Social Finance Programme

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Property rights and collateral – How gender makes a difference

Bankers' Institute of Rural Development
(Lucknow, India)

Employment Sector
International Labour Office

Foreword

This study is about gender-based constraints in the access to property rights and collateral in India. It builds on work carried out since 1994 by the Social Finance Programme on the role of collateral in small-scale financial transactions.

In a first phase the ILO explored together with APRACA and Swiss Development Cooperation collateral substitutions in Asian banks. The findings on the use of joint liability and other substitutes were presented to the Donors' Working Group on Financial Sector Development (Frankfurt 1996). A broad consensus emerged to create a conducive policy and regulatory framework to induce banks to innovate in the use of collateral in transactions with the working poor. The Governments of Switzerland, Germany and the Netherlands collaborated with the ILO for the second phase of this action research (1997-2000), carried out in Bolivia, India and the United Republic of Tanzania. The focus was on bank transaction costs incurred in using conventional collateral (like land and machinery) compared to costs incurred in the use of collateral substitutes (joint liability). The research showed a substantial scope for titling assets held but not legally owned by the working poor, accelerating repossession procedures and simplifying the management of property registries. The outcome of these surveys has been published by the ILO in 2001: "Securing small loans: The transaction costs of taking collateral".

The present study looks in particular at gender-related inequality in property rights resulting in additional constraints for women to access collateral and thus credit. The study has been commissioned by the ILO to the Bankers' Institute of Rural Development (Lucknow, India). Dr. K. Jindal led the team and made a presentation at the ILO/EFI Conference on Collateral and Property Rights at Mumbai in December 2001.

The study was made possible by a grant from the GTZ under project INT/97/M14/GTZ. I would like to express my appreciation to all GTZ colleagues involved in the work, especially Rainer Schliwa and Saliya Kanathigoda who went through an earlier draft.

I hope that the recommendations made here will ultimately pave the way to fairer operating conditions for women entrepreneurs and the working poor generally in India's informal economy.

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Social Finance Programme.

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Abbreviations

BPL	below poverty line
CGTSI	Credit Guarantee Fund Trust for Small Industries
CGFSI	Credit Guarantee Fund Scheme for Small Industries
DRT	Debt Recovery Tribunal
DWCRA	Development of Women and Children in Rural Areas
DWCD	Department of Women and Child Development
GOI	Government of India
IFAD	International Fund for Agricultural Development
IRDP	Integrated Rural Development Programme
MFI	microfinance institution
NABARD	National Bank for Agriculture and Rural Development
NGO	non-governmental organization
NBFC	non-banking finance company
RMK	Rashtriya Mahila Kosh
RBI	Reserve Bank of India
Rs.	Rupees
RRB	regional rural banks
SEWA	Self-Employed Women's Association
SIDBI	Small Industry Development Bank of India
SJSRY	Swarnajayanthi Shahari Rotgar Yojana
SHG	self-help groups
WDC	women development cells

I. Introduction

Jatra Nariyastu Pujyante Tatra Ramante Debtah ("God dwells where women are worshipped" – The Ramayana)

The Constitution of India has clearly spelt out in articles 15 and 16 that the State shall not discriminate on the basis of caste, sex or creed. Over time, due to various cultural invasions, the social system of the country became more fractured and women progressively became marginalized, both socially and economically. After Independence and the introduction of the planning process, efforts were made by policy-makers to restore women to the mainstream of society and economic development, most recently the provision to reserve seats for women in Panchayati Raj Institutions (local self-government bodies at the village level) brought into effect by the 73rd amendment to the Constitution of India.

However, despite such interventions women, particularly in rural areas, continue to face a number of discriminations, largely as a result of material poverty, reflected in infectious diseases, nutritional deficiencies, ill health, slow learning, small body size, low productivity, repeated child bearing, unpaid and unrecognized work, low earning capacity, unemployment, etc.

There is some evidence that improved access to capital can break this vicious cycle and lead to economic empowerment of women. It is in this context that the Reserve Bank of India (RBI) – the central banking authority – stipulated that banks achieve at least 5 per cent of net credit to women by 31 March 2004. A credit rationing policy of 5 per cent for 50 per cent of the population (i.e. women) illustrates blatantly the fact that the share of women in net bank credit is very insignificant as of now. High transaction costs are cited as one of the major factors by the bankers for not extending small loans to women (and men). Other factors mentioned often are default risks and the culture of financial institutions. Looking specifically at the constraint of women clients to provide bank-acceptable collateral the ILO (Social Finance Programme) in partnership with GTZ and with funding from the Ministry of Economic Cooperation (BMZ) commissioned a study to BIRD "to find answers to the questions whether and how and at which stage of the process women in India face discrimination with regard to specific collateral requirements when applying for loans at Indian banks".

Different types of financial institutions viz. commercial banks, regional rural banks (RRBs), cooperative banks, NABARD, the Small Industries Development Bank of India (SIDBI), etc. were contacted in different states. Both field offices and head office/corporate offices of such banks were visited (see Appendix II):

(i) four regions of the country (i.e. north, east, south and west);

(ii) units of financial institutions operating in rural as well as urban areas;

(iii) specialized branches for women catering to the needs of only women customers and all-women branches (branches with all women staff) serving both men and women customers.

In addition, 129 entrepreneurs were interviewed through a semi-structured questionnaire.

Structure of the report

The report is divided into nine chapters. A chapter on national perspective on women follows the introduction chapter. The third chapter deals with the macroeconomic environment for banking like prudential norms, collateral requirements for obtaining loans and guarantee schemes in operation. Chapter IV analyses the Indian experience of small-scale banking while gender aspects on loan procedure are covered in Chapter V. Chapter VI deals with the values, beliefs, attitudes of bankers with regard to women borrowers and its impact on credit flow to women. The views expressed by women entrepreneurs on the lending procedures are enumerated in Chapter VII. In Chapter VIII an attempt has been made to document some promising practices in various banks for encouraging the credit flow to women. Chapter IX presents recommendations that emerged from the study for making collateral more accessible to women entrepreneurs.

II. National perspective on women

The traditions of ancient India bear out ample testimonies of women occupying a place of respect and pride in society. With the ascendancy of patriarchal traditions, customs and feudalization of the society during medieval times, women were becoming sidelined in a male-dominated Indian society. Thus by the seventeenth or eighteenth century, women had become almost inconspicuous in Indian society, politics and economy. In many communities they were deprived of basic human rights and opportunities – both within and outside the family. It was only with the arrival of social reformers like Raja Ram Mohan Roy that initiatives were envisaged to secure justice to women through legislative measures favouring marriage of widows, property rights and eradication of practices like dowry, *sati*,[1] etc. Recognizing the underprivileged status of women in India at the time of Independence, provisions were made to enhance the status of women.

Policy approaches to women

Ever since India embarked upon development planning from 1950 and onwards welfare policies and interventions sought to tackle the basic problems of certain socially and economically deprived sections of the population, and in particular women. In 1975 subsequent to the Report of the Committee on the Status of Women in India (CSWI) amd coinciding with the 1976-85 United Nation Women's Decade a broader awareness of the role of women as critical and equal partners for national development emerged. The sixth Five-Year Plan[2] (1980-85) presented a sharp break from the past by devoting a separate chapter to women's development and empowerment, emphasizing health, education and employment as critical areas. It advocated shared asset ownership and transfers, including cultivable and homestead land. The plan called for a policy that included property rights, enforcement of wage laws and impact assessment with regard to the employment of women. Thereafter, government plan documents continued to address the link between women's social and economic status. Of particular interest is the ninth plan which recognized the need for a policy to increase the access of women to credit.

A large number of programmes and schemes for the development of women had been launched by the Government of India and state governments, addressing broader social issues, like rural family welfare centres, urban family welfare services, reproductive and child health programmes, operation blackboard, the *Mahila Samakhya* programme, district primary education programme and national programme for women's education, integrated child development scheme and *Balwadi* nutrition programme, etc.

The introduction of various anti-poverty programmes since the 1980s shifted the focus to self-employment and microfinance such as the "support to the Training and Employment Programme", *Mahila Samruddhi Yojana*, Training-cum-Production Centres, *Swashakti* project, Integrated Rural Development Programme (IRDP), *Indira Mahila Yojana* and SGSY.

[1] *Sati* – practice of self-immolation of a Hindu wife on the pyre of her deceased husband which was prevalent in ancient India.

[2] Five-year plans are documents indicating the national level priorities, strategies, programmes and allocation of resources for socio-economic development prepared by the Planning Commission of India.

Impact on the status of women

These efforts, through nine five-year plans, resulted in a substantial improvement in the status of women as may be seen from table 2.1.

Table 2.1. Select development indicators relating to women

Parameter	Census years					
	1971			2001		
	T	F	M	T	F	M
Total population (in millions)	548.0	264.0	284.0	1 027.0	496.0	531.0
Sex ratio	–	930.0	1 000.0	–	933.0	1 000.0
Expectation of life at birth (years)	50.9	50.2	50.5	62.9	63.4	62.4
Birth rate	36.9	–	–	26.9	–	–
Death rate	15.7	15.6	15.8	8.7	8.3	9.0
Infant mortality rate	127.0	131.0	123.0	71.6[1]	72.0[1]	70.0[1]
Maternal mortality (1998-99)	–	46.8	–	–	54.0	–
Literacy rate	34.5	21.9	45.9	65.4	54.2	75.9
Gross enrolment ratio in the school:						
Classes I to V	100.0	86.0	114.0	90.0[1]	81.0[1]	98.0[1]
Classes VI to VIII	62.0	48.0	77.0	59.0[1]	50.0[1]	67.0[1]
School drop out rates:						
Classes I to V	43.0	46.0	40.0	40.0	41.0	38.0
Classes VI to VIII	61.0	65.0	60.0	54.0	59.0	51.0
Workforce participation rate	34.0	14.2	52.8	37.7	22.3[2]	51.6
Women in organized sector (millions)	108	9	99	194	28	168

[1] Data relates to 1997 as data for 2001 is not available. [2] Data relates to 1991 as data for 2001 is not available.

Source: "Towards equality – The unfinished agenda – The status of women in India", National Commission for Women, 2001.

Some important achievements are:

- life expectancy of women has increased by 13 years from 50.2 in 1971 to 63.4 years in 2001;
- the death rate has come down from about 16 to 9 per thousand;
- the infant mortality rate has almost halved from 131 to 72;
- the total fertility rate has come down from 5.3 to 3.3;
- the mean age at marriage has gone up from 17 to 19.4 years;
- the literacy rate has more than doubled from 21.97 in 1991 to 54.2 in 2001;
- the gross enrolment ratio has increased at primary and secondary levels;
- Indian women's workforce participation rate increased in urban and rural areas. The increase has been steady and widespread and thus it may be regarded as a positive phenomenon;

- organized sector employment has also more than doubled, the main source of employment being the government sector.

Despite the positive achievements, one should also note that:

- maternal and infant mortality rates continue to be high;
- inadequate health facilities, neglect of the female child and preference for a male child continue to shape socio-economic perceptions;
- 35 per cent of women continue to be illiterate, compounded by a high dropout rate at 41.3 per cent at the primary stage and 58.6 per cent at the middle-school level. School enrolment of girls has not increased;
- women constitute only one-third of the total formal workforce; their workforce participation rate is less than half of men. Their access is only to disjointed jobs at the lower end of skills where they get lower wages, suffer from greater unemployment and do more unpaid work, at the same time working for longer hours than men in the households (such as cleaning, cooking, washing, feeding the livestock, fetching water, covering long distances, etc.).

Women and law

Civil law in India continues to be diverse largely because of various religious practises. Religious customs take precedence over other laws in two areas – marriage and divorce and ownership and succession of property. Civil law accepts the idea of women having entitlements to support in the event of dissolution of marriage or judicial separation. The extent of maintenance varies according to the limitations of the law and jurisdiction. However, women themselves in India are ignorant of their property rights, assuming that inheritance and control over assets is the right of men. Property laws in particular continue to be governed by religious customs. However, in the last few years, they have been modified towards providing a more equitable share of women.

Hindu law of property for women

In Hindu beliefs there is equality in heritage and succession of rights for male and female children (including married women) with regard to the property of the father and the mother. Unmarried or widowed daughters have a right to shelter in the parental home and are entitled to maintenance under the statute. Wives are basically entitled to maintenance, support and shelter from her husband and his family, besides an equal share in the joint family estate as any other person, and on the death of her husband, to an equal share of property together with her children and the husband's living mother.

The mother is entitled to maintenance by her children who are not dependents and all property owned by her may be disposed of by sale, will or gift, as she chooses. According to Hindu property and inheritance law, an adult woman has full rights to dispose of any property that she has earned or that has been gifted or willed to her.

Muslim law of property for women

Daughters have rights of residence in parents' houses, as well as the right to maintenance until they are married. In the case of divorce, widowhood or desertion, the responsibility of her maintenance is to be taken over by her parental family unless she has children financially capable of supporting her. In inheritance, the daughter's share is half that of the son's.

