

FARMERS SUICIDE PREVENTION PROJECT

INTRODUCTION

Every conscientious Indian would like to repay his or her gratitude to the farmers of the country who toil in the fields to feed us, day in and day out. In the wake of unending farmers suicides, we have analyzed the root cause of this tragedy. The farmers end up taking huge loans due to high cost of cultivation. Yet he/she is not sure of getting remunerative income due to the uncertainty of rains, diseases, market prices etc. Most of the farmers are also dependent on a single crop which if fails leads to inevitable disaster. There is a need to extend appropriate technologies and technical guidance from experts for choosing a high income multi cropping pattern, building assets like animal husbandry for supplementary income and linking with online market for best prices for their crops without middleman exploitation. In the quest for hand holding the hapless farmers, Tumkur District Administration is seeking CSR funds to launch an innovative project.

Farmers in Karnataka are committing suicides.

Money lenders are extracting up to 36% pa.

Banks do not give loans in the absence of security.

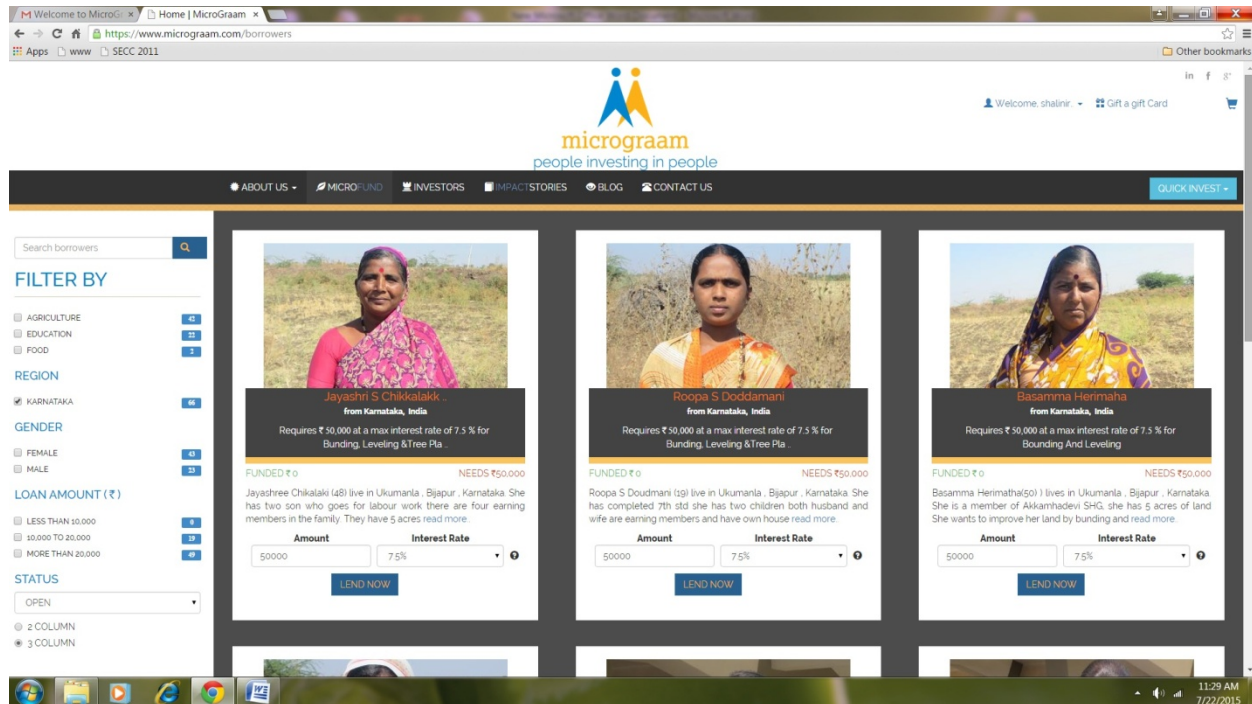
Investing and lending through MicroGraam is as simple as 1-2-3:

1. Browse www.micrograam.com to select a borrower, or invest in featured borrowers.
2. Specify the amount and desired interest rate (less than the maximum specified). Make payment through Payment Gateway, Netbanking or with a Cheque/DD
3. Receive quarterly repayments after loan disbursement.

Start now! By signing up

You can choose whom to help @ 14.5% per annum while you get any assured interest of 7.5% pa.

