

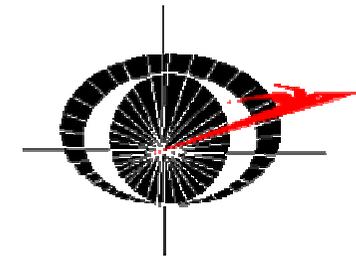


The Loan Cycle

Navnirman Samaj Vikas Kendra (NSVK), Mumbai, India

May 2007

UpLift *India Association*



Economic background

- India:

- More than 1 billion inhabitants
- An increasing economic growth

BUT

- Unequal development standards
- 240 million people live on less than \$1 per day.

- Mumbai:

- Economic capital of India
- A lot of inequalities on limited territory
- 17 million inhabitants in Greater Mumbai including 6.5 million slum dwellers.

- Microfinance: a more and more widely used tool:

- More and more local actors (NGOs, financial institutions, etc.) work in the microfinance branch.
- Micro credit and micro savings are outstanding tools to give millions of people excluded from traditional banking services access to financial services.

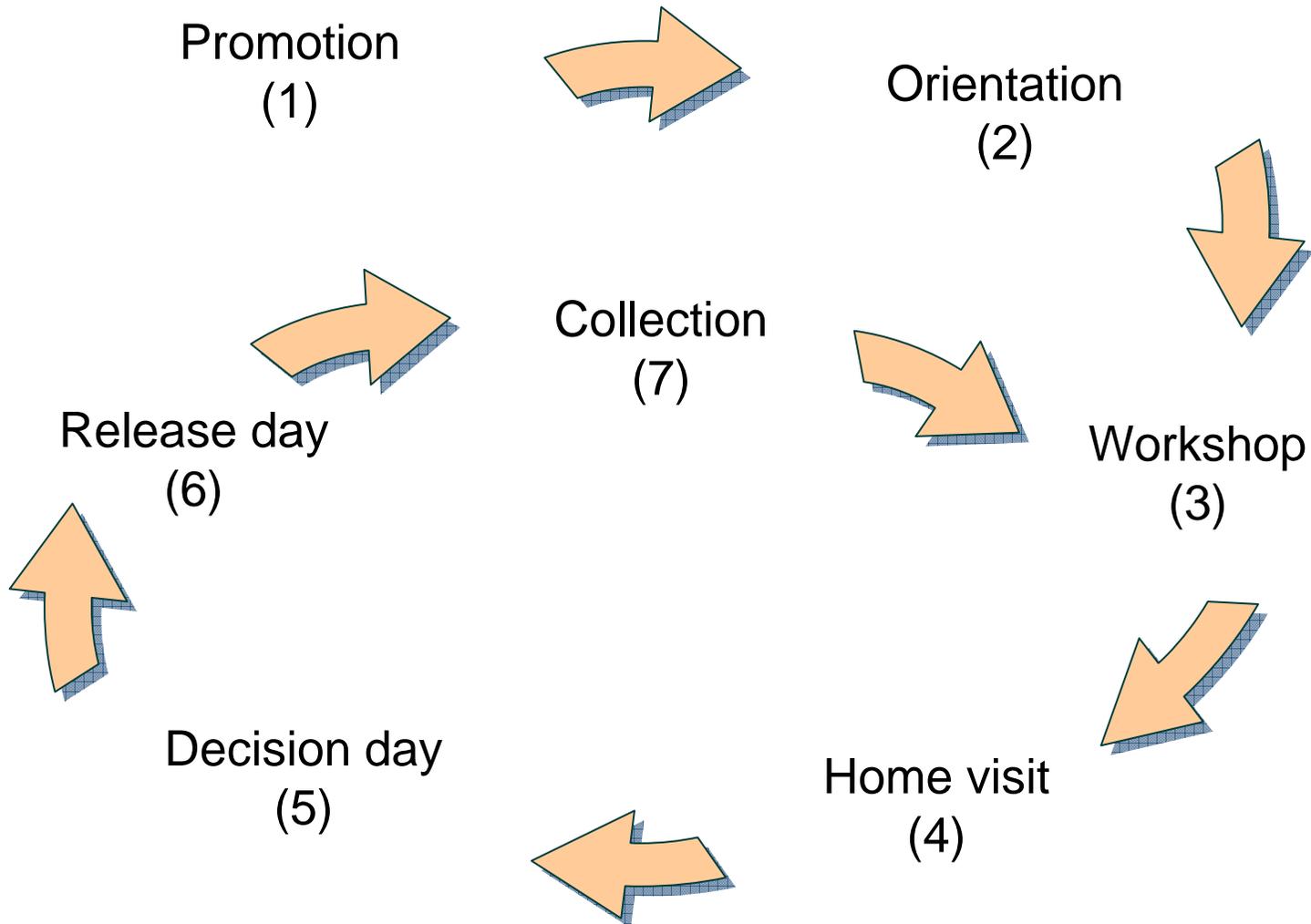
IGP : Income Generation Programme

- NSVK vision:
 - Act in the poorest areas (slums) of Northern Mumbai;
 - Work with the poor to help them to improve their standard of living;
 - Give top priority to the quality of programs by taking into account local needs.