Wives retain control over goods and properties and are entitled to the same maintenance as that provided to the other wives of her husband. Wives inherit from their husband one-eighth of his property, if there are children, or one-quarter, if there are none. If there is more than one wife, the share may diminish to one-sixteenth. However, the wife may inherit a greater amount by will. A mother, in the case of divorce or widowhood, is entitled to maintenance by her children and to inherit one-sixth of her deceased child's estate.

Christian law of property for women

Daughters have a share in their father's or mother's property. They are entitled to shelter and maintenance before marriage, and not thereafter, from their parents. A Christian wife is entitled to maintenance from her husband. Upon her husband's death, she is entitled to a share of one-third of his property, the rest is divided among the children equally. She must inherit a minimum of Rs.5,000 from her husband's estate if the estate is worth more than this amount, otherwise she inherits the whole. A Christian mother is not entitled to maintenance from her children. In the case of any of her children dying without a spouse or children, she may inherit one-quarter of the assets.

Women and economic participation

Since the 1980s policy-makers have become increasingly aware of the need to enhance women's economic participation. Much of the work in the family enterprise or on the farm is not measured in quantitative terms nor reflected in national accounts (i.e. gross national domestic product). For the first time, in the 1991 census questions on the contribution to production were included to bring them into the national system of accounts.

According to that census, the total number of workers in the country stood at 314.1 million (224.4 million men and 89.7 million women). The work participation rate i.e. the proportion of the number of workers to the total population was 51.6 per cent for men and 22.3 per cent for women. The majority of the workers (79.2 per cent) are in rural areas; 75 per cent of male workers and 89.6 per cent of female workers. Only 1.2 per cent of male workers fall under the marginal category (working less than 183 days a year) but 28.4 per cent of women workers.

Of the total workforce 28.2 million (7.6 per cent) are in the organized sector and 340.5 million (92.4 per cent) were in the unorganized sector. Of those in the organized sector, 4.8 million are women (16.9 per cent of the total organized workforce). More than 90 per cent of women workers were engaged in the unorganized sector, nearly 80 per cent in agriculture, household industries and services. As per the 1991 census, women constitute 64 per cent of the total agricultural labour force and 26 per cent of cultivators.

The limited opportunities available for wage employment, inadequate education/training opportunities and lack of support have constrained women from increasing their participation in equally productive and remunerative activities. More serious are ideological taboos on women's occupation or mobility, which in the employer's perception means that women's labour supply is less useful than that of men.

Against this background it is increasingly recognized that self-employment of women in micro-enterprises would be an effective means to provide more economic security while self-employment provides equal opportunities for participation for both males and females, women's illiteracy, lack of training opportunities and limited technical knowledge adversely impair employment and income-generating opportunities for women.

In 1987 the Government of India, constituted a national commission on self-employed women and women in the informal sector to study the working and living conditions of poor women. The *Shramshakti* report recognized that women's access to control over productive assets was still marginal, but that wherever productive assets were provided to women in the informal sector, it had led to qualitative improvement in their lives and increased control over economic resources. It identified ownership of productive assets by women as the "single most important intervention towards both empowerment and well being".

Inadequate access to assets affects women's work adversely in several ways: with the lack of quality tools the productivity remains low. Women often lack the seed money/capital to create viable business units/enterprises; nor can they get credit from financing institutions on reasonable terms for want of collateral. This lack of collateral – far from being the only constraint – is identified as the main reason for the high incidence of poverty among self-employed women.

To counteract this deficiency credit facilities have been made available to women entrepreneurs under various government-sponsored poverty alleviation and self-employment schemes, such as:

Prime Minister's *Rozgar Yojana* (PMRY)

Swarnajayanthi Gram Swarozgar Yojana (SGSY)

Swarnajayanthi Shahari Rozgar Yojana (SJRSY)

Differential Rate of Interest scheme (DRI)

In addition, leading financial institutions such as NABARD and SIDBI launched exclusive schemes for women on own funds.

Box 2.2. Credit schemes for women

(1) Schemes of NABARD
- (a) Assistance to rural women in non-farm development
- (b) Support for setting up women's development cells
- (c) Assistance for marketing of non-farm products of rural women

(2) Schemes of SIDBI
- (a) *Mahila Udyam Nidhi* (i.e. women's entrepreneurship fund)
- (b) *Mahila Vikas Nidhi* (i.e. women's development fund)
- (c) UNDP-sponsored trade related entrepreneurship assistance and development
- (d) Women's entrepreneurship development programme

(3) Schemes of public sector banks
- (a) *Priyadarshini* scheme (Bank of India)
- (b) *Stree Shakti* package scheme (State Bank of India)
- (c) *Pigmy* deposit scheme (Syndicate Bank)
- (d) *Viklang Mahila Vikas Yojana* (handicapped women's development scheme) (Union Bank of India)
- (e) *Kalyani* (Central Bank of India)
- (f) Mahila Vikas Yojana (women's development scheme) (Oriental Bank of Commerce)

Despite these government-led initiatives, the flow credit to women remains negligible in the financial sector as a whole, which prompted the RBI in 2001 to exhort commercial banks to earmark at least 2 per cent of their net credit for women and gradually raise it to 5 per cent by 2004.

III. Review of financial sector

Meeting credit needs of the poor people has always been a major concern of policy-makers in India since Independence, at which time cooperative banks were the only institutions providing small loans. The increasing use of technology in agriculture in the mid-1960s led to a spurt in credit demand for agriculture to which cooperative banks could not fully respond. To direct a greater supply towards this sector, 20 major commercial banks were nationalized in two phases, 14 in 1969 and six in 1980. This resulted in a major expansion of banks in rural areas. RRBs were created to respond to the needs of small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.

In addition, the Reserve Bank of India adopted several measures to direct credit to specific sections:

- **Exposure norms/threshold limits:** The RBI prescribes exposure norms for bank lending to individuals, groups and sectors, expressed as a percentage of capital funds. The norms stipulated by RBI are in line with keeping international bank supervisory standards. Exposure to sectors such as real estate, capital markets, commodity sectors, etc. are also subject to regulation.

- **Rating/grading of borrowal accounts:** All commercial banks have introduced a system of rating of borrowal accounts. This determines the element of risk attached to the account and the interest rate charged. Small loans, up to Rs.0.2 million are not subject to rating, however.

Prudential norms

Prior to the RBI's instructions on "income recognition, asset classification, provisioning and capital adequacy norms" (prudential norms), banks in India used to calculate interest income on accrual basis, irrespective of the fact whether the account was serviced or not. Obviously, income was overstated in some cases. Similarly non-classification of accounts and inadequate provisions for non-performing loan assets did not reveal the true net worth of the banks. To rectify these deficiencies, the RBI defined in 1992-93 stricter rules on prudential accounting norms for income calculation, assets classification, provisioning and capital adequacy. For RRBs and cooperative banks the prudential norms were made applicable from 1995-96 and 1996-97 respectively.

Based on these instructions, all loan assets are classified into either performing assets or non-performing assets (NPA). A performing asset generates income to the bank, that is, interest and principal are paid regularly. The loan account carries a normal credit risk. An NPA is characterized by interest or instalment of principal in arrears for two quarters (180 days) during the accounting year. However, as on 31 March 2004, banks will switch over to 90 days' norm for classifying a credit facility as NPA. The classification of the different types of credit facilities is explained in greater detail in Annex I.

Collateral requirements for obtaining loans

Loans are theoretically secured by the assets created out of the loans. In actual practice, and depending upon the amount of loan, banks, however, insist on collateral (i.e. additional securities) in the forms of deposits, government debt instruments having fixed maturity value, life insurance policies, mortgage of immovable property like land, buildings, third-party guarantees, etc. Collateral requirements are loosely prescribed by the RBI, giving banks a degree of autonomy. Collateral should mitigate credit risk, which makes sense in India, given the huge amount of NPAs of the Indian financial system. If a borrower misses a repayment obligation, the bank can take recourse to collateral to recover its dues. The more liquid and accessible the collateral, the more convenient for the bank, failing which a bank may have to initiate repossession procedures, while trying to seize and sell a collateral.

Collateral requirements vary with the category and amount of loans and advances, which can be broadly categorized into two groups: priority and non-priority sectors. Priority sector loans mostly comprise agriculture, small-scale industries (i.e. investments in plant and machinery below Rs.50 million), road and water transport, retail trade, small business, professionals and self-employed, education, housing, loans, consumption, loans to self-help groups (SHGs), food and agro-processing sector, software industry, venture capital etc. The RBI stipulated monetary ceilings for certain categories of priority sector advances which means that loans sanctioned beyond that ceiling no longer qualify to be in the priority sector. The RBI stipulated the collateral requirements for lending in the priority sector, for example, in agriculture as follows:

Loan amount (Rs)	Collateral requirements to be obtained
A. (1) Crop loans up to Rs.1,000	No collateral
(2) Crop loans between Rs.1,001 to Rs.25,000	No collateral
(3) Crop loans above Rs.25,000	Mortgage of land. If creation of mortgage of land is difficult, then third-party guarantee is to be obtained.
B. Term loans	
(1) Where moveable assets are created:	No collateral
(a) For loan amounts up to Rs.25,000	Mortgage of land or third-party guarantee
(b) For loan amounts beyond Rs.25,000	Mortgage of land
(2) Where moveable assets are not created:	
For loan amounts above Rs.10,000	

RBI parameters for collateral also apply to targeted government loan programmes, like the PMRY with explicit guidelines for giving preference to women. Banks should not take any collateral for loans up to Rs.0.2 million. However, for loans for the service and business sector, the maximum ceiling for waiver of collateral requirement is Rs.0.1 million.

For credits to tiny units in the small-scale industry (SSI) sector, collateral requirements have been waived up to Rs.1.5 million. Collateral is also not required for educational loans up to Rs.0.4 million.

Within the category of "priority sector", there is a – fairly extensive – subcategory called "weaker sections", i.e.:

(i) Small and marginal farmers with land holdings of 5 acres and less, landless labourers, tenant farmers and sharecroppers.

(ii) Artisans, village and cottage industries where individual credit requirements do not exceed Rs.25,000.

(iii) Small and marginal farmers, sharecroppers, agricultural and non-agricultural labourers, rural artisans and families living below the poverty line are the beneficiaries and a family income below Rs.11,000 per annum.

(iv) Scheduled castes (SC) and scheduled tribes (ST).

(v) Persons whose family income from all sources does not exceed Rs.7,000 per annum in urban or semi-urban areas or Rs.6,400 per annum in rural areas. They do not own any land or the size of their holdings does not exceed one acre in case of irrigated land and 2.5 acres in case of un-irrigated land.

(vi) Beneficiaries under the scheme of Liberation and Rehabilitation of Scavengers.

(vii) SHGs of the rural poor.

In all these cases, collateral requirements depend upon the volume of credit, except for SHGs, where the collateral requirements are related to group savings and joint liability.

Other exemptions from collateral requirements are SSI loans covered under the guarantee scheme of the Credit Guarantee Fund Trust for Small Industries (CGTSI), which allow banks to forego collaterals for loans up to Rs.2.5 million. Though the Trust is more than two years old and has 30 member lending institutions comprising 21 public sector banks, four private banks, three RRBs and two development finance corporations, loans guaranteed under the scheme amounted to a paltry Rs.544 million. This may be due to the stipulations that no collateral can be taken for loans up to Rs.2.5 million which are guaranteed by the Trust.

Despite these exemptions, banks somehow manage to secure their loans through collateral. A common practice is having a co-obligator if the loan amount exceeded Rs.25,000. Another common way is to ensure that a guarantor has sufficient net worth. In this context, women are always at a disadvantage, as in most parts of the country they traditionally do not own landed property and depend upon their husbands or a relative to stand as a guarantor.

Alternative arrangements for guaranteeing the loans

A way to make up for insufficient collateral is through loan guarantee schemes which provide guarantees against defaults by borrowers. Presently, the CGTSI provides guarantees for SSI loans up to Rs.2.5 million which has been set up jointly by the Government of India (GOI), the Ministry of Small-scale Industries and SIDBI. In 2000 CGTSI introduced a credit guarantee scheme named "Credit Guarantee Fund Scheme for Small Industries (CGFSI)" to provide guarantee to the banks/financial institutions to replace the credit guarantee scheme (small loans – 1981) operated by the Deposit Insurance and Credit Guarantee Corporation (DICGC). As at the end of July 2002, 30 eligible lending institutions comprising 21 public sector banks, four private sector banks, three RRBs, the National Small Industries Corporation and the North Eastern Development Finance Corporation Ltd. have been registered as member lending institutions (MLIs) with the Trust.

By 31 July 2002, 5,204 projects financed by 19 MLIs (18 banks and NSIC) involving an amount of Rs.543 million have been covered under the scheme. Considering loans outstanding of about Rs.560,000 million (March 2001) in the SSI sector, this amount is meagre, namely less than 0.1 per cent. One possible reason could be the condition that only collateral free loans to SSIs are eligible.

The Indian Institute of Rural Development (IIRD), an NGO in Rajasthan, has operationalized a guarantee scheme called the mutual guarantee fund scheme. The capital of the fund comprises contributions from members with matching contributions from SIDBI. This contribution is refundable without interest at the end of the third, fourth and fifth year at the rate of 30 per cent, 30 per cent and 40 per cent respectively.

