

Questions/Concerns regarding PAT CDP through Microcredit proposal

- 1) In the proposal, it says - “almost all our 35000 target members in Ariyalur, Trichy and Tanjore Districts in TamilNadu ...”

What kind of process and criteria does PAT use for selecting women to participate in the microcredit scheme ?

The selection criteria followed by PAT :

Selection of target area

The area of operation is selected based on a preliminary survey conducted by PAT, taking into account factors like income level of population, major occupation, the presence of other NGOs/MFIs, Banks operating in the area, accessibility etc.

Selection of target client

Urban and rural poor-family income not to exceed Rs. 20000/- per annum.

Age between 18-55 years

Willing to save, attend group meetings and trainings.

Willing to take up income generating activities.

If women, should be preferably married.

One member alone from one family.

Should be a permanent resident of the village / ward.

Whom the commercial banks consider as unbankable and unreliable.

Who are owners of little assets.

Group Formation

Credit Officer (C.O) will visit the target area/prospective area to meet village leaders, prominent people in the area to explain and discuss the concept of SHG and Microfinance.

C.O should then convene a meeting in the place, inviting prospective members of local people to explain the concept of SHG.

15-20 members are selected preferably having similar socio- economic background and age groups to form a SHG.

The selected members elect 2 individuals from among them as functionaries of their groups. From then on, the SHG starts functioning with a name of its own.

It is stipulated that each group holds its meeting once in a fortnight. Its members are expected to save a minimum of Rs.50/- as monthly savings. This amount is rotated internally among the members as loan. This internal loan is repaid as per the group's resolution.

2)

- a) Are all the women who receive microloans part of a self-help group (SHG) ?

As PAT follows Self Help Group model of microfinance it lends loan only to the members of SHG.

- b) In PAT's experience, do you think it has been beneficial or advantageous to encourage women to form SHGs (as opposed to being individual loan recipients)?

In PAT's experience, it is certainly beneficial to on-lend to members of SHGs rather than to individuals. Obviously, the clientele credit discipline is well cultivated. Peer pressure is well exercised. Trainings are effectively conducted. In minimum time large number of members are covered in the group model. Moreover the impact assessment study could easily be conducted. For these reasons, PAT prefers to lend to groups members.

- 3) In the proposal, it says – “Of the 35000 members, 5% have studied up to 10th Std. 30% upto 8th Std and the remaining 65% are illiterates.”

How does the high rate of illiteracy impact their understanding of how the microfinance scheme works and of their responsibilities as loan recipients and members of SHGs ?

The high rate of illiteracy does not stay as a hindrance to understand the functioning of Microfinance scheme. Before availing loan from PAT, they are to some extent trained inside their group as to how to borrow and repay as per group's repayment schedule. If they default they will not be graduated to get loan from PAT. The scheme is explained in a very simple and understandable language. They are made to repeat the simple terms and conditions governing the programme till they understand. This process continues among themselves.

- 4)
a) Does PAT keep track of how each woman loan recipient spends their loan ?

Yes, PAT maintains the track record of each women borrower as to the usage of loan.

- b) Do you consider this to be important information as a micro-lender ?

It is mandatory on the part of the micro lender “to know your customer”. It also helps to share this information among the micro lenders network.

- 5)
a) How often does PAT organize the “week long Entrepreneurship development training” ?

The week long Entrepreneurship development training was actually sponsored by the TamilNadu Government benefiting nearly 120 members in a year. For the last two years it has been totally stopped. However, the contents of the course is passed on to the members of SHG during their meetings when CO's are participating.

- b) Is it a requirement that every borrower attends this training before they receive their first loan or is it optional ?

Attending the Entrepreneurship development training is not a prerequisite for the members to receive their loan.

- c) Is there a periodic requirement of attending training workshops for the renewal of a loan ?

