Task Force on Supportive Policy and Regulatory Framework for Micro Finance in India -

SUMMARY AND RECOMMENDATIONS

Background

1.1 microFinance (mF) is being practised as a tool to attack poverty the world over. During the last two decades, substantial work has been done in developing and experimenting with different concepts and approaches to reach financial services to the poor, thanks mainly to the initiatives of the Non-Governmental Organisations (NGOs) and banks in various parts of the country.

1.2 Despite having a wide network of rural bank branches in the country and implementation of many credit linked poverty alleviation programmes, a large number of the very poor continue to remain outside the fold of the formal banking system. Various studies suggested that the existing policies, systems and procedures and the savings and loan products often did not meet the needs of the hardcore and assetless poor. Experiences of many anti-poverty and other welfare programmes of the state as well as of international organisations have also shown that the key to success lies in the evolution and participation of community based organisations at the grassroots level. A series of research studies and some action research projects carried out by National Bank for Agriculture and Rural Development (NABARD) led to the evolution of "Self-Help Groups (SHG) - Bank Linkage" model as a cost effective mechanism for providing financial services to the unreached and underserved poor. Besides SHG-bank linkage programme, a number of NGOs had started experimenting with various initiatives like replication of Grameen, networking with NGOs and financing through SHGs" federations and co-operatives to take financial services to the poor clientele. Since different structures and organisations are operating under diverse legal framework and have been adopting varied approaches, it is increasingly being felt that a suitable national policy framework is essential for an orderly development of the mF sector.

1.3 It was in the above backdrop that the Women"s World Banking (WWB), NewYork, in association with Friends of WWB, Ahmedabad, had organised a High Level Policy Forum on "Building India"s Leadership in microFinance" on November 6, 1998. The forum was addressed by the Governor, Reserve Bank of India(RBI), and attended by senior government and bank officials and prominent mF practitioners. The Forum suggested that a high-powered Task Force on microFinance may be constituted by NABARD to arrive at a conceptual policy framework encompassing issues in policy, regulation, financing and capacity building, for sustainable growth of mF in the country.

Composition of the Task Force

2.1 Accordingly, a Task Force was constituted by NABARD under the Chairmanship of Shri Y. C. Nanda, Managing Director, NABARD. It comprised:

Shri Y. C. Nanda, Managing Director, NABARD, Mumbai	Chairman
Smt. Ela R. Bhatt, Chairperson, SEWA Bank and FWWB,	

Ahmedabad	Member
Shri R. J. Kamath, Chairman and Managing Director, Andhra Bank, Hyderabad	Member
Dr. Sailendra Narain, Managing Director, SIDBI, Lucknow	Member
Shri B. R. Verma, Chief General Manager, RPCD, RBI, Mumbai	Member
Shri Alok Kumar, Director (Banking Division), Ministry of Finance,	
Govt. of India, New Delhi	Member
Dr. Indira Misra[1] , Executive Director, Rashtriya Mahila Kosh, New Delhi	Member
Shri A. P. Fernandez, Executive Director, MYRADA, Bangalore	Member
Shri Vijay Mahajan, Managing Director, BASIX, Hyderabad	Member
Shri D. K. Dhagat, Chief General Manager, State Bank of India, Mumbai	Member
Shri Biswajit Chaudhury, Chairman, Dhenkanal Gramya Bank, Orissa	Member
Shri M. Uday Kumar, Managing Director, SHARE, Hyderabad	Member

Shri Mathew Titus, Executive Director, SA-DHAN, New Delhi	Member
Shri M. P. Vasimalai, Executive Director, DHAN Foundation, Madurai	Member
Shri Sanjay Sinha, Managing Director, EDA Rural Systems, Gurgaon	Member
Dr. Prakash Bakshi[2] , Chief General Manager, NABARD, Mumbai	Member - Secretary

Terms of Reference

3.1 The terms of reference of the Task Force were as under :

i. To work out a conceptual framework for a National Policy for microFinance,
ii. To examine and suggest organisational and regulatory framework for bringing the operations of microFinance institutions to the mainstream having regard to the need of multiplicity of approaches and structures.,
iii. To suggest a framework for inter institutional co-ordination and the roles and responsibilities of self-regulating organisations,
iv. To examine and suggest for a need or otherwise of an independent legislation for microFinance, and
v. To assess the need for and suggest ways and means for an appropriate support mechanism for emerging microFinance institutions, including financial resources.

