mainly because of issues like language, distance, resources, local response and absence of elected directors.

Nature of Activities :

FTCA undertakes the following activities:

i.Training : FTCA conducted several conferences, workshops and training programmes besides assisting RATCs as resource organisation in conducting training programmes. During 92-93, 33 such programmes have been conducted (900 participants). The subjects areas of these programmes are RATC Action Plan, Accounting Systems and Financial Management in Thrift Cooperatives, Cooperative Law, Promotion of Women Thrift Cooperatives, Computarised Accounting and RATC Management.

ii.Counselling : Counselling services were offered to RATCs in setting up of offices, recruitment, conducting meetings accounting and auditing, implementation of schemes like DRAS and MAS, promotion of PTCs, framing model bylaws for membership and different schemes, etc. Counselling is done by 3 field officers located at Bangalore, Madras and Hyderabad who visited the RATCs for at lest 3 to 4 days in evry month.

iii.Financial Assistance : FTCA provides the financial assistance (grant) to RATCs in establishing the offices and promotion of new PTCs. This assistance is provided when the RATCs agree to achieve certain targets like increasing the number of member PTCs, improving the membership in DRAS scheme, etc. FTCA also provides the loan to RATCs under CFF. CFF is used to cater to the needs of RATCs working capital.

iv. Auditing : FTCA offers auditing services to RATCs to help them streamline their accounting and documentation systems. Audit was conducted once in a quarter and 11 RATCs (except Manglore, Mysore and Chitradurga) utilised these services.

v. Advocacy : During 1992-93, FTCA organised 3 state level seminars on 'Thrift Cooperatives and Cooperative Law'. The recommondations of these seminars were sent to the concerned Registrars of Cooperatives, State Governments and the Union Government to make the Cooperative Act more conducive for the growth of thrift cooperatives. FTCA also prepared byelaws for membership and day-to-day operations of PTCs.

Resource Mobilisation and Lending :

FTCA's resource base consists of capital grants from external agencies such as OXFAM - England and HIVOS - Netherlands and deposits from RATCs.

During the financial year 1992-93, FTCA got financial support of Rs. 3 lakhs from OXFAM and Rs. 12.88 lakhs from HIVOS. There grants are meant for organisational development, recurring and capital expenses and promotion activities of RATCs.

RATCs are expected to contribute to the Central Finance Facility fund regularly besides depositing their surplus funds. The Deposits of RATCs under CFF (in which 5 RATCs participated) have reached Rs. 2.8 lakhs. During the same year, the Cooperative Development Foundation has supported training activities of RATC and the CFF. FTCA provided 14 percent interest on deposits and charged 16 percent on its investments during 1992-93, so that RATCs have margins at both ends.

Financial Performance of FTCA :

As per its own admission in its fourth annual report, the FTCA has so far concentrated "on organisational development of RATCs and has not yet made any significant efforts for its own viability".

The establishment expenditure during the financial year 1992-93 is Rs. 3.6 lakhs (refer Table 6). FTCA covers the costs of operation from the grants as it has recently started mobilising its resources. Once, the CFF activity picks up momentum, it is possible to meet the costs by the interest margin between the CFF Deposits and CFF Loans.

Veld (1993) points out that FTCA has to have Rs. 300 lakhs of CFF capital base (at 2 percent margin on interest) for making it financially self suffient. He argues that "the period of building up such a huge capital base for the federation to become viable

Table 6
Financial Performance of FTCA

	Reference Date	31.3.93
I.	**Liabilities and Owned Funds**	15.68
a.	Capital Grant	2.11
b.	Deposits	7.81
	CFF - Membership Deposits	2.79
	CFF - Membership Recurring Deposits	0.02
	CDF - Deposits	5.00
c.	Unutilised Grants	4.70
d.	Other	1.06
II.	**Assets**	15.68
a.	CFF Loans to RATCs	4.05
b.	Investments and Deposits	2.93
c.	Cash and Bank Balance	7.85
d.	Other	0.85
III.	Income/Expenditure Account	
1.	**Income**	11.95
a.	Interest from Loans	0.39
b.	Grants	11.19
c.	Interest from inv/dep	0.21
d.	Others	0.16
2.	**Expenditure**	12.0
a.	Interest	0.4
b.	Establishment	3.6
c.	Others	0.1
d.	Assistance to RATCs	7.95
3.	Profits/Deficits	-0.01
IV.	**Financial Ratios**	
1.	Debt-Coverage Ratio (Income - Op. Exp)/Int Exp	-7.35
2.	Cost Coverage Ratio (Income - Int.Exp)/Op.Exp	0.10
3.	Cost of Funds (%)	4.98
	Returns on Lending (%)	9.57
	Spread (%)	4.59
4.	Loans Outstanding/Deposits	51.82
5.	Est.Cost/Outstanding Loans (%)	88.02

Source : Annual Report, FTCA, 1992-93

Notes :
1. Cost of Funds = (Interest Exp) * 100 / (Deposits)
2. Returns on Lending = (Interest Income) * 100 / (Outstanding Loans)
3. Income from grants has been excluded while calculating the Debt Coverage Ratio and Cost Coverage Ratio.
4. Operating Expenditure = Establishment + Exp on others

appears to be too long. Therefore, alternatives should be investigated for mobilising funds and/or offering other financial services to enable the federation to break-even within 5 years".

Organisational Structure:

Each RATC sends one board delegate and one staff member to the General Body of FTCA. The General Body elects an Executive Committee elects the consisting of 6 members and one Ex-officio member. The executive committee the President and Vice-President among themselves. The Executive Committee meets quarterly. The General Body meets once in a year in which the decisions are taken regarding major plans, budgets, policies and membership applications.

The Federation is managed by a professional management team. Its management structure consists of a Development Manager, three Development Officers (for auditing/accounts, education/training and for central finance facility) and three field officers for coordinating the RATCs. Federation also has one Administrative Officer under whom there are three assistants.

FEDERATION OF THRIFT AND CREDIT ASSOCIATIONS OF INDIA,
Laxmi Bhawan,
Santosh Nagar Cross Roads,
Saidabad,
Hyderabad - 500659

Contact Person: Mr. Rammohan Sharma

11. LUTHERAN WORLD SERVICE, INDIA

Background:

Lutheran World Service, India is a non-governmental organisation operated by the Lutheran World Federation's Department of World Service. Its head office is in Geneva. LWS's involvement with the poor in India dates back to the 1960s when it collaborated with the Bengal Refugee Service, subsequently known as the Cooch Behar Refugee Service.

LWS India became directly operational in 1974, when an emergency relief project was initiated in the northern districts of West Bengal. Since then, it has grown to be one of the largest NGOs with both relief and development projects spread over several states in eastern and southern India (Orissa, West Bengal, Andhra Pradesh and Tamil Nadu).

Till date, LWS India has concluded operations in several areas and handed over the projects to local Lutheran Churches, Government Agencies and People's Organisations. Its projects have mainly been in remote rural areas. Currently, it has a couple of urban projects in Calcutta and Cuttack.

Organisational Structure:

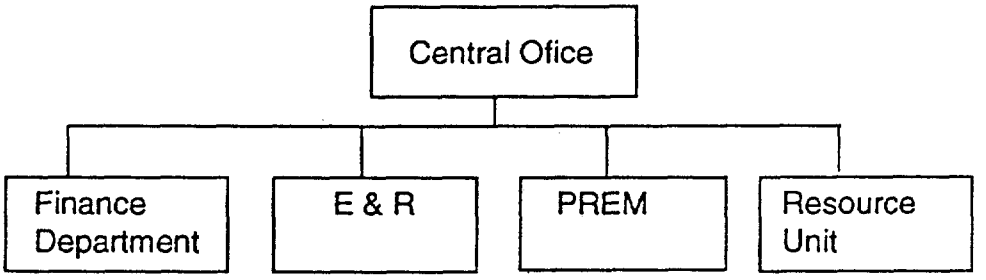
The national administration and co-ordinating offices in Calcutta include the Director and Deputy Director's offices as well as offices of the Finance Department, the Emergency and Rehabilitation (E & R) Unit, the Planning Resource Evaluation and Management Unit (PREM) and the Resource Unit. The Central office is responsible for overall planning, management, monitoring and general administration. The office also maintains regular contact with governments, international, national and local agencies and voluntary agencies.

The E & R Unit communications with government and other agencies to maintain disaster preparedness. It stockpiles relief materials as well as plans, and monitors and co-ordinates relief operations. It also maintains contact with a large number of resource personnel that can be called upon to implement relief projects.

The PREM Unit consists of the PREM cell and Programme Section. The PREM cell is a consultative and advisory body to the management of LWS India, with expertise in development related disciplines and helps build up capabilities in the areas of

FIGURE 1

LWS: ORGANISATIONAL STRUCTURE



E & R - Emergency and Rehabilitation Unit

PREM - Planning Resource Evaluation and Management Unit

planning, research, evaluation and monitoring among staff and through the staff among user groups.

The Programme Section oversees the planning, implementation, monitoring and evaluation of development programmes. Data collection, information dissemination and reporting on events are among the major activities of the section. The programme section staff also make regular field visits. During these visits, project staff and the community are assisted in exploring and determining relevant strategies and methodologies, and people from the community are encouraged to form organisations of their own and develop managerial capabilities.

Its Resource Unit undertakes programmes on education, training, empowerment of women, community health, infrastructure development (community centres, roads, primary schools, safe drinking water facilities, latrines and drains, soil conservation measures, irrigation infrastructure, etc.) agriculture (appropriate technologies for resource poor farmers of land, water and crop management), environment and ecology, income generating activities and community organisation (described in detail later).

The Resource Unit consists of sector specialists. It gives advice and guides and provides technical assistance to the projects. It organises training programmes and field visits to enhance the knowledge of staff and user groups. For training programmes, its 'desks' (or 'portfolios') pool resources and mobilize technical and professional expertise from external agencies.

Sources of Financing:

LWS India mobilizes funds from Luthern World Federation's Department of World Service (the traditional donors). In recent years, LWS, India has secured considerable government funds for its operations. The drinking water development programmes under the Technology Mission have been funded exclusively by the central government. Even for specific projects planned and implemented by LWS India, funds have been received from the respective state governments. It has also received funds from agencies like Action for Food Production (AFPRO) and UNICEF.

Nature of Activities Undertaken:

So far, LWS has undertaken relief and rehabilitation activities in flood and drought affected areas and cyclone hit areas. Its Emergency and Rehabilitation Unit is

involved in the provision of emergency shelter, drinking water development in drought affected areas, construction of flood protection embankments, construction of houses and primary schools, construction of irrigation wells, cleaning of tanks and ponds damaged / polluted during floods, organisation of training camps on water borne diseases, and training of rural youth to be handpump mechanics and caretakers.

