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Micro-Credit With Reference To Uttar Pradesh

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ABSTRACT: Micro-credit is something which is not going to disappear...because this is a need of the people, whatever name you give it, you have to have those financial facilities coming to them because it is totally unfair...to deny half the population of the world financial services." - Mohammad Yunus (Founder, Bangladesh Grameen Bank) CASHPOR Micro-Credit (CMC) is providing micro-credit on a large scale exclusively to poor in the poverty-incapacitated areas of Uttar-Pradesh. CASHPOR was started in 1996 and as on 31st march, 2009 it has provided credit worth INR 1.82 billion to 319,000 poor women. The current paper attempts to review the business policy (plans), financial performance and efficiency, productivity and profitability ratios of CMC in last 10 years of operation. It also discusses the monitoring system of business and their special traits to maximize the outreach. The current paper based on secondary data. In the analysis it was observed that in very short span of time CMC achieved a remarkable outreach in the region and its pro-poor policies made big impact on the client's life.

I. INTRODUCTION

"Microfinance is certainly not the silver bullet that will wipe away poverty, however it is undoubtedly making an impact on the socio-economic status of those who avail it and use it well.

"The micro-credit sector in India is characterized by a variety of credit service providers. These include various apex financial institutions like Small Industries Development Bank of India and NABARD financial institutions, Commercial Banks, Regional Rural Banks (RRBs), in accumulation to member-based institutions like Cooperative, SHG, private sector companies like specialized NBFCs, etc. Beside the existence of such a large number of players in the organized/semi-organized sector, the rural credit market in India is still largely dominated by the all pervading network of indigenous money lenders. There are a huge number of Non-Governmental Organizations (NGOs) which can be practically found in all villages and blocks of India. Most of these NGOs have compatible origin in that they started off as social service and welfare organizations with a focus on helping the poor and needy in times of disaster. [1,2]

The Cashpor Micro-Credit (CMC) this year achieved Rs. 43 Crore (US\$ 1 million) after paying all losses. From this surplus CMC is going to build-up their own capital fund. This surplus will help to improve outreach of the firm. The successful business plans of the previous year have made this fruitful surplus to the firm. CMC targeted to increase their portfolio by Rs. 219 Crore but in actual they achieved Rs. 267.3 Crore (about US\$ 58 million) i.e. 122% of the targeted amount. In this section of the paper, the major financial data were analysed. For recognize how an micro-credit institution achieving its profits or losses, the analysis also has to take into account other indicators that enlighten the operational performance of the institution, such as Efficiency & Productivity and Profitability analyses. In the continuation of this data analysis it is also covered in the context of CMC.

Cashpor is a leading MFI operating in the region founded by Professor David Gibbons, a thought leader in the area of financial services for the poor. Operating costs in the MFI model vary between 6 – 12% and one culprit for these numbers in extensive manual data entry processes. Cashpor has deployed a remarkable mobile-based payment and reporting solution developed in partnership with Atom Technologies that replaces the paper-based data entry with real-time mobile entry and reconciliation.

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We witnessed the working of this mobile based system in a centre meeting of the Pandeypur branch in Varanasi. The field officer starts with recording the attendance of each member in the application. Many MFIs believe that attendance rates are an important indicator of group quality. After that, the officer proceeds to record the amounts collected from each client against what was due. The field officer can also record requests for new loan cycles and see future disbursements on the application.

The field officer's handset is programmed at the back end to access data for only the centres under his responsibility. This is done to cut down on data transfer as both the handset and network connectivity cannot handle large data transfers. When the meeting is completed, the field officer uploads the data to a central database, which the head office can access immediately to understand overdue position, if any. The entire process was smooth and effortless.[3,4]

II. DISCUSSION

1. Capital Cost to Assets Ratio (CCAR): It is calculated by dividing Operating Expenses (Rent, Depreciation, office, other) by Total Assets of the institution. From starting it was observed very high in CMC due to expansion cost and establishment of new offices but after reaching up to optimum level of clients it came down and currently it is showing standards rate in CMC12 .

2. Loan to Assets Ratio (LAR): Loan to Total Assets Ratio is calculated by dividing loan portfolio by total assets of the firm. In beginning days of CMC also LAR was in good position i.e. 55.56 percent in 2001. It means that from very beginning CMC has got optimum no. of clients and it has a better policy regarding asset management due to this only CMC has maintained standards of this ratio and currently it is on 72.3 percent.

