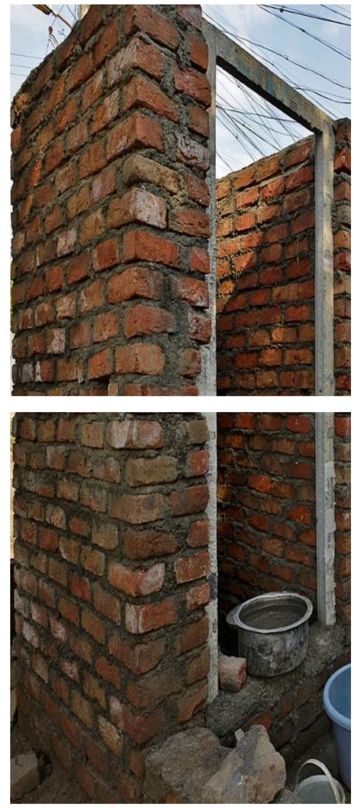

Enhancing the Supply of Sanitation Credit in Maharashtra:

Existing Arrangements and Emerging Options

August 2017

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Enhancing the Supply of Sanitation Credit in Maharashtra: Existing Arrangements and Emerging Options

Tara Nair

Gujarat Institute of Development Research

Ahmedabad

March 2018

Acknowledgements

The Swachh Bharat Mission has unlocked the latent demand for the toilets in urban areas in Maharashtra. Our studies in cities in Maharashtra suggest that for many families access to funds remain a constraint. One option to address this issue is to enable credit for households to ensure a demand based response and good quality toilet facilities. Access to such credit will also help sustainability by enabling households to carry out sanitation improvements over time. Access to such credit will also help to move towards universal access to individual household level toilets, and help reduce the high dependence on community toilets in urban Maharashtra. This will also contribute significantly to achieving the Sustainable Development Goals for sanitation.

This report focuses on assessing the possibility of enabling sanitation credit in urban areas in Maharashtra by a range of financial institutions. It provides an assessment of size/scale and performance of financial institutions, and the related institutional and regulatory framework for each FI type in general and in Maharashtra. It focuses on assessing their current and potential role in providing sanitation credit to households for building good quality toilets.

This report was prepared by Dr. Tara Nair, Professor at Gujarat Institute of Development Research (GIDR) for the Center for Water and Sanitation (C-WAS), CEPT University. She has used her vast experience in financing for the poor and the microfinance sector to highlight the possibilities for sanitation finance in urban Maharashtra. We hope the findings and suggestions will help to address this important aspect as we plan to move beyond the SBM in the coming years.

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From the Author

This study has provided me with an invaluable opportunity to explore and understand an otherwise neglected area – sanitation financing. My sincere thanks are due to Professors Meera Mehta and Dinesh Mehta for entrusting this study to me. Their passion and deep engagement with the issue of sanitation not only has steered my curiosity about sanitation financing, but helped me dig deeper into the processes and experiences around it. As I finish the report I realise that a lot more can be done to bring to policy focus the vast and varied approaches to funding sanitation attempted in small and big measure across the country by a multitude of agencies.

Dhruv Bhavsar has been of great support through the project. He meticulously and stoically managed the project with no signs of frustration of slipping deadlines and broken promises. He enthusiastically offered his help whenever I needed it. I am grateful to him.

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List of Acronyms

ALF	Area Level Federation
ANBC	Adjusted Net Bank Credit
BC	Business Correspondent
BF	Business Facilitator
BSBDA	Basic Saving Bank Deposit Account
CDS	Community Development Society
CLF	Cluster Level Federations
CMRC	Community Managed Resource Centres
CoC	Code of Conduct
CRAR	Capital to Risk (weighted) Assets Ratio
CRCS	Central Registrar of Cooperative Societies
CRR	Cash Reserve Ratio
CSP	Customer Service Points
DCCB	District Cooperative Development Bank
FPC	Fair Practices Code
FSWM	Financially Sound and Well Managed
JDY	Jan Dhan Yojana
JLG	Joint Liability Group
LAB	Local Area Bank
MAVIM	Mahila Arthik Vikas Mahamandal
MFI	Microfinance Institution
MFIN	Microfinance Institutions Network
MoHUPA	Ministry of Housing and Urban Poverty Alleviation

MoRD	Ministry of Rural Development
MSCS Act	Multi-State Co-operative Societies Act
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Finance Companies
NGO	Non-government Organisation
NHC	Neighbourhood Committee
NHG	Neighbourhood Group
NPA	Non-Performing Asset
NRLM	National Rural Livelihood Mission
NSCUB	Non-scheduled Urban Cooperative Bank
NSSO	National Sample Survey Office
NULM	National Urban Livelihood Mission
PACS	Primary Agriculture Credit Society
PCARDB	Primary Co-operative Agriculture and Rural Development Bank
PSL	Priority Sector Lending
RBI	Reserve Bank of India
RCS	Registrar of Cooperative Societies
RRB	Regional Rural Bank
SBA	Small Borrowal Account
SBLP	SHG-Bank Linkage Programme
SCARDB	State Co-operative Agriculture and Rural Development Bank
SCB	State Cooperative Bank
SCS Act	State Co-operative Societies Act
SCUB	Scheduled Urban Cooperative Bank

SFB	Small Finance Bank
SGSY	Swarnajayanti Gram Swarojgar Yojana
SHPI	Self Help Promoting Institution
SJSRY	Swarna Jayanti Shahari Rozgar Yojana
SLBC	State Level Bankers Committee
SLR	Statutory Liquidity Ratio
SRLM	State Rural Livelihood Mission
SRO	Self-Regulatory Organisation
TAFCUB	Task Force for Co-operative Urban Banks
UCB	Urban Cooperative Bank

Executive Summary

Purpose of the Report

How do the existing financial institutions – formal and quasi formal ones - address the demand for sanitation credit? Are there any specific reasons why they do not/ cannot cater to the need for financial resources of households that experience scarcity of funds while constructing toilets? How could the financial system be incentivised to provide credit to households for the purpose of constructing toilets and sanitation systems? This report maps the institutional architecture of credit provisioning in Maharashtra and its role in making loans available for households that wish to construct toilets. It also explores the barriers to sanitation lending by formal, quasi formal and informal credit institutions and the ways to address them. The report is based on a detailed review of the existing data and literature as also expert opinions gathered through personal consultations with a cross section of functionaries linked to the Swachch Maharashtra Mission and the financial sector.

Institutional Architecture of Financial Services in Maharashtra

The financial institutional architecture of Maharashtra consists of scheduled commercial banks in both public and private sectors (including regional rural banks and local area banks), cooperative banks and societies, and microfinance institutions (MFIs). A new category of banks – small finance banks (SFB) - was added to the existing structure in 2015.

As of end March 2017, Maharashtra's banking infrastructure consists of 12,392 scheduled commercial bank offices. Nationalised banks, including the State Bank and affiliates constitute 70 per cent of all the branches and 60 per cent of banking business. Metro branches contribute 86 per cent of the deposit and 92 per cent of the credit at the state level.

A notable aspect about banking in the state is the significant inter-district variation in the development of banking infrastructure. Mumbai alone accounts for 71 per cent of the state's banking business, while Mumbai, Pune and Thane together account for close to 85 per cent. Banking infrastructure is relatively underdeveloped in Vidarbha and Marathwada regions.

As of March 2017 there are 13236 sub-service areas (SSAs) in Maharashtra, of which 11940 are covered by business correspondents (BCs) or bank mitras (BMs). The words BC network in the state covers 90 per cent of the relatively smaller villages. There is no consolidated data available at the banking system level on urban BMs. A few banks provide data by location. Thus in the case of Bank of Baroda, of the 652 BCs appointed working Maharashtra, 23 per cent are in of urban and 21 per cent in metro areas.

Maharashtra accounts for about a third of all urban cooperative banks (UCBs) in India. The non-scheduled urban banks (NSUBs), the dominant form of UCBs are also mostly present in the state, followed remotely by Gujarat. The overall growth of UCBs was the most spectacular during the 1990s. There are 510 UCBs in Maharashtra as of May 2017, a fifth of whom are under liquidation. NSCUBs form 84 per cent of these (459), and the scheduled urban cooperatives (SUCBs), the rest (42). The state's share in NSUCBs is 30 per cent, whereas it has 78 per cent share in SUCBs. There are 25 Mahila (women's) cooperative banks in Maharashtra. The district-wise distribution of UCBs shows that Mumbai tops the list with 65 banks, followed by Pune with 55 UCBs. There are 13,586 are urban co-operative credit societies and 6,711 are salary earners' co-operative credit societies in the state as on 31st March 2016.

There are two channels of microfinancing in the state– one, the SHGs linked to banks for savings and credit, and two, the microfinance agencies including the non-banking finance companies (NBFC)-Microfinance and NGO-MFIs. Maharashtra is home to 885,420 SHGs that have bank savings worth Rs. 11.34 billion. The average loan outstanding per SHG in 2016-17 is Rs. 103,711. Assuming an average group size of 12 the loan outstanding per member works out to be only Rs. 8640. Scheduled commercial banks play a dominant role in SHG linkage. While accounting for 48 per cent of savings mobilization, their share in loan outstanding is about 72 per cent as of March 2017. The private sector banks lead the commercial banking sector in terms of loan outstanding and public sector banks, in terms of savings mobilization.

The performance of bank linkage in Maharashtra with respect to lending to SHGs has been modest compared to some of the progressive states in recent years. As of March 2017 only a fourth of SHGs had any loan outstanding, whereas such SHGs form 88.5 per cent in Andhra Pradesh, 82.5 per cent in Bihar and 51 per cent in Odisha.

SHGs are being promoted in urban Maharashtra under the National Urban Livelihoods programme (NULM) in 259 statutory towns in Maharashtra. The progress under the mission has not been very impressive over the years 2014-17. Only 58 per cent of the targeted number of SHGs could be formed during this period. With the urban local governments beginning to streamline the implementation of NULM, the pace of social mobilization of urban poor into SHGs is likely to accelerate. The Mission covers 213 towns in the state as of February 2016.

