



STUDY ON BULK LOAN SCHEME OF KUDUMBASHREE

About

It is a report prepared as part of the peer to peer study program conducted in kudumbashree
state mission

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Analysis of the Bulk loan provided in Kudumbashree

Bulk Loan is one of the microfinance activities kudumbashree implements aiming at the 'financial empowerment of the NHG members and aiming at 'local economic development. Bulk Loan is given to Kudumbashree CDSs mainly by Kerala State Backward Classes Development Corporation Ltd (KSBCDC). The program aims at giving loans to the NHG members at lower interest rates and make them engaged in income-generating activities. A CDS would be given a Bulk Loan of up to Rs 2 crores. KSBCDC would charge 3.50 % as interest for this loan. The CDS would give this amount as a loan to the NHGs for starting enterprises or for various other activities. NHG would be given a maximum of Rs 5 lakhs as a loan from this. The CDSs charge interest up to 5 % from the NHGs.

36 months is the repayment tenure of the bulk loan. The NHGs which has 75% of its members from OBC/ minority communities would only be eligible for this loan. Other conditions for NHG s to avail of the loan are 1) There should be at least ten members in the NHG for availing the loan 2) The applicants should be of 18-55 years of age. When the NHGs repay the loan, the CDSs would get an interest amount. After paying the interest to KSBCDC, each CDS would get a small income of their own from this bulk loan lending process. Our CDSs coordinate the activities of providing bulk loan in their jurisdiction (local body level)

KSBCDC has been implementing the Micro Credit Scheme through Kudumbashree CDSs since 2009. Loan sanctioned to CDSs is distributed by them to their Neighbour Hood Groups (NHGs) and the NHGs intern gives loan to its members. As details up to beneficiary level have to be submitted for availing this loan and several eligibility conditions related with the thrift of the NHGs, Caste/Religion of the Members etc has to be satisfied, submission, as well as scrutiny of this loan, was a tedious process. To simplify the process, an online module was introduced by KSBCDC for application submission, evaluation, and loan sanctioning. This user-friendly module facilitates data entry by the CDSs themselves.

To date, 329 CDSs in Kerala have availed the facility of Bulk Loans. A total of Rs 323.53 crores is availed from KSBCDC as a bulk loan. Our CDS would have taken an average of Rs 1 crore as a loan. KSBCDC ensures the regular repayment of this loan. Through this Bulk Loan with nominal interest rates, it is possible to make the CDSs self-sustainable. Moreover, the financial empowerment of our NHG s is also happening in the process.

During the financial year 2019-20, various CDS in Kerala were provided with a Bulk Loan of Rs 93.01 crores. Compared to the previous years, our CDSs availed a higher volume of Bulk Loans during 2019-20. The total Bulk Loan availed by the CDSs in all the previous financial years (before 2019-20) together is Rs 230.52 crores.

Objectives of the Bulk Loan scheme

- To promote the comprehensive development of the Backward Classes and Minorities of Kerala by rendering assistance by way of loans and advances for establishing small enterprises in various sectors like agricultural & allied, small business, service, transport, artisans & handicrafts, etc.
- To promote schemes, establish institutions for the socio, economic and educational uplift of the members of Backward Classes of Kerala State.
- To assist Backward Classes and Minorities for the up-gradation of technical and entrepreneurial skills for efficient management.

Methodology of this study

The methodology used was the secondary research method of the documents related and interview method of CDS chairpersons and Kudumbashree officials.

Impact of the bulk loan scheme

1. The Bulk loan scheme is very useful for the CDS in revenue generation. It helps the CDS to find a source of income to provide special allowance to the CDS members.
2. It strengthens the CDS.
3. CDS can repay the amount taken as a bulk loan without any failure.

Suggestions

AS per the feedback from the respondents following suggestions were received.

1. There should be a monitoring system that helps the CDS to monitor the NHGs in repayment and efficiency. It will help the CDS to understand and inflow and outflow regarding the Bulk loan.
2. The beneficiaries of the bulk loan should be encouraged to use it for local economic development activities.
3. The bulk loan is given directly to NHGs. Instead, giving through ADS will empower the ADS and smoothen the monitoring effort by the CDS.