

Micro-Credit

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Micro Credit has been defined as the provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards. Micro Credit Institutions are those which provide these facilities.

Major Models of Microfinance initiatives

- **The Grameen Model:** The Grameen model has been a case of exceptional success in Bangladesh. It turns out that many organizations in India have adopted the Grameen Bank model with little variations. Some of the notable examples are SHARE Microfinance Limited, Activists for Social Alternatives (ASA) and CASHPOR Financial and Technical Services Limited.
- **Self Help Groups (SHGs):** An SHG is a group of five to 20 people from the same income category formed on principle of lending their own savings. This model was popularized by NABARD's SHG-Bank linkage programme.
- **Federated Self Help Groups (SHG FEDERATIONS):** The Federation of SHGs brings together several SHGs. Compared to a single SHG; the federation of SHGs has more than 1000 members. Examples of Federated Self Help Group model in India are PRADAN, Chaitanya, SEWA and Dhan Foundation.
- Cooperative banks
- Rotating Savings and Credit Associations (ROSCAS): e.g.: Chit funds
- Microfinance companies

Govt and Microfinance

- Encouraging National Bank for Agriculture and Rural Development (NABARD) to set targets for the self-help group (SHG) – Bank linkage programme
- Emergence of SIDBI Foundation for Micro-Credit as a financier of microfinance institutions (MFIs)
- Reserve Bank of India (RBI) – lending to SHGs as a part of priority sector targets
- Appointed Malegam committee to study about regulatory measures to implement for smooth functioning of MFIs.
- Setting up of the Rashtriya Mahila Kosh to refinance microfinance activities of NGOs
- Routing some poverty oriented schemes such as the Swarnajayanti Gram Swarozgar Yojana (SGSY) through SHGs
- The initiatives of various state governments in promoting schemes such as Swa-Shakti (Gujarat), Velugu (Andhra Pradesh), Kudumbasree (Kerala) etc.
- Recently, the MUDRA bank, **the following are the types of support given by MUDRA:**

1. **Micro Credit Scheme** is offered mainly through Micro Finance Institutions (MFIs), which deliver the credit up to Rs.1 lakh, for various micro enterprise activities. Although, the mode of delivery may be through groups like SHGs/JLGs, the loans are given to the individuals for specific income generating micro enterprise activity.

2. **Refinance Scheme for Banks- under PM MUDRA YOJANA**

Those banks who lend loans to MSMEs are eligible to avail of refinance support from MUDRA for financing micro enterprise activities.

The refinance is available for term loan and working capital loans, upto an amount of 10 lakh per unit. The eligible banks can avail of refinance from MUDRA for the loan issued under Shishu, Kishor and Tarun categories.

1. **Women Enterprise Programme:** In order to encourage women

entrepreneurs the financing banks / MFIs may consider extending additional facilities, including interest reduction on their loan.

2. **Securitization of loan portfolio:** MUDRA also supports Banks / NBFCs / MFIs for raising funds for financing micro enterprises by participating in securitization of their loan assets against micro enterprise portfolio, by providing second loss default guarantee, for credit enhancement