

AN UNDERSTANDING ABOUT THE ROLE OF ESAF IN MAKING AVAILABLE MICROCREDIT TO WEAKER SECTIONS OF KERALA

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ABSTRACT

Micro credit has a major role in the social development especially the weaker sections of the society. There are so many organizations are offering micro credit facilities but most of them are not sufficiently reachable to the poor because of legal formalities. In such situations how Esaf plays a great role in the availability of micro credit is briefly discussed here.

Keywords: ESAF, MicroFinance, Financial literacy, Banking, Poverty, Loan

INTRODUCTION

Micro finance as a financial service innovation is fast emerging method of bettering the lot of the poor and the downtrodden. In fact, micro finance has become a subject of interest in the recent past especially in the context of reaching the poorest families in a more effective way. The banking system too has failed to deliver when it comes to meeting the needs of the weaker sections of the society especially the women. There is a need for an effective credit delivery mechanism which could ensure credit delivery in a sustainable manner.

ESAF Micro Finance and Investments Private Limited are engaged in the business of microfinance activities. It had taken over the Micro Finance business of Evangelical Social Action Forum (ESAF) as on 31st March, 2008. The main beneficiaries of the financial assistance given by the company are weaker sections of the society, mainly women who are organized into joint liability groups.

The liberalization and globalization policies of the Indian Government have opened up new vistas in the realm of credit delivery system in India. Microfinancing aims at improving the lot of the rural women by effectively organizing women to work for women. In India too efforts are being made to promote micro finance through various institutional setups and linkage approaches, strategies, alliances and partnerships. Micro finance program offers the surest ways by which to make best use of the scarce development funds to achieve the objectives of poverty alleviation.

Finance provided to benefit the low income women and men is called micro finance. Micro finance is not simply a banking activity; it is a development tool. According to the "High Powered Task Force on Micro Finance" set up by the NABARD, micro finance is defined 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 micro finance is on the poor in "Pre-micro enterprise" stages for building up their capacities to handle large resources.

Micro finance institutions 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 level and improve living standards.

MICRO FINANCIAL SERVICES

Micro financial services refer to the provision of financial services to low income clients including the self-employed. In the context of micro finance, financial services include savings as well as credit. It also includes insurance and payment services. In addition, Micro Financial Institutions also provide social intermediation services such as group formation, development of self-confidence and training in financial literacy and management capabilities among members of a group.

ESAF SMALL FINANCE BANK- HISTORY & COMPANY PROFILE

ESAF Micro Finance is one among the top ten Micro Finance companies in India. Over the last 24 years, the Company has assisted over two million families through loan disbursements of more than 66 billion. Currently, it has a membership base of over one million. The Company has an extensive distribution network of 264 branches, majority of them located in the rural areas. Based in Mannuthy, Thrissur, the registered office of the Company is located in Chennai.

The company was originally registered on 27th September 1996 at Chennai by name Pinnai Finance & Investments Private Limited and the present name was adopted in 2007 after take over by the Promoters of ESAF Society. The company is registered with Reserve Bank of India as a Non-Banking Financial Company-Non-Deposit taking (NBFC – ND) vide certificate No:B.-07-0062 dated 22 August, 2007. RBI had approved its conversion into a Non-Banking Financial Company – Micro Finance Institution NBFC-MFI with effect from 7th January 2014. It has about 285 branches spread over Kerala, Tamilnadu, Maharashtra, Chhattisgarh, Madhya Pradesh, Jharkhand, Bihar, Pondicherry, Karnataka and West Bengal.

The loan products of the Company include Income Generation Loan (IGL), General Loan, Home Improvement Loan, Jeevandhara Loan, Nirmal Loan, Grihajyothi Loan, Vidyajyothi Loan, Dairy Loan, Mobile Loans and Suryajyothi Loans. The Company is an aggregator for NPS Lite Scheme administered by the Pension Fund Regulatory and Development Authority of India (PFRDA). It got appointed as an aggregator for the Mahatma Gandhi Pravasi Suraksha Yojana (MGPS) as well. The Company has started business Correspondent Service during the year 2015-16.

The Reserve Bank of India vide letter dated 7th October 2015, has issued to the company an in-principle approval for setting up a Small Finance Bank, in accordance with Section 22 of the Banking Regulation Act, 1949. Accordingly the company has formed a subsidiary company on 5th May 2016 in the name of “ESAF Small Finance Bank Ltd”. The formal Inauguration of ESAF SFB was done on 17th March 2017 with the opening of 15 branches across the state.

NEED FOR MICRO FINANCE

The first and the foremost reason for making available micro financial services is the need to alleviate poverty. Poverty alleviation can be accomplished through the promotion of sustainable livelihood by providing easy and affordable access to credit and other complementary services required for promotion of livelihoods. Micro finance is considered as a potential instrument for combating poverty in a sustainable manner. Micro finance services are also needed to help harness the latest leadership and entrepreneurial abilities of the poor. Further micro financial services facilities enterprise developments and provide for large scale employment generation in remote rural areas where the poor can obtain employment opportunities through the micro finance system.