- NSVK's programs:
 - Family Development Program (FDP);
 - Tuberculosis Control (TB);
 - Micro Finance, or Income Generation Program (IGP);
 - Trans-Gender Project (TG);
 - Early Childhood Development.

- IGP aims at:
 - Giving financial and technical support to women and men to make them able to start or set up a business;
 - Strengthening on a long-term basis beneficiaries' activity by providing micro savings, micro loan and training services.

The seven steps of the productive loan cycle



1. Promotion

On field visits to make people familiar with the scheme

- NSVK visit their targeted area to single out and inform potential partners among the most underprivileged families.
- Teams explain how IGP works and encourage them to attend the coming orientation meeting.



Collectors-motivators go from door to door and distribute leaflets in the slums

2. Orientation

Informing potential partners

- Branches in slums regularly organize orientation meetings to provide explicit information about the different services provided by the association and eligibility criteria to get a loan.



3. Workshop

explaining the loan process in detail

- People interested in a productive loan attend a workshop to get information about the loan cycle and take an appointment for a home visit.



- Partners who already got a loan attend a more detailed meeting called « successive workshop ».

3. Workshop

registering potential partners

- People who apply for a loan have to fill in a form. Criteria are the following:



- Having a project that generates income;
- Having a guarantor from the community;
- Having a ration card;
- Paying registration fees (Rs 20/-, i.e. € 0.35)

3. Workshop

training people

- Each person who attends this workshop is given a business training session.

Santosh presents the « main concepts of business »



4. Home visit

understanding the family background to adapt the service

A home visit aims at assessing the income, debts and needs of each family.

This meeting is the means to adapt the loan conditions to the real needs of the micro entrepreneur.



The impact assessment form is made out for each new loan.

It enables to :

- assess the degree of poverty level of the partner according to seven fundamental socio-economic criteria.
- ensure that the scheme does target the poorest.

5. Decision

getting involved together

- **A meeting between:**
 - the NSVK Supervisor;
 - the Branch Manager;
 - the potential partner;
 - the guarantor.



...to fix the loan amount and make sure that it will bring about real added value.

6. Release day *investing in mutual trust*



- NSVK lends the agreed amount of money that will be invested to launch or develop a micro enterprise;
- Amount of the first loan on average: Rs 3,000/- (€ 52/-)

7. Collection and support *ensuring a follow-up*



- Weekly or monthly reimbursement is made at the workplace. That enables to follow-up the business and to advise the partner on the way he runs his business.



Loan and savings conditions

- Interest rate: 2% per month
- Compulsory savings: 25% of the loan amount.
- Savings is a way to minimize exposure to extra risks such as epidemics, natural disasters, etc. Savings are remunerated 6% per annum. Thus, NSVK encourages its partners to save voluntarily.
- As an example, a Rs 1,000/- loan for one year, a partner will have to reimburse Rs 240/- interest and will have saved RS 250/-.



This woman is the first partner in her area. She has already paid off 6 loans and saved Rs 9,652/- .

The story of one partner as an example

- Pal Rakesh Bansraj is residing in Charkop since 1990. He was 19 years old when he settled there, directly coming his native place in Uttar-Pradesh (Northern India) He owns his own rickshaw that her drives himself 12 hours day.
- He lives in Charkop with his 22 years old wife and daughter (2 years old), his brother (18 years old), father (46) & mother (40). The whole family earns Rs 9,000/- on a monthly basis, Rs 5,000/- of which come from Rakesh's work.
- After a first loan from Navnirman of Rs 3,000/- taken on 20/05/2005 with which he repaired his vehicle, Rakesh saved Rs 750/- and took a second loan of Rs 5,000/- in November 2005. He ended up reimbursing that loan faster than forecast, hence gaining a substantial rebate on interests that added on to his savings (Rs 1,775/- at that time). Today Rakesh is applying for a third loan as he finds Navnirman's cost of capital very cheap...





Conclusion

- NSVK provides concrete development programs, consistent with Inter Aide's vision.
 - Since the beginning of the IGP (January 2000):
 - More than 10,000 loans were granted;
 - About 5,000 partners were provided with financial services.
 - Today:
 - More than 1,600 current partners;
 - More than 2,000 savers;
 - 250 training sessions per month.
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