

MICRO FINANCE

– A Udyamita Vidyapeeth’s Experiment

The experience after training rural youth at Udyamita Vidyapeeth, Deendayal Research Institute’s Rural Entrepreneur Training Centre at Chitrakoot, showed that, after training, except for raw material based industries, no individual was able to set up need based industries due to a lack of funding.

To overcome this problem, Udyamita Vidyapeeth, drew out project proposals for the rural youth to have them avail of bank loans. However, none of the youth wanted the loans. They listed various difficulties, including the payment of interest, as the reason for their reluctance.

Udyamita Vidyapeeth realized that the funding requirements of a majority of the applicants were minor. From donations received by the Institute, Udyamita Vidyapeeth opened a bank account under the name ‘*Swavalamban*’, to advance interest free micro loans to those in need.

The methodology to ensure repayment and zero default was as follows:

1. Meeting in the village, attended by the villagers and *Samaj Shilpi Dampati* of a particular cluster, where the villagers themselves recommend the case of the candidate.
2. Where possible, the candidate contributes up to 50% of the capital requirement – his/her ability to raise capital is verified by the villagers themselves.
3. At the end of the meeting, a list of successful applicants are given a date to come to Udyamita Vidyapeeth to collect their cheques and complete other formalities.
4. During their visit to Udyamita Vidyapeeth, the candidates are welcomed, shown around the campus, fed lunch, explained where the funds have come from and also introduced to any senior DRI functionaries who are available. This is to give them a sense of belonging and togetherness, as opposed to the fear that they inherently have for funding institutions.
5. The candidates are photographed and made to sign a mortgage agreement on Rs. 10/- stamp paper that would be in force until the repayment of the total loan amount. The cheque is then handed over.
6. The *Samaj Shilpi Dampati* ensure that the shop/enterprise is started within 2 working days from the date of receipt of the cheque, and on the 3rd day, staff from Udyamita Vidyapeeth check that the loan has been properly utilized at the village itself.

Since its inception in May 2004, a total of Rs. 6,00,782.00 has been distributed to 207 beneficiaries. The loan recovery rate in clusters where *Samaj Shilpi Dampati* operates has been 100%. The loans have been made available to all – whether educated or uneducated; young or old; man or woman; farmer or landless worker. The sole criterion was need.

The main impact of Udyamita Vidyapeeth enabling unemployed rural youth through micro finance has been to check migration to urban centres, and increase a demand for trainings of employment generating skills.