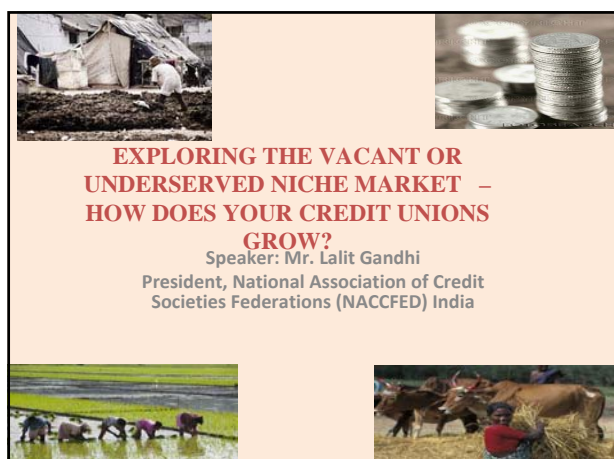


# Exploring the Vacant or Underserved Niche Market – How does your Credit Union Grow?



**EXPLORING THE VACANT OR UNDERSERVED NICHE MARKET – HOW DOES YOUR CREDIT UNIONS GROW?**

Speaker: Mr. Lalit Gandhi  
President, National Association of Credit Societies Federations (NACCFED) India

### SOCIO-ECONOMIC PROFILE OF ASIA

- Total population of Asia (Million):3,240 i.e.2/3 of world's population
- People living below poverty line (million):920
- More than two thirds of the world's poor people live in Asia, and nearly half of them are in Southern Asia.
- In the major countries, 80 to 90 per cent of poor people live in rural areas
- Eastern Asia and South-Eastern Asia have made impressive progress in reducing rural poverty over the past three decades, progress has been limited in Southern Asia.

### SOCIO-ECONOMIC PROFILE OF ASIA

**Eastern Asia**

- Poverty has been reduced by 2/3, despite steady population growth in the last three decades
- GDP growing by 7 to 10 % and GNI by 7 % each year
- Agricultural growth has contributed significantly to this economic upturn

**Southern Asia**

- Most of Southern Asia has been left behind in the overall economic upturn in Asia.
- The economies have grown by 4 to 6 % and GNI by only 1.4%
- Poverty declined by 1/3 but percentage of the population living below poverty line is higher in than in any other region of world (exception sub-Saharan Africa)
- The worldwide ratio of women to men is 106:100, in this region it is only 94:100.

### SOCIO-ECONOMIC PROFILE OF ASIA

**South-Eastern Asia**

- Poverty has been reduced by about 2/3 in last three decades.
- GDP growing at 7 to 10 % and GNI by 4.4 %
- At the same time, parts of the region are showing signs of slipping back into deeper poverty
- The most vulnerable groups are women, ethnic minorities, landless and marginal farmers in upland areas, and coastal fishers in remote islands.
- HIV/AIDS is increasingly affecting the rural poor, and the threat of this disease –
- The December 2004 tsunami struck hardest in South-Eastern Asia which will have massive effect on rural poor in coming years

### SOCIO-ECONOMIC PROFILE OF ASIA

- **Central Asia**
- Going through periods of dramatic economic transition by their independence.
- Structural adjustment programmes and privatization of the agricultural sector.
- Privatization efforts have largely neglected many remote mountainous areas
- Poverty among mountain communities remains virtually unchanged.
- Women are particularly affected, as many men go to urban areas in search of employment, leaving women with the entire burden of farm and family work.

### SOCIO-ECONOMIC PROFILE OF ASIA

- **Western Asia**
- Weak agro-ecological base and high population growth
- Income inequality is growing.
- The region remains a net importer of food products.
- Events in many countries have threatened poor people's livelihoods and led to increased poverty rates – for example, a severe fiscal and monetary crisis in Turkey, political and security problems in Gaza and the West Bank, and a reduction in workers' remittances in Yemen after the Gulf War.
- Poverty is mainly a rural phenomenon, since 60 to 70 per cent of poor people live in rural areas.
- The number of landless people living in extreme poverty is on the rise.
- In Armenia, Georgia and Azerbaijan, rural poor people have been hit hard by the increased costs of energy such as fuel, electricity and gas

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## MICROFINANCE IN ASIA

| Outreach of Asian MFIs by Sub region |                |                   |                                    |                   |                                  |
|--------------------------------------|----------------|-------------------|------------------------------------|-------------------|----------------------------------|
| Region                               | Number of MFIs | Total Borrowers   | Gross Loan Portfolio (millions \$) | Total Depositors  | Voluntary Deposits (millions \$) |
| East Asia and Pacific                | 107            | 10,460,926        | 4,737                              | 32,240,068        | 5,183                            |
| Central Asia and the Caucasus        | 102            | 925,842           | 1,149                              | 1,297,574         | 652                              |
| South Asia                           | 183            | 28,815,702        | 2,557                              | 16,601,385        | 466                              |
| <b>Total</b>                         | <b>392</b>     | <b>40,202,470</b> | <b>8,443</b>                       | <b>50,139,027</b> | <b>6,301</b>                     |

## COMMON PROBLEMS OF POOR

- Landlessness or limited access to land.
- Larger families, less education and higher rates of underemployment.
- Lack of basic amenities such as a safe water supplies, sanitation and electricity.
- limited access to credit, equipment and technology
- Lack of market information, business and negotiating experience and collective organizations
- Possible solution???