The Association of Women Entrepreneurs of Karnataka (AWAKE) has proposed to set up a similar guarantee fund exclusively for women and SIDBI agreed in principle to contribute to the fund.

IV. Banking with "small loans" – An Indian experience

Defining small loans

A small loan in the agricultural sector could be as small as Rs.5,000 for raising of crops, a loan in excess of Rs.0.2 million is considered large enough both by farmers and bankers In the transport sector, the smallest loan (i.e. financing auto-rickshaws) could be of the order of Rs.50,000 while RBI has defined "small road transport operators" as those which involve financing up to ten vehicles per borrower involving an investment to the extent of Rs.5 million. In industries, the investment cost fluctuates between Rs.5,000 for a typical artisan/household manufacturing unit up to Rs.50 million for "small-scale industry (SSI) [1] as defined by GOI.

Directive on interest rates

There is, however, an implied meaning of "small loans" derived from policy guidelines/directives of RBI/GOI.

The RBI has regulated interest rates to be charged by commercial banks [2] on loans up to Rs.0.2 million as a safeguard provided to borrowers for accessing uninterrupted small loans under the priority sector category [3] (viz. the landless, small farmers, socially and economically backward classes, etc). This ceiling of Rs.0.2 million can be considered to define "small loans".

Guidelines on collateral

As per the RBI guidelines, banks are prevented from insisting on collateral [4] for agricultural loans up to Rs.25,000 *where movable assets are created.*

Under SGSY, a self-employment-cum-poverty alleviation scheme, individual loans up to Rs.0.05 million and group loans up to Rs.0.3 million are to be granted without collateral whereas under the PMRY self-employment scheme, the individual loans for SSI up to Rs.0.2 million are given free of collateral.

[1] As defined by GOI, small-scale industry (SSI) is one in which investment in plant and machinery items does not exceed Rs.10 million.

[2] This interest rate directive is applicable only to commercial banks and not RRBs and cooperative banks.

[3] Priority sector loans as defined by RBI include loans to agriculture, SSI, transport, retail trade, self-employed/professionals, small housing, education, consumption purposes.

[4] The term "collateral" is defined in Chapter III.

Retailing arrangements for small loans

Priority sector lending

Since 1972, the RBI has been mandating commercial banks to provide at least 40 per cent of the net bank credit to "priority sectors" (see table 4.1) with credit to agriculture finance 18 per cent and to "weaker sections"[5] 10 per cent. The remaining share of priority sector finance (12 per cent) would be for SSI.[6]

Table 4.1. Loans under priority sector – A profile

Sl No.	Broad sector	Priority sectors		
		Agriculture	**Small-scale industry (SSI)**	**Other priority sectors (OPS)**
1.	Priority sector	■ Short term loans for crop raising (crop loans) ■ Medium/long-term loans for: – irrigation – land development – water/soil conservation – farm machinery/draught animals – plantation/horticulture – milk cattle/dairy projects – poultry/bird rearing – sheep, goat, pig rearing – fishery – forestry/wasteland development – storage structures – market yards – sericulture	■ Working capital finance to manufacturing/service units ■ Handloom/power loom ■ Artisan/handicraft ■ Cottage/tiny units ■ Agro-processing units ■ SSI units ■ Service units	■ Small road and water transport operators ■ Small business ■ Retail trade ■ Self-employed ■ Professionals ■ Housing loans ■ Educational loans ■ Consumption loans ■ Self-help groups
2.	Non-priority sector (small loans)	Small loans against collateral such as gold, jewellery, fixed deposits, life insurance policy, advances to salary earners, consumer durable loans, etc.		

Source: RBI circular dated 1 August 2001.

These rules led to an increase in the flow of bank credit to priority sectors from a level of 14.6 per cent of total loans outstanding in 1969 to 43 per cent in 2001. The share of agriculture, SSI and other priority sectors in net bank credit in the country was 15.7 per cent, 14.2 per cent and 11.8 per cent respectively.

[5] Weaker sections as defined by RBI includes agriculture labourers, landless labourers, scheduled castes, scheduled tribes, etc.

[6] Out of the total stipulated share for SSI, banks have to ensure the flow of credit to various subcategories of SSIs according to the size of investment in plant and machinery (i.e. 40 per cent share to units having investment up to Rs.0.5 million, 20 per cent to units investing Rs.0.5-2.5 million and the remaining 40 per cent to those units investing in excess of Rs.2.5 million).

As at 31 March 2001, out of 27 *public* sector banks (PSBs), 23 banks could not achieve the mandated 18 per cent net bank credit to the agricultural sector. An equal number of banks performed below the stipulated portfolio quota of 10 per cent of their net bank credit to "weaker" sections. Most public banks, except for two (UCO and United Bank of India), reached the stipulated overall level of 40 per cent net bank credit to the priority sectors. Out of 31 *private* sector banks, however, 12 banks could not achieve the stipulated 40 per cent level of net bank credit.

Table 4.2. Growth of priority sector credit in public sector banks
(Rs millions)

S1 No.	Particulars of credit	Outstanding advances as at the end of				
		June [1] 1969	March 1998	March 1999	March 2000	March 2001
1.	Agriculture (direct and indirect)	1 620 (5.4) [2]	343 050 (15.7)	400 780 (16.3)	461 900 (15.8)	536 850 (15.7)
2.	Small-scale industries	2 570 (8.5)	381 090 (17.15)	426 740 (17.3)	457 880 (15.6)	484 450 (14.2)
3.	Other priority sectors	220 (0.7)	188 810 (8.7)	244 480 (9.9)	358 290 (12.2)	403 950 (11.8)
4.	Total priority sector	4 410 (14.6)	913 190 (41.8)	1 072 000 (43.5)	1 278 070 (43.6)	1 465 460 (43.0)
5.	Net bank credit	30 160	2 182 190	2 462 030	2 929 430	3 408 880

[1] In the year 1969, credit to the priority sector was not mandated. [2] Figures in brackets indicate percentage of net bank credit in the respective years.

Note: Apart from the stipulated credit support from commercial banks, priority sectors also receive substantial credit support from three other specialized rural credit agencies viz. regional rural banks (RRBs), district central cooperative banks (DCCBs) and state cooperative agriculture and rural development banks (SCARDBs).

Source: RBI's report on *Trends and progress of banks in India 2000-01.*

Government-sponsored schemes

Small loans are generally refinanced at concessional rates. As the primary objective of refinancing is to ensure an adequate supply of credit to important economic sectors and disadvantaged target borrowers on affordable terms, the refinancing agencies such as NABARD, SIDBI, etc., almost always stipulate certain conditions relating to borrowers' contribution, grace and repayment period, etc., while conditions on collateral, interest rates are determined by RBI. The small loan market thus continues to remain distorted and is not market driven.

While the Government had the best intention with a policy of directed credit programmes, implementation suffered from serious drawbacks:

- Bureaucratic administration of credit programmes rather than building mutually beneficial partnerships and a sense of participation.
- Banks' freedom was substantially constrained.
- Excessive emphasis on the supply of financial inputs (subsidy and credit); provision of non-financial support services, were either missing or inadequate.
- Directed credit created an image for banks as "government banks".
- Successive loan/interest waivers.

- The fiscal indiscipline seen in borrowers and the government programmes had contagious effects on other borrowers, thereby undermining the credit and repayment culture in general.

- Instead of forging long-term relationships, these programmes created a psychological divide between small loanees and banks.

- Bankers started branding small loans as "social loans" and considered financing the poor as a risky proposition.

- Banks progressively developed indifferent attitudes and negative mindsets towards "small borrowers" which made accessing small loans difficult.

- Bankers adopted a "minimalist" or "conservative" approach, i.e. restricting lending to government programmes or granting only loans to borrowers with good track records capable of offering collateral.

- Under-financing and releasing loans in very small instalments by banks to restrict exposure.

As a result of supply-driven credit policies of the past, the banks are beset with the problem of very high non-performing assets (NPAs) as shown in table 4.4.

Table 4.4. Extent of sector-wise NPAs in Indian banks (March 2001)
(Rs millions)

S1 No.	Bank group – No. of banks	Agri-culture	SSI	Others	Priority sector	Public sector	Non-priority sector	Total
1.	Public sector banks – 27	73 760 (13.87)	103 390 (19.44)	64 400 (12.11)	241 560 (45.43)	17 100 (3.22)	273 070 (51.35)	531 740 (12.39)
2.	Old private sector banks – 23	2 950 (6.13)	8 000 (16.63)	4 960 (10.31)	15 910 (33.08)	1 230 (2.56)	30 950 (64.35)	48 100 (11.12)
3.	New private sector banks – 8	270 (1.71)	2 000 (12.54)	150 (0.96)	2 430 (15.21)	– –	13 560 (84.79)	15 990 (5.14)
4.	Foreign banks – 42	– –	– –	– –	– –	– –	– –	30 710 (6.76)

Note: Figures in brackets indicate percentage of NPAs to total advances.
Source: RBI report on *Trends and progress of banks in India 2000-01*.

Banking sector reforms and small loans

In 1991, the Government of India embarked on structural adjustments and financial sector reforms. The most significant step was the application of Basle norms relating to asset classification, income recognition, provisioning and capital adequacy in the Indian banking system. The pressure to comply with financial standards forced banks to reduce NPAs and improve the overall quality of assets, thereby attaining capital adequacy and ensuring long-term financial sustainability. The increased transparency in accounting procedures and disclosure norms as well as the need to improve bottom lines made banks more risk averse resulting in a slowed down flow of small loans, for example:

- Preferring financial investments for parking funds rather than expanding and diversifying the loan portfolio in the real economy.

- A system of personal accountability of credit officers making them risk averse and insist on more than adequate collateral.

- Focus on consolidating the existing loan portfolio.

To tackle the problem of NPAs, the Government has taken the initiative of promulgating "The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Bill 2002" as a legislative measure which would empower banks to enforce their rights on decrees/security without the intervention of the courts and foreclosure loans. This, together with strengthening the debt recovery tribunals (DRTs), is likely to encourage banks to take calculated risk in lending again.

Some financial institutions have also found ways on their own to service the small loan sector effectively. The self-help-group linkage model promoted by NABARD – with substantial support by GTZ and SDC – since 1992, for example, has been quite successful in delivering collateral-free loans to the poor, particularly women, with nearly 100 per cent repayment rates. Within a decade of its introduction, the SHG-bank linkage programme has reached out to 8 million families through nearly 0.5 million SHGs. A large number of banks are adopting the "SHG linkage model" as a strategy for delivering small loans. A number of NGOs are transforming into financial intermediaries (MFIs) and existing MFIs are repositioning themselves as NBFCs to strengthen their resource base and outreach.

Within a decade of its introduction, the SHG-bank linkage programme has reached out to 8 million families through nearly 0.5 million SHGs.

Table 4.5. Status of SHG-bank linkage programme of NABARD
(Rs millions)

Items	2000	2001	2002
No. of new SHGs provided with bank loan during the year	81 780	149 050	197 653
No. of SHGs provided with bank loan (cumulative)	114 775	263 825	464 478
Percentage of women's groups	85	90	90
No. of participating banks:			
(i) Commercial banks	40	48	44
(ii) RRBs	165	177	191
(iii) Cooperative banks	61	94	209
No. of districts covered	362	412	488
No. of partner agencies (NGOs, government agencies, MFIs, etc.)	718	1 030	2 455
Bank loan (cumulative)	1 930	4 809	10 263
Refinance from NABARD (cumulative)	1 501	4 007	7 965
No. of families assisted (in millions)	1.9	4.5	7.8
Average loan per SHG (Rs)	16 814	18 227	22 240
Average loan per family (Rs)	1 016	1 072	1 346
(i) SHGs formed and financed by banks	14%	13%	16%
(ii) SHGs formed by formal agencies and NGOs but directly financed by banks	70%	76%	75%
(iii) SHGs financed by banks through NGOs	16%	11%	9%

Source: NABARD and microfinance 2001-02.

NABARD has a vision of linking 1 million groups, i.e. 20 million families with banks by the year 2008. NABARD extends 100 per cent refinance support at a concessional rate of interest as well as promotional support to banks/NGOs for group formation and capacity building.

Another example is SIDBI which through its microfinance arm "SIDBI Foundation for Micro Credit" is also assisting MFIs with concessional loans for retailing microcredit to their clients either individually or through self-help groups. So far, SIDBI has assisted 160 MFIs with Rs.527.6 million for on-lending to ultimate borrower members. Other organizations, such as FWWB, CASHE (CARE), RMK, are also engaged in similar efforts. The MFIs are estimated to have been able to access commercial loans of the order of Rs.150-200 million so far. The present policy is to keep the micro-finance sector out of the regulatory framework to unleash its full potential. The annual credit requirements of this sector are estimated at Rs.500 billion by SA-DHAN, a network of MFIs. As nearly 40 per cent of rural households in India are still outside the fold of institutional credit (All India Debt and Investment Survey (1991-92)), micro-finance holds therefore great promise for correcting the imbalance in credit allocation.