Definition of mF and mFI

4.1 It was observed that microFinance often gets equated merely as credit for micro-enterprises while the poor also need savings, consumption loans, housing loans and insurance services. The Task Force has suggested a working definition of microFinance as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards". The emphasis of support under mF is on the poor in ‘pre-microenterprise" stage for building up their capacities to handle larger resources. No specific limit for ‘small" amount of financial services is envisaged.

4.2 "MicroFinance institutions (mFIs) are those which provide thrift, credit and other financial services and products of very small amounts mainly to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards"**.** mFIs have emerged broadly under three categories :

i. Not-for-Profit mFIs
- Societies registered under Societies Registration Act, 1860 or similar State Acts
- Public Trusts registered under the Indian Trust Act, 1882
- Non-profit Companies registered under Section 25 of the Companies Act, 1956

ii. Mutual Benefit mFIs
- State credit co-operatives
- National credit co-operatives
- Mutually Aided Co-operative Societies (MACS)

iii. For-Profit mFIs
- Non-Banking Financial Companies (NBFCs) registered under the Companies Act, 1956 Banks which provide mF along with their other usual banking services could be termed as mF service providers.

Demand-Supply of microFinance

4.3 While analysing the demand and supply position of mF, it was observed that various estimates put the requirements of microcredit at Rs.15,000 crore[3] to Rs.50,000 crore per year and an additional Rs.1,000 crore is estimated for housing per year. As against these estimates, bank advances to weaker section aggregated Rs.9,700 crore during 1997-98, while mFIs and SHGs are estimated to have provided about Rs.137 crore (cumulative upto September 1998), suggesting a vast unmet gap in the provisions of financial services to the poor. Incidentally, about 36 per cent of the rural households are found to be outside the fold of institutional credit[4] .

4.4 It is in this backdrop that "banking with the poor" seems possible through the following three approaches :

i. conventional weaker section lending by banks;
ii. SHG-Bank linkage programme; and
iii. lending by banks and financial institutions to mFIs for on-lending to ground level groups or individuals.

4.5 While banks" traditional advances account for bulk of the outstanding advances, the latter two mF approaches are characterised by low transaction cost and high repayments. There are comprehensive instructions and guidelines on lending norms, refinance, credit guarantees, training, regulation and support mechanism for the traditional advances by banks and were considered adequate. The deliberations and recommendations of the Task Force, therefore, focused on the issues of promotion and growth of mF through SHGs and other innovative credit delivery models.

Recommendations

4.6 The major recommendations of the Task Force can be divided into four broad heads :

i. Mainstreaming of mFIs and other mF structures;
ii. Regulation and supervision of mFIs;

iii. Organisational aspects relating to mFIs; and
iv. Capacity building of mFIs, banks, SHGs, etc.

Mainstreaming of mFIs and other mF Structures

SHG-Bank Linkage Programme -Scaling up
5.1 SHG-bank linkage programme is gaining increasing acceptance among NGOs and bankers. Continuation of the linkage programme to cover at least one third of the rural poor population by the year 2008 through one million SHGs, as envisioned by NABARD, is a logical extension to the budget announcements of the Government of India (GOI) for linkage of 2,00,000 SHGs by the year 2002-03. Other institutions like Rashtriya Mahila Kosh (RMK) also expect the NGOs assisted by it to direct their SHGs to take to linkage banking after the experimental phases. SHG-bank linkage will, thus, be a major way of banking with the poor in the coming years. At least 25,000 bank branches, 4,000 NGOs and 2,000 federations of SHGs involving over 1,00,000 personnel of these institutions would have to be associated for scaling up and bank linkage of one million SHGs. Many of these NGOs will transform themselves into mFIs and will not only facilitate microfinancing, but will also themselves do the necessary financial intermediation. Similarly, many federations of SHGs will take on financial intermediation and act as mFIs.

5.2 As the intermediation of SHGs as a sub-system of the co-operatives could be useful both for the revival of the cooperatives and increased support to the poor, State governments may take steps for framing or amending the Co-operative Societies Acts and Rules to provide for the enrolment and financing of SHGs by PACS and DCCBs.