Among the self help promoting institutions (SHPI) the Mahila Arthik Vikas Mahamandal (MAVIM), the women's empowerment agency of the state, is the largest and the most visible. It has promoted about 69000 SHGs and linked them to ICICI bank, SBI, IDBI, Dena Bank etc. A few large non-profit development organizations like Dhan Foundation, BAIF, Nagarjuna Charitable Trust and Ugam Foundation also work as SHPIs in rural Maharashtra.

The for-profit MFI sector in the state has grown substantially between 2012-13 and 2016-17 on all parameters. The increase in gross loan portfolio and amount of annual loan disbursals has been very high compared to branch and employee growth rates. Estimates show that 47 percent of poor households in the state had taken credit from microfinance firms.

Institutional Lending for Sanitation: Prospect and Status

Commercial and Cooperative Banks

Priority sector lending (PSL) is the chief instrumentality through which the commercial and cooperative banking system can serve a need like sanitation. In April 2015 a new priority target– social infrastructure - was added to the list. Bank loans up to a limit of Rs. 50 million per borrower for building social infrastructure (for activities namely schools, health care facilities, drinking water facilities and sanitation facilities) in Tier II to Tier VI centres are eligible for classification under priority sector. This includes loans for construction/ refurbishment of toilets and improvement in water facilities in households too. Bank credit to Micro Finance Institutions (MFI) extended for on-lending to individuals/ members of SHGs/ JLGs for water and sanitation facilities is also eligible for classification as priority sector loans under 'social infrastructure' subject to certain criteria regarding overall size of microfinance business of institutions, households' indebtedness, loan tenure and size. The limited data sourced from the agenda notes of State Level Bankers' Committee (SLBC), Maharashtra reveals that the banking system has not taken to social infrastructure in any significant way.

The granting of licenses to small finance banks seems a welcome development in the commercial banking space with respect to priority lending. The purpose of setting up SFBs is to further financial inclusion by catering to the saving and borrowing needs of the unserved and underserved sections of the population. Importantly, the SFBs have a much higher target of priority sector lending (the PS categories remaining the same) compared to commercial and cooperative banks - 75 per cent for of ANBC.

The new private sector universal bank, IDFC Bank and Bandhan Bank have also taken up sanitation lending. Especially, the IDFC Bank has started such lending on an ambitious scale. Loans are made in two modes: one to individuals through retail outlets, and the other through JLGs by leveraging the BC network.

UCBs and Cooperatives

Social infrastructure does not figure in the list of eligible priority sector lending activities for UCBs. The data as of end March 2017 shows that almost half of the advances extended by UCBs fall under the priority sectors, of which 14 per cent are advances to weaker sections. Not many specific products to cater to the needs of economically weaker sections could be found in the elaborate portfolio of loans on offer from both scheduled and non-scheduled cooperative banks, but for some small scale, discrete efforts.

The Commissioner of Cooperatives have authorised all non-agricultural/urban/employee credit cooperative societies to offer sanitation loans to their members and employees. But the message does not seem to have reached most of the societies. There are however some small and fragmented efforts made by some societies.

SHGs and Federations

There are also a few instances of rural SHGs leveraging funds directly from banks to be lent to its members for building toilets. Such experiments are yet to be institutionalized in the urban SHG-bank linkage arrangement mainly due to the gap in policy guidelines. Unlike in the case of Swachh Bharat Mission (SBM) (Rural) guidelines that clearly underscore the potential role of SHGs as micro financing units for sanitation infrastructure, no specific emphasis has been laid in SBM (Urban) on collectives as channels of credit support for households. In these guidelines SHGs are seen more as instruments for promoting community engagement and operation and maintenance of toilets.

The state has of late witnessed the working of some scalable sanitation financing models like that of the Dhan Foundation, which is founded on intensive demand generation through community institutions like SHGs and federations as also robust partnerships with banks and government departments.

MFIs

Water and sanitation loan emerged as an important micro lending product in the late 2000s thanks mainly to the social performance advocacy. The largest WatSan microfinance initiative in India is the WaterCredit programme that was introduced by Water.org in 2008. The programme works through MFI-NGO partnerships, wherein the NGO mobilises demand and provides technical support, while the MFI sources capital and extends loans at market rates. Along with the number of MFI partners of the programme, the number of loans extended for the purpose of construction or upgradation of toilets and the amount of loans increased impressively over the period 2013-17, though not in steady manner.

Mainstreaming Sanitation Credit: Challenges and Recommendations

Sanitation Credit: Major Challenges

1. The importance of a financing arrangement is not recognized in NULM guidelines.
2. Sanitation lending still has considerable ambiguity as a viable financial product.
3. Banks are not incentivized to offer toilet construction loans to individuals as there is no policy
4. Assurance that the subsidy amount will be transferred to the beneficiary accounts with them. The subsidy acts as a minimum guarantee of repayment of loan, which does not generate any income for the beneficiary thus increasing the lending risk.
5. New banking institutions like SFBs may not take to sanitation lending easily in the initial years as they have to drive profits to make the banks viable within the stipulated time frame. They may rather explore more lucrative avenues like MSME lending.
6. In Maharashtra, despite the impressive growth over time, lending to SHGs has not kept pace with savings mobilization. Banks seem to have been keen on savings linkage, while credit linkage has been lagging seriously.
7. The average SHG loan sizes are still very small and the ability of groups to experiment and innovate very limited. Repayment is not as high as other loans.
8. Urban cooperative banks have moved closer towards their commercial counter-parts in terms of institutional mandate, financial products and processes. They do not consider sanitation loans as productive and viable.
9. The urban credit societies have not been properly integrated within the SMM.
10. MFIs are inclined to lend for productive livelihood activities unless motivated through mobilization and technical subsidies.
11. MFIs face several constraints in managing sanitation and water portfolio such as lack of adequate access to capital, resource intensive demand mobilisation processes, high operational costs, and low revenues due to small sizes and non-recurring nature
12. Banks have not been very responsive to the demands of a handful of MFIs who wished to enter the space, along with capacity building and technical inputs.
13. Sanitation lending with high cost private investment funds would make sanitation loans costly and unaffordable to borrowers.

Key Recommendations

1. The priority sector option can be used by both commercial and cooperative banks to finance toilet construction by individual households who can also avail the subsidy offered by the state/ULB. The commercial banks can extend such loans directly to households under social infrastructure provision of PSA. As for the cooperative banks, they can make use of the provision available under weaker sections. Given that banks have not made much progress in social infrastructure lending, prescription of a sub-target for sanitation would be useful.
2. Banks will be incentivized to offer toilet construction loans to individuals only if there is a policy assurance that the loan is linked to the subsidy due to the beneficiary. This can be done through a system of credit-linked capital subsidy scheme (CLCSS) similar to what is offered in the case of EWS housing or micro and small industry lending. An appropriately designed CLCSS can reduce the interest burden on borrowers and lending risk of finance providers. Commercial and

cooperative banks, SFBs and housing finance institutions need to be brought together on a platform to share best practice cases with respect to CLCSS.

3. The other plausible option is to set up a refinance corpus for a stipulated time period to help banks extend loans without much anxiety.
4. NULM already provides interest subsidy (7%) to enterprise activities and a further interest subvention (3%) to women SHGs. This can be extended to sanitation too.
5. Small Finance Banks, given their predominant focus on financial inclusion, can have a clearly specified sub-target for sanitation. Given the microfinance background of most of the SFBs, they can be motivated to focus on sanitation lending leveraging their strength in micro-lending. However, SFBs may explore more lucrative avenues like MSME lending in the initial years as they have to drive profits to make the banks viable within the stipulated time frame.
6. SHGs can build a strong demand for bulk loans through the bank linkage scheme by leveraging priority sector funds under social infrastructure available with commercial banks here they have accounts. SHGs are also eligible to apply to cooperative banks too for loans under the weaker sections target, which can be on-lent to needy members. Effective demand system has to be created at the level of SHGs. They may proactively integrate the issue of sanitation as part of their larger agenda of improving the health status of the local society.
7. SHG federations at the city/area level proposed under NULM may be used to generate demand on scale and to manage a sanitation revolving fund.
8. UCBs may be motivated to explore possibilities of designing products appropriate for households in need of toilets.
9. Awareness creation at the society level is the first step towards motivating the cooperative system to introduce sanitation loan.
10. Commitment to promoting sanitation loans can be incorporated as an element in the auditing of cooperatives. The other plausible option is to set up a refinance corpus to help banks extend loans without much anxiety. The potential role of urban cooperative credit societies in sanitation lending needs to be recognized in the policy circles. Commitment to promoting sanitation loans can be incorporated as an element in the auditing of cooperatives. The other plausible option is to set up a refinance corpus to help banks extend loans without much anxiety. The potential role of urban cooperative credit societies in sanitation lending needs to be recognized in the policy circles. The communication regarding sanitation lending issued by the Commissioner of Cooperatives should reach all levels. Moreover, subsidy amount can be channelled to committed societies so that their risk perception will be minimized. Provision of sanitation credit may be added as an audit criterion.
11. MFIs can address the demand for sanitation loan by designing affordable loans products within the lending norms stipulated by RBI. They can also potentially leverage social infrastructure loans under PSA. Sanitation loan is an appropriate product for promotion under MFI-bank partnerships. Such partnerships can be structured selectively for regions with a high demand for sanitation loans.

**Enhancing the Supply of Sanitation Credit in Maharashtra:
Existing Arrangements and Emerging Options**

Introduction

Credit has figured a critical issue in market-based approaches towards enhancing access to hygienic sanitation. Banks, cooperatives, savings and credit groups and, increasingly, microfinance institutions have all been considered as channels to make credit available to those without adequate financial resources to construct sanitation infrastructure, including toilets. In fact with public sector banks progressively moving away from social lending, more private participation has been observed in financing of sanitation. Participation of the private investors in delivering sanitation services, however, needs to be amply supported by resources and a regulatory environment that is responsive and transparent. Also needed are institutional arrangements that foster collaborative strategies involving multiple partners with distinct resources and capabilities.