V. Gender and the loan negotiation process

Indian women – Economically deprived?

Women in India have been marginalized in terms of economic and social participation; this can be illustrated by a few features of the 1991 and 2001 censuses:

- There are 933 women per 1,000 men and this ratio is continuously declining. Women formed 48.3 per cent of the Indian population. Newspaper reports carry stories of sex tests being performed to abort the female foetus though the act is punishable under law.

- Women are overburdened with household work which is not accounted for in the national accounts. It is estimated that women spend 34.6 hours per week in domestic work as against 3.6 hours contributed by men.

- There is a large gender gap in the literacy level, the female being 54.16 per cent against 75.85 per cent for men. Ironically, while the female literacy rate improved from 8.86 per cent in 1951 to 54.16 per cent in 2001, the gender gap in literacy during the same period widened from 18.30 per cent to 21.70 per cent. In the States of Bihar and Jharkhand, the female literacy rate is below 40 per cent while in Uttar Pradesh, Rajasthan and Jammu and Kashmir it is below 50 per cent. In Rajasthan, the female literacy rate was only 11.6 per cent in rural areas while among scheduled caste and scheduled tribe women it was 19 per cent and 18 per cent, respectively.

- According to estimates of the Planning Commission, 26.1 per cent of the population in India is poor, 70 per cent of which live in rural areas. In poor families, women suffer most as they pass through the vicious cycle of poverty, low food intake, weak health, low production capacity, low earning, leading to further poverty.

- The gender equality index (GEI) which indicates attainment of human development indicators for female as a proportion to that of male, is only 67.6 per cent. GEI is very low in the States of Bihar and Uttar Pradesh, and generally better in south Indian states.

- Underdeveloped social infrastructure limits the possibility of women to perform productive economic activities as most of their time and energy is used attending to household affairs. In rural areas, 30 per cent of families do not have pucca houses while only 9.48 per cent have sanitary toilets, 55.44 per cent have access to safe drinking water, and only 30.54 per cent of households have electricity.

- The share of women workers in the organized sector is 17.2 per cent while the female-to-male ratio of participation in economic activities is 50 per cent.

- More than 80 per cent of female workers are engaged in unskilled agricultural work.

Table 5.1. Gender and labour participation in India (1999-2000)

Indicator	Rural			Urban			Combined		
	Male	Female	Gender gap	Male	Female	Gender gap	Male	Female	Gender gap
Employed and self-employed active population (in gender category)	85.4	45.6	39.8	78.6	20.9	57.7	83.5	38.5	45.0
Average annual growth in employment (1993-94 to 1999-2000)	1.6	0.8	0.8	2.6	1.5	1.1	1.9	0.9	1.0

Source: National Human Development Report, 2001 (Planning Commission, GOI).

It is against this socio-cultural background that the issue of market access to financial services by women needs to be assessed.

There is no reporting system which could facilitate an assessment of the flow of credit to women. In 2001, RBI estimated that the average flow of bank credit to women was 2 per cent of the aggregate private sector loans (including the corporate sector) outstanding in the country. Expressing serious concerns about the wide gender disparity, RBI exhorted the banks to step up the flow of credit to women to at least 5 per cent of the net bank credit by March 2004. In 2001, RBI prescribed a reporting format to commercial banks to be furnished at quarterly intervals (Annex III). It is on this recently established database that the following table was compiled:

Table 5.2. Credit flow to women in selected banks and non-bank financial institutions (March 2002) (Rs. millions)

Bank	Private sector loan portfolio (amount)	Credit to women	
		Amount	Percentage of net bank credit
Allahabad Bank	110 110	3 036	2.76
Andhra Bank	99 619	6 804	6.83
Vijaya Bank	57 061	2 586	4.53
Canara Bank	331 300	17 376	5.24
Punjab National Bank	333 450	9 470	2.84
Oriental Bank of Commerce	144 230	3 750	5.24
State Bank of India (Kolkata Circle)	60 021	876	1.46
Syndicate Bank (data for Karnataka only)	28 831	1 304	4.50
Cauvery Grameen Bank	1 368	103	7.53
Howrah Grameen Bank	175	45	25.70
Hazaribagh Grameen Bank	266	26	10.30
Krishna Bhima Samruddhi Local Area Bank (BASIX)	26	12	46.15
Share Microfin Ltd. (MFI)	1 248	1 248	100

The percentage share of credit to women is lowest in commercial banks, followed by RRBs and local area banks.

It is thus probably still valid to say that 496 million women receive a disproportionately low share in accessing bank credit which seriously impairs their chances of their participation in economic (productive) activities through asset creation and ownership mechanism.

Why gender imbalance?

The single most important reason for this could very well be their inability to approach banks.

- Women in India shy away from banks. Even in the case of educated women, money and banking matters are handled by their male counterparts (either by husbands, brothers, fathers, etc.).
- Nearly 50 per cent of women are illiterate and they need escort, guidance, especially by male members to visit public places like banks, courts, government offices, etc. to claim their rights under formal procedures which are in principle gender neutral.
- Few families encourage independent economic activities by women, and they are even often discouraged to take on debt.
- Women hesitate to start economic activities before marriage. After marriage, household responsibilities and multiple child-bearing make a claim on their time in discharging family obligations, particularly the bringing up of children.
- Availing a bank loan is a cumbersome and time-consuming process and women do not have enough time to pursue their proposal.
- Physical access to bank branches is a major hurdle for women, particularly in rural areas, where bank branches are often not located in the village.
- Women are not involved in the decision-making process about the use of the loan, even though the debt contract is in their name. They are often seen by bankers as "dependent" or "proxy" for men.
- Discriminatory inheritance practices favour men and encourage the control of men over property and incomes of women.
- Bankers associate women only with women-specific income-generating activities. Any interest to move into non-traditional activities is viewed as a credit risk.
- Most loan officers/branch managers in banks are male and women sometimes are apprehensive approaching them.
- Women from middle-class households prefer to be housewives.
- Women are not seen as an important "business segment", which would induce banks to invest into the development of appropriate products.
- The collateral-free, flexible, small, quick, easy and timely credit products that women would prefer are considered by bankers as non-profitable, time-consuming and costly.

- A few loan schemes launched by some banks as "women" schemes were repackaged existing gender-neutral schemes. These loan products did not effectively address gender issues in credit.

Insignificant policy thrust

The GOI and RBI policy of directed credit for priority sectors and weaker sections has not resulted in an adequate credit supply to women. This is evident from the following facts:

- "Women" are not included as a part of lending to "priority sector" or "weaker sections" as per the definitions given by RBI.
- The important statistical reports generated on banking progress compiled, published and reviewed by RBI do not distinguish credit of distribution by gender.
- Meetings of bankers and government officials to review the performance of banks do not look at credit to women.
- The lead bank returns (LBRs), an important database on flow of bank credit in rural and semi-urban areas, do not quantify the flow of credit to women.

Some positive steps

A few specific steps were, however, taken by the Government, RBI and apex developmental institutions such as NABARD, SIDBI and RMK.

(i) Central/state government initiatives

- Under the largest credit-linked poverty alleviation programme, i.e. IRDP (now repackaged with additional features as SGSY), a 40 per cent share is reserved for women beneficiaries.
- Under IRDP, there was a special programme called development of women and children in rural areas (DWCRA) which envisaged the formation of and financing to groups of poor women. However, this approach did not succeed because of the heterogeneous nature of groups and poor capacity building/training efforts by sponsoring agencies, and a lack of facility for total financial services such as deposit, credit and insurance products.
- Under Swarnajayanthi Shahari Rozgar Yojana (SJSRY) – a scheme for reduction of urban poverty, a sub-target of 30 per cent has been fixed to cover women clients.
- State governments have a policy of promoting credit/functional/industrial cooperative societies with women members.
- RBI also supports the promotion of women urban cooperative banks like SEWA (self-employed women's association) bank with relaxed entry norms.
- The DRI scheme, provides loans at low interest rates (4 per cent) to weaker sections of society, men and women.
- The Rashtriya Mahila Kosh (RMK) provides microcredit to women through a network of NGOs.

- In many states, women development corporations encourage women in entrepreneurship development and accessing bank loans individually or through SHGs.

(ii) Initiatives by NABARD

NABARD is an apex development bank in the sphere of agriculture and rural development. Some of its initiatives are:

- Granting assistance to NGOs, developmental agencies and banks for training and capacity building of women in non-farm enterprises in order to enable them to access institutional credit, support to the setting up of women development cells (WDCs) in RRBs and cooperative banks for promotion of lending by banks to women, promotion of farmer clubs consisting of women. It provides financial assistance to clubs for meeting operating expenses, exclusive promotional-cum-refinance schemes for women entrepreneurship, such as:
  - assistance to rural women in non-farm development (ARWIND);
  - assistance for marketing of non-farm products of rural women (MAHIMA);
  - development of women through area programme (DEWTA); and
  - self-help group – bank linkage programme.

The most valuable contribution of NABARD in fostering gender equality in credit has been the movement of formation of SHGs and their linkage with banks across rural India to access financial services. Nearly 90 per cent of the 8-million strong members in this movement are women. SHGs lend to their members on terms and conditions decided by the members themselves in a democratic manner. After six months, banks extend to the groups collateral free flexible loans in proportion to their accumulated savings. This flexible collateral-free credit product is transforming the economic status of millions of rural women in India. Banks are also taking active interest in the concept as the repayment rates are nearly 100 per cent. A full refinance support to banks at concessional interest rates is also made available. In selected cases NABARD also provides bulk loans to NGOs/MFIs for on-lending to SHGs which mostly consist of women. By the year 2008, NABARD wants to reach 1 million SHGs with 20 million rural poor families.

Initiatives of the Department of Women and Child Development (DWCD), GOI

Rashtriya Mahila Kosh (RMK)

RMK is a registered society promoted by the Department of Women and Child Development (DWCD), GOI, in 1992 with an endowment of Rs.310 million to provide microcredit exclusively to women, individually or through SHGs. By March 2001, RMK was operating through 861 partner NGOs. RMK provides loan assistance to NGOs for on-lending to women for taking up micro-enterprises. NGOs have a responsibility to lend and recover funds from borrowers and ensure repayment to RMK.

The cumulative funding by RMK to 861 organizations stood at Rs.103.5 million as at the end of March 2001. NGOs are granted 1 per cent incentive for training and capacity building of borrowers. Besides, a 0.5 per cent incentive is granted to NGOs for encouraging timely repayments. In 2000-01, RMK had assisted 46,559 women borrowers with a cumulative outreach covering 0.4 million women.

Swashakti (Women Empowerment) Project

"Swashakti" project was started in 1998 with assistance from the World Bank and IFAD in Uttar Pradesh, Madhya Pradesh, Bihar, Haryana, Karnataka and Gujarat for a period of five years. The project aims at the formation of women self-help groups with the help of NGOs. The objective is to form over 12,000 women SHGs with ten to 15 women members each.

Initiatives of SIDBI

SIDBI launched several schemes for the promotion of women entrepreneurs. Amongst them the following need to be mentioned:

- **Mahila Udhyam Nidhi**

  Under this refinance scheme, banks assist women entrepreneurs for the setting up and renovation of small enterprises in manufacturing and service sectors with up to Rs.1 million. SIDBI, besides providing refinance to banks, also provides soft loan assistance to the extent of 25 per cent of project cost at 1 per cent service charge (maximum Rs.0.25 million) to meet the requirement of own contribution by borrowers.

- **SIDBI Foundation for Micro Credit (SFMC)**

  The SFMC, with capital of Rs.1,000 million, aims at increasing its outreach to poor women for extending microcredit by forging long-term partnership with MFIs and promoting entirely new channels of financing which is conducive to the needs and psychology of the rural poor, especially women.

Major policy initiatives by the Ministry of Finance, GOI

In 2000 the Banking Division of the Ministry of Finance studied the gender dimensions in credit and prepared a "Plan for strengthening the credit delivery to women, particularly in the tiny and SSI sector". The plan contains 14 "action points" for banks:

(1) Redefine bank policies and plans.

(2) Set up of women cells in controlling offices of banks.

(3) Simplify procedural formalities by banks.

(4) Familiarize bank officers/staff with gender concepts.

(5) Publicity campaign on credit facilities to women.

(6) Entrepreneurship development programmes for women.

(7) Specialized bank branches for women.

(8) Motivational strategies for bank officers/staff.

(9) Monitoring system on credit to women by RBI/banks.

(10) Data collection on bank credit to women.

(11) Strengthening of existing schemes for women by banks/NABARD/SIDBI.

(12) Relaxing collateral and other norms for women.

(13) Involving NGOs, SHGs, women cooperatives in increasing the outreach.

(14) Setting up of Mahila rural cooperative banks on the lines of Mahila urban cooperative banks.

Action initiated by banks

Responding to these initiatives by GOI/RBI, commercial banks/RRBs have initiated steps on the above action points.

(i) Most commercial banks have constituted women development cells at their respective head offices, headed by an executive director and managed preferably by a senior lady officer. Instructions have already been issued by banks to set up similar cells at zonal/regional offices.