Employees of LWS have varied backgrounds: doctors, civil engineers, MSWs, agricultural engineers, geophysicists, etc.

Finance related Activities:

LWS India has sought to build organisational capabilities of the poor (mainly in rural areas) and motivate them to form functional groups and community organisations. The projects have assisted communities to create their own revolving funds.

In 1992, in its 8 project areas, LWS helped in the formation of 294 community organisations that played an active role in their own development. Together, these organisations have built up a capital of Rs. 400,000. Much of this amount has been reinvested in economic ventures undertaken by members.

Although LWS helps in the initial formation of these organisations and is always available to guide them, the organisations have the freedom to decide on terms and conditions for savings and credit related activities.

The purposes for which loans are given are flexible. Each revolving fund has a small provision for members to secure loans to meet social and other obligations like marriages, illnesses and other emergencies. However, generally, loans are given for income generation.

It must be noted that these organisations are not savings groups only - they also participate in developmental projects and maintenance of infrastructure developed in projects. (A percentage of the revolving fund is set aside for infrastructure maintenance and people are trained to maintain infrastructure on their own).

In a number of projects undertaken by LWS India, the labour input comes from the community itself. Besides, people are asked to bear 15% to 20% of the costs of facilities provided, which actually goes into the revolving fund, while LWS provides the same as a grant. The revolving fund is then used for the maintenance of the service.

Housing/Infrastructure related Activities:

In Calcutta, LWS is currently working in 21 slum settlements, covering a population of around 40,000. (The project was initiated in 1976). Although its primary focus is on community organisation, health and education related activities, it has undertaken several projects for provision/improvement of existing infrastructure in slums. All activities are undertaken in collaboration and consultation with these community organisations who are responsible for planning, implementing and monitoring of activities. LWS is wary of going in for housing projects, but is keen to start on infrastructure development/ improvement and upgradation of houses in slums.

The organisation burnt its fingers in a housing project for pavement dwellers in Sukanta Nagar Colony, Calcutta, where, due to political problems, houses could not be allotted to the target group. Ultimately, the houses were pilfered and could not reach the beneficiaries.

As far as infrastructure development is concerned, in Calcutta in the past year, LWS has improved environmental sanitation facilities for approximately 1400 families, through the construction of 350 feet of drains, 79 low cost sanitary latrines, 4 community urinals and 10 garbage vats/dustbins. It has improved communication and sanitation facilities for around 800 families. It has also reclaimed and developed low lying, water logged land measuring around 3,700 sq. ft. in a squatter settlement, and improved community facilities in the same.

In Cuttack, LWS's project was initiated as recently as 1992. Since then, LWS successfully assisted 2 slum communities to carry out minor repairs of drinking water sources, drains and community halls. (At present, its emphasis is on community mobilisation, skill training for income generation, education programmes and community health programmes).

LWS has undertaken considerable housing construction projects in cyclone and flood affected areas (rural areas). It involves beneficiaries in clearing the debris and providing free unskilled labour for construction. In case they can salvage doors/ windows/usable building materials from earlier houses, those are used in the new houses that are built. Generally, a model house is first designed in consultation with the community, and then construction of other houses begins. People are free to modify the model and build according to their needs. Beneficiaries who are industrious and ambitious generally add one more room/ an out house (either a kitchen or a cow-shed).

LWS has also drawn up plans for massive housing projects in earthquake affected areas of Maharashtra.

LUTHERAN WORLD SERVICES
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Calcutta - 700014, West Bengal

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Phone : 2440448, 2449200, 2449730, 2449731

12. *PUNERVAAS*

Background:

Punervaas began as a forum with the objective of promoting small, community-based financial institutions of the poor in Delhi, to supplement their incomes and improve their habitat. It was an experiment in making housing finance available to the poor, initiated by an informal group of government officials, academics and NGOs. The idea was to enolve a model for slum upgradation.

Nature of Activities Undertaken/Proposed :

Punervaas' plan of action was to initiate the process of slum upgradation by identifying a potential slum area and an NGO working in the same, encouraging the formation of community organisations (COs), providing legal aid for the registration of COs under the Cooperative Act and later encouraging them to apply for tenurial rights, establishing links between the people and governmental agencies (e.g. Slum Wing, DDA) and identifying schemes (e.g. E.I.S. or UBSP) under which finances are available for slum upgradation. Punervaas' activities were initiated in 6 slum areas of Delhi, covering nearly 4000 HHS. Layouts were planned for each area to improve drainage, street lighting, etc. and ensure that each HH got at least 12 sq. m. of land.

Punervaas plannned to promote the habit of thrift through the co-operatives. It also proposed to encourage small entrepreneurship through the co-operatives, with small business loans, and go in for group activities like a 'Group Insurance' against repayment of loan on premature death/fire and accident policy, and run a consumer store, dispensary or a technical training course. It also intended to make the co-operatives take up issues like adult education, family planning and hygiene.

Housing Related Activities:

As mentioned earlier, Punervaas essentially initiated the process of slum upgradation in different slum areas of Delhi. Its mode of operation was to locate a slum cluster, find an NGO that may have worked in the area and then get the Slum Wing, DDA to make a list of permanent residents of the slum with the NGO's help, while deleting the names of absentee owners. Once the list of residents was finalised by the NGO & DDA, households in the cluster were organised by the NGO with the assistance

of the Registrar of Co-operative Societies, into a multi-purpose cooperative society. This gave the cluster the legal status necessary to procure loans and to take up issues with the government and other agencies.

Punervaas framed the model bye laws as per which the co-operatives were to be formed. These provided for the nomination of members including the president, by the Registrar. It was proposed that the President would be nominated by the Registrar along with a representative each of the Slum Wing and the Registrar of Co-operatives. The Registrar could also nominate another person. Punervaas also specified that a woman and her husband were to become joint members of a co-operative. It also sought to restrict the size of the co-operatives to about 300 members. Punervaas envisaged a major role of NGOs in the process, especially in the fomative years of co-operatives. It believed that the role of the concerned NGO would be vital for the success of each society.

After a co-operative is formed, Punervaas envisaged that the following activities would be undertaken by it:

- slum improvement/upgradation by seeking funds through the slum department under schemes like EIS/UBSP.

- seeking tenurial rights from the government, or occupation right till alternative land is provided for the whole society. (Since land allotment or occupancy right would be given to the cooperative, individuals would have to seek loans through the co-operative).

- seeking loans from financing institutions based on mortgage of their tenancy/occupation, as well as small business loans.

The Case of Ekta Vihar

One of the slum clusters taken up by Punervaas was Ekta Vihar, where an NGO, ASHA (Association for Shelter and Health for All) started working. The NGO was hired by the slum wing, DDA, to mediate between the people and government agencies. DDA also provided handpumps and toilets in the area. A co-operative association was formed, the main task of which was to educate the slum dwellers and to improve the inhabitants' living conditions by arranging for basic services. After the formation of the co-operative, a monthly subscription of Rs. 30 per member was charged, of which Rs.

5 went toward cleaning, Rs. 10 for lease rent, and Rs. 15 toward compulsory saving. The co-operative association conducts monthly meetings, in which members can discuss current problems in the slum and settle disputes within the community. Decision-making is mainly through informal discussions, with majority support.

Community participation was encouraged and achieved by ASHA, throughout the project. The National Institute of Urban Affairs conducted a study on Ekta Vihar (NIUA, 1992) and attributed the success of the slum upgradation programme to the following:

- Involvement of an NGO (ASHA) as a catalyst, motivator and mediator between the community and the public authority (Slum Wing, DDA).

- Co-operation and support of the public authority (Slum Wing, DDA)

- Successful joint working of the community, the NGO and the public authority.

However, it is said that after the initial pilot project of Ekta Vihar, the Punervaas movement not made much headway.

PUNERVAAS

Defunct
No Address or Contact Number available.

13. SEWA

Background:

SEWA is an organisation of self-employed women in rural and urban areas of Gujarat. The self-employed include small-scale vendors, home-based producers and labourers. It essentially began as a trade union, registered in 1972. However, its antecedents go back at least two decades as a women's wing of the Gandhian Textile Labour Association in Ahmedabad. Interestingly, the seeds of SEWA lie in a request for housing by a labour contractor of migrant women cart pullers in 1971. Over the last twenty years, SEWA has grown from strength to strength and is today recognised as a pioneer of women's movements, internationally.

Organisational Structure and Linkages:

SEWA's strength at least partly emerges from its ability to concretize its vision and movement into appropriate institutions. Thus, SEWA also represents several organisations which constantly pursue the overall goals and share the vision of the movement. The SEWA family consists of SEWA, the trade union, several co-operatives, the Mahila SEWA Trust, the Mahila SEWA Co-operative Bank and other autonomous organisations. SEWA, the main organisation, currently has a membership of approximately 50,000.

SEWA has also helped self-employed women to form co-operatives. A present, there are 60 such cooperatives. The Mahila SEWA Cooperative Bank is the largest cooperative sponsored by SEWA, with a membership of over 5000 in 1993. (A more detailed review of the Bank is given later). The Mahila SEWA Trust, a sister organisation, is registered under the Bombay Trusts Act. It carries out activities related to health, child care and development.

SEWA has also inspired and assisted in the development of similar activities in different cities in India. SEWA Delhi, SEWA Lucknow, SEWA Bhagalpur, SEWA Mithila, SEWA Singbhum, SEWA Munger and SEWA Bhopal, are registered under the Societies Act. SEWA Indore is registered as a trade union while SEWA Jabalpur is registered as a co-operative under the Co-operative Act. SEWA Bharat, registered under the Bombay Trusts Act, is a federation of all SEWAs.

SEWA also has international affiliations. It is an affiliate to the International Federation of Food Beverages, Tobacco and Allied workers, the International Federation of Plantation, Agricultural and Allied Workers, and Women's World Banking.

Grass-roots base :

SEWA's strong grass-roots base is evident from its list of Executive Committee members and Board of Directors of SEWA Bank, on which a majority of those who serve are people from the community -- self-employed women. Moreover, the Executive Committee of SEWA, the organisation, the Managing Committee of each of the co-operatives and the Executive Committees of all other organisations under SEWA's umbrella, are all elected democratically.

The considerations that governed the choice of organisational form also indicate why SEWA has been able to become firmly rooted in the community. These are given below.

Each organisation should be :

- One in which the self employed workers are the members.
- One which allows the direct control of the members of the organisation, in which the workers form the decision making body.
- One which is based on democratic principles of membership and elected representatives of the workers.
- One which has an equal basis of financial contribution by all workers to establish a right in the organisation. It also has voting rights based on the numerical strength of members and not on the financial strength; and each member has one vote only.
- One which establishes accountability to the workers themselves as the ultimate forum.
- One which is a representative organisation of the workers.