3. Return on Assets (Adjusted) Ratio (ROAR): ROAR is a percentage, which measures the net income earned on the assets of a MFI. It's a overall measure of profitability that reflect profit and loss margins. Its indicates financial performance of the institution. In CMC it is negatively correlated Cost of Capital to Assets Ratio (CCAR). It is positively correlated with Operating Self-Sufficiency Ratio (OSSR) and Portfolio Yield (PY). These relations show positive because the firm has growing at right path and it had got a proper level of self-sufficiency. In the very beginning it was negatively high13 but with business growth it became positive and now it in following the standards of it.[5,6]

4. Operating Self-sufficiency Ratio (OSSR): Operating Self-Sufficiency Ratio is percentage, which indicates whether or not enough revenue has been earned to cover the MFI's total costs-operating expenses, loan loss provisions and financial costs. It is an important measurement of sustainability of the credit operation. If credit-institution does not reach operational self-sufficiency, eventually its equity (loan fund capital) will be reduced by losses (unless additional grants can be raised to cover operating shortfalls). CMC shows negative relationship with Capital Cost to Assets Ratio (CCAR), whereas it is having a positive strong relationship with Return on Assets ratio (ROAR).

5. Portfolio at Risk > 30 Days (PAR): PAR is calculated by dividing the outstanding balance of all loans with arrears over 30 days, plus all refinanced loans14 by the outstanding gross portfolio as of a certain date. Since the ratio is often used to measure loans affected by arrears of more than 30 days. In CMC, PAR>30 days has positively relationship with Portfolio Yield.

Ratios of Cashpor Micro-Credit

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CCAR	65.5521	18.9744	12.6439	8.6601	8.7325	5.4580	7.2868	5.9468	7.5083	8.5535
LAR	55.5579	54.7645	77.4205	66.0970	80.5548	75.1441	79.4116	77.2360	46.5251	72.2990
ROAR	-60.998	-11.233	-3.1103	-0.4656	-0.0420	2.3291	1.2405	2.0736	4.0453	6.6487

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III. RESULTS AND CONCLUSIONS

Cashpor Micro Credit promoted by Cashpor Financial Technical Services Pvt. Ltd. (CFTS) is working with a mission to alleviate the poverty in U.P. region has made positive impact on the clients. The financial management of CMC shows that it achieved self sufficiency level. Business policy following by CMC is more client oriented and Institution is getting benefited because of pro-poor plans, which specially they have as CHI (Cashpor Housing Index). The Efficiency, Productivity and Profitability level shows optimum levels and are equivalent to standards. The growing

ROAR and decreasing CCAR shows the effectiveness and improvement

Variable Name	Proxy Variable	Definition/Description
Capital Cost to Asset Ratio	CCAR	Operating Expenses/ Total Assets
Loan to Asset Ratio	LAR	Loan Portfolio / Total Assets
Return on Assets(adjusted) Ratio	ROAR	Net operating Income / Total Assets
Operating Self Sufficiency Ratio	OSSR	Net Operating Revenue / (Financial Expenses + loan loss portfolio + operating expenses)
Operating Expenses Ratio	OER	Operating Expenses / Gross Loan Portfolio
Portfolio-Yield	PY	Total cash financial revenue (all income generated) / Loan portfolio
Portfolio at Risk > 30 days	PAR	The percent of the total loan portfolio that has at least one payment overdue by more than 30 days, by methodology.

When we asked Cashpor staff about the benefits of implementing this solution, they mentioned that eliminating the manual data entry processes saved an entire workday per week! They are preparing for a significant interest rate reduction riding on some of these large productivity gains.

Another highlight of the trip was watching Cashpor's officer talk to a group of women about the New Pension Scheme Lite (NPS-Lite), a pension product for informal sector workers with a matching contribution by the Central Government. He started by asking the group whether they knew women in the village who were finding it hard to support themselves in their old age. Disconcertingly, almost everyone nodded their head. He then spoke about the power of compounding – how small amounts set aside every week could create meaningful lumpsums for old age. We were thrilled that the officer had a perfect understanding of the features of the product and explained the implied illiquidity in a pension product. The women clients had several questions for him, all of which he patiently addressed. It was a powerful reminder of the value of last mile institutions like Cashpor for building meaningful financial inclusion.[7,8]

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Our next stop after Cashpor was at Utkarsh. Set up by a former colleague from ICICI Bank (Govind Singh) only a few years ago, Utkarsh has rapidly emerged as one of the most promising MFIs in India. Here, we saw several innovative client protection processes in place. Notable among them was a grievance redressal system where a client is provided a toll-free line to call Head Office and share any concern they might have. Utkarsh mentioned that they receive several calls every day ranging from enquiries about membership and getting loans to complaints about credit officers not being on time. Utkarsh has tied up with a service provider in Delhi that provides the entire toll-free service, including recording, classification and retrieval of call information. This is systematically analysed and discussed by the senior management of Utkarsh.[9,10]

Between Cashpor and Utkarsh's growth plans, Eastern Uttar Pradesh and Northern Bihar look set to have access to basic financial services in the next few years. Both organisations have battled significant odds including infrastructure and operating risks in moving cash. Their success is an inspiration for everyone in the field of financial services for the poor.[11]

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