(ii) Banks started publicity campaigns for their loan products focusing on women beneficiaries. A few banks organized seminars/workshops on the theme to sensitize staff.

(iii) Banks have issued policy guidelines to their branches which include holding meetings with women entrepreneurs at regional/branch level, awareness programmes for branches.

(iv) While banks are generally of the opinion that specialized branches only for women customers pose a problem of financial viability, the banks have started exploring the opening of specialized women branches and/or making alternative arrangements to achieve the purpose. Banks such as the State Bank of India, the Canara Bank, the Allahabad Bank, PNB, OBC, etc. have opened at least one specialized women's branch each.

(v) Banks have started regular submission of data and progress reports on credit facilities extended to women to RBI/GOI.

(vi) Most of the commercial banks visited had promoted rural development and entrepreneurship training institutes of their own to train women borrowers and SHG leaders/members. They are also actively involving themselves in SHG – bank linkage programme of NABARD, while a few also extend bulk loans to NGOs/MFIs for on-lending to women SHGs.

Women-specific loan products by banks

It was observed that quite a few banks have developed women-specific loan products, offered on the usual lending terms and conditions (i.e. gender neutral) or with a few concessions/relaxations (see table 5.3).

Table 5.3. Various women-specific schemes in banks

Bank	Women-specific schemes	
Andhra Bank	Stree Chakra scheme for financing of vehicles to women.	Usual terms. The scheme is not in active operation at present. Interest rate on SHG loans reduced by 1 per cent compared to other priority sector loans. Simplified documentation. Bank trains SHG members in own training institutes. Plans to tie up with other training institutes for training of borrowers.
State Bank of India	Stree Shakti package for women	Women-managed SSI units are given loans at 5 per cent lower margin/down payment. Lower interest by 0.5 per cent for loans above Rs. 2 lakhs.
Allahabad Bank	No specific scheme for women	Publicity being provided to existing deposit/loan schemes to attract educated women customers. No special concessions for women. Brought out techno-economic project profiles of a few pro-women activities.
Vijaya Bank	No specific scheme for women	No extraordinary specific concessions.
Canara Bank	No specific schemes for women	Set up centre for entrepreneurship development for women at ten places to promote, train, escort and finally finance women borrowers. "Vikas", a bimonthly newsletter published to disseminate information for the benefit of women entrepreneurs. Conducts EDPs for women.
Cauvery Gramin Bank	No special scheme	Set up women development cell at head office. Proposes to earmark 30 per cent of incremental credit to women. Concessional interest of 12.5 per cent on loans under state government-sponsored Stree-Shakti scheme for rural women.
Vishakapat nam DCCB	"*Swayam Upadhi*"	Deposit linked loan scheme for women. Women save Rs.5-25 per day for 100-120 days and then given loans twice the amount saved to be repaid in next 240-260 days.
Punjab National Bank (PNB)	(i) Scheme for financing housewives and other women. (ii) Scheme for women entrepreneurs for SSI.	Loans up to Rs.2.5 million with 15 per cent margin. Low interest rate. No pre-payment penalties. No or nominal loan processing charges. Opening special women cells in a few 'thrust branches".
Oriental Bank of Commerce (OCB)	(i) Oriental *Mahila Vikas Yojana* for training SSI, retail trading service activities. (ii) Gold loan scheme for women. (iii) Scheme for setting up of beauty parlours. (iv) Oriental Bank Grameen Project for Rural Women.	1–2 per cent concessional interest rates for women availing more than Rs.0.2 million loan. No upfront fee. For women borrowers: Bank has designated five branches as women branches with help desk for women and focus on women business. Doorstep banking on group mode in selected eight villages.
Howrah RRB	Nari Shakti scheme for personal loans to salaried women.	Loans up to Rs.0.1 m. for domestic expenses at PLR plus 3 per cent interest. Collateral-direct deduction from salary and two personal guarantors. RRB has WDC. SHG-bank linkage.

The schemes do not really address the specific gender issues relating to "collateral-related difficulties faced by women in obtaining loans from banks". Most schemes seem to be merely a gesture rather than the result of serious market/customer research. Further, the publicity material printed by most of the banks also gives an impression that banks still consider women as not so enterprising, a little more risky and not capable of managing larger projects in non-traditional activity segments. Despite the various initiatives taken by the Government, most banks still finance women primarily through SHG and government-sponsored programmes; outside the fold of these schemes, bankers are little enthusiastic in lending to women borrowers.

Gender biases in loan procedures

A typical banker lends under the fear of an "auditor" who is likely to point out even the slightest deviation/relaxation from instructions. In any case, the branch manager wants to do less number of loan cases for fear of creation of NPAs and resultant personal accountability. A loan officer or branch manager is extremely conscious and "greedy" about obtaining a lot of papers, documents etc., to make the loan case very "safe" to avoid any blame, should the account go bad. Whatever the norms prescribed for collateral and whatever relaxations granted in loan policy, a typical banker would feel unsafe if he/she does not ensure sufficient collateral from the borrower (small or big, man or woman). The banker is conservative about prescribing borrowers' stake (margin) and loan repayment period. This coupled with a "tight" repayment schedule with least possible grace period granted to borrower, makes him/her feel further comfortable. A loan is granted only after the banker acquires perceived "immunity" by way of more than adequate collateral against possible loan default.

Whether men or women, the procedure is alike for obtaining loans from the bank. Most of the bankers interviewed during the study "claimed" that they are not gender biased, unmindful (or indifferent) of the fact that gender-neutral policy is the first cause of gender discrimination, given the gender inequalities. Therefore, making bank procedures gender sensitive and gender responsive would be important. In the following sections the specific difficulties faced by women on account of gender-insensitive policies and procedures are discussed.

Loan policies/procedures: Specific constraints faced by women

- **Corporate priority**

  The Government and the RBI closely monitor the flow of credit to priority sectors, while loans to the commercial sector are driven by profit motive by the bank management. **"Women" fit into neither of these categories.**

- **An all men's world**

  During the course of field work for this study, the study members found that not more than 3-5 per cent of branches are headed by lady managers.

- **Always dependent**

  Given the tedious procedure to get a bank loan, she has to visit banks and other offices several times. Women depend on some accomplice for visiting public places, as she does not have her own transport arrangements and, therefore, depends on somebody to escort her. She has to visit offices within a little time stolen out from her routine household responsibilities as also the enterprise (if any) she is already managing. She has to depend on somebody to excuse herself from her routine responsibilities to visit offices. This dependency syndrome not only delays the loan sanction process but also increases the transaction cost for women's loans and more so because the loans are generally small.

- **Facing bankers/officials**

  Compared to men, women in India are less aware of the procedures, practices, formalities, official manners/etiquette, terminology and presentation skills in the banking world. Secondly, women are generally illiterate and less educated. Most of the time they run their business in an informal manner, do not keep proper accounts/records of their activities and are, therefore, unable to answer formal questions from bankers loaded with technical terms such as "turnover", "project cost", "operating cycle", etc.

- **Off-the-shelf loan products**

  Traditionally, banks have loan products which are more suitable for formal male-run enterprises while women require loans for informal household enterprises. Women need "non-project" loans for "income-generation activities" where production cycle fluctuates with many other factors, i.e. more a "personal loan" than a conventional "project loan".

- **Women only make pickles**

  Very few bankers believe that women can break new grounds on the industrial fronts and successfully manage non-traditional enterprises. However, the fact is that more and more women are actually entering into the activities, hitherto considered "only for men" and women have even set up industrial estates of their own. But, even if women want to establish non-traditional activities with bigger loans, bankers tend to restrict the loan size and starve women's enterprises of finance, restricting their potential growth.

Interruptions in women's enterprises

Pregnancies, abortions, post-natal rests/child-rearing engagements, long sickness in family, marriages in family, etc., put a constraint on a women's capability to attend work, there is no statutory provision to readjust the repayment schedule in case of women-specific events mentioned above.

Collaterals – The big issue

The biggest issue, however, is the prevailing collateral-based banking mindset. As very few women own properties, they are not able to access bank finance either for the lack of, or inability to provide, collateral.

At present, three systems of financing small loans exist in India, i.e. collateral-free loans, loan with collateral and loans with collateral substitutes. However, not all women can have access to collateral-free loans especially under government sponsored programmes or very small loans below Rs.25,000 or loans available against collateral substitutes (co-obligator groups, SHG, guarantees), etc. For larger loans, banks necessarily require collateral (even when RBI expects banks not to insist on collateral for loans to SSI up to Rs.1.5 million). Further, with a new law in place which allows banks to enforce collateral/security interest without the intervention of courts to deal with bad loans, banks are going to be more aggressive in obtaining collateral.

Banks normally prefer accepting collateral in the following forms:

- mortgage of land, building and other immovable properties;
- personal guarantee by third party;
- fixed deposit receipts, lien on savings;
- pledge of national savings certificates and other forms of title to money instruments such as shares, debentures, fixed deposits receipts, etc.;
- LIC policy;
- gold ornaments.

Banks may expect collateral to the extent of 100 to 200 per cent of the loan amount. Women, particularly from not so well-to-do households, are obviously not able to arrange to provide collateral easily as they generally do not own or control property and resources and do not have access to other persons who could easily stand guarantee for their loans. Further, there are no large institutional guarantee funds in the country which could ease the situation for women borrowers of small loans.

There is, therefore, a need to build awareness among bankers/women to develop collateral substitutes such as peer pressure in the case of SHGs, involvement of village organizations, savings-linked loan products, collateral based on track record of borrowers, lending through intermediaries such as MFIs, NGOs, women entrepreneur organizations, credit plus approach, incentives for credit discipline, tie-ups recovery mechanisms with bills/receivables, lending against gold/jewellery, involving spouse as co-obligator, keeping documents of family property in bank's custody, etc.

The issue of collateral becomes important for loans above Rs.25,000 as up to this limit RBI does not allow banks to insist on collateral and banks generally follow the guidelines of RBI; but even the best MFIs operating in the country are of the view that for individual loans beyond Rs.15,000, group guarantee may not work and it is safer to back loans by collateral. Even large MFIs with 100 per cent women clients and working on co-obligator group model take collateral for loans exceeding Rs.15,000. This suggests that at present the SHG-bank linkage model eases the difficulties of women in collateralization only to a limited extent.

VI. The attitudes, beliefs and values of bankers towards women entrepreneurs

The study reveals region-wise differences in attitudes of bankers towards women clients. In general, bankers operating in regions dominated by poor women based on development indicators have a traditional outlook compared to their counterparts in other areas with relatively privileged women, as measured by the Gender Equality Index (GEI) of the Planning Commission. But it is also observed that these traditional outlooks of bankers are changing across the country; the pace may be slow or fast depending upon factors such as political will, support, network of good NGOs, region-specific demographic, cultural determinants of development, etc.

The experience of bankers in lending under government sponsored schemes have not been good. In fact, it developed a kind of aversion among the bankers, because they were forced to extend finance even though the proposals were commercially unviable. The problem got compounded by a vitiated repayment climate facilitated through the announcement of loan waivers/debt cancellation schemes declared unilaterally by the Government.

Though there is no gender-based discrimination by bankers in seeking collateral, women in most cases (and the rural poor especially) are discriminated against on account of their lack of either access to or control over land, property or other assets, which can be offered as collateral.

Influence of negative attitude on outreach of credit to women clientele

(i) Assessment of credit need and designing of innovative credit products

A large number of women with urgent credit needs, etc., continue to depend on informal sources, such as money lenders, pawn brokers, etc., to meet their credit needs, even at usurious terms. While collateral continues to be a strong deterrent for women to avail themselves of credit facilities from banks, collateral-free lending is limited to certain specific purposes. According to most bankers the credit needs of men and women are similar and there is no need of any differential features in credit products for them, and this applies also to collateral.

Still, collateral is one of the major hindrances for the limited access of women to credit. Bankers at times insist on 100-200 per cent collateral which brings to the fore the inadequacy of assessment of the credit risks blended with such proposals. Failure to submit adequate financial data and a proper project appraisal, the amount disbursed is considerably inferior to the required amount. This may not necessarily have been an explicit gender-biased decision, but women bear the consequences more than men. In such cases, women either do not start the business or utilize the availed amount to meet the compelling alternative domestic needs. Such fund diversion and improper use of credit becomes a frequent cause for NPA.

(ii) Loan procedures

The procedures for obtaining a loan are complicated and cumbersome. However, bankers with a positive mindset can help women by explaining and completing banking formalities. Managers who initially may find it hard to deal with these women customers, gradually develop a favourable attitude towards them. The SHG model has played a great role in this regard, as women become more self-confident. In turn, it helps bankers scouting for business opportunities in the village and spread the message of development through credit, promoting a culture of proper end use of credit coupled with sound repayment ethics.

Promptness in disbursement is another implicit discriminatory issue. The reasons for delays in bank credit disbursement are manifold: limited delegation of sanctioning powers to branch managers, frequent transfers of branch managers, unwilling attitudes, etc. For a poor and small woman borrower, timely credit is much more important than the cost attached to it. The dependence of rural poor on moneylenders shows that despite exorbitant interest rates loans from moneylenders have been a very popular option for poor or rural people because of their timely availability and easy accessibility.