Micro financial services are essential stunts for the empowerment and the upliftment of women. This happens by mobilizing the women, organizing them into group building their capacity for self management at the grass root and enabling them to access wide ranges of services including credit savings, insurance and business development.

Micro financial services are needed to ensure effective credit delivery system. THE system seeks to ensure rational allocation of resources in the form of subsidized credit especially in rural areas. Micro financial services take care of the distribution of credit to the rural poor. Micro finance approach attempts to overcome the defects of the earlier approaches through sustained credit innovations, MFI s deftly balance the dual tasks of social and financial intermediation. An ideal micro finance system aims at balancing both social and financial intermediation, by ensuring credit access to poor people and yet making it its sustainable for the lending institution. The balancing between social intermediation and financial intermediation is necessary for overcoming the vulnerability imposed by continual reliance on subsidies by establishing a market based system that can operate on its own. Effective and sustainable micro financing system requires good social intermediation and prudent financial intermediation.

FINANCIAL PACKAGES OFFERED

Esaf Micro Banking provides a broad package of financial inclusion products and business development services to the socially and economically challenged. In Micro Banking all banking services are provided right at the customer's doorstep through group based models. Esaf give women priority when it comes to Micro banking activities, and it has over 1.20 million women enjoying the benefits of micro credit services currently. Esaf recently launched mobility banking in order to serve their customers faster & better. And also provide all customers under our Micro Banking scheme, a PM Jan Dhan account with Debit cum ATM card.

Income Generation Loan (IGL)

For customer who is to undertake any new or expanding lawful micro enterprise activity conducted by self or by family member

Business Loan

For customer who has already availed the Micro Banking service, and requires higher loan for their business

Ultra Poor Loan

Designed for rural areas where loan requirement is less than 10,000/- for undertaking any micro business.

NirmalJeevandhara Loan

Nirmal loan can be availed to meet the costs for construction of hygienic toilets with or without a septic tank. This will cover the cost of requisite material, construction and the cost of labor

VidyaJyothi Loan

For meeting the education expenses of sangam member's children; including tuition fee, sponsoring lap top's, and non-tuition fee.

Micro Energy

This is designed for accessing clean energy products like solar lamps, energy efficient cooking stoves, Water purifiers, etc. among members for better environment friendly life

General Loan

Loan provided for any purposes or for top up loan are broadly categorized under this loan

Table showing Micro Credit Package details in brief

Package	Size	Tenure	Type	Disbursement	Repayment Frequency	Age limit
Income Generation Loan	10000-100000	1-3 years	Unsecured	Through saving account	Weekly Fortnightly Monthly	18-65
Business Loan	Up to 25000	6-24 Months	Unsecured	Cashless disbursement	Weekly Fortnightly Monthly	18-70
Ultra Poor Loan	10000-100000	1-3 Years	Unsecured	Through saving account	Weekly Fortnightly Monthly	18-65
Nirmal Jeevandhara Loan	10000-100000	1-3 Years	Unsecured	Through saving account	Weekly Fortnightly Monthly	18-65

They provide a wide range of loans like micro housing loans & loans against property, business loans for entrepreneurs and 'Agri' loans to support farmers. Personal loans and micro financial loans are also provided by them to meet society needs.

SHARE CAPITAL STRENGTH OF ESAF DURING 2016-2017

The Bank has enhanced its Authorized Share Capital twice during the financial year 2016-17 as follows.

- i) The Authorized Capital was enhanced from `10 Lakhs to ` 110 Crores by the shareholders on 28th May 2016
- ii) The Authorized Capital was enhanced from `110 Crores to ` 350 Crores by the shareholders on 27th January 2017

The following allotments of shares were also made to the promoters of the bank during the financial year 2017.

- i) On 28th May 2016, the Bank has allotted 108900000 no of equity shares of the face value of `10 each on face value
- ii) On 03rd March 2017, the Bank has allotted 78817733 no of equity shares of the face value of `10 each at an overall premium of ` 11822670
- iii) On 10th March 2017, the Bank has allotted 58823529 no of equity shares of the face value of `10 each at an overall premium of ` 11764710
- iv) On 29th March 2017, the Bank has allotted 49019607 no of equity shares of the face value of `10 each at an overall premium of ` 9803930
- v) On 30th March 2017, the Bank has allotted 4901960 no of equity shares of the face value of `10 each at an overall premium of ` 980400 for consideration otherwise than in cash towards discharge of purchase

Consideration for the Business undertaking transferred to the Bank from M/s ESAF Microfinance and Investment Pvt Ltd.

CONCLUSION

They have designed appropriate loan products that meet the small credit needs of customers. They understood that financial support is inevitable for holistic development of the society. With social upliftment as the prime focus area, Esafs loan products are designed to cater to a multitude of customer segments.

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