A recent study done by the CEPT University in six urban locations of Maharashtra has identified lack of financial resources as the predominant barrier to construction of private toilets even when the government provides subsidy for the purpose. Noticeably, it was observed that all the respondents who have proactively made use of the government subsidy to construct toilets had to face shortage of funds. They managed to bridge the gap between cost of construction and subsidy received mainly by drawing down personal savings, though some of them borrowed moneyfrom friends and relatives. Of these households less than five per cent could avail bank loans or loans from self-help groups (SHGs) or microfinance institutions (MFIs). However, more than 90 per cent of the households reported that they had bank accounts. Lack of funds was found to be the main factor that influences the decision of a section of the households to not to build toilets, andnot even avail government subsidy. These households have lower incomes and savings, which constrain their ability to mobilize financial resources on a personal level.

Who are the existing institutional players – the formal and quasi-formal ones - that can play a role in making sanitation credit available to the poor and low income households? How do they actually address the demand for sanitation credit? Are there any specific reasons why they do not/ cannot cater to the need for financial resources of households that experience scarcity of funds while constructing toilets? What are the relevant policy provisions that can potentially guide financial institutions in lending for sanitation? How can the distinct players in the financial system be motivated to provide credit to households for the purpose of constructing toilets and sanitation systems? This report deals with such questions with the help of a detailed mapping of the financial institutional architecture in the state of Maharashtra. The report reviewsthe existing data and literature relating to growth and status of financial services in the state as also synthesises expert opinions gathered through personal consultations with a cross section of functionaries linked to the Swachch Maharashtra Mission and the financial sector.

The report is organized in the following manner. Section 1 maps the overall financial institutional architecture in Maharashtra. The section includes discussion on the reach and spread of scheduled commercial banks, cooperative credit institutions and microfinance arrangements. Section 2 specifically discusses the feasibility of addressing the demand for sanitation loan within the extant institutional arrangements and provisions. Some suggestions and recommendations for mainstreaming sanitation credit in the financial system of the country are provided in section 3.

1. OVERALL INSTITUTIONAL ARCHITECTURE

The financial institutional architecture of Maharashtra consists of scheduled commercial banks both in public and private sectors, cooperative banks and societies, and MFIs. A new category of banks – small finance banks (SFB) - was added to the existing structure in 2015. The Reserve Bank of India BI granted in-principle licenses to eight MFIs, one local area bank and a non-banking financial company to transform to SFBs[1]. SFBs, banking entities with a minimum paid-up equity capital of Rs. 100 crore, are expected to accelerate financial inclusion on both the deposit and credit sides, especially, credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities through high technology-low cost operations[2].There are also informal institutional channels like self-help groups and bank-appointed agent network of banking correspondents who have been introduced into the system with specific mandates at distinct junctures in the banking inclusion efforts. We will elaborate on each of these institutional layers in the ensuing discussion.

1.1 Scheduled Commercial Banks

Any commercial bank included in the second schedule of the RBI Act 1934 is considered a scheduled commercial bank (SCB). On the basis of ownership and nature of operation, five distinct groups of SCBs can be identified in India – (1) State Bank of India and its associates; (2) nationalised banks; (3) private sector banks; (4) foreign banks; and (5) regional rural banks (RRB). With the introduction of SFBs as scheduled banks, there are six groups SCBs now. The only non-scheduled type of commercial bank is local area bank (LAB).The structure of commercial banks is depicted in Figure 1.

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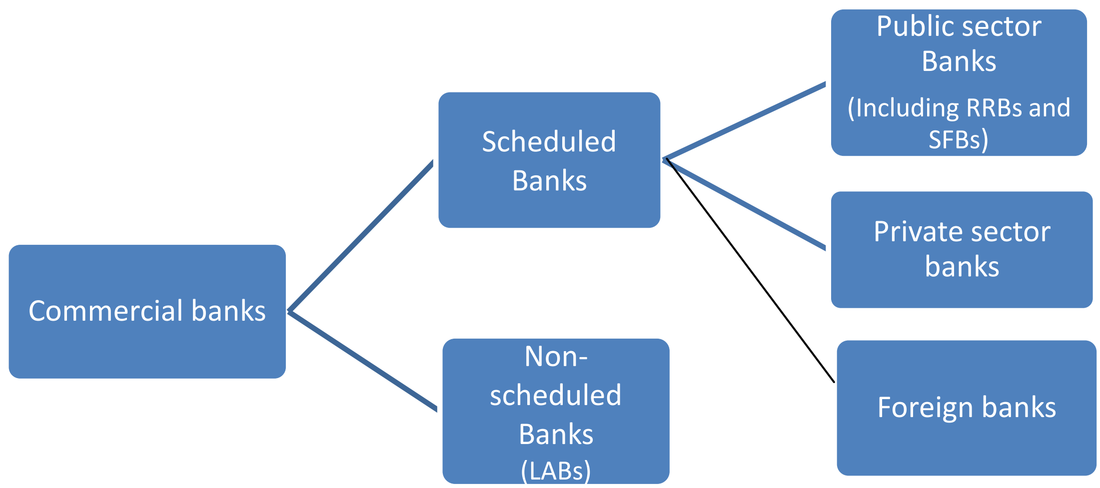
[1]These entities are Ujjivan Financial Services Pvt. Ltd, Janalakshmi Financial Services Pvt. Ltd., and Equitas Holdings Ltd, DishaMicrofin Pvt. Ltd, ESAF Microfinance and Investments Pvt. Ltd, RGVN (North East) Microfinance Ltd, Suryoday Micro Finance Pvt. Ltd, and Utkarsh Micro Finance Pvt. Ltd. (all MFIs), Au Financiers (India) Ltd. and Capital Local Area Bank Ltd. Capital LAB operates in five districts of Punjab, and Au Financiers is a non-banking financial company.

[2] https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/IEPR1090GLS1114.pdf

Figure 1: Structure of Commercial Banking in India



Note: RRB- Regional Rural Bank; LAB – Local Area Bank

As of end March 2017, Maharashtra's banking infrastructure consists of 12,392 scheduled commercial bank offices. Nationalised banks, including the State Bank and affiliates constitute 70 per cent of all the branches and 60 per cent of banking business (Table 1). As SFBs have started operations only recently, their status is not available.

Table 1: Network of Scheduled Commercial Banks in Maharashtra – March 2017

	As of March 2017					
	State Bank of India and affiliates	**Foreign Banks**	**Nationalised Banks**	**Regional Rural Banks**	**Private sector Banks**	**All Scheduled Commercial Banks**
No. of Offices Offices	2,056	92	6,767	727	2,750	12,392
No. of Deposit Accounts	41,929	1,242	92,209	6,570	45,002	186,951
Deposit Amount	2,892,239	2,150,916	9,687,423	107,109	7,117,423	21,955,109
No. of Credit Accounts	2,893	811	4,897	741	17,154	26,496
Amount Outstanding	3,759,839	1,683,645	9,784,252	77,942	7,967,827	23,273,506
No. of SBAs	1,945	566	3,295	673	13,811	20,290
Amount Outstanding -SBA	143,996	11,882	216,560	43,898	258,443	674,780

Source: Basic Statistical Returns of Scheduled Commercial Banks in India - March 2017, https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications

Maharashtra's share as of March 2017in deposits and credit of the entire banking system in the country was 20 per cent and 29 per cent respectively (Table 2). The business of metro branches in the state constitutes 37per cent of nation-widebusiness in such branches. Metro branches contribute 86 per cent of the deposit and 92 per cent of the credit at the state level. As for small borrowal accounts (SBAs) – accounts with credit limit of up to 200,000 held by individuals or entities having relatively small credit requirements), Maharashtra accounts for 16 per cent of number and 10 per cent of amount at the national level. 38 per cent of the SBAs are in metro branches.

Table 2: Status of Commercial Banking in Maharashtra - March 2016

	Rural	Urban	Semi-Urban	Metropolitan	All
No. of offices	3,026	2,791	1,426	5,149	12,392
Deposit - No. of Accounts ('000s)	32,650	41,305	20,707	92,289	186,951
Deposit - Amount (Rs. Billion)	638.11	1290.84	1190.64	18835.51	21955.11
Credit - No. of Accounts ('000)	3,236	3,672	1,773	17,814	26,496
Credit - Amount (Rs. Billion)	467.97	778.32	649.36	21377.86	23,273.51
SBA - No. of Accounts ('000)	2,750	2,802	1,207	13,531	20,290
SBA-Amount (Rs. Billion)	172.10	184.56	63.57	254.55	674.78
	Percentage in Share in All India				
	Rural	Semi urban	Urban	Metro	Total
No. of offices	6.29	7.36	5.57	18.59	8.89
Deposit - No. of Accounts ('000s)	5.40	7.64	6.52	25.32	10.23
Deposit - Amount (Rs. Million)	5.69	7.46	5.29	33.46	20.46
Credit - No. of Accounts ('000)	6.12	7.60	7.00	38.84	15.37
Credit - Amount (Rs. Million)	6.99	8.36	5.63	41.40	29.39
SBA - No. of Accounts ('000)	6.16	7.54	7.15	42.85	15.58
SBA-Amount (Rs. Million)	6.65	8.12	7.40	29.34	10.25

Source: RBI, *Basic Statistical Returns of Scheduled Commercial Banks in India - March 2017*
https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications

The other aspect about commercial banking in the state is the significant inter-district variation in the development of banking infrastructure (Table 3). Mumbai alone accounts for 71 per cent of the state's banking business, while Mumbai, Pune and Thane together account for close to 85 per cent. The share of Mumbaiis 18 per cent in terms of number of branches and that of Pune, 12 per cent. Mumbai is far ahead of other districts in the case of population outreach of banks too(Figure 2). Among the rest, the banking infrastructure is relatively better developed in the western Maharashtra (Kolhapur) and Konkan regions (Sindhudurg) and underdeveloped in

Vidarbha(Yvatmal, Gadchiroli, Washim) and Marathwada(Beed, Jalna, Parbhani, Nanded) regions.