There is a general perception among bankers that women are more sincere and reliable in repayment than their male counterparts. However, there are also experiences of bankers where unmarried women have availed themselves of loans and left for their in-laws' place without information to the concerned bank, making it difficult for them to follow up on repayment/recovery.

Attitudes can change the experience of the NABARD/SHG programme

NABARD's initiative in 1992 for a SHG bank-linkage programme facilitated a shift in the attitudes of bankers towards women from "risky, non-bankable, short of confidence and difficult clients" to "creditworthy, bankable, able to grow confidence, very reliable and almost 100 per cent assured clients" from the point of view of recovery. Women SHGs function more successfully than SHGs composed of male members. As a result, bankers discovered a good potential for opening new accounts to mobilize hitherto unremunerative small deposits and to use SHGs to deal with loan delinquencies.

The NABARD/SHG experience is also changing the mindset of bankers towards security (such as traditional forms of collateral). The collateral substitute route adopted by banks or MFIs usually include peer pressure, involving village-level organizations, linkage of savings with borrowings, building track record of borrower, tie-up with the production units, lending through intermediaries, incentives for credit discipline (BIRD-ILO survey on cost of collateralization in small-scale financial transactions), etc.[1]

The public sector banks in India have gone beyond this by referring women clients to other capacity-building institutions. For example, Canara Bank, a major public sector bank in India has started centres for entrepreneurship development (CED). The CEDs oversee training programmes for women, availability of credit and other support services to women entrepreneurs, such as arranging for marketing of their produce through exhibitions. The

[1] "Securing small loans: The transaction costs of taking collateral", ILO (Social Finance Programme), Geneva 2001.

bank has also started an exclusive marketing outlet, viz. Can Bazaar,[2] for women entrepreneurs to market their produce.

The recent initiative of the Banking Division, Ministry of Finance, Government of India, to launch through RBI guidelines a 14-point action plan (see Chapter V) makes it mandatory that public sector commercial banks route 5 per cent of net credit to women by the year 2004.

Issues and challenges before banks

Based on the foregoing, the following areas of concerns emerge for further attitudinal change of bankers towards women clients:

(i) The present prudential accounting standards on income recognition, provisioning for NPAs, asset classification and other such changes have reinforced a collateral oriented attitude among bankers.

(ii) The banks usually have identical systems for appraising large and small loans, entailing substantial fixed transaction costs.

(iii) Staff shortage in banks create a heavy burden on staff time to devote sufficient attention to appraisal, follow-up visits and loan supervision.

(iv) Joint liability, as practiced in SHGs, has emerged as an effective collateral substitute to ensure prompt recovery. Alternatives to traditional collateral would warrant a stronger involvement of the Indian Banks Association (IBA) and other formal/self-regulatory authorities, notably through the dissemination of success stories and empirical evidence of its effectiveness to enforce loan contracts.

(v) The practice of "polluting" repayments ethics by politically inspired promises to waive loan repayments have created serious problems to bankers in loan recoveries.

(vi) Voluntary agencies/NGOs or entrepreneurs development institutes are to provide training to women entrepreneurs to enable them to prepare viable projects.

(vii) Though there are good experiences with below poverty line (BPL)[3] groups yet they are not very common across the different states. These women, are often marginalized and obliged to deal with moneylenders.

(viii) Simplification of bank procedures and appointment of female staff including female branch managers would positively impact on the confidence of women to approach banks for credit. Usually such specialized branches are located in the better-off urban areas, which automatically filters the potential small and poor women borrowers.

[2] Bazaar in India means a local market where goods and services are physically traded.

[3] In India, families are categorized into those living below the poverty line and above the poverty line. The poverty line has been defined state-wise by the Planning Commission based on the average monthly per capita consumption expenditure. As per the recent estimates (1999-2000), the families having an average monthly consumption expenditure below a certain level have been categorized as poor. This range varied state-wise between Rs.262.94 (Andhra Pradesh) and Rs.367.45 (Himachal Pradesh).

VII. Loan procedures – The views of women entrepreneurs

Practically no entrepreneur interviewed was aware of the various loan products available with banks and NGOs (MYRADA and associations of women entrepreneurs, like AWAKE). Banks do not make an effort to advertise and popularize the various loan products. Although RBI advised all public sector commercial banks in July 2001 to constitute consultative groups, comprising four to five women representing entrepreneurs, social workers, prominent local women, etc., at the branch level to serve as a link between the branch and the women of the area, the banks are yet to take the concrete steps in that regard.

Women entrepreneurs were neither aware of the various government-sponsored schemes for poverty alleviation. Like SGSY (where at least 40 per cent of the borrowers should be women) nor the Swarna Jayanti Sahari Rozgar Yojana (SJSRY), at least 30 per cent. However, all these details are not known to women entrepreneurs.

Women entrepreneurs also seem not to be aware of bank policies and procedures of banks, for example the documents and other papers to be submitted. Requirements were often conveyed piecemeal, necessitating repeat visits to the bank. Many entrepreneurs and associations would like to see detailed checklists.

One of the main obstacles for availing institutional credit is the inability of women to provide collateral, as all the immovable property is in the name of the male members of the household. Most women do not have their own landed property to offer as security. Immovable property is usually held in the name of the male members of the family. If the immovable property is required to be given as collateral for obtaining a loan by the son as well as the daughter, usually priority is given to the son, which shows a distinct bias in favour of the male child in the family itself.

By and large, women in India are ignorant about their property rights, assuming that inheritance and control of wealth would be the exclusive right and privilege of men, and it would be impossible for them to demand more than what is granted to them (including one at the time of their wedding). Property laws continue to be governed often by religious customs based on the principle of "patriarchy" in most part of India (except some parts of north-eastern states, Uttar Pradesh, Kerala, etc.). Many of the entrepreneurs were not aware of the ceiling prescribed by the RBI up to which credit can be availed of without collateral (as per RBI guidelines, no collateral need be provided for loans up to an amount of Rs.5 million).

A woman entrepreneur, who became a widow after 23 years of marriage, can still expect to be asked by a banker to come with her father for negotiating a loan. Unmarried women, who may change marital status and go to a different household after marriage, also face difficulties.

Some entrepreneurs were of the view that it is better to take up an activity with the consent of all members of the family, so that they can help each other. In educated households male member of the family have got a more positive attitude to women entrepreneurs in comparison to that of uneducated families.

VIII. Best practices adopted for facilitating credit flow to women

During the course of the study, the team came across several good practices:

- Andhra Pradesh Women's Corporate Finance Corporation (APWCFC);
- Karnataka State Women's Development Corporation;
- Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP);
- AWAKE;
- SEWA Bank;
- SHARE Microfin Ltd.

The Andhra Pradesh Women's Corporate Finance Corporation (APWCFC), set up a state resource centre for women, which conducts evaluations, counsels women and brings out a quarterly newsletter on women-related issues. The corporation also conducts skills-training programmes for women for availing loans from banks, and facilitates the marketing of products manufactured by women entrepreneurs. The corporation helps women to get loans up to Rs.50,000 from Karnataka State Finance Corporation (KSFC). The corporation provides interest subsidy for 50 per cent of the loan amount. Widows and divorcees who possess a driving license get capital subsidy assistance from the corporation to access loans from banks for auto-rickshaws as an income-generating activity.

Similarly, the Karnataka State Women's Development Corporation, for example provides vocational training, entrepreneurship development, gender sensitization, microcredit, production and assistance to women in all districts of the state. The corporation has *mahila prangnams*, women resource centres with extensive infrastructure facilities, such as training halls, work sheds, crèche, dispensaries, dormitories, etc., along with production units in activities such as printing, bookbinding, screen printing, bakery, government manufacturing, leather and jute articles and soap making.

The corporation also set up five *taruni outlets*, i.e. marketing outlets at five centres, including one at Hyderabad, for skills-upgrading and product marketing. The main objectives of these centres is to eliminate the exploitation of women entrepreneurs by middlemen and trade agents, and to provide a better bargaining position and expose them to larger markets, new marketing and sales techniques, etc. At the *taruni* marketing outlets, women entrepreneurs can enroll to get stalls for the marketing outlets for a certain number of days in a week by paying a commission as a percentage of sales to the corporation. Similar initiatives exist in the women development corporations of Tamil Nadu and Maharashtra.

There are also membership-based organizations of women entrepreneurs, like the Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP). ALEAP was set up in 1993 as an organization under the Companies Act of 1956. It seeks to bring together women entrepreneurs for mutual help. ALEAP has set up an exclusive industrial estate for women entrepreneurs at Gajularamaram in Rangareddy District near Hyderabad. The industrial estate provides common facilities, such as a conference hall, power distribution network, communication and information centres, a raw material depot, common testing laboratories, children's crèche and a hostel for working women. It also provides escort services and interaction platforms for women to have an interface with various other organizations, including banks. ALEAP has a total membership of over

1,000 entrepreneurs in the State of Andhra Pradesh. It is recognized as a partner agency under the credit guarantee scheme of CGTSI.

Another example of a self-help organization is the AWAKE. AWAKE conducts entrepreneurship development programmes (EDPs), business incubator and trainers' training programmes, marketing, skill upgrading, technical consultancy, management development, research and credit referral services.

The Ahmedabad-based Mahila Self-Employed Women's Association, popularly known as SEWA Bank, is an offshoot of the Self-Employed Women Association (SEWA). This all women bank was started in 1974 as an Urban Cooperative Bank as a novel experiment for financing poor women who were facing a dearth of working capital in running their enterprises. The bank has the twin objectives of acquainting women with banking habits, providing loans to them, as also the supply of other services for income-generating activities. The bank operates in five districts, Ahmedabad, Kheda, Banaskantha, Gandhi Nagar and Mehsana. The bank is owned by the self-employed women and its policies are made by their own elected Board. About 85 per cent of the total working capital of the banks come from the members' savings.

The bank extends collateral-free loans and therefore saving performance of members forms the basis of judging her credit worthiness. The bank has extended loans to the tune of Rs.100 million to women for various purposes such as business, housing, debt repayment, education and marriage, maternity, redemption of mortgaged property and for calamities like death, flood, riots as also festivals and pilgrimage. The bank is promoting federations of women at the district level which are registered as societies or trusts that act as a conduit for bank loans. They also promote savings and credit groups, build savings capacity and monitor group activities. Apart from finance, SEWA bank also provides financial counseling to its members for running their activities successfully. In order to keep the NPAs at a manageable level, the bank is taking steps such as a daily collection system, insurance against calamities, follow-up with guarantors, daily targets and meetings of a committee of senior level organizers.

In addition, several micro-finance institutions (MFIs) target women entrepreneurs, like SHARE Microfin Ltd. It is a non-banking finance company (NBFC) with headquarters in Hyderabad. It is a community-owned institution having a mission of mobilizing resources in order to provide financial and support services to women for income generation activities. SML demonstrates that the poor can build their own institutions to help themselves.

It offers various financial products to its 115,845 members who are organized in 23,183 groups in 1,737 villages of 16 districts. SML operates through its 62 branches with 700 staff members. All clients and members of SML are poor women who access collateral free loans through groups. So far SML has disbursed loans aggregating to Rs.1,248 million. The repayment rate is close to 100 per cent. SML operates strictly on business lines. The average size of a collateral-free loan per member is below Rs.15,000. Recently SML introduced small enterprise loans above Rs.15,000, which will, however, be fully secured, as SML believes that peer pressure does not work for loans above Rs.15,000 and that, in these instances, collateral is necessary. SML has been successful in accessing large commercial funds from different commercial banks, including ICICI Bank Ltd. , Global Trust Bank Ltd., UTI Bank Ltd., FWWB, SIDBI, HDFC, and foreign banks and lenders such as Deutsche Bank, Oikocredit U.A., Hivos-Triodos Funds etc. The success of SML in reaching out to a large number of women borrowers in a short span of time and maintaining high repayment rates and financial viability, proves that financial institutions dealing exclusively with poor women can also be viable and attractive clients for commercial lending by banks.

In India, CASHPOR Financial and Technical Services (CFTS) Ltd., BASIX and other MFIs are also highly successfully reaching out to poor women. Over 500 MFIs operate in India and act as a bridge between women and commercial banks and certainly are the promising institutional sources of finance and other services for the women.

Public sector-driven initiatives should also be mentioned here, particularly at the state level. The government of Andhra Pradesh is paving the way for other state governments in bringing economic empowerment to thousands of women by promoting a group approach for linking women clients with bank credit. The government encouraged the formation of groups and the financing of women SHGs by banks as a matter of state policy. So far, over 0.4 million SHGs have been formed in the state, of which 0.25 million have got finance from banks to the extent of Rs.5,212 million. During the year 2002-03, the state has an ambitious plan of providing loans of Rs.5,000 million to women SHGs through the banking system operating in the state. Most of the state governments are now gearing up for adopting similar policy in their respective states by taking a cue from this successful model.

