



Swayam Krishi Sangam
Narayankhed Ultra Poor Graduation Pilot 2011
Total members: 307

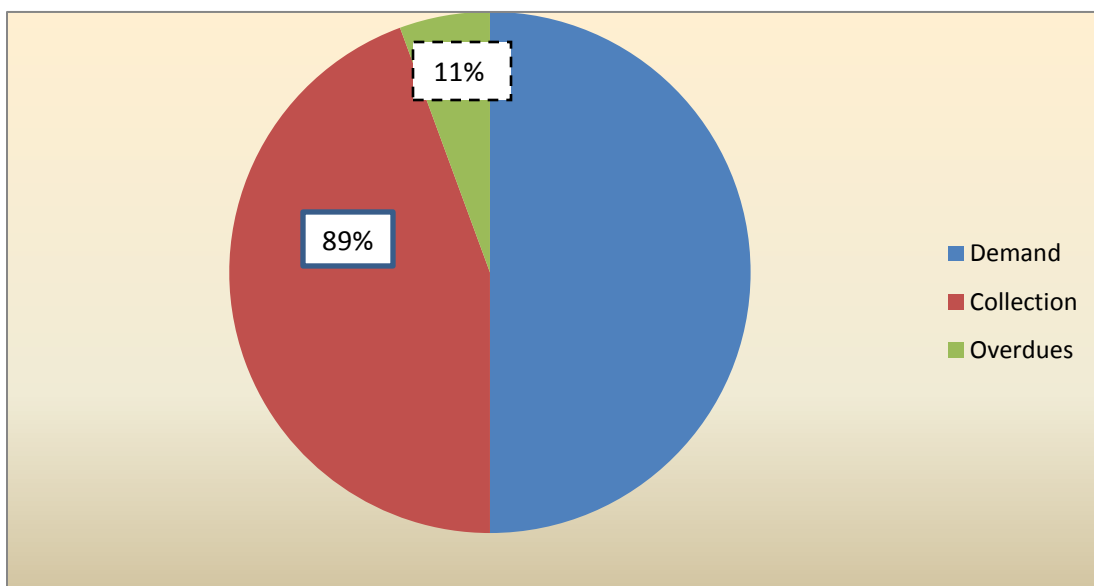
Training Loans and the Ultra Poor

Ultra Poor Program Narayankhed Pilot 2011-12- Training Loans INR Principle

Total members	Total Investment on Livelihoods assets	Training loan component (50%)	Demand	Collection	Over dues	Balance Amount
			As on 31.12.2012		%	
307	1791393	895696	200000	177570	22430 11.22	718126

Basic premise on which the Ultra Poor Graduation Pilots work is that the Ultra Poor are unreachable to main stream financial inclusion. The reasons being either they self select out of such programs due to lack of self confidence or fear of default or the service providers perceive them as credit risk. Unless this gap is bridged, a sustainable pathway out of poverty cannot be built.

SKS after working with 5000 ultra poor women headed households in various models and socio economic conditions, gained sufficient domain experience in holding ladders for the ultra poor to climb out of extreme poverty.



Graduation Investment of 150 US\$:

SKS has also commitment to cover as many families to graduate and India which is the home for highest no., of ultra poor families in the world, cannot afford billions of dollars for total Ultra Poor Graduation. An optimal investment of 150 US\$ is proved to be enough for transitioning a family out of extreme poverty. It is also necessary to probate the ultra poor into bankability to gain confidence of the bankers and MFIs.

Concept of Training Loan:

Training Loan is a frame work centering on Livelihoods Investment. Out of average 120 US\$ of livelihoods investment on first cycle, 50% of investment is converted into “ultra poor friendly” micro loan. (total investment in 2 year period is average 150US\$ including admin costs and other program components)

Main features of Training Loan and core values – It is ultra poor community friendly

- a. It bears no interest
- b. There are no punishment clauses for delinquency
- c. It has no definite repayment schedule and is flexible matching cash flows of household
- d. There are no legal binding over and only Ultra Poor Center decides about the recoveries
- e. It is a case by case approach very specific to particular ultra poor household
- f. It is well documented and accounted for to demonstrate before Bankers or MFI to gain their confidence for 2nd cycle of investment
- g. Training is imparted on repayments and book keepers are in place for transparent book keeping

Learning on Training Loans:

- a. Training loan is functional service product provided there is close follow up
- b. Economically active ultra poor can sustain and repay promptly
- c. Asset protection against all risks is very important rider for a sound Training Loan strategy
- d. Delinquency is found to be more in cases where asset is lost or member is chronically ill
- e. In the case of economically active ultra poor (fast climbers) cumulative savings amount is found to be more than the training loan amount
- f. For efficient Training Loan Operation, it is strongly recommended to operate Livelihoods Investment of all members as a corpus (Livelihoods Investment Bank) and disburse asset grant and training loan as per household Livelihoods Action Plan
- g. Training Loan component should be reflected in Livelihoods Action Plan invariably for every household
- h. Field Manager should play significant role in averting group conflicts due to delinquency and convince regular members about the situations under which a helpless member could not pay

- i. Scientific book keeping and tracking at Project level are very essential to share with potential Bankers and MFIs
- j. A flexible and considerate decisions are very essential as ultra poor are different loan material compared to normal or non poor members

Training Loan can reach twin objectives of cost optimization and bankability in ultra poor if worked on intensively and diligently.

Moreover asset care is good when Training Loan is in place as there is some responsibility fixed.

Risks:

Some members may opt out of program, perceiving that this is a micro finance loan with high interest and may trap them into indebtedness. Education about Training Loan product and its ultra poor friendly approach has to be ingrained strongly.