Keeping all these considerations in view, co-operatives and trade unions were found to be the most suitable organisational forms for evolving "peoples' organisations".

Nature of Activities Undertaken :

SEWA strives to involve itself in activities related to 'struggle' and 'development' through the following means :

- Direct action -- meeting with and writing to the employers or the police. 'Morchas', demonstrations, strikes and 'satyagrahas' are the most effective forms of direct action.
- Legal Action : SEWA also deals with government departments through complaints and uses the legal structure by filing cases in court.
- Policy Changes : SEWA also tries to bring about policy changes - to change the concepts of town planning, to make labour laws more responsive to the needs of self-employed workers, to make insurance companies aware of the problems of the self-employed through compaigns, workshops, studies and advocacy.
- Development and Finance - SEWA's cooperatives and Bank also support developmental activities related to skill enhancement, marketing support and credit. Besides, the Trust also provides supportive services for health, education, child care, etc.

All this is done only after organising people. Conversely, all action whether direct, legal or policy, also leads to another phase of organising. SEWA has helped organise home-based workers, vendors and labourers in a variety of ways.

Home-based workers, for example bidi workers were organised, workers' meetings were held, employers were approached for the issue of identity cards, access to medical benefits was provided through negotiations, processions were organised for minimum wages, bonus and scholarships for workers' children, and equal pay for men and women in the profession was achieved. Cases were fought in labour courts to ensure payment of gratuity to workers during closures and dismissals, quality and quantity of raw materials was lobbied for and a Supreme Court verdict was obtained for having a provident fund for bidi workers.

Similarly, SEWA has lobbied for other home-based workers to organise them and to give them legislative protection. At the national level, SEWA is sponsoring a bill on

'Protection and Welfare of Home-based Workers' and at the international level, it is working towards an ILO convention on home-based workers.

For small scale sellers and vendors, SEWA has taken legal action at the Supreme Court and High Court to give licenses to vendors, relocate displaced vendors in alternative and nearby sites and stop police persecution and harassment by the Municipality. A number of seminars and studies were conducted to analyse policy issues and problems. SEWA is now mounting a national campaign for vendors. The main thrust of the campaign is to change the perception, policies and laws concerning vendors and to integrate them positively into the urban economy. SEWA is also aiming at a positive national policy on vendors.

Similarly, it has also helped head loaders, hand cart pullers, contract cleaners, tobacco processors, agricultural labourers and contract workers in textile mills to achieve better working conditions, stopping retrenchment and harassment by employers, compensation for accidents during work, minimum wages, access to banking and health services, etc., mainly through negotiations with the Labour Department and fighting cases in court on behalf of such people.

Finance Related Activities : (Sewa Bank)

The Shri Mahila SEWA Sahakari Bank was established in 1974 at the initiative of 4000 self-employed workers. Many of SEWA members were in need of cheap and easily available credit to earn a livelihood and to pay off debts to moneylenders that sapped all their earnings. At first, SEWA acted as an intermediary organisation and helped its members to get loans from other commercial banks. Later, several difficulties were perceived in this arrangement. There was a problem of bridging the gap between women in torn clothes accompanied by noisy kids, and bank staff who were used to educated, middle-class clients. The women's schedule did not permit them to keep to banking hours and since banks refused to accept payment at the time of the day when women were free to come, the money either got spent or deposited with wholesalers or money-lenders who exploited them or was taken away by their husbands and sons.

Thus, the need for a separate institution to take care of those needs was perceived and SEWA Bank was born. In May 1974, the SEWA Bank was registered as a co-operative bank. From 1974 to 1977, SEWA Bank concentrated on mobilising self-employed women to bank with it and acted as an intermediary to enable its depositors

to get loans from nationalised banks. In 1976, it began advancing money from its own funds to its depositors. Since then, it has proved to be a viable financial venture.

SEWA Bank strives to serve poor, self-employed women. It is a multi-service organisation, which operates more as a development bank rather than a regular commercial or cooperative bank.

At the same time, the bank provides the regular facilities of a co-operative bank for savings and fixed deposit accounts, to inculcate thrift in women. It provides credit for productive, economic and income-generating activities of the poor and self-employed. It extends technical and management assistance in production, storage, procuring, designing and sale of goods/services. This includes services to buy raw materials, equipment, tools and implements, establishing direct links with industries, wholesalers and producers from where the borrowers buy raw material, and accounting services to members individually and to women's groups. The bank also provides its clientele access to legal aid, productivity training and education, maternity protection, social security and creche facilities.

The governing body of the bank is the Board of Directors which has the representation of major trade groups from SEWA's membership. All major decisions of the Bank are taken by the Board. The Bank has an office staff of 22 which handles all the administrative work. SEWA union's team of trade organisers also forms the field staff of the Bank, and helps mobilise savings and new accounts.

The field staff and the bank staff also provide technical assistance to borrowers, if required, to enable them to use their credit money effectively by identifying direct sources of purchasing raw materials, better tools and equipment, links with the market for their goods and services and also to acquire skills for making new products and opportunities for work.

Mobilisation of Savings

SEWA Bank has adopted several procedures of operation suitable for poor, self-employed women, like collecting their savings from their places of business or residence, and providing saving boxes. Savings are collected either on a weekly basis or on a monthly basis. The frequency of saving (and therefore of collection) varies from occupation to occupation.

Procedures for Granting Loans

Applications for loans are made by members, either directly or through field staff. The Bank staff scrutinizes applications for loans for economic activities (not those for personal use/social occasions) and processes the same. The applicant's income generating ability, financial status, soundness of working conditions and ability to repay are carefully scrutinized. The financial discipline of a person (regularity of saving) is the most important of these. This information is then discussed in a loan committee and put up to the Board for sanction. The Board of Directors acts as the final authority that sanctions all loans advanced.

Procedures for Savings and Credit

Loans are given by the bank on flexible terms, for a variety of purposes. Between 1973-1977, when SEWA was providing credit to its members through nationalised banks, interest rates charged by those banks varied from 9 per cent to 16 per cent per annum. However, this was reduced to a uniform 4 per cent as a result of SEWA's lobbying with the government to obtain cheap credit for the urban poor. Since 1976, after SEWA Bank started disbursing credit, interest rates have been charged on loans, as per RBI guidelines. The loan has to be repaid in 36 monthly installments.

Currently, the maximum unsecured loan amount is Rs. 15,000 while the maximum secured loan amount is Rs. 20,000. For loans upto Rs. 2000/-, the guarantee of one person is required. For loans > Rs. 2000/-, guarantee of 2 persons is required. Loans given against fixed deposits amount to 85 per cent of the deposit. Those given against gold, are 70 per cent of the value of gold.

The Bank provides facilities to rescue members' jewellery from pawn-brokers and private money-lenders and gives loans against jewellery. It also gives training and assistance to the women to understand banking and provides facilities for deposit linked group insurance.

Loan Repayment

For repayment, SEWA has evolved its own mechanism. First, precautions are taken prior to granting of loans, in the form of a guarantee system. One person known to SEWA (who may be a member) has to be the guarantor for a loan. A record of the

recommender is kept. In case of default, the same person cannot be a recommender again. Besides, there is pressure on the recommender to get the loan repaid.

The field staff also visit borrowers at their work places or homes to remind them about periodical repayment. There is a close monitoring of loans to see that money is spent for the purpose it was lent (although SEWA officials say that some percentage of it is generally used for other reasons -- this is difficult to monitor).

In most cases, loans are advanced to members of the SEWA Union and SEWA encourages and assists its members in attaining economic well-being. This has a significant bearing on repayment of advances made by SEWA Bank. The repayment rate for SEWA Bank has always been good, varying from 97 per cent in good years to 85 per cent in years of drought, riot, or retrenchment of textile workers. In 1991, repayment was 91 per cent and in 1992 it was again more than 90 per cent (Jhabvala, 1992).

An area-wise record of non-repayment is also kept. Field-workers visit defaulters and put them under pressure to repay. Reminders are given to guarantors and defaulters through formal notices as well. Finally, there is provision for legal action in case of non-repayment. Generally, SEWA's experience has been that contiuous contact and reminders, suffice. Field staff identify defaulters and help them to repay loans. This is possible due to a relationship of trust that has been built up and the total involvement with the life of the borrowers.

Finance and operations of the Bank :

SEWA Bank has shown tramendous growth, especially in recent years. For example, its authorised share capital has been raised upwards twice in the last 3 years from Rs. 1.5 million to Rs. 3.0 million in 1991-92 and to Rs. 5.0 million in 1992-93. By 1993, it had 15,454 shareholders and 35,443 depositors with a net worth of over Rs. 6.0 million and a working capital of Rs. 67 million. The total loan accounts were over 11,800.

The main source of SEWA Bank's working capital has been its deposits. During 1992-93, there was a considerable spurt in the fixed deposits, with a growth of over 170 per cent. As a cooperative bank, SEWA can offer a slightly higher rate of interest than the commercial banks, on deposits. However, it is quite likely that the growth in deposits is linked more to the efforts of the field personnel rather than the interest rate benefits. SEWA has also introduced new savings instruments, both a recurring deposit

with monthly instalments and long-term savings for 75 months, which double the savings, with an implicit compound interest rate. The growth in deposits has necessitated increase in share capital to maintain the ratio of 8.0 for deposits/ equity for urban co-operative banks.

While SEWA has been fairly successful in managing its debt coverage (the debt coverage ratios being 1.6 and 1.2), the credit to deposit ratios have been fairly low at 0.6 and 0.4, as compared to the permissible 1.0 by the Reserve Bank of India. It must be pointed out that this is also true for most other co-operative banks in the country. SEWA bank, however, argues that the credit absorption capacity of its members is limited and forcing higher credit volumes would divert the same to other clientele. This aspect needs to be examined more closely, as there has not been any long-term lending (exceeding 3 years) by SEWA Bank. It would be worthwhile to explore the possibilities in this regard, if necessary, supported by a risk fund.

Table 1

Some Highlights of SEWA Bank

(Rupees in '000)

	1988-89	1989-90	1990-91	1991-92	1992-93
Total shareholders	1174	12495	13151	14109	15454
Total paid-up share capital	1074	1255	1460	1779	2132
Total savings accounts	23582	25564	27923	30905	35443
Total deposits	13890	16314	24466	28238	53470
Total working capital	18301	21556	34417	39107	67124
Total loan accounts	6354	7595	9132	10106	11826
Total outstanding loans	8552	9808	12015	17214	20535
Profits	480	652	741	767	827

Source : Annual reports of SEWA Bank.

