

**PARLIAMENTARY COMMITTEE ON SOCIAL JUSTICE AND
EMPOWERMENT**

The Functioning of Rashtriya Mahila Kosh

THREE HUNDRED AND TENTH REPORT

OVERVIEW

The Government of India established Rashtriya Mahila Kosh (RMK) in March 1993, a National Credit Fund for Women as an apex funding organisation based on the recommendations made by the National Commission for Self-employed Women in the Informal Sector. The Commission's report titled 'SHRAM SHAKTI' recommended innovations in the credit mechanism to assist poor women who were unfamiliar with the complexities of institutional finance and suggested setting up of an exclusive credit body for poor and self-employed women in recognition of their socio- economic realities.

The Rashtriya Mahila Kosh (RMK) aims for the **holistic development of women by training women Self Help Groups (SHG)/Joint Liability Groups (JLG) in financial management, project management, enterprise development, skill up-gradation, exposure visits**, and so on, it offers credit through intermediary microfinance organizations. It provides micro credit to women through **Intermediary Microfinance Organisations (IMOs)**.

The Report presented the examination of the working of the Rashtriya Mahila Kosh

OBJECTIVES OF RASHTRIYA MAHILA KOSH (RMK)

- To promote / undertake activities for the promotion of or to **provide credit as an instrument of socio-economic change** and development through the provision of a package of financial and social development services for the development of women;
- To promote **research, study, documentation and analysis of credit** and its management.

- To promote replication and **dissemination of successful credit extension** and management methodologies.

As of now, RMK financed **7.40 Lakh women beneficiaries**, covering 28 States in the country through nearly 1500 IMOs. Almost 57% women beneficiaries of the RMK loan recipients were from Southern States and remaining from the rest of the Country. To reach out to women in the Northern and North Eastern States of the Country, RMK has been undertaking **awareness drive to invite proposals** from IMOs belonging to these States.

Special Package for IMOs of North Eastern States:

- Organisation can apply after one year of registration.
- Margin only at 5% of the loan.
- Grace period on repayment is of 12 months
- Repayment period of loan enhanced to 5 years i.e. 60 months.
- NGO will be supported with 10% of loan as capacity building assistance.
- Second Class to and fro rail fare and where there is no rail link, cheaper class to and fro air fare, up to 2 members of NGO for execution of documents in Delhi.

Revised Loan Lending Guidelines for RMK

- Registration at NITI Aayog portal
- Details of end beneficiaries
- Introduction of Internal Risk Rating assessment
- Disbursement through direct benefit transfer (DBT)
- Loan amount: The maximum lending amount per individual beneficiary shall not exceed :
 - New Borrower: 60,000/-
 - Repeat Borrower: 1,00,000/- (existing plus new loan)
- Margin: The organization is required to contribute a margin of 10% of the loan to be
- availed from RMK
- Repayment: Monthly in place of Quarterly

- The rate of interest on loans availed by IMOs and also the on-lending rate to SHGs/beneficiaries as:
 - RMK to IMO - 6% p.a. on reducing balance
 - IMO to SHG/Beneficiary - any rate on or above 6% p.a. subject to a maximum ceiling of 10% p.a. to end-beneficiaries on reducing balance.

To get rid of delayed loan disbursement from IMOs, they should transfer the amount within 30 days to the end beneficiary once the amount is sanctioned by RMK. If the IMOs are not able to dispatch in the stipulated time, the penal interest is levied by RMK @2% per annum from 31 - 60 days and @6% per annum after that.

The National Institute of Public Cooperation and Child Development (NIPCCD), the Ministry of WCD's training organization, and RMK will collaborate to provide orientation and capacity-building training to IMOs and beneficiaries of RMK. As RMK conducts pre-sanction and post-sanction research, additional awareness training for SHGs will be periodically offered.

CONCERNS

- The **high rate of interest** resulting from individual account maintenance, supervision, and appraisal.
- **RMK's lack of branches** makes it challenging to track down and recover loans from beneficiaries.
- The RMKs work has **low reach in northern and northeastern states**.

There are some changes made in the default procedures for effective recovery of disbursement and recovery of the loan amounts such as, regular reminders, show cause notice and if no response /the borrower the IMO account is blacklisted and in chronic cases police complaints can be filed.

Pradhan Mantri Mudra Yojana (PMMY) Vs Rashtriya Mahila Kosh (RMK)

A comparative analysis of the PMMY and RMK sought that the PMMY beneficiaries visit bank branches and complete all documentation formalities to avail loan but RMK provides loans to the women beneficiaries at their door steps.

PMMY beneficiaries RoI are mostly above 10% and its compound interest. The Mudra scheme's objective is to provide loans to the non- corporate, non-farm, small and micro enterprises and The interest rates are different from one bank to another due to Marginal Cost of Lending Rate (MCLR). The RMK objective is to empower women socially and economically by providing them small loans RMK beneficiaries pay in Simple interest the RoI is minimum 6% - 10%.

An analysis of the impact study of the RMK was to be positive on the economic front i.e. increase in net income, savings of the beneficiaries and on the social front i.e. earning self-respect and participation in decision making in families.

OBSERVATIONS AND RECOMMENDATIONS OF THE COMMITTEE

- Uneven distribution of funds among the states (beneficiaries) needed to be addressed with the **formulation of strategies to extend RMK loans to the under-represented States**, so that the State-wise distribution of beneficiaries becomes more even and balanced.
- Urgent need for RMK to adopt a more proactive stance in order to ensure that the funds are effectively utilised and serve as a source of empowerment and advancement for the program's poor women beneficiaries.

RMK should hold discussions with banks to explore the feasibility of extending loans under RMK using banking networks for intended beneficiaries at **lowest possible interest rate**.

- Steps to **increase the operational efficiency of the IMOs** to ensure the RMK reach the maximum number of women.

- RMK responsibility extends more than extending loans they also impart training to their beneficiaries so, the committee suggested RMK to **tie up with Skill India Project to benefit the beneficiaries by raising their knowledge of finance**
- RMK should adopt a vigorous strategy to **mobilize resources from government, public and private donors** that would raise awareness about the aims and objectives of the RMK
- With outstanding loans pending with RMK, thus in this regard, the ministry should conduct **research for the failure of ventures and how to assist the beneficiaries in reviving their operations**. A suitable one time settlement should also be created by the ministry for qualifying instances in order to conclude their accounts with RMK.
- Steps to **popularise the scheme in rural areas** for the socio-economic empowerment of women and to arrange ‘loan mela’ in such areas to reach more people.
- The committee also suggested exploring the possibility of setting up **regional offices to better monitor the disbursement of loans** and the selection of beneficiaries.
- The Ministry should conduct an **impact study or assessment of the RMK to determine its effectiveness**, the degree to which the stated objectives have been achieved, and whether it has been able to connect with the intended beneficiaries across the nation. To suit the needs of the current, RMK should be changed to a non-banking financial institution and undergo any other necessary structural changes.