Operational Issues
5.3 Despite RBI guidelines and intensive programme support from NABARD in the form of refinance, training of bank officials, and capacity building support to NGOs and SHGs and other encouraging developments, a number of operational problems are still faced by NGOs and SHG members due to incorrect interpretation of instructions as also ambiguity in certain instructions. Impounding of deposits and insistence on collateral for loans, insistence on Income Tax PAN or alternative declarations with specified proofs like ration card and minimum balances even for opening of Savings Bank account (SB a/c.) are some of the multifarious operational problems faced by NGOs and SHGs. RBI and NABARD may, therefore, issue necessary instructions indicating the correct position and approach in respect of such contentious issues. RBI also needs to issue clear guidelines with regard to waiving of IT-PAN and minimum balances to be maintained by the SHGs to emphasise the distinct nature of such SB accounts. As regards urban SHGs, RBI may issue suitable instructions to banks to facilitate opening of SB accounts and extending credit on the lines of SHGs in rural areas.

Rating Norms for SHGs
5.4 As socio-economic conditions vary significantly in different areas, all the participating agencies, viz., banks, NGOs and mFIs may collaborate together to develop localised SHG rating norms to facilitate financing of SHGs and rectifying their weak areas.

SHGs in Government Sponsored Programmes
5.5 While appreciating the initiatives of certain State governments and bureaucrats in including

SHGs or their variants as delivery mechanism of government sponsored programmes, the Task Force emphasises the need to ensure that the basic tenets of SHGs are not lost sight of in pursuit of targets. For example, the absence of linking revolving fund assistance and loans to savings and not leaving the choice of activities to the discretion of the groups are areas of serious concern in the Swarnjayanti Gram Swarozgar Yojana (SGSY). Ministry of Rural Development, GOI, may, therefore, review the SGSY guidelines in consultation with RBI, NABARD, banks and NGOs to avoid any dilution in the essential features of SHGs, and may issue necessary supplementary instructions**.**

mFI - Bank Linkage

5.6 As more and more mFIs enter the scenario, their need for loanable funds will increase, and it will become difficult for Development Financial Institutions (DFIs) and donors to continue to meet their loanable fund needs. Wholesale financing of mFIs, including SHG federations, by commercial banks for further retailing of micro-credit is, therefore, likely to gain momentum in the coming years. Linkage of mFIs with the banking system has many advantages like high recovery performance, reduction in the transaction costs for both banks and mFIs, reasonable margins for both and opportunity to the banks for getting future quality clients. RBI may, therefore, consider issuing appropriate guidelines to all banks to treat lending to mFIs for further onlending as part of their regular credit operations under priority sector.

5.7 Banks may develop and select appropriate loan products to suit the needs of both mFIs and their borrowers. As the interest rates on loans from banks to mFIs and from mFIs to clients have been totally deregulated by RBI, both banks and mFIs will have to fix their respective interest rates judiciously. With registration of mFIs, fixation of minimum performance standards, application of prudential accounting norms, and development of proper selection criteria for the mFIs, as recommended by the Task Force, banks may take assignment of book debts as a major component of security and finance without traditional collaterals. The savings mobilised by the mFIs from their clients and loanees and deposited with the banks could also be treated by them as collateral substitutes. It is recommended that loans through mFIs be covered under the Miscellaneous Loans Recovery Act.

5.8 DICGC may also work out a suitable deposit insurance scheme for the savers of the mFIs on payment of some reasonable premium by the NGO-mFIs.

5.9 All banks may set up mF cells in their Head Offices and controlling offices. In addition, they may consider converting some of their potential rural branches into specialised mF branches. Commercial banks may consider setting up trusts or foundations for intensifying promotional activities under mF.

Non-Credit Financial Services

5.10 The importance of various financial services like savings and insurance within mF is well recognised. Coverage of the Social Security Fund set up by GOI could be extended to cover all borrowers of mF irrespective of occupational categorisation. mFIs and other mF service providers may be made the channelling agencies for such schemes. The Personal Accident Insurance Scheme for poor families and the Hut Insurance Scheme may be modified to cover clients of mF schemes.

Regulation and Supervision of mFIs

6.1 At present, only mFIs registered as Co-operatives and NBFCs are regulated. The need for regulation and supervision of NGO-mFIs arises from several considerations like protecting the interests of the small savers, ensuring proper terms of credit and financial discipline, institution of a proper reporting system as also for their orderly development. The regulation of mFIs may cover registration to act as mFI, reserve requirements, compliance with prudential accounting norms, and directions in respect of operations and reporting systems, while supervision may comprise on-site inspection and off-site supervision.

Status of Savers and Loanees of NGO-mFIs

6.2 The savers and loanees (and other clients) of NGO-mFIs are legally not their "members" as membership, per se, comprises the promoters who themselves cannot avail of any benefit from the societies or trusts. Consequently, the "members" of development programmes of such societies or trusts can be classified, at best, as "clients" or "beneficiaries" of their various interventions.