Table 2

Sources of Working Capital for SEWA Cooperative Bank

(in million rupees)

Source	1991-92	1992-93
Share capital	1.78 (4.6)	2.13 (3.2)
Reserves	3.18 (8.1)	3.86 (5.8)
Deposits	28.24 (72.2)	53.47 (79.7)
Loans and other borrowing	2.68 (6.8)	2.68 (4.0)
Other	3.23 (8.3)	4.98 (7.4)
Total	39.11 (100.0)	67.12 (100.0)

Source : Based on annual report of SEWA Bank.

Note : Figures in paraenthesis denote column percentages.

Table 3

Growth in Types of Deposits with SEWA Bank

(in '00000 rupees)

		1989-90	1990-91	1991-92	1992-93
Fixed deposits	Individuals	53.39	64.54	77.08	200.98
	Other cooperatives	25.87	45.50	50.23	143.89
Savings accnts.	Individuals	42.49	50.03	57.33	68.03
	Other cooperatives	39.23	83.36	96.22	118.39
Current accnts.	Individuals	0.04	0.51	0.37	0.06
	Other cooperatives	2.13	0.74	1.174	3.31
Total		163.14	244.66	282.38	534.70

Source : Based on annual reports of SEWA Bank.

Table 4

Important Financial Ratios

Ratio	1991-92	1992-93
CAPITAL STRUCTURE Debt Equity Ratio (Deposits+loans/shareholders' funds)	6.2	9.4
OPERATIONS Debt Coverage ratio (income-oper. exp/interest exp)	1.6	1.2
Credit/deposits+loans (%)	0.6	0.4
Credit/working capital (%)	0.44	0.3
Operating exp/total exp. (%)	0.4	0.3
Operating exp/total deposit+loan accounts (Rs/account)	29.7	41.6
Rate of recovery (% of on-time recovery to total payments due)	84.0	84.0
PROFITABILITY (%) Profits/shareholders' funds	15.5	13.8
Profits/working capital	1.96	1.23

Source : SEWA Bank Annual reports.

Housing Finance by SEWA Bank:

In the initial years, SEWA Bank concentrated on loans for income generating activities only. Over the years, however, many members started to demand loans for housing also. SEWA Bank has responded to these by providing such loans. However, these have been only short or medium term loans, not exceeding repayment periods of 3 years. The interest rates range from 13.5 to 16.5 per cent as per the RBI guidelines for cooperative banks.. Under this category, for unsecured loans, the maximum permissible loan amount is Rs 25000 for cooperative banks. Loans may also be advanced against gold jewellery or financial assets such as units, LIC policy or shares, to the extent of 70

per cent of their assessed value. Cooperative banks are also permitted to lend for housing on a long term basis, to the extent of 10 per cent of their deposit mobilisation. However, SEWA Bank has so far not lent for housing on a long term basis.

Over the last 5 years, loans worth Rs 50 million have been advanced for housing related purposes. This is almost 50 per cent of total credit given. About 50 per cent of the housing loans are for upgradation, largely in terms of the shelter quality. Most housing related loans are for margin money for formal house purchases, and very few are for new construction. It has been found that most loans are taken for upgradation of existing housing. This includes repairing or upgrading (i.e. kuchcha to pucca) of roofs, walls or floors. It often includes adding a storey to the existing house. A number of loanees are members who run a child care service in their houses, so that the lower room can be the child care centre and the upper one their home. Similarly, members of weavers' co-operatives are in the process of adding a room to accomodate their looms.

Table 5

SEWA Bank : Housing Loans

Year (July-June)	No. of Women	Amount of Loan (in Rs.)	Average loan Size (Rs)
1988-89	374	30,11,325	8052
1989-90	391	26,84,175	6685
1990-91	513	43,61,600	8502
1991-92 (upto March)	640	50,31,095	7861
1992 (April-Dec.)	795	71,19,275	8955

Source : Jhabvala, 1992.

Since the past two years, SEWA has also linked up with insurance companies to provide hut insurance to members.

A panel of technical experts in SEWA's payroll scrutinize loan applications for housing. For example, a panel of architects and an engineer looks at applications for repair and extension, visits the houses, makes suggestions for materials that may be used and helps make a correct estimate of the loan amount required for the purpose. The members of SEWA as applicants for housing finance at SEWA bank have mostly relied on informal access to urban land/housing. They have created their own access to land,

sometimes with SEWA's help, but always without the help of the administration or the housing related public and semi-public agencies. They also build, or manage to get built, their homes on their own. SEWA has recognised the strength of this process and has actively promoted it. By providing housing finance, SEWA has effectively accelerated the step-by-step improvement process of self-built shelters. Sometimes the public sector has come forward to provide related infrastructure. Tenure security has always remained in question.

Housing Related Activities:

In view of the need of their members for affordable housing, SEWA Bank has tried to co-operate with agencies involved in housing and housing finance in order to provide shelter. The first scheme was in collaboration with the Slum Clearance Board (SCB) of Gujarat. Women who entered the scheme opened a special savings account and saved a rupee a day to accumulate the deposit required. Unfortunately, the scheme was unsuccessful. This was due to a number of reasons. The SCB took a long time to allot the houses. By the time they were ready, the rooms had been pilfered and doors and windows were removed. Some of the rooms had been forcibly occupied by others. Later, the government changed and the scheme was shelved before completion.

The second scheme was started in 1987 – the Year of Shelter. It was for 110 bidi workers, members of SEWA, whose home is also their workplace. The scheme was on land provided by the Ahmedabad Urban Development Authority and earmarked for economically weaker sections. The finance came from HUDCO, with subsidies from the Bidi Welfare Fund under the Director General, Labour Welfare (Central). AUDA constructed the house based on a design developed jointly by HUDCO and the women. The women's committee supervised the construction.

The third scheme was also planned in collaboration with AUDA. In this Sites and Services Scheme, developed land belonging to AUDA, was to be handed over to the bidi workers' co-operatives which would build the houses themselves. The scheme was to be financed by HDFC and with some subsidy from the Bidi Welfare Fund. Unfortunately, although the scheme was finalised and approved by all the concerned agencies, AUDA has not handed over the land yet.

The fourth scheme, which is presently going on, is again with the Slum Clearance Board. SEWA's members who wish to avail of the existing SCB schemes are identified and helped to complete the procedures for acquiring a house. The Bank does the financial advising and monitoring.

SELF EMPLOYED WOMEN"S ASSOCIATION (SEWA)
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14. SHARAN

Background :

'Sharan', a voluntary agency set up in 1979, is a registered society. The agency has been working mainly in the resettlement colonies of Mongolpuri, Sultanpuri, Gautamnagar, Nizamuddin, Patparganj and a few areas in South Delhi like Gautam Nagar and Shahpur Jat.

Organisational Structure:

Employees of 'Sharan' comprise professionals trained in community health, hygiene, social work, education as well as social science graduates. Community Level Workers of Sharan are given specialised training from time to time.

Sharan seems to have an established grass-roots base in the areas of Delhi where it has been operating. This was possible only because of its initial and continuing work on health, education and community development, in which the community work is encouraged to actively participate and contribute.

Nature of Activities Undertaken:

Sharan has been working closely with the poor people of Delhi through community development programmes focusing on health, nutrition, education and employment, awareness programmes addressing issues like AIDS, drug abuse, alcoholism, etc. and organising people for collective action.

Finance Related Activities:

An evaluation of Sharan's projects by an external agency revealed the need for a fund to ensure that the ongoing development process in the community is sustained this led to the genesis of Sharan's co-operative Banking Project, aimed at generating savings and establishing a corporate resolving fund to meet individual needs and sustain community development. The Banking Project thus grew out of Sharan's earlier work in the community.

Under Sharan's Banking Project, co-operative societies comprising a maximum of 15 members are formed. These are mainly women's groups. Sharan prefers to have

women members because women are generally better savers and have also been found to be more regular and conscientious where repayments are concerned.

At present, there are 70 such savings groups operating in West and South Delhi. Each group has a monthly meeting. Each member opens an account and deposits a fixed amount every month (which generally varies between Rs. 10 - Rs. 100/-) on which he earns interest. Rates of interest are decided by the group. Members are free to draw from their accounts in time of need.

Members can also take loans after paying a service charge. The maximum repayment period is 1 year. Group pressure plays a major role in ensuring repayments. Loan applications are discussed at society meetings and disbursements are made after assessing the needs and repayment abilities of the applicants.

Table 1

Sharan Co-operative System: Loan Details

Loan reason	Total amount	% to total
Business	166110.00	35.97
Consumption	59187.60	12.81
Health/Medical	21222.23	4.60
Home Assets	111584.30	24.16
Housing	39985.00	8.66
Loan Repayment	19091.02	4.13
Unemployment	6190.00	1.35
Others	38423.85	8.32
Total	461794.00	100.00

Source : Sharan

It is interesting to note that terms and conditions of credit, interest rates, etc. are all fixed separately by individual savings groups. These may be at variance with the bank rate of interest. There is no bidding for loans (savings groups do not operate like chitfunds). Members are allowed to borrow according to their needs and ability to repay.

Almost 36 per cent of the total loans disbursed are for business/income generation while approximately 25% and 12% of the loans have been given for home assets and consumption. 9 per cent of the total loans have been given for housing.

A revolving fund was created though Sharan's efforts, when the Banking Project started. In the beginning, there was a common revolving fund for all the savings groups. Each group was given incentives to save more: contributions matching the savings of each group were to be made through the revolving fund. A group that saved more would therefore, get a bigger chunk of the fund. Later, however, the fund was divided and four revolving funds were created (3 in west Delhi 1 in South Delhi) as the earlier arrangement was becoming difficult to manage. Each revolving fund has a President, a Secretary (who is an employee of Sharan) and 2 people from the community on its managing committee. Committee members are elected by members of the savings groups. Although Sharan currently has an ex-officio member on each of the co-operatives, it plans to phase out gradually, once the co-operatives start managing on their own.

While manual records are maintained, regular monthly or quarterly reports on financial operations are not being prepared so far. Sharan has also attempted to develop a computer based financial management system. However, this has still not been incorporated in actual management.

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15. SHRAMIK BHARTI

Background:

Shramik Bharti is an NGO working in the urban and rural areas of Kanpur district in the state of Uttar Pradesh. The organization was set up in 1986 by a group of activists, with the aim of building organisations of poor labourers to take collective responsibility for their own development.

The NGO is registered under the Indian Societies Registration Act and the Foreign Contribution Regulation Act.

Nature of Activities Undertaken:

Shramik Bharti's earlier work was akin to trade unionism - organising workers around issues like wage compensation and employment in factories, while providing education support through 'worker education' programmes. Later, however, its focus shifted from workers' welfare to community development and organisation, empowerment of the poor and especially of women, and capacity building of the poor to have better control over their lives. Awareness building, leadership development, and organisation building of the poor to undertake collective responsibility for their own development are some of the aims of the organisation.