Here is a chance to save a life. Select a farmer you would like to help or go to QUICK INVEST on the home page. Micrograam team will invest on your behalf through a trusted NGO and if you agree, publish yours and recipients details on the website as follows



If you would like to connect with other MicroGraam Investors, please 'Like' the facebook page <http://www.facebook.com/Micrograam> and share your thoughts and queries. If you have any questions, please feel free to check our extensive [FAQ](#) or contact us at info@micrograam.com.

Livelihood Based Farmer Alleviation Program – Financial Inclusion (FI) Model

We strongly believe that the comprehensive financial inclusion must result in:

- 1) Social and Economic upliftment of people of the last mile
- 2) Poverty alleviation of people

We believe that there are the three main factors that directly impact the socio economic status and poverty alleviation are:

- 1) Assets that can create sustainable income
- 2) Financial Comprehension
- 3) Skills and Training

Govt. along with its FI ecosystem players, is working towards building a comprehensive financial inclusion ecosystem that helps in generating assets for the rural people that can create a sustainable income for regular cash flows, financial literacy and skills improvement. Based on these impacts at bottom of the pyramid, our FI rural model eventually will lead to socio economic status improvement!

We believe that the most important factor to bring people out of poverty is to link them to the mainstream credit, and provide them support for a Livelihood program that can utilize the credit to create income.

The key learnings from several years of Financial Inclusion implementation, experience and knowledge in Community Based Organization (CBO) model of promoting and nurturing the Self Help Groups (SHG) (A self-help group (SHG) is a village-based financial intermediary usually composed of 10–20 local women or men) and Joint Liability Groups of Farmers into strong financial entities, the Govt. has observed that CBO model for financial inclusion addresses the FI challenges and is a scalable and sustainable model for social economic upliftment and poverty alleviation of people in rural India.

CBO model combines the best practices of creating Self Help Groups (SHG) and Joint Liability Groups (JLG), helping them with managing their finances along with cash management and using community savings as a means of creating secure income in times of need for members within the group. Bank accounts are created for all members of the group besides a group account, which is used for all financial transactions and payments within the group or with the Bank. Microfinance model is working as a means for emergency credit when lead time of banks to process loans is high due to their internal processes or lack of automation. Once the Bank credit / loans are made available in a reasonable time frame, the emergency model is gradually replaced by existing Financial Inclusion models.

We have a very unique credit system in place which does origination, processing and maintenance of credit accounts at a detailed level. Along with group management this becomes a very helpful way of managing credit on the ground. Here the community members can help each other in times of need by chipping in with payments on behalf of other members. Group themselves can use their savings from their operations for emergency credit or credit for economic activities such as setting up a small business or crop harvesting. This methodology and associated flexibility not only eases burden on the members but also leads to self-sustenance and disciplined financial life. From the perspective of lenders such as banks the system allows detailed reporting, balance sheet at a group level and has a state-of-the-art accounting management in place. Hence reports on the risks and the health of the lender portfolio can be easily obtained for management review of Banks, at any given point of time.

An example of the effectiveness of the program is a villager/ farmer who had no assets and joined the program, took a bank credit and bought a cow. The financial program for the villager continued for 3 years and at the end, the villager was able to build considerable assets and uplift himself socially and economically. The programme has been a huge success and received very well by the local community and was also well appreciated by many leaders in the financial services industry.

CBO model also address the existing challenges faced in financial inclusion industry i.e. Dormancy of accounts, NPA rise and BC sustainability, and directly add value to create assets for sustainable income.

Stake Holders for the programme:

1. **Government**
2. **Foundation / NGO / MicroGraam - Peer to Peer Lending platform.**
3. **Technology Partner - Davinta**
4. **Bank**
5. **BC/BF organization**

Government:

- 1) Over all monitoring of the programme
- 2) Funds arrangement for the programme
- 3) Help from other Govt. departments / machinery

Foundation / NGO:

- 1) Group formation & nurturing
- 2) CBO formation and management
- 3) Lively hood programs and Financial Literacy Program
- 4) Skill building training
- 5) Linkage to the credit through Bank

Davinta: Technology Partner

- 1) Application Software
- 2) Application Maintenance
- 3) Roll out of solution at first hand. Subsequent field roll outs to be managed by field operation team
- 4) Train the trainers and few agents (if required)
- 5) Helpdesk support – 16*7 (from 6:00 am to 10:00 pm) for Registering Technical issues (L2, L3)
- 6) Application support (L2, L3) for Technical issues
- 7) Hosting & Infrastructure support