Mode of Regulation - SROs

6.3 The Task Force recognises the mechanism of self-regulation for NGO-mFIs and the need for encouraging promotion of Self-Regulatory Organisations (SROs). It recommends that the major functions of SROs would be : (i) overseeing functioning of mFIs as base-level regulators, (ii) undertaking registration, (iii) evolving proper systems for maintenance of accounts and reporting, (iv) setting performance standards, (v) conducting inspections, (vi) undertaking training, and (vii) representing mFIs in various fora.

6.4 The SROs should be registered as non-profit organisations evolving from the mFI sector with a duly elected Governing Body and a minimum membership of 50 mFIs (relaxable during the first three years). RBI may work out a mechanism for recognition of the SROs. Apex institutions like NABARD, SIDBI and RMK and leading commercial banks may work out, in consultation with some mFIs and their associations, norms for recognition of such SROs. RBI may constitute a working group for this purpose.

6.5 Associations of mFIs can play a responsible role in the evolution of SROs. However, as evolution of the SROs is likely to take time, GOI and RBI may start the process of regulation and supervision of mFIs immediately.

Registration and Classification of mFIs for Regulation

6.6 All existing NGO-mFIs may be asked to compulsorily register themselves with a designated regional authority within one year. A new mFI would also have to register itself with this authority before commencement of mF business. If the savings operations of an mFI exceed a predetermined cut-off limit, the mFI will have to register itself with the RBI. A cutoff limit with duality in registration and other components of regulation is envisaged as the area of operation and the range and volume of activities of a large number of mFIs are small. They work with limited staff and management capability and hence would need barest minimum regulation. An mFI"s track record, nature of social and non-financial services provided, nature of mF interventions, period of service in the area, its general reputation and acceptability, financial and manpower resources, membership of an association of mFIs and the association"s recommendation may be the determinants for registration. Once the process of registration of mFIs has started, financial institutions, banks and all donor agencies will ensure that the mFIs approaching them for any financial assistance are duly registered. The cut-off level of business for the NGO-mFIs may, for the present, be fixed at mobilised savings of Rs. 25 lakh[5].

Regulation for mFIs not Mobilising Savings

6.7 The mFIs purveying credit but not mobilising savings may be required to furnish only periodic statements of their financial operations after initial registration. mFIs availing loans from banks, DFIs, etc., will have to comply with certain prudential accounting norms relating to asset classification, income recognition and provisioning. In the ordinary course, regulation of such mFIs will be through the reports of statutory auditors.

Regulation for mFIs Mobilising Savings

6.8 mFIs with mobilised savings not exceeding Rs. 2 lakh may be excluded from any regulation other than registration and submission of periodic statements to the competent authority. For those mFIs mobilising savings above Rs. 2 lakh and below the cut-off level of Rs. 25 lakh, reserve requirements of 10 per cent of savings in the form of bank deposits as at the end of the second preceding quarter are recommended. In respect of the mFIs having savings above the cut-off level, besides reserve requirements of 15 per cent and registration with RBI, compliance with prudential accounting norms regarding income recognition, asset classification and provisioning may be prescribed. The savings mobilised by the mFIs should be withdrawable as per the discretion of the savers and may not be kept with the mFIs for a period exceeding 5 years. In case any mFI mobilises savings in excess of the cut-off level, it may also have to go for rating by any accredited agency.

Prudential Accounting Norms

6.9 RBI may specify, in consultation with NABARD and other agencies, the prudential accounting norms on income recognition, asset classification and provisioning in respect of mFIs availing bank loan and / or those mobilising savings above the cut-off level of Rs. 25 lakh.

Role of Auditors

6.10 As regards compliance with regulation requirements, statutory auditors of the NGO-mFIs may be required to file a special report along with the audit report certifying compliance or otherwise of specified parameters. Suitable instructions may be issued in this regard to the Registrars of Societies and Association of Chartered Accountants of India by RBI and GOI. RBI may initiate action for preparation of a panel of auditors for NGO-mFIs on the lines of bank auditors.

6.11 RBI may have to take a separate view regarding registration and regulation in respect of NGO-mFIs providing financial services to non-poor also. Further, non-NGO-mFIs may continue to be regulated as hitherto. However, regulations for mF-NBFCs, registered under Sec.25 of the Companies Act, may be on the lines of NGO-mFIs.