Some of the major activities undertaken by the organisation are primary health care, adult and non-formal education, work with disabled people, income-generation, access to government schemes (old age pensions, ration cards, street lights, etc.) housing rights, water and sanitation and environmental programmes (awareness generation, tree planting, etc.)

Finance Related Activities:

Shramik Bharti has organised 67 thrift and credit groups having a total membership of around 1500. These are known as "Boond Bachat Sangathans" in slums. All members are women, organised in groups of 25-30. They deposit Rs. 10/- to Rs. 20/- per month. The money deposited is disbursed as loans to needy members of each group. The power of decision-making is vested in each group.

The total deposits (thrift) of all the groups add up to approximate Rs. 2.5 lakhs, while total loan disbursements are approximately Rs.7.0 lakhs. The rate of recovery has been 100%.

Housing/Infrastructure Related Activities:

Although loans for housing have been given under the thrift and credit programme, Shramik Bharti has not gone in for 'housing projects'. It has however, provided legal support to families facing the threat of eviction. Besides, under its water and sanitation programme, it has facilitated collective action to obtain dry latrines and handpumps and improved sewage systems. The organisation has also constructed 4 primary schools and assisted the government in designing and constructing 50 community toilets and a community centre.

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16. SOCIETY FOR PROMOTION OF AREA RESOURCE CENTRES (SPARC)

Background:

SPARC is an NGO which started its activities in Bombay in 1984. It is a registered society. The organisation works in several cities in India presently. SPARC's main focus has been on building up the community's own strengths, especially with women's participation. To this end, SPARC recognizes the need to associate with community based organisations as well as work at the other end to influence policies to favour the poor. These concerns are reflected in SPARC's objectives as well.

SPARC's main objectives are:

- To assist in the formation of gender sensitive people's organisations in urban settlements, while ensuring women's participation.

- To operationalize through its partnerships with people's organisations, strategies and activities to provide poor communities with appropriate skills and tools to move from their present impoverishment.

- To design, develop and execute all necessary information, strategies and action through research and documentation to familiarize policy-makers with problems of the poor, with the ultimate objective of increasing social equity and justice.

Organisational Linkages:

SPARC collaborates actively with the National Slum Dwellers' Federation (NSDF), which is a community based organisation active in several slums in Bombay since the late 1970s.

SPARC's activities with women have also led to the formation of federations of women's collectives, called Mahila Milan. The Mahila Milan's major activity is the Crisis Credit Scheme, which is funded from the savings of the poor themselves. Its activities also include starting of consumer co-operatives, getting ration cards for their members and representation with the police and with housing co-operatives. "Mahila Milan's primary concern is to obtain recognition for the role of women in communities and to build up the credibility of their collectiveness within the community through support

and training." Women who have participated in these activities have emerged as leaders of their community. They also paritcipate in the activities of the NSDF. Since 1989, the Mahila Milan leaders have trained several groups in the NSDF settlements.

This three-way alliance of SPARC, NSDF and Mahila Milan presents possibilities of very useful linkages between community based organisations and professionally staffed NGOs. While the former are focussed more directly on community mobilization, "SPARC's role is one which begins with identifying a need, refining and defining possible solutions and ensuring members of MMs and NSDF examine these to determine which ones will work and to make them viable." SPARC also lobbies for the legitimacy of CBOs and to provide the necessary external linkages for them.

SPARC, MM and NSDF have created linkages in several other cities, including Kanpur, Bangalore and Pune to start similar federations and Mahila Milans in slum areas there. Slum leaders themselves, along with SPARC staff participate in the enumeration and training in these cities.

Nature of Activities Undertaken:

Neither SPARC nor NSDF have attempted to be service delivery organizations. Their main focus has been community mobilization, and to this end they have focussed on two specific issues like access to land and regularization of slum areas and evolving a community based financial system which enables the women to be free of the moneylenders' trap for crisis credit. Gradually. other activities have gained importance as the need arose from the communities. These include housing, provision of toilets, cooperative consumer stores, legal aid, etc. The emphasis, however, remains on mobilization with the activities providing the sustenance to this movement rather than organising the community towards the goal of community participation in service delivery, which is common among most NGOs.

SPARC has also conducted research and documented conditions of slum dwellers in order to create awareness amongst external agencies.

Communities in Bombay where SPARC and NSDF have been working are organised into five different federations. These federations represent either a geographical area, as the Byculla pavement dwellers' federation, Dharavi slum federation and Goregaon slum federation, or a similar land tenure, as in the case of the Railway lands slum federation and the Airport lands slum federation.

Within the federations organised by SPARC and NSDF, there are basically two different structures. The first are the various slum clusters (referred to as 'areas', 'societies' or 'clusters' by the SPARC/NSDF staff) which together make up the federation. The Mahila Milan, on the other hand, has a loan committee, which comprises group leaders nominated by groups/units of 15 households. This committee also appoints three people who are in charge of the cash and who maintain records, conduct meetings and undertake other responsibilities. The same leaders also participate actively in other developmental activities of Mahila Milan. This helps them to earn the popular legitimacy for deciding on loans, etc.

Our visits to some of the areas suggest that the federations are very active. While general discussions with the SPARC and NSDF staff suggest that the coverage is very extensive, SPARC has not been able to ascertain the actual numbers of groups and societies.

Finance related Activities:

SPARC, through its MM and NSDF linked activities, has placed a great stress on savings mobilization and credit needs of the poor. There have been three different finance related activities in the past. They have focussed on different credit needs of the poor. Even in these, SPARC has attempted to have these ideas emerge from the women themselves.

Crisis Credit Scheme:

The scheme is funded by the savings of poor women, who are members of MM. The money is collected by nominated leaders. Each household saves according to its capacity and is eligible for a loan against it to meet contingency situations like hospitalization, purchase of medicines, loss of employment, money needed to travel to look for a job, money to start hawking/vending foodstuff in slums, money to free goods seized by local authorities, etc. The money is available to members at all times. At any time of the day or night, if a member needs money to meet a crisis or emergency, she can go to the leader's home and make a request. The scheme is meant to fulfil the immediate needs for cash. However, it cannot meet the need for larger amounts of capital and for credit (for instance, for purchasing land/a house/upgrading a shelter.) Besides, the women gain skills and confidence from handling cash transactions and interaction amongst community members increases. "In the process, a caucus of women

pavement dwellers with financial power has developed with which banks and other HFIs can interact for processing and disbursing formal credit/loan schemes."

Every slum/pavement dweller is brought together into units of 15 HHs. These HHs nominate one woman from their number to become a member of the loan committee for that settlement. Her task is to collect money and repayments from the 15 households and to vouch for any loan requests. The money is collected daily and the members are encouraged deposit to any amount they wish. Out of all NGOs studied, such daily collections were found to be practised only by Mahila Milan. The loan committee appoints three people to take charge of the cash and to maintain records, conduct meetings and to undertake other specific responsibilities.

Since most members are illiterate, oral and memory processes and symbols were used initially. Each woman was provided with a plastic bag containing squares of coloured paper representing different denominations of money to denote the amount saved by her. All the bags from each cluster were stored in a larger black bag. Representatives from each area collected money every day from various people and brought it to the office (Byculla/Goregaon, etc.) where others, also nominated by the group, kept the money and put the paper bits in the bags. Registers are maintained with the help of SPARC's representatives. Over time, however, this has changed to more regular record keeping. However, SPARC and Mahila Milan has so far not evolved a system of monthly/quarterly/annual reports of these groups. SPARC, however, has realized the importance of such reporting and has started the process of evolving a computer based financial information system. The system is currently being evolved for one of the federations and SPARC hopes to introduce it later in all the other federations as well. Interestingly, however, the computerised information system is likely to be more centralized and not directly under the control of women.

The entire saving membership has developed a broad consensus on the general terms for lending. A person seeking credit has to state the amount required and for what purpose and has to specify the terms of repayment as well. Interest rates for consumption loans are 12% and for income related activities, 24%. Generally, the maximum loan amount is Rs. 500. If people require up to Rs. 100, they need to approach only one person. For loans up to Rs. 500, three persons have to be approached. If the loan amount desired is greater, all eleven committee members have to meet. There have been very few instances of non-repayment, except for one or two instances when the collectives decided not to take repayment due to bereavement.

Savings for Housing:

The women have been simultaneously encouraged to have savings accounts in banks for their houses. Through the crisis credit scheme, the group also develops an indirect mechanism to ensure that women don't deplete their housing savings. Members of MM are encouraged to open bank accounts to save for their housing, parallel to their savings for the Crisis Credit Scheme. So far, the 600 members of the Byculla Mahila Milan for instance, have saved a total of Rs 900,000 in their accounts, for housing. The strategy is to allow a HH to put aside each month whatever amount is notionally calculated as the possible outgoing when a loan is taken. Through this process, the family saves something for downpayments and begins to develop the capacity to repay.

Initially, SPARC had to introduce every person wishing to open an account, to a bank. However, later, the bank began to acknowledge MM's role and began to recommend other banks to open such accounts and to use the network to disburse loans under government programmes for poverty alleviation. Later, when the time came for the co-operatives to obtain loans for housing, this form of savings was found to be inadequate. Besides, it was realized that savings accounts could yield little interest and moreover, could not ensure that savings were inflation proof. Further, because savings were scattered, their "proof of savings" were not acceptable for housing loans. Since the co-operatives needed loans, SPARC decided to approach the Housing Development Finance Corporation, which offered a "home savings scheme" where people got 9% interest and an agent who collected money would receive 0.5% as a commission for collecting the savings for the corporation. MM decided to become the agent despite the fact that cost of collection was more than 0.5%. SPARC has now begun to toy with the idea of setting up a savings and credit programme, "Jana Sampathi", for shelter finance of and by the poor. Its assigned tasks would be to mobilize savings and invest them so as to make them inflation proof, use collective savings to leverage large funds from national and international sources at interest rates affordable to the poor and to process loan requests and repayments and operate in the world of finance on behalf of the federations.

Housing related Activities:

SPARC has undertaken two housing projects for slum dwellers in Bombay - one in collaboration with HDFC and one with HUDCO.