## OVERVIEW OF THE MICROFINANCE SECTOR

- India is among the largest in the world with 75 mn poor households
- Total microfinance borrowers 36.8 mn
- Total poor microfinance borrowers 16.4 mn
- Demand estimates of \$ 51.4 bn
- MFI & Bank linkage programme have collectively disbursed around \$ 3.7 bn

## OVERVIEW OF THE MICROFINANCE SECTOR

- The percentage share of institutional providers of credit : 57.1 % in rural India and 75.1 percent in urban areas.
- Of the non-institutional credit sources, moneylenders hold an alarmingly high share of 30 percent in the total indebtedness of rural households
- Recovery ratio for small loans above 95% & for Bigger Loans 75-80%

## SOME FACTS ABOUT RURAL SEGMENT

- Credit unions are the major source of financial transactions in Rural India
- Major portion of the loans provided by Credit societies are for the poor segment
- Repayment rate for the small amounts provided to poor segment is relatively higher than large loans provided to other segments
- For the e.g. in India we found that loans provided to small vegetable hawker for their business expansion are utilized well but due to draughts or heavy rains or because of no vegetables in main market due to strikes of transport they can't make business for some days. Because they are poor they can't afford the loss for even one day.
- The cases of non repayment are only because of natural calamities, improper linkage to market, and failures due to proper guidance

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# Exploring the Vacant or Underserved Niche Market – How does your Credit Union Grow?

## CREDIT SOCIETY LINKED MICRO FINANCE

- Credit societies can help to poor by promoting SHGs
- Provide financial assistance for the growth of Microentrepreneurs
- Advantages of lending to SHGs
  - ✓ Assurance of recovery due to joint liability
  - ✓ Less cost of analyzing customer before lending as SHGs contains members having homogeneous socio-economic condition
- Successful implementation of providing Microcredit to develop Microentrepreneurs out of SHGs

## CREDIT SOCIETY LINKED MICRO FINANCE

- Ichalkaranji (India) is having number of textile industries
- Potential to get business of garment steaching with the fabric provided by Shirting industry
- Promotion of SHG of spinning mill workers
- Training for garment steaching to 3 groups
- SHGs linked with garment factory for supply of fabric
- SHGs gathered under one roof for working



## CREDIT SOCIETY LINKED MICRO FINANCE

- Microsaving of  $3\$ \times 20 \text{ members} \times 12\text{m} = 720\$$  per year
- SHGs financed with 120\$ per member for purchasing machinery & raw material
- The yearly loan repayment amount with interest  $= 120\$ (P) + 120\$ \times 24\% \times 1\text{year} = 148.8\$$
- Microinsurance subscription : 3 \$ Per year
- Micropension subscription : 3 \$ Per year

## RESULTS AFTER A YEAR

| Results for the individuals               | Income expenditure (\$) |
|---|-------------------------|
| Income from business (75 \$*12m)          | 900                     |
| Loan repaid with interest                 | 150                     |
| Common expenses contribution (3 \$*12m)   | 36                      |
| Microsaving subscription (3 \$* 12m)      | 36                      |
| Micropension subscription (3 \$*1year )   | 3                       |
| Microinsurance subscription (3 \$*1year ) | 3                       |
| Household expenses(Avg) 50 \$*12m)        | 600                     |
| Income in hand at the year end            | 72                      |

## RESULTS AFTER A YEAR

| Results for the SHGs                                | Income/expenditure(\$) |
|---|------------------------|
| Income from business (75 \$*12m*20members)          | 18000                  |
| Loan repaid with interest (150\$*20members)         | 3000                   |
| Common expenses contribution (3 \$*12m*20 members)  | 720                    |
| Microsaving subscription (3 \$*12m*20members)       | 720                    |
| Micropension subscription (3 \$*1year *20members)   | 60                     |
| Microinsurance subscription (3 \$*1year *20members) | 60                     |
| Household expenses(Avg) (50 \$*12m*20members)       | 12000                  |
| Income in hand at the year end (72\$*20members)     | 1440                   |

## RESULTS AFTER A YEAR

| Business for the Credit societies                    | Income /expenditure |
|--|---------------------|
| Microcredit (120\$*20 members*50 SHGs)               | 120000              |
| Loan repaid with interest (150\$*20 members*50 SHGs) | 150000              |
| Microsaving (36\$*20 members*50 SHGs)                | 36000               |
| Micropension subscription (3\$*20 members*50 SHGs)   | 3000                |
| Microinsurance subscription (3\$*20 members*50 SHGs) | 3000                |

## Exploring the Vacant or Underserved Niche Market – How does your Credit Union Grow?

### BENEFITS FROM SCHEME

- For SHG members:
  - ✓ BPL members become self sufficient
  - ✓ Income remaining after household expenses is used for better food, clothing and housing, education of children and
  - ✓ Investment in Capital Assets
- For the Credit Unions:
  - ✓ Lending to SHG with a little risk gives a higher interest from SHG
  - ✓ Deposits in bank will expand with the amounts deposited by the SHG
  - ✓ Further lending business in case of expansion/additional business
- For Garment factories :
  - ✓ No need for capital investment in steaching machines and workers
  - ✓ Work will be done in more affordable expenses

### APPLICABILITY FOR CREDIT SOCIETIES

- Credit societies in Konkan which is the major producer of mangos (India) have implemented the scheme for producing mango pulp
- Credit societies in Kolhapur where there are many small number of Jaggery producers they have been provided the equipments and raw material for producing Jaggery and paid average Rs. 3000 per month
- In Jalgaon equipments and work is provided for sorting out the groundnuts out of the land

### APPLICABILITY FOR CREDIT SOCIETIES

- Credit societies are backbone of financial transactions of rural poor & having direct contact with rural poor
- By promoting SHGs & Microentrepreneurs in such a way, Credit societies can get large number of customer base and will become rural point for that area
- Credit societies can take the accounting work of SHGs as well as individual members and provide integrated system of Database (GIS)
- With such use of technology Credit societies will become the gateway for tie up with foreign investors

THANK YOU