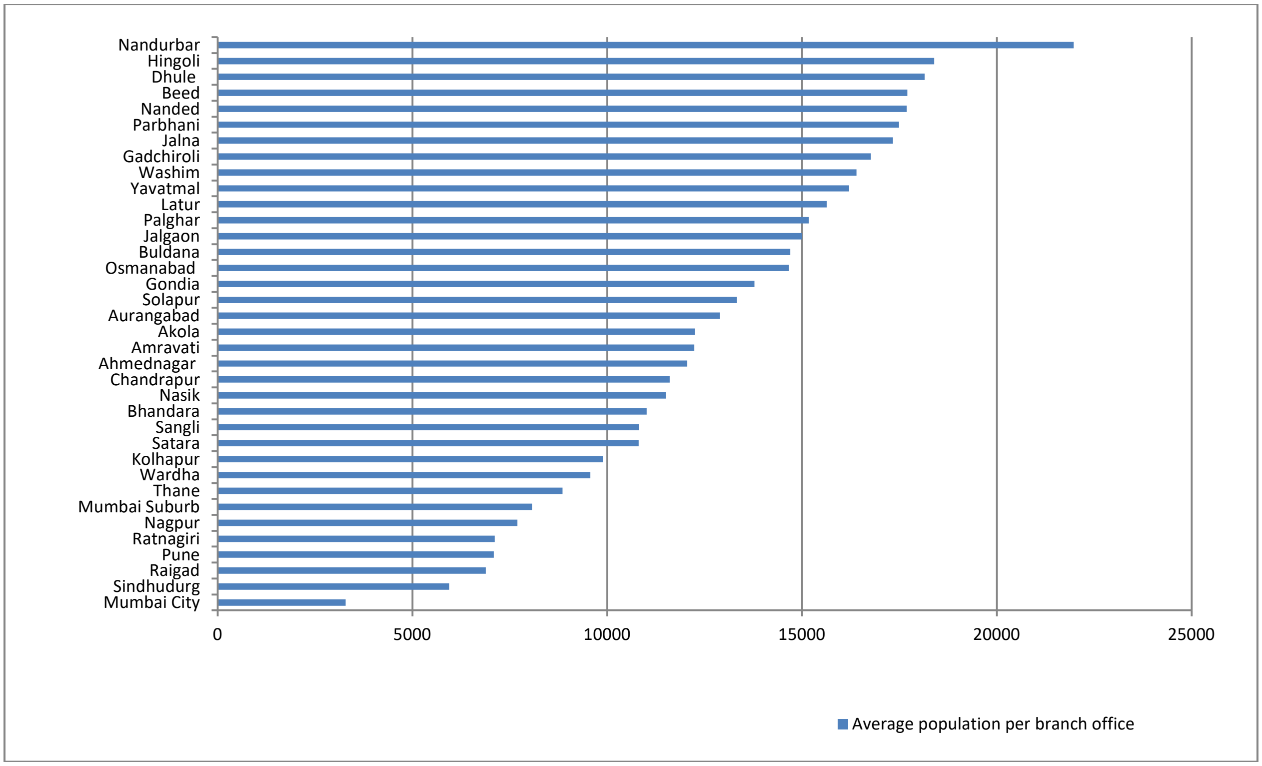
Table 3: Branch Network in Maharashtra

District	Rural	Semi-urban	Urban	Metro	Total	Deposits	Advances	CD Ratio	Average population per branch off
Mumbai City	1	3	2	934	940	772115	1041477	134.89	3282
Sindhudurg	95	48	0	0	143	4147	1794	43.26	5942
Raigad	201	120	58	4	383	27493	12691	46.16	6878
Pune	304	219	19	788	1330	169485	140643	82.98	7090
Ratnagiri	135	91	1	0	227	6752	5114	75.74	7115
Nagpur	143	90	33	339	605	55684	36573	65.68	7692
Mumbai Suburb	0	0	1	1158	1159	353626	241043	68.16	8073
Thane	82	100	424	306	912	111092	55277	49.76	8849
Wardha	65	44	27	0	136	4969	3259	65.59	9565
Kolhapur	160	102	130	0	392	16488	14040	85.15	9888
Satara	130	110	38	0	278	9929	6253	62.98	10805
Sangli	105	90	66	0	261	9731	7559	77.68	10813
Bhandara	55	50	4	0	109	3018	1176	38.97	11012
Nasik	189	149	42	151	531	29672	21620	72.86	11501
Chandrapur	87	66	37	0	190	7884	3097	39.28	11602
Ahmednagar	179	137	61	0	377	13741	13361	97.23	12051
Amravati	92	60	82	2	236	9002	5344	59.36	12239
Akola	51	43	54	0	148	5394	3260	60.44	12256
Aurangabad	93	57	137	0	287	15433	14865	96.32	12896
Solapur	130	96	96	2	324	12489	12320	98.65	13326
Gondia	55	15	26	0	96	2619	1190	45.44	13776
Osmanabad	52	58	3	0	113	3911	2458	62.85	14669
Buldana	80	82	14	0	176	6092	4277	70.21	14695
Jalgaon	108	107	67	0	282	10961	6656	60.72	15000
Palghar	64	95	37	1	197	8560	3168	37.01	15178
Latur	64	50	43	0	157	5420	4280	78.97	15632
Yavatmal	73	71	27	0	171	5082	3937	77.47	16213
Washim	32	40	1	0	73	1584	1291	81.5	16399
Gadchiroli	35	29	0	0	64	2334	685	29.35	16765
Jalna	49	33	31	0	113	3434	4613	134.33	17337
Parbhani	39	39	27	0	105	3130	7591	242.52	17487
Nanded	82	54	54	0	190	7625	6145	80.59	17691
Beed	75	48	22	1	146	5304	4237	79.88	17706
Dhule	48	29	36	0	113	5746	4253	74.02	18149
Hingoli	27	34	3	0	64	1368	1606	117.4	18396
Nandurbar	39	34	2	0	75	2885	1622	56.22	21977
All	3219	2493	1705	3686	11103	1714199	1698775	99.10	10121

Source: SLBC (December 2017).

Note: Based on the size of the population, a centre, where bank branch is located, is classified either into rural, semi-urban, urban, or metropolitan: (i) Rural: population less than 10,000; (ii) Semi-Urban: 10,000 and above and less than 1 lakh; (iii) Urban: 1 lakh and above and less than 10 lakh; (iv) Metropolitan: 10 lakh and above. https://rbidocs.rbi.org.in/rdocs/Content/PDFs/RBILIS130910.PDF

Figure 2: Population Outreach of Banks by District



Source: Same as Table 3.

1.1.1 Financial Inclusion and Agency Model of Banking

The financial inclusioninitiativelaunched in India since the mid-2000s have been anchored on the strategy of agency banking (branchless banking) to reduce the customer transaction costs as also the costs of building and maintenance of brick and mortar branches for the banking system. In 2006 RBI introduced the guidelines for appointing banking agents called Business Facilitators (BF) or Business Correspondents (BC).Scheduled commercial banks including RRBs and Local Area Banks (LABs) along with UCBs have since been permitted to use the services of intermediaries for increasing the outreach of the banking sector by providing financial and banking services as per RBI guidelines. Institutions and individuals[3]can enroll as BCs and undertake many of the activities that fall within the normal course of banking business including identification of borrowers, collection and preliminary processing of loan applications, creation of savings awareness, debt counseling, processing and submission of applications to banks, promotion and nurturing SHGs/JLGs, and monitoring and follow-up of repayment and recovery.Abusiness correspondent can be attached to one (dedicated agent) or more banks (not-dedicated agent). At the point of customer interface, a BC can also appoint a retail outlet or a sub-agent to represent banks. The BC network thus has two categories: individual BCs managed directly by banks and corporate BCs managed by intermediaries called BC network managers (BCNMs), and NGO-BCs. Bartronics, Vakrangee, Oxigen, Pay Point, Reliance, VFL, Spanco, Basix and Sangram are examples of corporate BCs in Maharashtra. There are close to 32 NGO BCs in the state as per the data furnished by NABARD Financial Services (NABFINS)[4].

As of March 2017 there are 543,472 BC outlets in villages in India as against 50,860 bank branches. BCs form 90per cent of the total rural banking outlets. Of these 80 per cent (438,070) are in villages with population less than 2000. BCs have opened 2054 million basic saving bank

[3]A range of potential BCs has been identified by RBI over the years such as NGOs, SHGs, MFIs (Societies/ Trusts, Section 25 Companies, and NBFCs), farmers clubs, cooperatives (MACS, single and multi state coops), community based organizations, IT enabled rural outlets of corporate entities, Post Offices, insurance agents, well functioning panchayats, village knowledge centres, agri clinics, agri business centres, Krishi Vigyan Kendras (KVK), and khadi and village industry units. Also retired bank employees/ teachers/ government employees and ex-servicemen, individual owners of kirana/medical / fair price shops, individuals who operate Public Call Offices (PCO) and Common Service Centres (CSCs), agents of small savings schemes of government of India/ insurance companies, individuals who own petrol pumps, authorized functionaries of well-run bank-linked SHGs etc. have been made eligible to be engaged as BCs. The RBI further expanded the scope of the agency model by including for-profit companies registered under the Indian Companies Act (1956) in 2010 and non-deposit taking NBFCs in 2014 in the list of eligible BCNMs. See, 'Financial Inclusion by Extension of Banking Services - Use of Business Facilitators and Correspondents', RBI/2005-06/331DBOD.No.BL.BC. 72/22.01.009/2005-2006, March 22, 2006; 'Financial Inclusion by Extension of Banking Services – Use ofBusiness Correspondents (BCs)', RBI/2010-11/217; DBOD.No.BL.BC.43 /22.01.009/2010-11; September 28, 2010; 'Financial Inclusion by Extension of Banking Services – Use of Business Correspondents', RBI/2013-14/ 653 DBOD.No.BAPD.BC.122 /22.01.009/2013-14, June 24, 2014. A list of NGOs who are registered as BC is Maharashtra is provided in Appendix Table 1.