In Dindoshi, Goregaon, SPARC established contact with 52 families (pavement

dwellers who were given land for resettlement in the area), who set up 11 committees to organize and implement the shelter project. SPARC lobbied with municipal officials to demand for water and for plot allotment papers. The people decided to contribute unskilled labour. Each resident had to work for 4 days a month or pay someone else to do the work. Skilled labour was hired at market rates. The collective had built up a housing fund of Rs. 2 lakhs with savings at the rate of Rs. 50 per month over a period of 5 years. The plot papers were accepted as title by HDFC. The accounts were in the names of the female heads of households, but withdrawals could only be made with the agreement of the collective. The HHs obtained HDFC loans at 9%, with repayments at Rs. 135 per month. The HDFC loan is for Rs. 16,000 (almost 90% of the cost of each unit). Repayment is guaranteed by the saving fund of Rs. 2 lakhs. The collective collects all the repayments and submits a single cheque to HDFC. In another project in Mankurd, about 120 of the families who were shifted from railway land have been organised by SPARC/NSDF. The housing construction has been managed by the people. Compared to the other families who were given houses by public agencies, House designs in the SPARC-NSDF project are more suited to the needs of the people. However, there have been delays in construction and considerable delays in repayment of loans to HDFC. This is surprising as there are many households who are willing to pay larger amounts initially. Besides, as some houses are already completed and occupied, while others still have to start, there are likely to be considerable variations in repayments. It seems that delays in repayment could well have been avoided with project level financial management.

In another project in Dharavi, SPARC met a 94 member co-operative that had been lobbying for land titles. Eventually, members lobbied for water supply and sanitation and obtained the same. The co-operative is in the process of improving their housing. This group has dealt with HUDCO, which offered a loan of Rs. 18 lakhs. Since the people did not have full title to the land, SPARC was asked to give a bank guarantee, which it did, for Rs. 10 lakhs. The considerable project delays, due to the time taken for permissions, has led to considerable cost escalations. Thus, a further Rs. 17 lakhs need to be raised to meet these additional costs, before the full Rs. 18 lakhs can be disbursed.

On the whole, the experience with housing projects suggest that slum related projects are likely to be affected by considerable delays, often due to external factors. Better project level management techniques to deal with these become important.

SOCIETY FOR PROMOTION OF AREA RESOURCE CENTRES (SPARC)
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17. UNNAYAN

Background

Unnayan is a social action group based in Calcutta. It was registered under the Societies Registration Act in 1977. It was established with a view to provide professional services to strengthen the poor in Calcutta. Its area of operation now spreads over West Bengal and Orissa .

Nature of Activities Undertaken:

The organisation was initiated by a group of architects. This influenced its initial area of focus on housing related activities. An earlier phase of work included research and evaluation of post-disaster housing construction, research on the technical design and socio-economic factors related to rickshaws, and campaigning for the rights of rickshaw-pullers in Calcutta.

An underlying premise in Unnayan's work is a critique of prevalent planning and development thinking and practice and a search for an alternative paradigm for development. More recently, Unnayan has been attempting to raise people's awareness about the consequences of 'development projects', participating in the exploration of alternatives, and supporting local action and initiatives towards local empowerment. Much of the organisation's work is done in collaboration with citizens' groups, mass organisations, voluntary organisations, and people's movements.

Housing related Activities:

Since the early eighties, Unnayan's work has focussed on the issue of housing rights. This had involved community organisation in unrecognised settlements in different parts of Calcutta, mobilizing communities for gaining civic rights and services, campaigning against evictions, public interest legal action, research and documentation, publication, supportive advocacy and networking, nationally and internationally. From 1986-1990, Unnayan acted as the Secretariat for the National Campaign for Housing Rights (NCHR). At present, it is still funtioning as the Information Clearing House of the NCHR. Unnayan was also a founding member of the Asian Coalition for Housing Rights in 1988. As a member of the Habitat International Coalition, it has also been involved in the initiation of a 'Global Campaign for Housing Rights' and contributed towards an International Charter on Housing Rights.

Much of Unnayan's work in slums in Calcutta has been on stalling evictions and organising the community to demand their right to housing and infrastructure.

Unnayan has also provided post-disaster (flood/ cyclone/ riot) relief to people in rural and urban areas of West Bengal and Orissa. Besides material help, Unnayan has also provided shelter relief in such areas. It has supervised reconstruction of houses, identified low-cost housing technologies, and planned and designed houses and projects with people. Currently, Unnayan has an emergency fund of approximately Rs. 60,000, for disaster relief (including shelter assistance). Unnayan is currently working on rural housing projects as well.

Conditionalities:

Unnayan is wary of linkage projects with HFIs, after its experience with HUDCO. Unnayan had sought HUDCO's support in a project in Baghbazar, Calcutta, HUDCO was ready to give loans, but demanded conventional collateral. Unnayan could not comply with the mortgage finance based requirements.

UNNAYAN
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West Bengal

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18. VIKAS

Background:

VIKAS is a non governmental organisation registered in January, 1978 as a public charitable trust under the Bombay Public Trust Act, 1950.

Oraganisational Structure:

The organisation has 7 trustees : the Board of Trustees is chaired by a Senior Faculty member at Gandhi Labour Institute, Ahmedabad. Of the 7 trustees, 2 have taken up the responsibility of running the organisation - they also function as the Executive Secretaries of the NGO.

VIKAS has about 50 employees in its urban and rural wings. Their backgrounds range from social work, labour welfare and rural management to architecture, urban and regional planning and agriculture.

Grass-roots Base:

Under its programme called LINK (a programme that strives to. initiate and strengthen people's organisations in slums), VIKAS has initiated participatory-research-cum-training workshops (PRTWs). So far, 3 PRTWS have been carried out. Under these, approximately 15 community volunteers (CVs) have been identified from various slums and chawls of Ahmedabad. VIKAS' staff gathers information on the life and living of the urban poor through discussions with the CVs and through questionnaire surveys carried out by the CVs. Thus, the organisation has been attempting to establish a grass-roots base. However, since the major activities of the organisation have been research oriented and PRTWs are a recent phenomenon, it will probably require more time to establish its roots in the community.

Sources of Financing :

VIKAS has generated its finances from international non-governmental funding agencies like OXFAM (U.K.), Community Aid Abroad (Australia), Catholic Relief Services (U.S.A.), UNICEF, MISEREOR E.V (Germany), Enangelische Zetralstelle fur Entwicklungshilfe E.V. (Germany) and from the Dutch Embassy. It has also tapped governmental sources in India like the Ahmedabad Municipal Corporation, the Social

CHART 1

ORGANISATIONAL STRUCTURE OF VIKAS

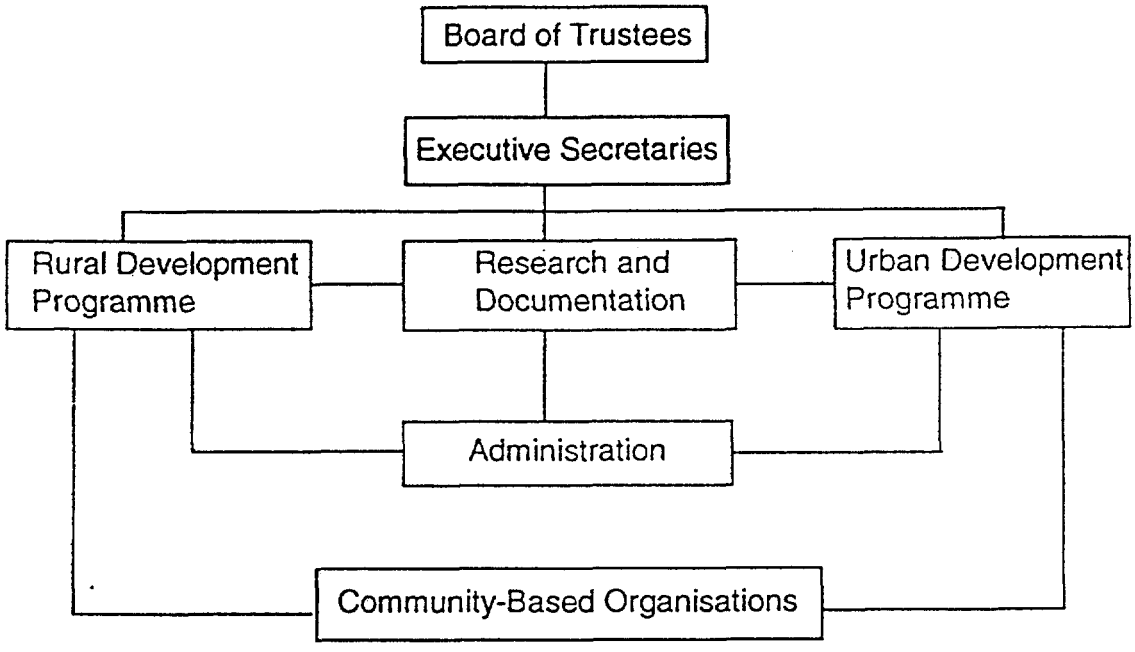
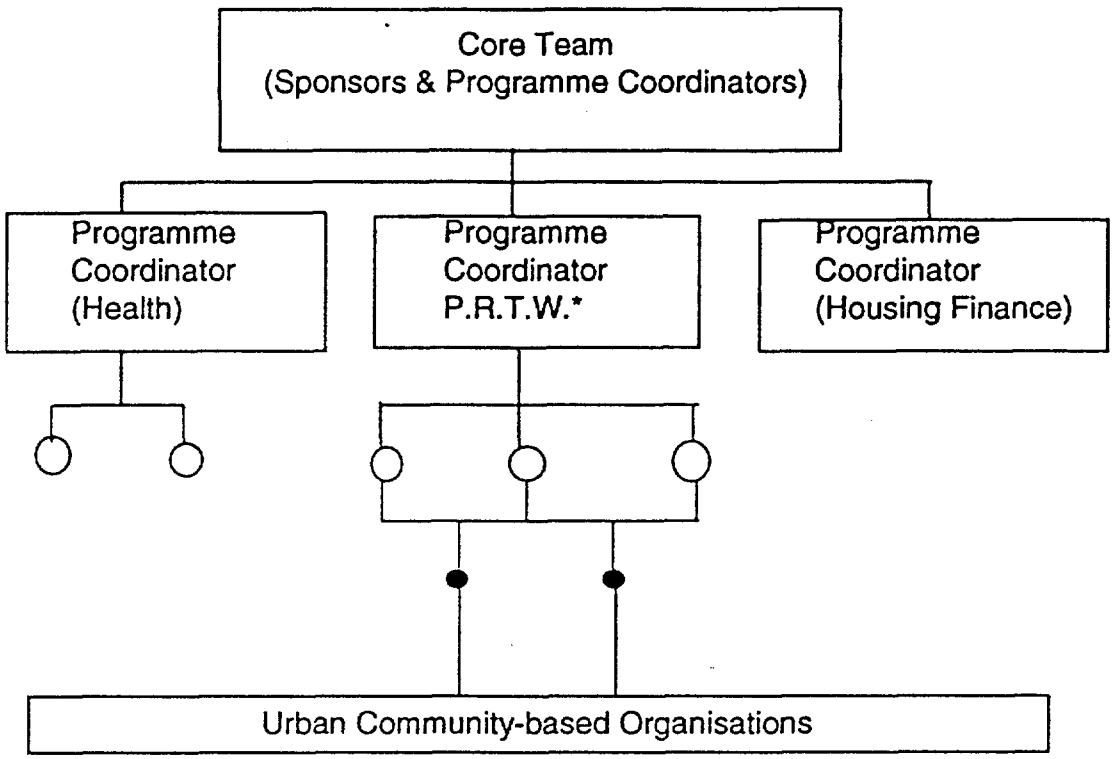


FIGURE 1

ORGANISATIONAL STRUCTURE OF VIKAS (URBAN DEVELOPMENT)



○ Community Organiser

● Development Cadre

*P.R.T.W. Participatory Research and Training Workshop

Defence Department, Government of Gujarat, HSMI, New Delhi, and the Government of Gujarat, and governmental programmes like Development of Women and Children in Rural Areas (DWCRA), and the National Rural Employment Programme (NREP).