Supervision of mFIs

6.12 A system of off-site supervision with simple returns may be generally adequate for the mFIs not mobilising savings and not availing bank loan for credit operations, and mobilising deposits upto Rs. 2 lakh and not availing bank loan. In the case of other categories of mFIs, both on-site inspection and off-site supervision may be necessary at periodic intervals of 2 to 3 years.

Competent Authority for Regulation and Supervision

6.13 Till SROs emerge, develop and are recognised by the RBI, Regional Offices of RBI or agencies designated by RBI will have to take up regulation and supervision of mFIs at the Regional level, while at the national level, overall regulation and supervision will rest with RBI. As part of the overall financial sector, the cost for regulation and supervision of mFIs will have to borne by the RBI.

Legal Provisions - Amendment to RBI Act

6. 14 The Task Force recognises the need for a separate Act covering the mF sector in the country. Considering the nascent stage of this sector and the need for the policy makers and practitioners to gain further experience, the workable alternative would be to make a beginning initially through certain amendments to various relevant Acts. Since the RBI Act is presently silent about the financial activities of NGO-mFIs, the Task Force strongly recommends enabling provisions in the RBI Act, 1934 covering definition of mF and mFIs, their functions, registration, regulation, recognition of Self Regulatory Organisations (SROs), and supervision.

Organisational Aspects Relating to mFIs

7.1 While SHGs or other ground level groups could be informal for various practical and operational advantages, the intermediate structures will have to be registered bodies for avoiding operational and legal problems for the banks and financial institutions dealing with them.

mF-NBFCs

7.2 With a view to facilitating professionalisation of the mF sector, there could be a special dispensation for the NBFCs which take up mF exclusively. Such mF-NBFCs may need registration from RBI or GOI on the lines of NIDHI Companies. The Net Owned Funds (NOF) for them may be prescribed at Rs. 25 lakh and they may be granted registration under Sec.12(A) of the Income Tax Act, wherever necessary. Further, for encouraging the growth of mF-NBFCs, necessary amendments may be made in the Societies Registration Act (and other similar Acts) to allow NGOs to float specialised mF companies and hold equity in them.

7.3 Further, FIPB guidelines may be modified to allow foreign investment in the mF sector and the minimum foreign equity required may be relaxed to US $ 1,00,000. RBI may be vested with powers for approving such proposals without seeking FIPB clearance.

Registration of NGO- mFIs

7.4 mF may be treated as a service for relief to the poor, incidental to the main charitable objects of the proposed societies. Accordingly, new and prospective societies with mF as one of the major objectives may be registered as non-profit organisations under the relevant Acts.

NGO-mFIs and Section 45 S of the RBI Act

7.5 Many NGO-mFIs are mobilising savings from their clients / borrowers with the sole objective of inculcating a habit of thrift and savings among the poor and for enabling the use of such resources for acquisition of assets or linkage with credit from mFIs or banks. In the context of the amended Section 45 S of the RBI Act, the appropriateness of NGO-mFIs mobilising savings is questioned. Although NGO-mFIs are providing very useful financial services to the poor, including the opportunity to keep their very small savings safe, almost at their own doorsteps, they cannot convert themselves into other modes of constitution like NBFC, bank or cooperative due to various intrinsic constraints. Hence, NGO-mFIs may have to be given a special dispensation in regard to Sec. 45 S of the RBI Act. Accordingly, it is recommended that they may be allowed to mobilise savings only from their poor clientele as part of the financial services provided to them and the same may not be treated as violation of the Section 45 S of the RBI Act.

Amendments to Bye-laws of NGOs
7.6 Wherever NGOs undertake mF activities, they may be allowed to secure necessary enabling amendment to their bye-laws so as to be able to borrow for onlending. Suitable instructions from MoF, GOI, may be required in this regard.

Relaxations in the IT Act
7.7 On the lines of infrastructure companies, a new Section 10(23-H) may be introduced in the Income Tax (IT) Act to exempt any income from dividends or capital gains from investments in the equity shares of mF companies. Amendments to Sections 10 (23-D), 10 (23-F), 36(1)(vii-a) and 36(1)(viii) of the IT Act have been proposed to provide exemptions /concessions to mFIs on the lines of venture capital funds, mutual funds and banks.

mFI- LABs
7.8 Initiatives of mFIs to set up Local Area Banks (LABs) with focus on mF may be encouraged. The possibility of commercial banks floating LABs by restructuring their rural branches to take up mF may also be explored and encouraged.