[4]See Appendix Table 1 for a list of these BCs.

deposit accounts (BSBDAs) in 2016-17, whereas bank branches could open only 323 million. By end March 2017, 102,865 urban locations are also covered by BCs. Table 4 reveals that BC network in India grew phenomenally between 2009-10 and 2016-17, especially in relatively smaller villages.

Table 4: Growth and Spread of BCs in India

Indicators	End- March 2010	End- March 2017
Banking Outlets in Villages – Branches	33,378	50,860
Banking Outlets in Villages>2000-BCs	8,390	105,402
Banking Outlets in Villages<2000- BCs	25,784	438,070
Total Banking Outlets in Villages – BCs	34,174	543,472
Banking Outlets in Villages- Other Modes	142	3,761
Banking Outlets in Villages –Total	67,694	598,093
Urban Locations covered through BCs	447	102,865
BSBDA-Through branches (No. in million)	60	254
BSBDA-Through branches(Amt. in ₹ billion)	44	691
BSBDA-Through BCs (No. in million)	13	280
BSBDA-Through BCs (Amt. in ₹ billion)	11	285

Source: https://www.rbi.org.in/scripts/AnnualReportPublications.aspx?Id=1204

There are three technologies available currently – the card technology, kiosk banking technology and the cell phone messaging technology – for carrying out business transactions by BCs. In the case of the card based model, BCs use either smart cards (cards with a chip) or chip-less cards or plastic cards that work with biometric identification. The transactions can be either online or offline. Kiosk banking transactions are always done online – internet connectivity hence is very critical - with the help of a finger print capturing device supplied by banks. The cell phone messaging technology is not very prevalent in India. Some banks, for instance, the State Bank of India, demand exclusivity of BC outlets - called Customer Service Points (CSP) – in that they do not business for any other bank/financial institution. BCs are required to keep some security deposit with the appointing bank.

The Jan Dhan Yojana (JDY) guidelines prescribe that the service area of each bank needs to have at least one fixed point banking outlet catering to every 1000-1500 households (that could be a panchayat, part of a panchayat or a group of panchayats) constituting a sub-service area (SSA).

As of March 2017 there are 13236 SSAsin Maharashtra, of which 11940 are covered by BCs or bank mitras (SLBC, 2017). In other words BC network in the state covers 90 per cent of the relatively smaller villages (Table 5).

Table 5: Active Bank Mitras in Maharashtra as of March 2017

Type of Bank	No. of SSAs allotted to bank	SSAs covered by BM	SSAs covered branch	Active BMs	Rupay Card enabled devices	AEPS enabled devices
Public sector banks						
Bank of Maharashtra	2613	2554	59	2205	2337	2554
State Bank of India	2388	2360	28	2244	1055	2360
Bank of India	1551	1322	229	1064	1215	1322
Central Bank of India	1334	1090	244	881	1090	1090
Rest (17 banks)	3362	2745	617	2443	2099	2592
Regional Rural Bank						
Bank of India	699	608	91	426	608	608
Bank of Maharashtra	898	898	0	517	0	898
Private sector banks						
ICICI Bank	258	258	0	243	258	258
Others (4 banks)	133	105	28	104	68	103
All	**13236**	**11940**	**1296**	**10127**	**8730**	**11785**

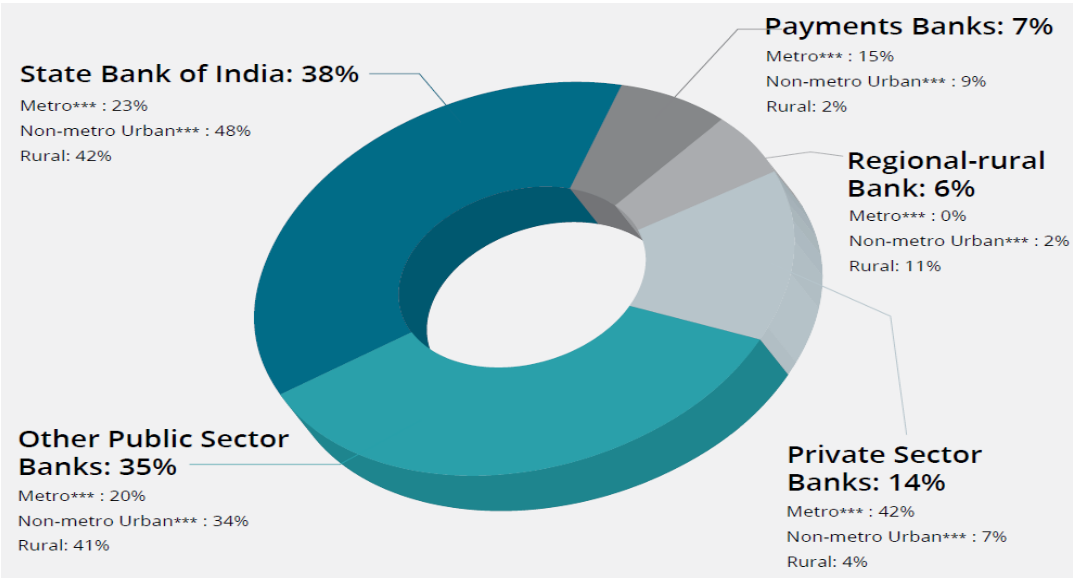
Source: SLBC (2017).
Notes: (1) A Sub-Services Area (SSA) has 1000-1500 households each, subject to local geographical and population variations. It could be a panchayat, part of a panchayat or a group of panchayats; (2) AEPS: Aadhar enabled payment system, which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through BCs of any bank using Aadhar authentication.

There is no consolidated data available at the banking system level on urban bank mitras. A few banks provide data by location. For instance, in the case of Bank of Baroda, of the 652 BCs appointed working Maharashtra, 23 per cent are in of urban and 21 per cent in metro areas[5]. The recently released India Country Report on Agent Network (Mehrotra et al., 2018) estimates that SBI has the largest share in agent presence overall (38%) and in non-metro urban areas (48%). For metro areas private sector banks has the largest agent presence (42 %). Other public

[5]https://www.bankofbaroda.com/writereaddata/images/pdf/bc-details-sept17-07122017.pdf

sector banks (34%)are second to SBI in non-metro urban areas. Private sector banks have very low presence in these areas (Figure 3).

Figure 3: Agent Presence in Metro, Urban and Rural Areas, 2017



Source: Mehrotra (2018).

The study further finds that a typical agent in non-metro urban areas offers seven services on average compared to two services that an agent offers in metros. Cash-in (82%) and cash-out (76%) dominate agent services followed domestic remittance services (71 %) and PMJDY account opening (61%). It is important to note that loan processing constitutes only 5 per cent of the agent transactions in 2017 (dropped from 7% in 2015). The low percentage of loan transactions indicates the huge untapped potential that exists with respect to purveying and monitoring of loans like sanitation loans through BMs.

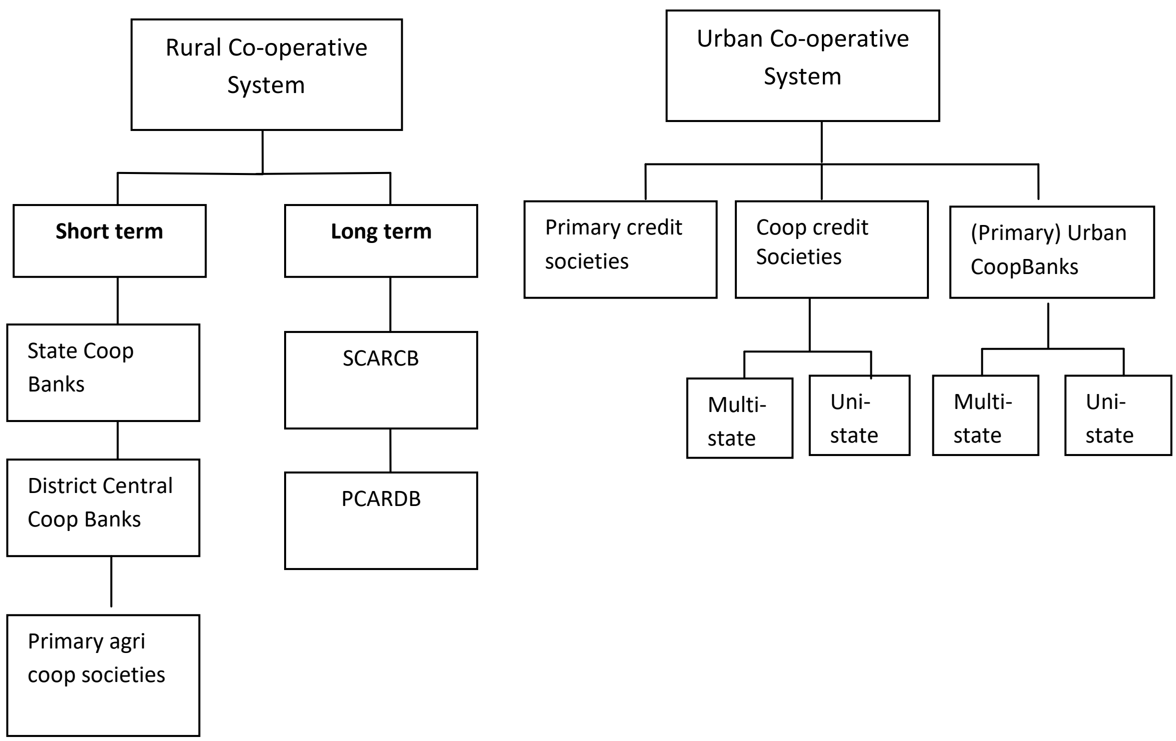
1.2 Urban Cooperative Credit Institutions

It is important to note that historically the state had played a pioneering role in the development of cooperatives in the country. Cooperative principles have been effectively applied in a range of sectors including agriculture, marketing, housing, irrigation and financial services in Maharashtra. The history of cooperative credit societies in the state goes back to the early 1900s. Following the enactment of the Cooperative Credit Societies Act, 1904, a series of societies were formed in the then Bombay Presidency such as the Pioneer Urban, Bombay (November 11, 1905), the Military Accounts Mutual Help Co-operative Credit Society, Pune (January 9, 1906), Cosmos, Pune (January 18, 1906) and Bombay Urban Co-operative Credit Society, Bombay (January 23, 1906).[6]

Since the 1950s, the cooperative credit institutions have grown significantly in both rural and urban areas, and developed into a multi-layered institutional structure. In the case of rural credit cooperatives there are separate institutions dealing with short term and long term credit. The short term credit institutions are three-tiered with the state cooperative bank (SCB) and district cooperative development banks (DCCB) and primary agriculture credit societies (PACS) forming the three tiers (Figure 4). As the names indicate, the DCCBs and StCBs are restricted to the District and State for the purpose of their banking operations (area of operation).This has restricted the geographical growth beyond the District for DCCBs and beyond State for SCBs The long term rural credit institutions operate under a two-tier system – the State Co-operative Agriculture and Rural Development Banks (SCARDB) and Primary Co-operative Agriculture and Rural Development Banks (PCARDB).