IX. Recommendations

The study has identified certain constraints in the flow of bank credit to women, such as:

- inadequate capacity-building on the supply and demand side;
- inadequate understanding of the credit needs of women by banks;
- lack of flexible credit products for women;
- the inability of women to comply with collateral requirements and paucity of collateral substitutes;
- the absence of escort services for single women and widows.

The recent initiatives by the Banking Division, Ministry of Finance, GOI, and subsequent guidelines by the RBI to commercial banks will go a long way in enhancing the flow of credit to women. However, a more comprehensive set of measures both by banks and non-banking development institutions would be necessary, namely:

Credit policy – Recognizing women as a separate business segment

Credits to women are to be classified as loans under priority sector or weaker section lending rules; RBI may wish to stipulate a percentage of 10 per cent of the net bank credit for women by 2004 and 20 per cent by 2008. This should be monitored.

Management Information System (MIS) – Data on credit extended to women

RBI has recently advised banks to submit separate quarterly returns on credit extended to women. This is a welcome step, as prior to this most of the national level data such as MIS on banking did not disaggregate data by gender. It is suggested that banks publish this information also in their annual reports to facilitate monitoring in the public domain.

Credit planning and monitoring

At present, under the Lead Bank Scheme, banks are required to prepare plans indicating their lending to all important sectors of the economy in the district. It is suggested that credit to women be explicitly identified during this exercise. In order to enable a review of actual flow of credit to women on a regular basis at the district and block level, it is suggested that a specific report on credit to women be generated under the Service Area Monitoring Information System (SAMIS) and Lead Bank Returns (LBR), which provide basic information for reviews.

Lending terms for financing to women

During the course of the study, gender neutral lending terms of banks relating to collateral, margin, interest rates, repayment schedule, etc. came out as constraints restricting the flow of credit to women. Many women entrepreneurs, including their associations and promotion agencies expressed the view that certain relaxations in lending terms will help women in accessing more credit from banks, specifically in view of the better repayment performance by women. It is, therefore, suggested that RBI examine the costs and benefits of such relaxations.

Developing collateral substitutes

While RBI has relaxed collateral norms for certain credit facilities, particularly for small loans, other borrowers are still facing difficulties in accessing adequate and timely credit on account of their inability to provide collateral. There is, therefore, a need to perfect new forms of collateral substitutes such as peer pressure, financial intermediaries, involvement of village level organizations, savings-linked loan products, etc. At present, the experiments on collateral substitutes are limited to certain segments involving the informal sector, i.e. NGOs, VAs and MFIs. As these experiments have largely shown encouraging results, banks may wish to internalize these practices in their normal credit decision-making process. The RBI may consider developing and disseminating suitable guidelines and hold countrywide consultations with banks (through the IBA) at the level of the key states.

Credit guarantee facilities

The recently launched CGTSI (Credit Guarantee Fund Trust for Small Industries) covers loans only for the small *industrial* sector. There is a need to institute a general credit guarantee fund for small loans. Some MFIs in India have been able to mobilize guarantees from international organizations in respect of their lending to the poor (mostly women) which has made it possible for them to access bigger loans. There are many organizations such as SIDBI, NABARD, RMK, the Department of Women and Child Development, GOI, etc., which in association with banks can design an exclusive credit guarantee fund for women, possibly with counter guarantees from foreign funding agencies. A number of NGOs, MFIs, WDCs, women entrepreneur associations, artisan cooperatives, milk cooperatives, etc. can be made partners to operations like these funds under the tripartite agreement or MOU between the Guarantee Fund, financing banks and these agencies. Institutions such as RMK can take active lead in these efforts instead of directly involving themselves in lending operations.

Capacity building of women entrepreneurs

Special efforts are needed to equip women with entrepreneurial skills, marketing and general awareness. A few experiments (the ones undertaken by SEWA Bank, ALEAP and AWAKE) have shown that women are perfectly capable of acquiring these skills. It is further suggested to re-examine the roles of central and state governments as well as the objectives and functions of WDCs and DWCDs.

Mutual aid cooperative societies (MACS)

The MACS in Andhra Pradesh provide a very convenient legal form, especially for women organizations, to function as cooperatives and yet remain insulated from political and bureaucratic hassles otherwise faced by cooperatives. However, at present, other states do not have similar Acts. As most of the SHGs wish to federate into MACS and enhance their capacity to act as financial intermediaries, it is suggested that similar Acts may be enacted in all the states in the country.

Integrating existing programmes

At present a large number of apex agencies and organizations such as RMK, NABARD, SIDBI, DWCD implement promotional programmes for encouraging women entrepreneurship with grants or soft loans to NGOs for training and capacity building. These grass-roots level agents find themselves overwhelmed with a large number of facilities and schemes available. It is, therefore, suggested that these programmes be merged under the proposed department of women and child development. It is also suggested that agencies like RMK, KVIC, SC/ST Development Finance Corporations withdraw from direct financing, which should be left to NABARD and SIDBI as proper apex developmental financial institutions. Instead of announcing separate schemes for each, it is further suggested to set up a single, flexible model of assisting voluntary or promotional agencies for the purpose of capacity building of women.

Recommendations for banks

Apart from the 14-point action plan already given by GOI and RBI, the following specific policy and operational interventions at bank level would enhance the flow of credit to women.

Loan products

Each bank may study the credit needs of women in the areas where they have considerable presence and design suitable credit products for women considering the demographic profile of the area. Alternatively, NABARD and SIDBI may evolve standard loan products suitable for women.

Flexi-credit cards for women entrepreneurs

Banks may also consider introducing "Flexi-Credit Card Schemes" for women which would take care of the household as micro-enterprise requirements.

SHG-plus loans

Similarly, banks are financing a large number of self help groups in the country. Most of the SHGs have taken loans from banks and extended smaller loans to women members. While the average loan size per member under this programme comes to Rs.1,300, some of the SHG members have also taken loans as big as Rs.15,000 from SHGs. There are quite a few members in each matured SHG who have taken multiple loans from SHGs for expanding their enterprise. However, SHGs have inherent limitations in extending bigger loans to individual members because of scarcity of resources. Banks may consider introducing "SHG plus" loans to those members of SHGs who have taken four or five loans from SHGs and need more capital for expanding or upscaling their activities. These loans can be extended directly against the recommendation of groups.

Financing via intermediaries

At present a number of NGOs are transforming themselves into financial intermediaries for lending to SHGs. At the same time, the SHGs themselves are coming together as credit unions, clusters and federations. While the bigger, reputed MFIs have been able to access larger commercial funds from banks under credit guarantees from international guarantee funds, the smaller ones are not in such a position. It is, therefore, suggested that the banks may critically study this new scheme for possible refinancing.

Credit guarantee

Under CGTSI each bank may find suitable agencies such as women entrepreneur associations as a guarantor.

Procedural simplification

Banks may further simplify the loan procedures for women to reduce the time taken for loan sanctions and thereby the transaction cost involved. A simple checklist for a particular credit product could drastically reduce the number of visits to a bank.

Participatory approach in lending

It is suggested that banks use farmers' clubs, SHG clusters and federations, groups of prominent activists or entrepreneurs and/or promote village banking committees in their areas of operation for appraising and recommending the cases of women borrowers, to externalize some of their tasks.

Specialized branches and extension counters

Banks may expeditiously set up specialized women branches initially in clusters where women-run enterprises are predominant or in the exclusive industrial estates established for women. Alternatively, if the banks are not finding these specialized branches viable, they may set up Help Desks at each regional office, lead bank office and at bigger branches.

Doorstep banking

Banks may try to replicate the experiment of doorstep banking for women in selected areas as has been done by the Oriental Bank of Commerce. Initially, banks may try to experiment by forging partnerships with existing NGOs and MFIs.

Facilities at branches

Lack of adequate space and sitting arrangements, waiting facilities for women is a constraint and a deterrent for women in frequently visiting the branch's premises. Banks may study this aspect and create facilities such as separate waiting sections for women customers, priority for attending them, separate timings, days for attending to women customers.

Sanctioning power

Banks may review the powers of branch managers for sanctioning loans to women borrowers.

Annex I

Classification of different types of credit facilities

Term loans: In case of term loans (loans having fixed repayment periods), if the interest or instalment remains in arrears for a period of 180 days, the account will be classified as NPA.

Cash credits/overdrafts: A cash credit or overdraft account will be treated as NPA if the account remains out of order for 180 days during the year. An account should be treated as out of order if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for a period of 180 days. In accounts where the outstanding is less than the limit sanctioned/drawing power, but there are no credits continuously for a period of 180 days as on the date of the balance sheet or the credits are not sufficient enough to cover the interest debited during the period, the account will be treated as out of order.

Bills purchased and discounted: The bills purchased/discounted will be treated as NPA if the bill remains overdue and unpaid for a period of 180 days. Overdue interest should not be charged and taken into income in respect of overdue bills unless it is realized.

Other borrowal accounts: Any other credit facility should be treated as NPA if any amount to be recovered in respect of that account remains unpaid/overdue for 180 days during the year. The outstanding in an account based on drawing power calculated from stock statements older than three months would be deemed as irregular. A working capital/borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 180 days even though the unit may be working or the borrower's financial position is satisfactory. An account where the regular/ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/date of ad hoc sanction, is treated as NPA.

Consortium advance: Where the remittances by the borrower under consortium lending arrangements are pooled with one bank and/or where the bank receiving remittances is not parting with the share of other member banks, the account will be treated as not serviced in the books of other member banks. The health of the account will be classified based on record of recoveries.

Loans/advances for agriculture: Loans/advances granted for agriculture should be treated as NPA if the interest and/or instalment of principal remains unpaid for two harvesting seasons not exceeding two half-years. Advances for agriculture that are rescheduled on account of natural calamities are not to be classified as NPA.

Government guaranteed advances: The proviso that credit facilities backed by government guarantee should not be treated as NPA has been withdrawn from the year ending 31 March 2000. If the guarantee has been invoked and the amount due has remained in arrears for 180 days, the account is an NPA and the required provision has to be made at 25 per cent starting from the year ending 31 March 2000. However, in respect of government guaranteed advances granted after 31 March 2000, the required provision is to be made within the accounting year itself.

When one borrower enjoys more than one facility: When an account of a borrower becomes NPA, all facilities granted to that borrower should be treated as NPA and not the particular facility or part thereof which has become irregular.

Exemptions from NPA/provisioning norms:

(a) The following types of advances are exempt from the asset classification/provisioning norms: advances granted against:

  (i) term deposits;

  (ii) national savings certificate (issued by the Government of India having a fixed maturity period and value) eligible for surrender;

(iii) Indira Vikas Patra and Kisan Vikas Patra (issued by the Government of India with a fixed maturity period and value);

(b) credit facilities granted under a rehabilitation package are exempt for one year from the date of disbursement.

Income recognition norms: Income from NPAs is not recognized on an accrual basis, but on a cash realization basis, that is, when the interest is actually realized. Banks do not reckon interest accrued on NPAs to their income account.

Asset classification: Banks classify the advances into four categories:

Standard asset: Standard asset is one which does not disclose any problems and which does not carry more than normal risk attached to the business. The asset is a performing one.

Substandard asset: A loan/advance which has remained as NPA for a period not exceeding 18 months is classified as a sub-standard asset. In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the bank in full. In other words such an asset will have well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if the deficiencies are not corrected.

Doubtful assets: A doubtful asset is one which has remained NPA for a period exceeding 18 months. A loan classified as doubtful has all the weaknesses inherent in that classified as sub-standard with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. Erosion in the value of security can be reckoned as significant when the realizable value of security is less than 50 per cent of the value assessed by the bank or accepted by the RBI/NABARD at the time of last inspection, as the case may be. Such NPAs can be classified as "doubtful" straightaway.

Loss assets: A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI/NABARD inspection, but the amount has not been written off partially or fully. If the realizable value of the security, as assessed by the bank/approved valuer/RBI/NABARD is less than 10 per cent of the outstanding in the borrowal account, the existence of the security should be ignored and the asset should be classified as "loss asset" straightaway.

Provisioning norms

Asset classification	Provision required
(i) Standard	Minimum of 0.25 per cent on outstanding
(ii) Substandard	A general provision of 10 per cent of the total outstanding without making any allowance for securities available/guarantee cover available
(iii) Doubtful	(a) 100 per cent of the extent to which the advance is not covered by the realizable value of the security to which the bank has a valid recourse and the realizable value is estimated on a realistic basis (b) Over and above the provisioning requirement as at "a", depending upon the period for which the account has remained under doubtful category provisioning will be made as follows: **Period** — **Provision (%)** Up to one year of doubtful category — 20 One to three years of doubtful category — 30 More than three years in doubtful category — 50
(iv) Loss assets	100 per cent of the outstanding

Capital adequacy norms: In tune with the Basel Committee Norms, RBI has introduced capital adequacy norms for banks other than Coop banks and RRBs. At present, banks are required to maintain a capital adequacy ratio of 9 per cent (raised to 9 per cent from 8 per cent from 31 March 2000). Capital adequacy ratio is the ratio of capital to total value of risk adjusted assets. Banks are required to maintain capital adequacy not only on balance sheet assets but also on off balance sheet items like guarantees, LCs, acceptances, endorsements, forward contracts, etc.