VIKAS has also received funds for research on rural housing from the Gujarat Rural Housing Finance Corporation.

Nature of Activities Undertaken :

VIKAS prides itself on being a research and action oriented organisation. Research has been conducted by the organisation on a variety of topics : health of the urban poor in Ahmedabad, health of women employed in labour intensive occupations, slum upgradation in Ahmedabad, how people finance their housing in slums, preparaing block level plans for Jambusar, Bhesan and Dediapada talukas in Gujarat, developing technical support systems for the development of rural habitat in Gujarat, etc. Its research has mainly focussed on areas like health, women, housing and income generation.

Its 'action' programmes have covered a range of topics like non-formal education, skill training, disaster management, rural housing and awareness generation among women, besides programmes to understand slums of Ahmedabad, the Urban Community Development Programme in Ahmedabad and LINK, a programme to initiate and strengthen people's organisations in slums in Ahmedabad.

Finance related Activities (Proposed):

VIKAS proposes to set up a Habitat Development Fund for the urban poor of Ahmedabad as a corporate partnership between governmental and non-governmental organisations, HFIs and the poor. It would be a step in the direction of providing support to enhance the efforts and resources of the poor in dealing with their shelter needs.

The underlying assumption of the initiative is that the urban poor can and do invest in their habitat, a fact that became evident from VIKAS' PRTW on informal sector housing finance. The poor largely depend on informal finance mechanisms available at very high costs, besides their own meagre earnings. The tremendous magnitude of the activity and the fact that it is not linked with formal housing finance systems, makes it imperative that the doors to formal finance be opened for the urban poor. It is in

context that the programme proposes to set up a housing finance system that links the formal and informal mechanisms in such a way that the comparative advantages of both systems are retained and the access of the poor to much needed housing finance is increased.

The programme envisages the setting up of a city level 'Informal Credit Union' (ICU) with a seed capital. At the same time, Community Based Credit Unions (CBCUs) would be initiated in different slum settlements, or existing savings and credit groups of the poor in Ahmedabad would be brought under the umbrella of the ICU. The CBCUs are envisaged as associations that are suitably linked for resources with the city level ICU. It is envisaged that the CBCUs would assist their members in habitat related activities like shelter upgradation, basic services, new housing, etc. The ICU would provide financial and technical assistance while the CBCUs would be concerned with shelter upgradation, basic services and new housing.

Finance for the venture is likely to be generated from the open market through the issue of shares. A revolving fund would be set up. Based on the total savings of each savings group, matching or proportionate contributions would go to the same from the revolving fund. (similar to 'Sharan'). Consistency of saving (of individual members) would be the criterion against which credit would be advanced.

VIKAS proposes to generate Rs. 12.5 lakhs through its own efforts and hopes HDFC will make a matching contribution. It will probably seek a loan to the tune of Rs. 25 lakhs from any donor agency/financial institution besides a grant for capital expenditure.

Housing related Activities:

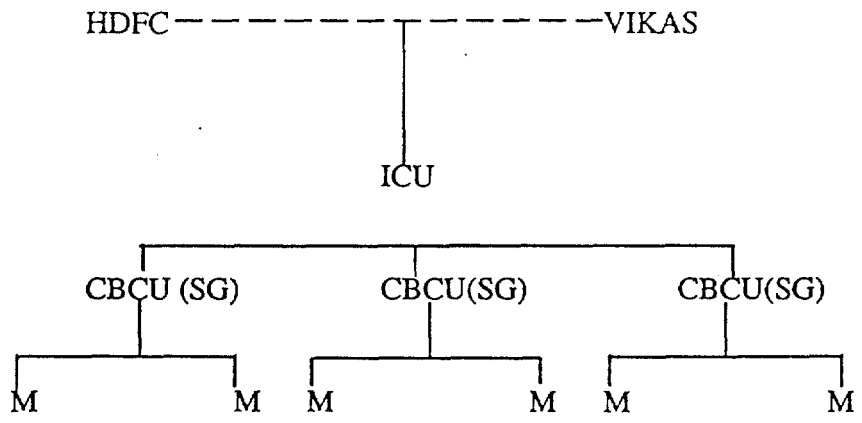
Rural Housing

VIKAS has mainly provided housing assistance in rural areas. It provided emergency relief to people hit by disasters in Gujarat, for example, emergency shelter at Morbi, after a dam-burst led to widespread devastation, and shelter assistance in Anjar taluka, Kutch district, where a clouburst destroyed several dwellings. Local material and skills were attempted to be used for emergency shelter/repairs.

VIKAS also provided technical assistance in planning and designing houses for the Vankar community (a socially and economically backward community) at Golana,

FIGURE 2

VIKAS : HABITAT DEVELOPMENT FUND



ICU	-	Informal Credit Union
CBCU	-	Community Based Credit Union
M	-	Member Household
SG	-	Savings Group

Khambhat Taluka, in which the community was involved at every stage of operation. Financial and construction management and labour was taken care of, by the community itself. Planning, designing and choice of materials was done after extensive dialogues with the community, to provide spacious (450 sq ft.) yet low cost houses.

Urban Housing

VIKAS had drawn up proposals for slum upgradation at first for one slum area in Ahmedabad and then for the city, in which 17 slums were to be taken up. These proposals were not implemented.

VIKAS' proposals were based on detailed surveys of the 17 slums (3000 HHs) for which infrastructure was designed and service costs estimated. Better environment and sanitation were aimed at through the provision of basic infrastructure, security of tenure and techno-financial assistance to improve shelter.

VIKAS
Centre for Development,
Shree Apartments,
University Hostel Road,
Navrangpura,
Ahmedabad - 380009
Gujarat.

Contact Persons: Mr. Rajesh Shah, Ms. Ranna Shah

PROFILES OF CREDIT COOPERATIVE SOCIETIES

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LIST OF CREDIT COOPERATIVE SOCIETIES

1. Bhavnagar District Cooperative Bank Employees' Credit Cooperative Society
2. Blind Men's Association Staff Credit Cooperative Society
3. Platinum Credit and Consumer Cooperative Society
4. Pragathi Thrift and Credit Society
5. State Transport Workers' Credit Cooperative Society
6. The Sahayak Credit and Supply Cooperative Society Limited

1. BHAVNAGAR DISTRICT CO-OPERATIVE BANK EMPLOYEES CREDIT COOPERATIVE SOCIETY, BHAVNAGAR, GUJARAT

Background:

The society is 28 years old and has 400 members. As its name suggests, its members are employees of the Bhavnagar District Cooperative Bank. The society falls under Audit Grade A of the Registrar of Cooperatives.

A membership fee of Rs. 101 is charged by the society. Its managing committee is elected every 2 years.

Operations:

The society obtains 'incidental finance' from the Bhavnagar District Cooperative Bank (BDCB) at 10% p.a. The interest rate is subsidized because its members are employees of BDCB.

Credit Disbursement

Credit is disbursed on a first come first serve basis. Processing of a loan takes a maximum of 3 days. There is no waiting period for loans, as BDCB provides the necessary leverage.

The society retains 10% of the first loan taken by a member and 2% of subsequent loans as share capital in the members' name, compulsorily. Members earn upto 12% on this per annum.

The loan amount varies from Rs. 3000 to Rs. 25,000. Interest charged on the loan is 12% p.a for a term that varies from 6 months to 70 months (5 years and 10 months).

Guarantee of two persons is required in order to obtain a loan. Loans are also secured through the employees' provident fund and repayment is ensured through monthly payroll deductions. So far, the rate of recovery has been 97%.

Housing Loans

The Bhavnagar District Cooperative Bank (BDCB) provides housing loans to its employees. The credit society provides bridge loans upto a maximum of Rs. 25,000 for housing, if required.

The managing committee sees tremendous scope in linkages of BDCB with HFIs, especially because BDCB is constrained in providing housing loans to its employees due

to the non-availability of funds. The management feels that it may be possible to monitor the utilization of loans obtained for specific purposes like housing. They are also of the opinion that recovery performance may fall if an HFI links up with the credit cooperative society. Since housing loans would be long term loans, they would necessarily involve larger amounts and longer repayment periods. They therefore feel that linkages should be established with BDCB rather than the society as EMIs can then be deducted from the monthly incomes at source. The deduction of equated monthly instalments from the salaries of employees of BDCB is done in the following order of priority : EMI of loan provided by employer, followed by EMI of loan provided by the society, and finally, the EMI of any other loan (for example, from an HFI, if taken directly by an employee). Thus linkages between an HFI and BDCB would ensure that loans given by the HFI are given first priority as well.

However, the management does not seem to be very positive about the members' capacity to absorb more loans. At present, members are so burdened with loans that any further loans may disturb the repayment performance. Currently, the disposable income left for each member is just about the minimum wages stipulated.

Operational Highlights	1992-93 *(Rs. '000)*
Authorised Share Capital	1,100
Subscribed Share Capital	1,035
Reserves & Surplus	279
Long Term Debts	4,086
Outstanding Loans	5,385
Profits	152

Source: BDCB ECCS, 1993.

BHAVNAGAR DISTRICT COOPERATIVE BANK EMPLOYEES' CREDIT COOPERATIVE SOCIETY,
13, Gangajalia Tank,
Bhavnagar,
Gujarat.

Contact Person : Paresh Shah, Secretary

2. BLIND MEN'S ASSOCIATION STAFF CREDIT CO-OPERATIVE SOCIETY, GUJARAT

Background:

The society was registered in 1973. It falls under Category 'B' of credit societies, as classified by the Registrar of Co-operatives, Gujarat. In 1992-93, its equity base stood at approximately Rs. 12.5 lakhs.

Of the Blind Men's Associations total staff of 300, 157 are members of the society. Membership is restricted to permanent staff of the association. A majority of its members earn salaries within the range of Rs. 3000 - Rs. 5000. Approximately 15% members have incomes ranging from Rs. 5000 - 12,000. About 80% of the members have access to HFIs like HDFC and LIC for housing related loans.