Bank/Peer to Peer Lending platform:

- 1) Provide necessary technology linkage to their system (CBS and LMS)
- 2) Provide credits at a lower interest rate
- 3) Facilitate / support the BC / BF, Technology partner for the program and adequately compensate them as per the industry best practices

BC / BF:

- 1) Manage and maintain the Agent network
- 2) Field Operation for financial transactions

Our CBO model for financial inclusion aims at addressing the following challenges:

1) From unbanked last-mile customer's perspective:

- a. Facilitation of easy access to Savings and external Credit (loans) at affordable interest rates.
- b. Input and training on benefits of Financial Literacy and Skill Training to ensure the effective and optimal use of the credit.
- c. Support in utilization of Bank's credit to generate assets to thereby ensure sustainable incomes that helps the last-mile in economic prosperity.
- d. Ensure that each customer is not burdened with more than one loan through credit history information, customer information and linking to the credit bureaus and bank's systems.

2) From Lender's perspective:

- a. Conversion of dormant accounts to active – The model ensures that both Business Correspondent (BC) and Business Facilitator (BF) activities from – Payments to Value Added Services or Micro Insurance to Micro Pension; all happening through the same Bank account. This ultimately increases the frequency of transactions.
- b. Extending Credit – To meet the priority sector's lending, the model monitors and controls the rising NPA by enforcing peer pressure, inculcating habits of repayments through constant monitoring and an alert mechanism using FI technology on the field.
- c. Ensuring Financial Sustainability – Instead of the Business Correspondent and the Business Facilitator acting in silos, this approach ensures both the roles effectively contributing to bring the unbanked segment to the Credit program of the bank, and thereby benefiting the rural poor. Also, with Value Added Services (VAS) such as mobile recharge, utility bills payment, micro insurance pension, etc. are offered through the same agent at the field. Thus, even the most basic transactions such as account opening, cash deposit, withdrawal, fund transfer, credit disbursement, collections etc. happen through the same agent making it a viable proposition.

As per our experience, the three main pillars required for a successful implementation of the CBO model at a field level are:

1) NGOs/SHPIs to work on FI model

- a. Works with local NGOs that have the reach and information about a particular area and provides the necessary know-how and expertise of forming and nurturing SHGs/JLGs for development of community based operations.
- b. Provides FI literacy, skill training, and inducing savings and repayment habits.
- c. Facilitates SHG-Bank Credit linkage, credit disbursement, collection and closure.

2) Technology Platform for last mile connectivity

- a. Robust, stable, scalable technology platform to completely manage and monitor the group activities such as data collection, managing savings account, internal loans, external loans at a field level, basic banking services, value added services, micro insurance and micro pension.
- b. Platform accessible on all front end devices such as mobile, tablet, laptop, POS etc.

3) Business Correspondents for field operations

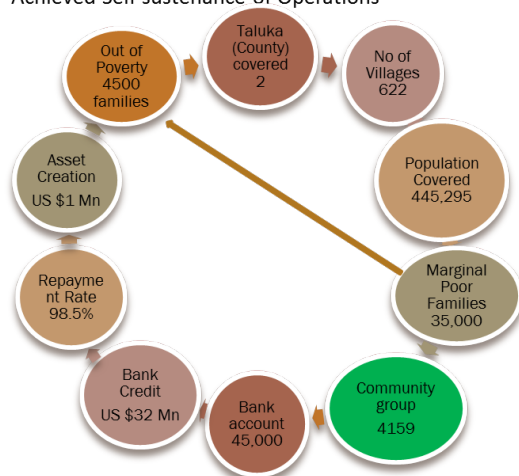
- a. Business correspondent agents at field level to perform both Business Correspondent (BC) and Business Facilitator (BF) transactions.
- b. A network of Business correspondents to carry out field operations across the country.