For the purpose of computing the value of capital, both the tier-I capital and tier–II capital are added up. Tier–I capital comprises paid-up capital, statutory and disclosed free reserves, general reserves less investment in subsidiaries/intangible assets/brought forward and current losses. Tier-I capital is referred to as core capital. tier-II capital comprises undisclosed reserve and cumulative perpetual preference shares, revaluation reserves at a discount of 55 per cent. General reserves and loss reserves also form part of tier-II capital. Provisions created for standard assets can also be included in tier-II capital subject to a maximum ceiling of 1.25 per cent for risk-weighted assets. Tier-II capital is limited to 100 per cent of tier–I capital.

Assets are risk-weighted by multiplying the book value of the asset with a risk factor stipulated by the RBI.

Annex II

The Credit Guarantee Fund Scheme for Small Industries (CGFSI)

Policy and conditions

Any collateral-free fund-based credit facility both term loan as well as working capital limits extended by eligible member lending institutions (MLIs) on or after 1 June 2000 to new/existing SSI units including information technology and software industry up to a maximum of Rs.2.5 million is eligible for a guarantee cover of 75 per cent of the amount of credit extended. The rate of interest should not be more than 3 per cent of PLR of the MLI. The guarantee cover commences from the date of receipt of guarantee fee. In the case of term loans the guarantee cover shall run through the agreed tenure of the term credit. For working capital limits, the tenure of cover is five years or such periods as may be specified by the Trust. The lender should cover the eligible credit facility within 90 days of sanction.

A one time guarantee fee of 2.5 per cent of the credit facility extended and availed of is paid up front to CGTSI by the MLIs for availing of the guarantee cover. An annual service charge of 1 per cent on the outstanding credit facilities of the borrowal account covered under the scheme as of 31 March of each year is paid by the MLIs on or before 31 May of that year. The MLIs pass on the incidence of guarantee fee and annual service charge to the borrower.

Of the credit facilities extended by the MLIs, CGTSI shall pay 75 per cent of the guaranteed amount if the claim preferred by the MLIs is in order. There is a lock-in-period of 24 months either from the date of last disbursement of the loan or the date of guarantee cover coming into force, whichever is later. The MLIs shall prefer a claim when the account has become NPA, immediately after recall of the loan and initiation of recovery proceedings in a court of law. The CGTSI shall pay 75 per cent of the guarantee amount within 30 days of preferring the claim and the balance 25 per cent on conclusion of recovery proceedings.

The Trust has cast certain responsibilities on MLIs under the scheme which are enumerated below:

(i) The lending institution shall evaluate credit applications by using prudent banking judgment and shall use their business discretion/due diligence in selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.

(ii) The lending institution shall closely monitor the borrower account.

(iii) The lending institution shall safeguard the primary securities taken from the borrower in respect of the credit facility in good and enforceable condition.

(iv) The lending institution shall ensure that the guarantee claim in respect of this credit facility and borrower is lodged with the Trust in the form and in the manner and within such time as may be specified by the Trust in this behalf and that there shall not be any delay on its part to notify the default in the borrower's account which shall result in the Trust facing higher guarantee claims.

(v) The payment of guarantee claim by the Trust to the lending institution to recover the entire outstanding amount of the credit from the borrower. The lending institution shall exercise all the necessary precautions and maintain its recourse to the borrower for the entire amount of credit facility owed by it and initiate such necessary actions for recovery of the outstanding amount, including such action as may be advised by the Trust.

(vi) The lending institution shall comply with such directions as may be issued by the Trust, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the Trust may deem fit and the lending institution shall be bound to comply with such directions.

(vii) The lending institution shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Trust in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Trust. The lending institution shall, in particular, refrain from any act of omission or commission, either prior to or subsequent to invocation of guarantee, which may adversely affect the interest of the Trust as the guarantor. In particular, the lending institution should obtain prior permission of the Trust before entering into any compromise or arrangement, which may have the effect of discharge of waiver of personal guarantee(s) or security. The lending institution shall also ensure either through a stipulation in an agreement with the borrower or otherwise, that he shall not create any charge on the security held in the account covered by the guarantee for the benefit of any account not covered by the guarantee, with itself or in favour of any other creditor(s) without the prior written approval of the Trust. Further the lending institution shall secure for the Trust or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to list the defaulted borrower's names and particulars on the web site of the Trust.

Conditions stipulated in the scheme for invoking guarantee:

(i) The lending institution may invoke the guarantee in respect of eligible credit facility if the following conditions are satisfied:

(a) the guarantee in respect of that credit facility is in force;

(b) the lock-in period of 24 months from either the date of last disbursement of the loan to the borrower or the date of payment of the guarantee fee in respect of credit facility to the borrower, whichever is later, has elapsed;

(c) the amount due and payable to the lending institution in respect of the credit facility has not been paid and the dues have been classified by the lending institution as NPAs, provided that the lending institution shall not make or be entitled to make any claim on the Trust in respect of the said credit facility if the loss in respect of the said credit facility has occurred owing to action/decision taken contrary to or in contravention of the guidelines issued by the Trust;

(d) the loan facility has been recalled and the recovery proceedings have been initiated under due process of law.

(ii) The claim should be preferred by the lending institution in such manner and within such time as may be specified by the Trust in this behalf.

(iii) The Trust shall pay 75 per cent of the guaranteed amount on preferring of eligible claims by the lending institution, within 30 days, subject to the claim being otherwise found in order and complete in all respects. The Trust shall pay to the lending institution interest on the eligible claim amount at the prevailing bank rate for the period of delay beyond 30 days. The balance (25 per cent) of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution. On a claim being paid, the Trust shall be deemed to have been discharged from all its liabilities on account of the guarantee in force, in respect of the borrower concerned.

(iv) In the event of default the lending institution shall exercise its rights, if any, to take over the assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise shall first be credited in full by the lending institutions to the Trust before it claims the remaining 25 per cent of the guaranteed amount.

(v) The lending institution shall be liable to refund the claim released by the Trust together with penal interest at the rate of 4 per cent above the prevailing bank rate (i.e. the rate at which the RBI discounts first class bills of exchange as defined in the RBI Act 1934), if such a recall is made by the Trust in the event of serious deficiencies having existed in the matter of appraisal/

renewal/follow-up/conduct of the credit facility or where lodgement of claim was more than once or where there existed suppression of any material information on the part of the lending institutions for the settlement of claims. The lending institution shall pay such penal interest, when demanded by the Trust, from the date of the initial release of the claim by the Trust of the date of refund of the claim.

Subrogation of rights and recoveries on account of claims paid

(i) The lending institution shall furnish to the Trust the details of its efforts for recovery, realizations and such other information as may be demanded or required from time to time. The lending institution will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of the Trust. The Trust shall not exercise any subrogation rights and that the responsibility of the recovery of dues including takeover of assets, sale of assets, etc. shall rest with the lending institution.

(ii) In the event of a borrower owing several distinct and separate debts to the lending institution and making payment towards any one or more of the same, whether the accounts towards which the payment is made is covered by the guarantee of the Trust or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.

(iii) Every amount recovered and due to be paid to the Trust shall be paid without delay, and if any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at the rate, which is 4 per cent above bank rate, for the period for which payment remains outstanding after the expiry of the said period of 30 days.

Annex III

Format prescribed by RBI for reporting particulars of credit to women by banks on quarterly basis

From: To:

.... Branch/RO (Code ....) .... RO/HO (Code ....)

.... State

Statement showing particulars of credit to women as at the end of the quarter

S1 No.	Particulars		No. of A/Cs	Amount
1.	Total advances to women*			
2	Of Sl No. 1 above:			
	(i)	Under priority sector		
3.	(ii)	Under non-priority sector		
	Of 2(i) above:**			
	(i)	Under microcredit (SHGs)		
	(ii)	Under SSI sector		
	(iii)	Under govt.-sponsored programmes		
	(iv)	Others		
4	Of 2(ii) above:			
	(i)	Under medium and large industries		
	(ii)	Others		

*Credit to women comprises the following:

(a) credit extended to women directly for small projects;

(b) credit extended to women under different schemes of banks/government-sponsored schemes;

(c) credit to companies where majority of the promoters' shares are held by women;

(d) credit to partnership firms where majority partners are women; and

(e) credit to proprietary concerns of women.

Branches have to submit this statement to ROs in the above format. ROs after consolidating the same have to submit to HO, state-wise in the same format.

**Total of sub-columns may not tally with the figure under 2(i) due to overlapping of figures.

Credit extended under different government sponsored programmes

No.	Programmes	Total outstanding		O/S against women beneficiaries *		Percentage of (4) to 3	
		No. of A/Cs	Amount	No. of A/Cs	Amount	No. of A/Cs	Amount
1.							
A.	PMRY						
B.	SJSRY						
C.	SGSY						
D.	Others						
	Total						
6.	NPA particulars			Per cent amount of NPA to total amount of loan outstanding to women			
	Of total credit at Sl No. 1 above, non-performing assets (NPA)						

* Total of this should tally with the Sl No. 3(iii) above (credit under government-sponsored programmes).

Appendix I

Study team members

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S. Vijayalakshmi

Editorial team

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J.C. Mishra, Joint Director, BIRD

Appendix II

List of institutions/banks visited

1. Ministry of Rural Development, New Delhi
2. Banking Division, Ministry of Finance, New Delhi
3. Rashtriya Mahila Kosh, New Delhi
4. National Women's Commission, New Delhi
5. NABARD, Regional Office, Bangalore
6. NABARD, Regional Office, Kolkata
7. NABARD, Regional Office, Hyderabad
8. Oriental Bank of Commerce (OBC), Head Office, New Delhi
9. OBC, Defence Colony Branch, New Delhi
10. OBC, Dichaon Kalan Branch, New Delhi
11. Punjab National Bank (PNB), Head Office, New Delhi
12. PNB, Nehru Place, New Delhi
13. Canara Bank, Head Office, Bangalore
14. Staff Training College, Canara Bank, Bangalore
15. Canara Bank, Mahila Banking Branch, Jayanagar, Bangalore
16. Canara Bank, Bidadi branch, Bangalore
17. Vijaya Bank, Head Office, Bangalore
18. Vijaya Bank, Seshadripuram Branch, Bangalore
19. Vijaya Bank, Trinity Circle Branch, Bangalore
20. Allahabad Bank, Head Office, Kolkata
21. Allahabad Bank, Baidyabati Branch, Kolkata
22. Allahabad Bank, Bamanghata Branch, Kolkata
23. Andhra Bank, Head Office, Hyderabad
24. Andhra Bank, Pedamangalam Branch, Hyderabad
25. Gurgaon Gramin Bank, Head Office, Gurgaon
26. Gurgaon Gramin Bank, Badshahpur Branch, Gurgaon
27. Gurgaon Gramin Bank, Garhi Harsui Branch, Gurgaon

28. Hazaribagh Gramin Bank, Head Office, Hazaribagh
29. Hazaribagh Gramin Bank, Lakhe Branch, Hazaribagh
30. Hazaribagh Gramin Bank, Barhi Branch, Hazaribagh
31. Hazaribagh Gramin Bank, Ichak Branch, Hazaribagh
32. Hazaribagh Gramin Bank, Bodghatta Branch, Hazaribagh
33. Cauvery Gramin Bank, Head Office, Mysore
34. Cauvery Gramin Bank, Hinkal Branch, Mysore
35. Howrah Gramin Bank, Head Office, Kolkata
36. Howrah Gramin Bank, Salap Branch, Kolkata
37. Howrah Gramin Bank, Gangadharpur Branch, Kolkata
38. Sangameswara Gramin Bank, Head Office, Mehboobnagar
39. Sangameswara Gramin Bank, Shednagar Branch, Mehboobnagar
40. Sangameswara Gramin Bank, Rajapur Branch, Mehboobnagar
41. Hooghly DCCB, HO, Kolkata
42. All India Women's Conference, New Delhi
43. Pradhan, Jharkand,engal National Chamber of Commerce & Industry (BNCCI)
44. MYRADA, Bangalore
45. AWAKE, Bangalore
46. Commissioner for Women Empowerment and Self-Employment, Govt. of AP
47. AP Women Cooperative-op Finance Corporation, Hyderabad
48. NISIET, Hyderabad
49. Krishna Bhima Sannidhi Local Area Bank, Hyderabad

Employment papers

Social Finance Programme

	Year	Reference
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Mécanismes de collecte de l'épargne et de financement de l'entrepreneuriat informel et formel par les banquiers ambulants au Togo (D. A. Soedjede)	1995	1995/3
Les banquiers ambulants au Bénin (M.A. Adechoubou & S.N. Tomety)	1994	1994/4
Les pratiques du marché parallèle du crédit au Sénégal C Leçons pour le système bancaire (B. Hane & M.L. Gaye)	1994	1994/5
PME et institutions financières islamiques (I. Ba)	1994	1994/6
Pratiques bancaires dans les opérations de crédit avec les petites et moyennes entreprises en Afrique de l'ouest B. Balkenhol & Ch. Lecointre)	1994	1994/7
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