Not Applicable

6)

a) [Can you provide few more details of the “entrepreneurship development training” program ?](#)

Who is an Entrepreneur

The Characteristics of an Entrepreneur

Requisite facilities to be ensured for starting up of an Enterprise

What is individual Enterprise (Proprietorship)

What is Group Enterprise

The advantages and disadvantages of both

Different types of business: manufacturing, trading and servicing

Importance of branding, labeling and packaging

How to write a business proposal

b) [What kind of information does PAT provide to the women during the training?](#)

Importance and formation of SHG

Concept of Microfinance as poverty alleviating tool

Leadership quality

Roles and Responsibilities

Importance of savings

PAT - MF policies

Status of women in the society

Rights of women

Gender sensitization

7)

a) [Does PAT have a loan officer to oversee SHGs and borrower’s account ?](#)

PAT has loan officers (Credit Officers) to oversee SHGs and borrowers’ accounts

b) [If so, how many such officers are presently employed and what qualifications/criteria does PAT use to hire them ?](#)

Presently PAT has 46 Credit Officers who have completed their school studies i.e 10th std. or +2. They are normally selected from among group members through word of mouth or interview.

c) [How often does the loan officer check the books of accounts maintained by individual loan recipients?](#)

While the COs make monthly collection of the dues from the borrowers (groups) they check the books of accounts.

- d) What is the salary of these loan officers ? From where will PAT pay this salary ?

Their monthly salary is Rs.2300/- + their actual travelling allowance with annual increment. PAT pays salary from the proceeds (interest collected) of the Microcredit scheme.

- 8) In the proposal you provided some details of “Loan utilization/Assets owned by clients” including “manufacturing activities, petty trades and service enterprises”. This information is about borrowers from the presently running microcredit schemes. Will PAT maintain similar information about the microcredit scheme started with funds received from Asha for Education Canada ?

PAT will be too glad to maintain a separate information sheet furnishing the details of the recipients of loan fund from ASHA.

- 9) Under “Training offered by PAT MFI”, you mention “Roles and responsibilities of the functionaries”. Can you clarify who are these “functionaries” ? Are they the same individuals who are responsible for collection and verification of loan re-payments ?

The functionaries are those who are selected from among each group. There will be two such members (functionaries) in each group. Their role is mainly to convene the group meeting, collecting the monthly subscription, savings and repayment of inner loan installment. They identify the deserving loanees and help in passing the resolution and filling up of the loan documents. Receiving the loan from PAT and handing it over to the members and returning the repayments collected from the members to PAT.

- 10) You mention “Micro finance policies followed by PAT”. Can you provide us with some information or documentation to give us an idea of PAT’s micro finance policies ?

Micro finance policies of PAT

PAT has two manuals namely Operations Manual and Human Resource Manual providing policies and procedures relevant to Microfinance operations. I am afraid it runs into several pages which cannot be given in a detailed manner. However, we just mention a few:

- i) Operation model - SHG model
- ii) Target population - poor and not the poorest of the poor
- iii) Clients - mostly women
- iv) Area of operation - rural and semi urban
- v) Loan product - 10 months product
- vi) Eligibility norms
- vii) Policy on delinquency
- viii) Write-off policy
- ix) Policy on branch setup

- x) Recruitment policy
- xi) Policy on promotion
- xii) Code of conduct etc.

11)

- a) Currently, how many CDP centres are being supported by microcredit schemes ?

CDP centres are not supported by Microcredit scheme so far. Only the other programmes like Evening Coaching Centres (15 Nos.), Health camps are being supported by Microcredit scheme.

- b) And, what percentage of operational costs are being covered for each of these CDP centres?

Not applicable

- 12) From the “funding requirement” section and the excel worksheet, we understand that putting Rs. 4 Lakhs into operation for a period of one year can potentially generate Rs. 69,850 as interest. Based on this information, is it correct to assume that PAT will recover the entire capital amount (Rs. 4 lakh) plus all accrued interest (Rs. 69,850) at the end of the 12-month period, and then re-circulate the capital into a new yearly microcredit scheme ?

To meet out the expenses of running two CDP centres we have prepared and sent Excel worksheet for Rs.14 lakhs as part of the Project Proposal in March 2008. Just to show you how this amount could be operated under Microcredit scheme to generate the required amount to meet out the yearly expense.

The question of Rs.4 lakhs has come only on account of ASHA’s request to PAT to send a proposal for such amount.

Now answering to your question, at the end of the 12th month period we will be having only the accrued interest of Rs.69,850/-. The principal amount of Rs.4 lakhs will remain with the borrowers in different number of installment as loan outstanding which will generate interest from 13th month onwards.

- 13) In the microcredit schemes presently operated by PAT, what proportion of borrowers default on their loan re-payments ? How realistic is the assumption that borrowers will repay their loans exactly as scheduled (and as presented in the worksheet)?

By our experience, we can say that only less than 1% of borrowers default.