[6]'Brief History of Urban Cooperative Banks in India', https://www.rbi.org.in/scripts/ fun_urban.aspx

Figure 4: Institutional Structure of Credit Co-operatives in India



Within the urban cooperative credit system the Banking Regulation Act 1949 (As Applicable to Cooperative Societies or AACS) recognizes three types of institutions (RBI, 1999). These are (1) primary credit societies; (2) primary cooperative banks; and (3) cooperative credit societies. A primary credit society is a co-operative society, other than a primary agricultural credit society the primary object or principal business of which is the transaction of banking business, has the paid-up share capital and reserves less than Rs. One lakh and do not permit admission of any other co-operative society as a member as per its bye-laws. They are also outside the payment and deposit insurance systems. A co-operative credit society means a co-operative society the primary object of which is to provide financial accommodation to its members and includes a co-operative land mortgage bank[7].A primary co-operative bank is a primary co-operative

[7]Banking Laws (Application To Co-Operative Societies) Act, 1965, Number 23 of 1965, dated 25 September 1965.

society licensed by the RBI to carry out banking transactions subject to them fulfilling certain entry credit point norms as prescribed by it from time to time.

Unlike credit cooperative societies, UCBs' operations are governed by two different laws. While their banking functions including mobilization of deposits, granting of loans and advances and investments for the purpose of statutory liquidity are under the regulatory purview of the Banking Regulation Act 1949 (As Applicable to Cooperative Societies or AACS) and the supervision of the RBI since 1966, the non-banking functions are regulated and supervised by the Central Registrar of Cooperative Societies (CRCS) and Registrar of Cooperative Societies (RCS) as per the provisions the Multi-State Co-operative Societies (MSCS) Act, 2002 or the State Co-operative Societies (SCS) Act respectively (Table 6). The RBI notes in its Vision Document 2005[8] that duality of command is largely responsible for most of the difficulties in implementing regulatory measures with the required speed and urgency and impedes effective supervision.

Table 6: Division of Responsibilities of RBI and Cooperative Registrar in UCB Regulation

Reserve Bank of India	RCS/ CRCS
• Issue of licenses to start new banks and branches (under Section 22 of BRA, 1949) • Prescription of prudential norms relating to capital adequacy, income recognition, asset classification and provision, borrower exposure, sectoral exposure, loans and advances, investments, liquidity requirements	• Incorporation, registration, liquidation, amalgamation • Regulation of extent, conditions, and manner of making loans • Imposition of borrowing restrictions • Prescription of limit on interest chargeable

Urban credit societies including the urban cooperative banks can be uni-state or multi-state based on their geographical area of operation. The incorporation, regulation and liquidation of

[8] https://m.rbi.org.in/scripts/PublicationVisionDocuments.aspx?Id=437

single state cooperative credit societies not engaged in banking transactions[9]are governed by the cooperative laws relevant to different states. The state government and the state appointed Registrar of Co-operative Societies (RCS) are the main regulatory authorities for such societies. The co-operative societies with multi-state objects are governed by the Multi-State Co-operative Societies Act, 2002 with the Central Registrar of Cooperative Societies (CRCS) as the regulatory authority. Though these societies do not require RBI's license to undertake banking activities, the Banking Laws (Amendment) Act, 2012 permits the central bank to assume additional regulatory powers to withdraw freedom given to primary co-operative credit societies to operate as banks without its license.

It may be noted that the UCBs have no restrictions on geographical growth (RBI, 2011). The UCBs canexpand their area of operation through a resolution passed by the general body and getting the amended bye-laws registered with the respective registrars Registrar (state or central) and with prior permission from the RBI. However 'Financially Sound and Well Managed' (FSWM)[10] UCBs need not seek RBI's no objection for extension of their area of operation to the whole of the district of registration and to its adjoining districts. They can directly approach the RCS of the state concerned to effect this.

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[9]"Banking as defined in Section 5(a) of the Banking Regulation Act means accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise. Thus acceptance of deposit from the public is an essential feature of banking and if a society does not accept deposit from the public, it would not be engaged in the business of banking. Hence, societies not accepting public deposit would be outside the purview of the banking regulation Act. Zacharias (2005).

[10]Defined by RBI thus:
- (a) CRAR of not less than 10 per cent;
- (b) Gross NPA of less than 7 % and Net NPAs of not more than 3%;
- (c) Net profit for at least three out of the preceding four years subject to it not having incurred a net loss in the immediate preceding year.
- (d) No default in the maintenance of CRR / SLR during the preceding financial year;
- (e) Sound internal control system with at least two professional directors on the Board;
- (f) Full implementation of Core Banking Solution (CBS); and,
- (g) Track record of regulatory compliance and non-violation of RBI directives / guidelines during the previous two financial years.

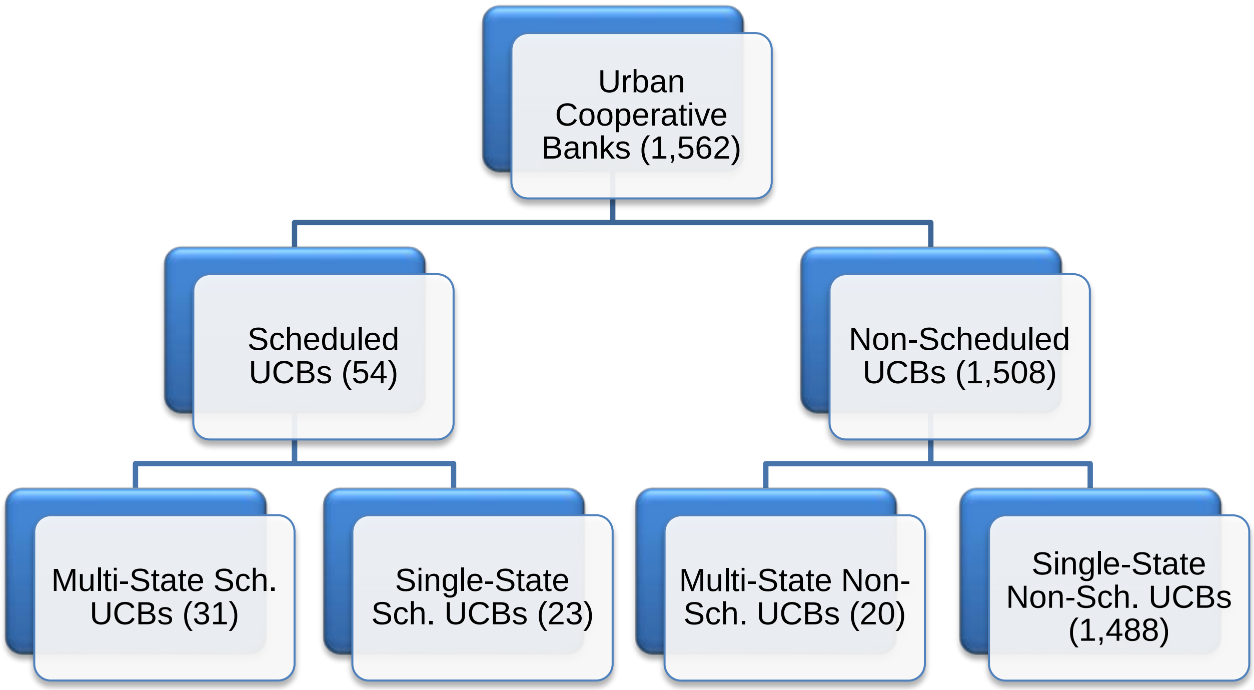
See *Master Circular on Area of Operation, Branch Authorisation Policy, Opening/Up-gradation of Extension Counters, ATMs and Shifting/Splitting/Closure of Offices*, RBI/2015-16/62; DCBR.LS.(PCB) MC.No.16/07.01.000/2015-16; dated July 1, 2015. Available at https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9864#13

1.2.1 Classification of UCBs

For banking regulatory purposes, UCBs are classified into scheduled and non-scheduled banks. The scheduled banks are those included in the Second Schedule of the Reserve Bank of India Act, 1934. It was only in 2013 that the RBI granted permission to UCBs to apply for inclusion in the Schedule[11] subject to their fulfilling certain financial criteria such as: (1) demand and time liabilities not less than Rs. 7.5 billion on a continuous basis for one year; (2) Capital to Risk (weighted) Assets Ratio (CRAR) of minimum 12%; (3) continuous net profit for the previous three years; (4) gross non-performing assets (NPAs) of 5% or less; 5) compliance with cash reserve ratio (CRR) / statutory liquidity ratio (SLR) requirements; and 6) no major regulatory and supervisory concerns. In other words, scheduled UCBs are relatively larger and financially better functioning compared to their non-scheduled counterparts. As of March 2017, 97 per cent of the UCBs in the country (1508 out of 1562) are of non-scheduled status, in that they have not been consistently profitable over the past years, have a relatively higher NPA and have some gaps in regulatory compliance.Majority of the NSUCBs are uni-state banks registered under the Cooperative Societies Acts relevant to specific states, while most of the SUCBs are registered under the Multi-state Cooperative Societies Act, 2002. A study conducted on behalf of the High Powered Committee on UCBs (RBI, 2015) report that while the scheduled banks aligned their business models with commercial banks and deploy larger part of their total loans in the largest loan size range of more than Rs. One crore, the non-scheduled banks cater to the small loan segments up to Rs. 10 lakh.