Managerial Structure:

The society has nominated managing committee of 11 members. The Chairperson and the Secretary are nominated for a term of 1 year, while the rest of the committee members serve for a term of 3 years. Meeting of the managing committee are convened once a month.

Operations:

As per the rules of the society, each person has to buy a share of Rs. 10/- to become a member. However, at present, any new member has to buy shares worth Rs. 7500/-, as all the old members have share capital of approximately Rs. 8000/- each. At the end of each financial year, savings of every member are converted to share capital. This amount is returned back to them if they resign from the credit society. A dividend of 6% p.a. is paid to members.

Savings Mobilization

Each members has to compulsorily save Rs. 50/- per month. This is deducted from their salary every month.

Credit Disbursement

The society generally gives loans to 2-3 members every month. Processing of a loan application generally takes 2-3 months. It is interesting to note that 70% of loans are taken for housing related purposes, inspite of the fact that 80% of the members have access to formal housing finance. (This probably indicates that members raise resources for housing, from a variety of sources). Loans are sanctioned on the basis of 3 criteria - amount asked for, purpose of loan, and past record of member.

The maximum permissible loan amount is Rs. 50,000 or 20 times the member's salary, whichever is less. The interest charged on loans is 12% per annum. To obtain a loan, guarantee of three members is required. The maximum repayment period is 5 years (60 installments). So far, recovery has been 100% as loan installments are directly deducted from members' salary.

3. *PLATINUM CREDIT AND CONSUMER COOPERATIVE SOCIETY, BHAVNAGAR*

Background:

The society has 1745 members and has been functioning for 35 years. It falls under audit grade 'A' of the Registrar of Cooperatives. Most of its members are small businessmen.

Operations:

Savings Mobilization

The society has a number of deposit schemes that are open to all. It has a fixed deposit scheme for 5 years, in which the amount gets doubled. It also has 2 year and 1 year deposit schemes which earn an interest of 13% p.a. and 12.5% p.a., respectively. Its short term deposit schemes for 1 to 3 months earn interest rates ranging from 9% p.a. to 11% p.a.

Credit Disbursement

Loan applications are scrutinized in terms of earlier repayment performance of applicants, the credibility of the guarantors and knowledge of the applicants' background. Only shareholders of the society are eligible for loans. Out of the first loan availed by a member, 10% is retained as share capital.

The maximum loan amount is Rs. 50,000, payable in a maximum period of 50 months (4 years and 2 months) at 19% per annum. The rate of recovery is 97%. Its good performance in terms of recovery may be attributed to its cohesion (with a majority of its members belonging to the Muslim community), personal contact of the management with the members, its insistence on 3 guarantors, and a penal interest rate of 4.5% per annum which is levied in case of default.

The society seems to have higher administrative costs because of the follow-up action necessary to ensure repayment, as its borrowers are not salary earners and payroll deductions cannot be made. This also explains its higher lending rate.

Credit requirements of the CCS do not seem to be very high. Thus, although it is eligible for loans from the Aga Khan Foundation at 15% per annum, it prefers to borrow from BDCB, as its requirements do not warrant such borrowing.

Operational Highlights	1992-93 *(Rs. '000)*
Authorised Share Capital	2,500
Subscribed Capital	1,700
Reserves & Surplus	1,082
Deposits	7,412
Outstanding Loans	9,884
Long Term Investments	556
Short Term Investments	1,350
Profits	626

Source: Platinum Credit & Consumers' Coop. Society, 1992-93.

PLATINUM CREDIT AND CONSUMERS' COOPERATIVE SOCIETY,
Kambhati Khaneho,
Station Road,
Bhavnagar,
Gujarat.

Contact Person : V. A. Gohil, Secretary

4. PRAGATHI THRIFT AND CREDIT SOCIETY

Background:

A thrift and credit society in a village on the outskirts of Hyderabad. It is a member society of the Regional Association of Thrift Cooperatives (RATCs) operating under the Federation of Trift and Credit Associations of India (FTCA) at Hyderabad. Although thrift and credit are the major areas of emphasis of the society, it is also involved in welfare activities (construction of a community hall and a commercial complex, scholarships for school-going children, etc.).

Managerial Structure:

The society has an elected management committee of 15 members, consisting of the President, Vice-President, Secretary, Joint Secretary, Treasurer and 10 Executive Members. For day to day management, there is one manager and an administrative personnel.

Operations:

The society maintains a bank account in its name. It does not undertake cash transactions. Cheques are issued for loans and other expenditure. Members are provided with a passbook, in which a record is maintained. The initial audit is done by the committee and the external audit is done by the Regional Association of Thrift Cooperatives.

Savings Mobilization

When the society started operating, each member had to save Rs. 5 per month. Later, on the RATC's recommendation, this was changed to a slab system based on income groups. In this, members are allowed to choose their income group. Members have to save in multiples of 20 for every 1000 rupees of their income. The maximum limit is Rs. 150. Savings can be deposited by members upto the 15th of every month and a penalty of Re 1 per day is levied in case of delay. Interest paid on savings is 12%, compounded annually and capitalized. The objective of capitalization of interest is to have a minimum of Rs. 1,00,000 for every member at the time of retirement.

Credit Disbursement

Credit disbursed is generally 3 times the thrift up to a maximum of Rs. 40,000. The interest charged on loans is 18%. Loans are repayable in 10 to 40 equated monthly installments in which capital and interest are calculated saparately. For example, a loan of Rs. 1000 is payable in 10 installments. Loans are given for a variety of purposes - marriages, medical, agriculture, dairy (livestock), brick industry, poultry farming, petty trades, purchase of auto-rickshaws and lorries and housing. Top priority is given for marriages. However, a majority of loans are given for income generation.

Almost all applicants are given loans. Loan applications are first scrutinized by the committee. Loans less than Rs. 5000 are approved by the committee while those greater than Rs. 5000 have to be approved by the general body. A promissory note acts as collateral. The Death Relief Scheme (with the objective of not having to burden a member's family, in case a member dies after borrowing) offered by the society also acts as security.

The society claims that recovery is 100%. The reasons given for this are:

1) Severe penalties in case of delay. For a delay of 1 day, one month's interest is charged as penalty.
2) The maximum delay allowed is 5 days. On the first day, the committee interacts with members, on the second or third day, it informs guarantors and on the fourth or fifth day, the committee discusses the matter and collects the money from the guarantors.
3) Local and social pressure.
4) Sense of belonging. In order to maintain this, the society does not allow outsiders other than original villagers to become members.

Special Schemes

The society has special schemes like a pension scheme, under which each member gets Rs. 30 per month (there are plans to increase this to Rs. 50), a retirement fund (which is generated by the members' contribution of 0.5 percent of loan and a matching contribution by the society), and a fund for funeral expenses of Rs. 1000 if a member expires. It also has a Death Relief Scheme, a fixed deposit scheme, a recurring deposit scheme, a marriage scheme and a children's fund.

5. STATE TRANSPORT WORKERS' CREDIT COOPERATIVE SOCIETY, BHAVNAGAR

Background:

The cooperative society has a membership of 1912 and is 25 years old. It falls under audit grade 'A' of the Registrar of Cooperatives.

Operations:

The modus operandi of this cooperative society is similar to that of the BDCB employees' credit cooperative society (Refer profile of BDCB ECCS).

Savings mobilization

Members have to deposit Rs. 80 per month compulsorily, on which they earn an interest of 10% per annum. The society also has optional deposit schemes with varying rates of interest :

- For 15 days @ 10% p.a.
- For 46 days to 2 years @ 12% p.a.
- For > 2 years @ 12.5% p.a.

Credit Disbursement

The maximum loan amount is 15 times the monthly income, upto a maximum of Rs. 20,000, on which an interest rate of 18% is charged. The number of years served as an employee of the State Transport Corporation has a bearing on the loan amount a member is eligible for. Employees with a year's experience are eligible for a maximum loan of Rs. 1500. With each year of experience, the loan amount he/she is eligible for, increases.

At the end of each financial year, the accumulated compulsory deposits of members can be optionally converted into share capital, which earns a higher rate of interest (12%). The maximum dividend permissible and paid to members is 12% per annum.

The management of the CCS is of the opinion that the monitoring of utilization of loans taken for a specific purpose may prove difficult even if repayment is good.

6.THE SAHAYAK CREDIT AND SUPPLY COOPERATIVE SOCIETY LIMITED, AHMEDABAD

Background:

The society was registered in 1971. Currently, it has a membership of 2069 persons. Its members are predominantly from the locality of Behrampura in Ahmedabad. A majority of the members are mill workers, a few are in government or private service. The society allows three or four persons of the same household to become members.

Managerial Structure:

The cooperative society has a nominated managing committee of 9 members. In its history of operations, elections for the committee have taken place only twice. The committee serves for a term of three years, while the Chairperson and Secretary serve for one year. Committee meetings are normally held once a month, mainly for processing loan applications.

Operations:

Savings Mobilization

Members of the society can save in the range of Rs. 5 to Rs. 200 per month. The average savings per member per month is Rs. 30.

At the time of membership, each member has to buy shares worth Rs. 100. At the end of the year, the savings of each member are transferred to the share capital. In 1992-92, the society paid a dividend of 9% on the same to members. A member gets back his/her savings from the society only in the event of resignation from the society.

Savings and loan installments are deposited by members in the society's office.

Credit Disbursement

In order to obtain a loan, a member has to submit a loan application form. Guarantee of two persons who have not taken any loans and have a good track record, is mandatory. Loans are generally taken for marriages and festivals. The need and

demand for housing related loans is perceived by the managing committee. The management is of the view that about 50% of the members will be in a position to pay an interest of 18% on such loans. There is generally no waiting period for a loan.

The maximum loan amount is Rs. 5000. A member can borrow upto 5 times his/her savings or Rs. 5000, whichever is less. A member is eligible to borrow only after one year of compulsory saving. The financial discipline of a person - regularity of saving, repayment of past loans, and the general history and conduct of the borrower are examined prior to granting a loan.

Normally, loans are payable in a maximum of 30 installments. An interest rate of 12% per annum is levied on loans. A legal notice is served to members if repayment is delayed. The society seems to be facing problems where repayments are concerned. About 20% of the borrowers delay repayment, whereas outright default has been experienced only in 2% of the cases.

Operational Highlights	1992-93 *(Rs. '000)*
Authorised Share Capital	7,000
Subscribed Share Capital	1,675
Reserves & Surplus	585
Outstanding Loans	5,404
Profits	231

Source: The Sahayak Credit and Supply Coop. Society, 1992-93.

THE SAHAYAK CREDIT AND SUPPLY COOPERATIVE SOCIETY,
Vinay Vihar Housing Society,
Behrampura,
Ahmedabad - 380022
Gujarat.

Contact person: R.I. Vora, Secretary.

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