Model at work – A Snapshot

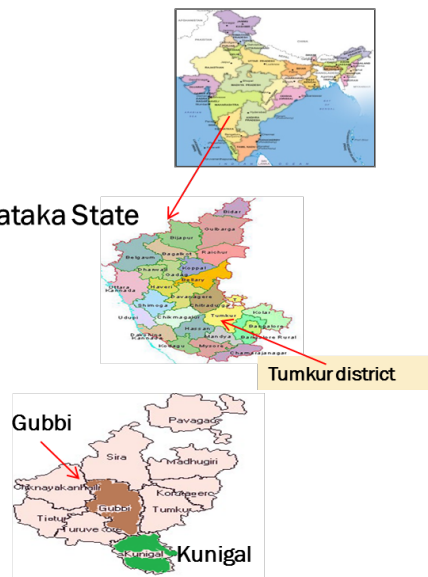
In collaboration with a reputed NGO based in Karnataka, the Vatikutti Foundation launched a program in a Taluk (Block) of Tumkur district, where the demographic data of the entire population was captured, and Self Help Groups and Joint Liability Groups were created from the poor among the population. These groups were given inputs on financial management such as benefits of Savings and discipline in repayments on loan, and livelihood programs such as Low-Input Sustainable Agriculture (LISA) farming and handicraft. In partnership with a Public sector Bank, of which the partner NGO took on a BC/BF relationship, Group loans were extended to these SHGs/JLGs.

This program today has successfully disbursed over **Rs.201Crores of loans to 2400 SHGs and Joint Liability Groups encompassing 32,000 families.**

- Created a Working Model through a sizable Pilot in 2 Taluks
- Credit extended to Poor: INR 201 (US \$32 millions)
- Assets Created in Community: INR 6 Cr (US \$1 million)
- Achieved Self sustenance of Operations



Karnataka State

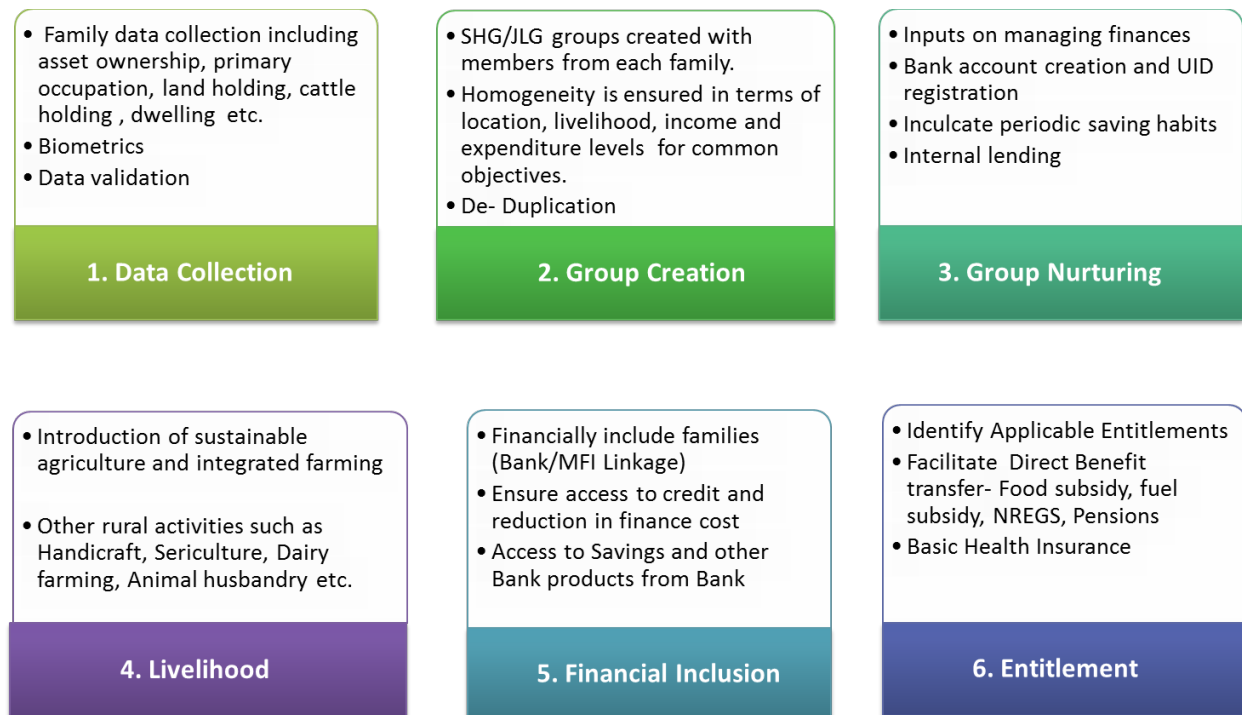


The Technology Platform enables to perform the following:

- Credit through Self Help Group Empowerment (Nurture and Credit Linkage), Individual credit linkage
 - Family Data Collection and group formation
 - Internal Lending & Savings
 - Digital Book Keeping
 - Credit Application – Loan Application Form – sent as docket
 - Pre-sanctioned inspection (bank field officer)
 - Repayment & Collection Information
 - Group grading, Data fetching from Credit bureau (e.g. High Mark)
 - Monitoring and escalation facility (for repayment and issues)
 - Real-time information flow – dashboard and reports

Community Based Operations Model – Steps

Various steps involved to implement CBO model at a field level are:



CBO Model – Technology Support

CBO solution manages CBO activities and links the transactions to the Bank's system. CBO module enables users to perform community based operations such as enrolling members, group management (SHG & JLG), conducting group meetings, maintaining records of internal savings and internal credits transaction, and managing and monitoring external loan process using a handheld device and web interface.

The following steps are undertaken to ensure smooth operation of CBO's:

➤ **Enrolment (family details, member details, land details, asset details etc.)**

The agent will initially enrol the family along with its members on the platform. The details collected are Family details, member details, land & crop details, Asset details, Income & expense and Savings/Liabilities. Photograph and biometrics also captured at time of enrolment.

- A unique family code and member code is generated from the system.
- Platform can connect to the credit rating agencies to provide the current credit rating of the members.
- Platform captures the census code of the members and habitation code as per the government's definition.

➤ **Group Formation (SHG / JLG)**

Post collection of family details (along with other information), the agent forms groups of like-minded individuals (SHG or JLG) with the help of the Platform.

Groups are formed ensuring homogeneity in terms of location, livelihood, financial and social status. BC admin reviews and approves the formation of group.

- De-duplication applied on the demographic and biometric data.
- A unique group code is generated by the system.

- Business rules for the group formation are configurable in the system as per the requirements of the bank.

➤ **Group Nurturing and Stabilization**

The group is nurtured over a period of six months facilitating inputs on managing finances. The platform keeps track of group meetings, weekly savings and internal loans and recovery availed by the group members.

- The platform allows agents to upload the group meeting details from the handheld device such as tablet to the back-end server. The back end maintains the meeting history of the groups.
- The agent collects the internal savings of the group, enters the collection into the system and print a receipt at the field using the platform.
- The agent initiates an internal loan request of the group members during the meetings at the field level.
- Platform creates a group savings account and group external loan account.

➤ **External Loan (SHG – credit linkage)**

Agent initiates a loan application process for availing an external loan by the group members.

- Automated loan application generation from the system
- Platform supported Pre-Sanction inspection and approval
- Platform supported Loan sanction by the Bank's Officer
- Platform supported disbursement of loan from the group account and eventually movement to member accounts.
- Platform supports smooth and immaculate loan recovery and closure

BUDGET COMPONENT DETAILS

Various heads considerations:

1. Program Management and Monitoring
2. Revolving Fund for Credit
3. Funds for collateral / guarantee to bank
4. Capex requirements
 - a. Operations
 - b. Hosting
5. Ground Operations – (BC / BF)
 - a. Agent Network Management
 - b. Device Management
 - c. Cash Management
 - d. Transactions
 - e. Group and Individual customer Coordination
 - f. Bank coordination
 - g. Logistics

6. Front end device (Agent End Point Device)
7. Group Formation, Management & Nurturing
8. Lively hood training, Skill building& Financial Literacy Programme, Street plays, videos etc.
9. Market Linkage Programs
10. Development / Engineering Team for any customizations of the solution
11. Application & Infrastructure Support
12. Roll out Support – Training, implementation & hand holding
13. Back Office Support& coordination
14. Administrative cost
15. Management Cost

Conclusion:

Our model aims at bringing the social and economic upliftment of farmers – The Annadatas. We, along with the relevant stakeholders, endeavor to implement the model in rural areas to create sustainable income generating assets for regular cash flows. This model ensures that the farmers' community becomes self-sustainable and is equipped with the skills and financial literacy to make optimal use of the credit extended by the mainstream players. The implementation of the model will help to increase awareness about benefits of financial literacy, skills and assets generating livelihood that would eventually help to curb farmer's suicide.