[11] Via Government of India notification F.No.3/42/2011-AC dated April 29, 2013, *Gazette of India*, dated May 04, 2013. Reproduced in RBI Circular RBI/2013-14/298 UBD CO BPD (PCB) No.20/16.05.000/2013-14, dated September 27, 2013, *Second Schedule to the Reserve Bank of India Act, 1934 – Norms for inclusion*.

Figure 5: Structure of UCBs in India (March 2017)



Source: https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4

1.2.2 Status of UCBs

Maharashtra accounts for about a third of all UCBs in India. The NSUBs, the dominant form of UCBS are also mostly present in the state, followed remotely by Gujarat.The overall growth of UCBs was the most spectacular during the 1990s. The momentum of growth lasted till the beginning of the 2000s. It may be noted that the central bank had followed liberal bank licensing policy during the 1990s with respect to UCBs. As per the Report of the Expert Committee on Licensing of New Urban Cooperative Banks (RBI, 2011), between May 1993 and June 2001, 823 licenses were granted by the RBI, about a third of which became unviable in a short time. Added to these was the stock market scam of 2001, which practically drowned a large multi-state cooperative bank, Madhavpura Mercantile Co-operative Bank, and affected several others in the state of Gujarat wiping significant portfolio off their balance sheets. These developments had repercussions in Maharashtra too. This necessitated RBI to adopt stricter stance on the legal and regulatory supervision and extended promotional activities focusing on financial health of UCBs and to stop issue of fresh licenses. State level Task Forces for Co-operative Urban Banks (TAFCUBs) were set up to ensure better coordination in monitoring of the financial health of the cooperative banking system and efficient regulatory oversight (Ibid).

As per the list furnished by RBI pertaining to May 2017, there are 510 UCBs in Maharashtra (Table 7). It may be noted that about a fifth of them are under liquidation (Government of Maharashtra, 2017). NSCUBs form 84 per cent of these (459) and SUCBs, the rest (42). The state's share in NSUCBs is 30 per cent, whereas it has 78 per cent share in SUCBs. There are 25 Mahila (women's) cooperative banks in Maharashtra (See Appendix Table 2).

The district-wise distribution of UCBs shows that Mumbai tops the list with 65 banks, followed by Pune with 55 UCBs. Mumbai is home for 16 out of the 42 SUCBs (38 per cent) and 49 out of a total 459 NSUCBs. Kolhapur and Nasik are also important centresofUCB presence, apart from Mumbai and Pune. In fact, western Maharashtra spanning the districts of Kolhapur, Pune, Satara, Sangli and Solapur is the strongest UCB belt in the state. The history of UCBs in this region is wedded to that of the success of sugar factories and other cooperative businesses. Vidarbha has the least number of UCBs across districts. Within this region Nagpur is the only exception with 16 UCBs.Marathwada too has few UCBs. In the case of Khandeshand Konkan, the UCB sector is clearly dominated by single districts – Nasik and Mumbai respectively.

The UCBs'totalbusiness in the state relative to commercial banks is about 17 per cent, much larger than their share nationally. Mumbai continues to be the most vibrant centre of cooperative banking in urban Maharashtra. Importantly, about 22 per cent of the UCBs in the state were under liquidation as of March 2016 (Government of Maharashtra, 2017).

Table 7: UCBs in Maharashtra: Comparative Perspective: March 2015

Indicators	Maharashtra	% share of the state in all India
No. of UCBs	510	32.30
No. of Branches	5,442 (46.08)	55.98
Deposits (Rs. billion)	2,230.7 (10.38)	62.81
Advances (Rs. billion)	1,396.6 (7.06)	62.26
No. of Extension Counters	168	70.89
No. of ATMs	2,109	76.94

Source: www.rbi.org.in

Note: Figures in brackets are percentage shares of UCBs in branches, deposits and outstanding credit of commercial banks in respective states.

As per the data furnished by RBI on the certain select financial performance parameters of 38 SUCBs in Maharashtra, all except three have CRAR above the 10.5 per cent as of March 2017, which is the norm prescribed by the central bank for a UCB to be considered as financially sound and well managed (FSWM)[12]. However, in the case of 60 per cent of the banks, profitability as measured Return on Assets (RoA) has declined over the 2015-17, while 40 percent of the banks registered a decline in net interest income as a percentage of total assets over the period (Bank-wise data is provided in Appendix Tables 3 and 4).

A study conducted on behalf of the High Powered Committee on Urban Cooperative Banks (RBI, 2015) pointed out that the scheduled UCBs have aligned their business models with commercial banks and deployed larger part of their total loans in the largest size range of more than Rs. One crore. The non-scheduled UCBs, on the other hand, cater to the small loan segments up to Rs. 10 lakh. There is no consolidated data base on business parameters of SUCBs and NSUBs, it is difficult to A quick review of the product offerings of a random selection of UCBsrevealsthecorrespondence between what these banks and their commercial competitors

[12]'Review of norms for classification of Urban Co-operative Banks (UCBs) as Financially Sound and Well Managed (FSWM)', RBI/2014-15/261, UBD.CO.LS (PCB) Cir.No.20/07.01.000/2014-15, October 13, 2014.

offer (Tables 8 and 9). The products are standardized and are targeted at individuals with regular salary incomes or business/corporate consumers. The loans are in the form of overdraft, term loans and cash credit, usually given against collateral or third party personal security. The unsecured loans carry higher interest rates. The loan sizes vary between Rs. One lakh and Rs. 10million and interest rate between 10 and 17 per cent.

Table 8: Some Aspects about the Typical Loan Products offered by UCBs

Types of Loan Products	• Overdraft; term loans; cash credit • To finance personal needs (like health/personal travel); home purchase/construction/repair; education; vehicle purchase; business purposes (large/medium/small); purchase of consumer durables; agriculture; construction
Target Customers	• Salaried Employees, businessmen, professionals, self-employed, educational trusts, builders & contractors, commercial organizations
Terms of Lending	• Collateral in the form of gold; legal mortgage of house property; National Savings Certificate(NSC); LIC policy documents;, Fixed Deposit documents; tangible / intangible assets available; hypothecation of the machinery • Third party guarantee • Variable interest rates • Loan amounts vary between Rs. one lakh and Rs. 10 million

Source: Author's compilation based on a randomly selected set of UCBs.[13]

Table 9: Terms of Lending: Major Loan Products

Product	Amount	Tenure	Annual interest rate
Personal loan	1-5 lakh	3-7 years	13-17%
Mortgage (of property) loan	Up to 10 million	7-10 years	11-16%
Educational loan	1 lakh– 2 million	5-20 years	11-16%
Vehicle loan	1 lakh-1million	3-7 years	10-15.50%
Gold loan	1 lakh-1million	1-5 years	11-14%
Housing (construction/ purchase) loan	1- 7 million	7-10 years	11-15%

Source: Same as above.

[13]See Annexure 3 for the list of sample UCBs.

1.2.3 Urban Cooperative Credit Societies other than UCBs

As mentioned earlier, unlike the UCBs, the urban cooperative societies are governed only by one authority – the Commissioner for Co-operation and Registrar Co-operative Societiesor CC and RCS of the state government. By compiling the data provided by the office of the Commissioner, the *Economic Survey of Maharashtra 2016-17* reports that there are 22,805 non-agricultural co-operative credit institutions in the state as on 31st March 2016 (Government of Maharashtra, 2017). Of these 13,586 are urban co-operative credit societies and 6,711 are salary earners' co-operative credit societies (RBI statistics reveals that 273 among these societies are multi-state cooperatives). The rest are UCBs (Table 10). The figures relating to societies and their broad parameters of performance vary across years making it difficult for anyone to make definitive statements about them.

Table 10: Cooperative Credit Societies: Status as of March 2016

No. of urban cooperative credit societies	13586
No. of employee cooperative societies	6711
No. of Urban cooperative Banks	508
No. of members (in million)	22.21
Own funds (in Rs.billion)	219.23
Deposits (in Rs. billion)	951.11
Working capital (in Rs. billion)	1709.17
Loan outstanding (in Rs. billion)	712.77
Loans overdue (in Rs. billion)	83.28
Reserved funds (in Rs. billion)	12.09
No. of societies in loss	4442
Loss (in Rs. billion)	14.71

Source: Government of Maharashtra (2017)