Inter-Agency Co-ordination
7.9 In order to promote inter-agency coordination, RBI may issue necessary instructions to include select mFIs as regular members of SLBC and DCC. SROs, when established, may be inducted as members of SLBC. RBI may set up a national level standing committee comprising representatives from governments, NABARD, SIDBI, RMK, banks and NGOs to discuss related issues on half yearly basis.

Capacity Building Needs
8.1 The support mechanism for scaling up the SHG-bank linkage programme needs to cover capacity building at the levels of DFIs, banks, governments, NGOs, mFIs and SHGs, infrastructure support to mFIs and banks, and costs for promotion and nurturing of SHGs. As regards mFIs, the support systems should include, besides financial resources for onlending, funds support for the training of the personnel of the mFIs, building of database systems, infrastructure and hardware, start-up capital, capital funds for equity, and meeting initial operational deficits.

8.2 In the absence of any institutional arrangement, capacity building support to mFIs and SHGs is being provided, to some extent, by donors, governments and DFIs. In the coming years, at least a part of the cost of promotion of SHGs should be met by the banking system as an investment in human capital, while the remaining part will have to be supported through grant assistance. The Task Force recommends setting up of a microFinance Development Fund (mFDF) in NABARD for extending such assistance to mFIs, SROs, banks, SHGs and others. Such a Fund could be set up with a start-up contribution of Rs. 100 crore from the GOI and annual contributions from profits by RBI and NABARD. With a view to bringing economy of scale and synergy in action, a part of the allocations from government sponsored poverty alleviation programmes may be added to it.

National Policy for mF

9.1 microFinance is a useful tool in building the capacities of the poor in management of sustainable self-employment activities besides providing them other financial services like savings, consumption credit, housing and insurance.

9.2 There is a strong case for formal recognition of mF, just like institutional credit, as a strategic tool for poverty alleviation and rural development. The National Polciy on mF should emphasise on encouraging initiatives and participation of different types of institutions in mF, bringing the microFinance activities, irrespective of the type of institutions involved, within the regulation and supervision by competent authorities, creating policy environment for closer linkages of the mF sector with the formal banking channels, and making available equity, start-up capital and capacity building funds for the existing and prospective institutions engaged in mF**.** The recommendations of the Task Force are intended to address the above components.

Fund Requirement for mF

9.3 The Task Force has worked out a road map of the levels of operations and support mechanism required in respect of growth of SHG-bank linkage and mFIs. Over the next 5 years (i.e., by the year 2003-04), the aggregate flow of loan and non-loan funds is expected to increase from the present level of about Rs. 150 crore under various mF initiatives to over Rs. 2,800 crore. This micro-credit flow would cover about 75 lakh families comprising 50 lakh families through SHG-bank linkage programme, 15 lakh families through mFI-bank linkage and about 10 lakh families under assistance from higher financial institutions. This will require the support of over 10,000 bank branches, 1,000 mFIs and 2,000 SHPIs (mainly NGOs).

9.4 The aggregate amount needed for capacity building and other support systems for the mFIs, banks and other partners would be of the order of Rs. 257 crore upto 2003-04 which will result in ground level mF investments of about Rs. 3,500 crore.

9.5 Gradually, the mFIs would be required to recover the costs of providing support services for mF like training for livelihood activities, input supply, marketing support, etc. As regards social sector interventions like health care, literacy, environmental upgradation, etc., the Task Force emphasises the need for coordination among participating institutions and bringing mF as an add-on function. Further, the focus on poor women will have to be continued as hitherto in all mF programme activities.

9.6 The National Policy for mF, envisioned by the Task Force, seeks to achieve the following mission in the medium-term :

"Five years hence, we are looking for a process change leading to empowerment of 75 lakh poor households, and more particularly of the women from these households, through strong and viable people"s structures like SHGs and mFIs which draw strength and support from the banking system with the message that banking with the poor is a profitable business opportunity for both the poor and the banks."

NB: The full text of the report is available at NABARD website: http://**www.nabard.org**.

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1. Dr. Indira Misra"s term as Executive Director, RMK, expired in March 1999. She was, however, requested to continue on the Task Force.
2. Shri E. Shanmugam, Chief General Manager, NABARD, served as Member-Secretary to the Task Force till February 1999.
3. 1 crore = 10 million, US $ 1 = Rupees 43
4. Debt and Investment Survey, Government of India, 1992
5. 1 lakh = 1,00,000