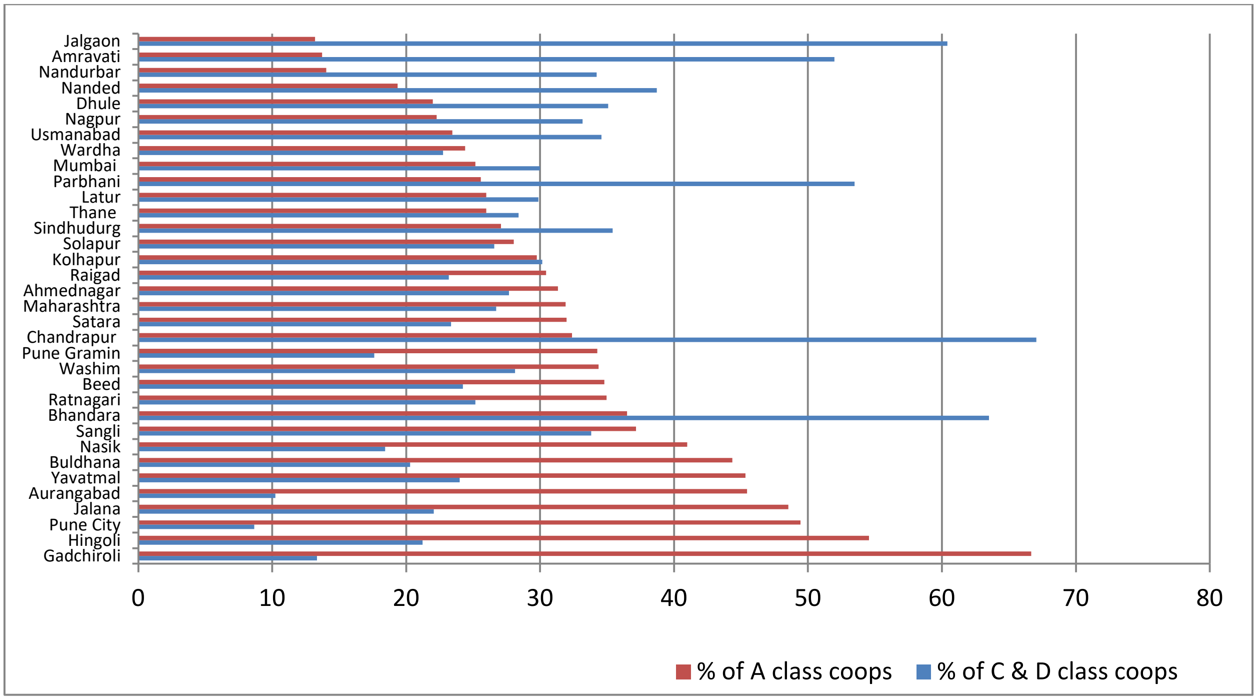
As of end March 2016, with a membership base of 22 million, the urban credit societies have mobilized Rs. 951 billion as deposits. Against this the loan outstanding was Rs. 712 billion. In other words the credit deposit ratio of these societies is just 42 per cent. As per the audit classification data pertaining to March 2015, 70 per cent of the societies in the state are making profits. This share varies between 36 per cent in Jalgaon to 82 per cent in Nanded (Table 11 and Figure 6). In terms of audit classification, 31 per cent of all societies are in class A and 27 per cent in B.

Table 11: Urban Credit cooperatives by Audit Class and by District

	No. of societies	Membership	% of societies		
			in audit classes C & D	in audit class A	in profit
Gadchiroli	32	12912	13.33	66.67	81.25
Hingoli	36	57855	21.21	54.55	69.44
Pune City	788	325351	8.65	49.43	65.10
Jalna	101	62778	22.06	48.53	65.35
Aurangabad	279	148712	10.23	45.45	80.65
Yavatmal	99	160908	24.00	45.33	66.67
Buldhana	228	313029	20.28	44.34	72.37
Nasik	545	471339	18.43	40.99	76.88
Sangli	878	470696	33.82	37.15	68.79
Bhandara	147	114746	63.50	36.50	69.39
Ratnagiri	193	269960	25.17	34.97	78.76
Beed	208	174340	24.22	34.78	60.10
Washim	39	52972	28.13	34.38	66.67
Pune Gramin	886	680752	17.61	34.26	79.91
Chandrapur	197	135343	67.05	32.39	56.85
Satara	720	871592	23.35	31.97	79.03
Ahmednagar	855	1017509	27.68	31.33	76.61
Raigad	256	223378	23.18	30.45	70.70
Kolhapur	1213	840331	30.16	29.76	64.47
Solapur	660	133	26.58	28.03	60.15
Sindhudurg	105	80907	35.42	27.08	65.71
Thane	386	425436	28.40	25.98	59.84
Latur	120	104801	29.87	25.97	69.17
Parbhani	54	46824	53.49	25.58	57.41
Mumbai	1556	2910649	29.98	25.16	78.86
Wardha	122	60373	22.76	24.39	53.28
Usmanabad	200	157277	34.57	23.46	58.00
Nagpur	236	304769	33.16	22.28	66.10
Dhule	212	183698	35.08	21.99	81.60
Nanded	40	36193	38.71	19.35	82.50
Nandurbar	136	97533	34.21	14.04	71.32
Amravati	109	61902	51.96	13.73	67.89
Jalgaon	349	221183	60.41	13.20	36.10
Akola	53	70557	41.03	10.26	62.26
Maharashtra	**12038**	**11166738**	**26.71**	**31.90**	**70.04**

Source: Based on the records at the CCS and RCS.

Figure 6: District-wise Distribution of Urban Credit cooperatives by Audit Class



Source: Same as Table 9.

The data relating to both commercial banks and cooperative institutions show that there is significant intra-state variation in the presence of banking facilities Maharashtra. Mumbai and the western region of the state clearly dominate the banking business, while Vidarbha and Marathwada suffer from significant deficiency in banking services. The other important point is about increasing competition in the banking sector in some regions due to the concentration of different kinds of banking outlets. As per the data furnished by mixmarket.org, about 53 per cent of all the financial institutional outlets within Maharashtra are located in just 10 out of the 36 districts –Mumbai (urban and suburban), Thane, Pune, Kolhapur, Satara, Solapur, Ahmednagar, Nasik and Nagpur. One of the fall-outs such competition appears to be competitive duplication of products and services.

Notwithstanding these tendencies, the cooperative credit system in the state has the intrinsic strength, both ideological and financial, to accelerate financial inclusion. The specific implications

1.3 Microfinancing Models

There are two channels of microfinancing in India – one, the SHGs linked to banks for savings and credit, and two, the microfinance agencies including the non-banking finance companies (NBFC)-Microfinance and NGO- MFIs. These two models have evolved through distinct trajectories since the mid-1990s across India.

1.3.1 Self-help Group Bank Linkage Model

The SHG-bank linkage programme (SBLP) has been the official microfinance model of India nurtured by the National Bank for Agriculture and Rural Development. The crux of the model is informal collectives, typically of women belonging to similar socio-economic backgrounds, who come together to pool their thrift to circulate within the collective as loans as also to leverage bank loans. The banks have found SHGs convenient intermediaries to reach out to the excluded while retaining the spirit of social banking alive.

Launched in 1992, SBLP aimed at synergizing the core advantages of the formal and informal systems - robustness and economy of the former and flexibility and responsiveness of the latter (NABARD, 2017). In order to give the necessary initial boost to the programme the RBI came forward to formally recognise taking deposits from and lending to informal groups as a normal banking activity not linked to any project or purpose or not supported by any collateral. The rolling out of the programme helped break the image of poor rural households as banking risks. It also led to the emergence of a new set of intermediary players in the financescape – the not-for-profit organisations who have taken on the role of self-help promoters. Most of them eventually evolved into full-fledged microfinance providers, microfinance institutions or MFIs (Nair, 2015).

The government of India adapted the group-based approach to poverty alleviation in its rural and urban self-employment programmes in the later 1990s. The Swarna Jayanti ShahariRozgarYojana (SJSRY) and SwarnajayantiGramSwarojgar Yojana (SGSY) that aimedatproviding self-employment to youth in urban and rural areas respectively were launched in late 1990s. The SGSY was implemented through the establishment of self-help groups linked to banks, whereas the SJSRY strategy involved tackling the issue of urban poverty through self- managed and multiple tiered community structures like Neighbourhood Groups (NHGs), NeighbourhoodCommittees (NHC), and Community Development Society (CDS).

As the SHG movement spread across the states with varying degrees of success, several states, particularly the southern states of Kerala and Andhra Pradesh, have created umbrella structures for poverty alleviation initiatives like SGSY and SJSRY with microfinance and micro enterprise promotion at the core. Such mainstreaming of SHGs in state policies has also meant that these groups became the primary units of convergence of state benefits in many states.

Evaluation studies undertaken by the end of the 2000s identified several problems with the mobilisation of poor households, spread and quality of SHGs, as also their ability to link with banks and engage in livelihood activities. The committee constituted by the Ministry of Rural Development (MoRD) to enquire into the various aspects of SGSY recommended a change in approach by emphasising livelihood creation as the fulcrum of rural poverty elimination through SHGs. This has led to the launching of the National Rural Livelihood Mission (NRLM).

The approach was subsequently extended to urban poverty alleviation and livelihoods through the National Urban Livelihood Mission (NULM). The Ministry of Housing and Urban Poverty Alleviation (MoHUPA) restructured the then existing urban self employment programme, Swarna Jayanti ShahariRozgar Yojana (SJSRY),to NULM in 2013. The mission has been under implementation since September 2013 in all district headquarters (irrespective of population) and all the cities with population of 1 lakh or more. The objective of NULM[14] is to reduce poverty and vulnerability of the urban poor households by enabling them to access gainful self-employment and skilled wage employment opportunities through building strong grassroots level institutions of the poor and facilitating access to suitable spaces, institutional credit, social security and skills. Stressing on the multi-dimensionality of urban poverty, NULM also aims at providing shelter equipped with essential services to the urban homeless in a phased manner.

Under the component of self employment promotion NULM provides interest subsidy (unlike capital subsidy under SJSRY) on loans to support establishment of individual and group enterprises as also and SHGs of urban poor. On any bank loan carrying an interest rate above 7 per cent availed to set up enterprise is eligible for interest subsidy, provided the repayment is up to date. NULM will provide banks the percentage of interest over and above 7 per cent. An additional 3 percent interest subvention is provided to all women SHGs (WSHGs), who repay their loan in time. The urban local bodies (ULB) are the sponsoring agencies for enterprises in that they help the loan applicants to complete documentation before sending them for scrutiny by the ULB level task force. The loan applications recommended by the task force are forwarded to the banks by ULBs.

1.3.1.1 Progress of SHGs

Nationally, more than 100 million households are covered under the SBLP programme through 7.9 million SHGs as of 2016-17. The cumulative savings of SHGs is about Rs 136.91 billion and gross loan outstanding, Rs 571.19 billion. During 2015-16 a typical SHG has a bank savings of Rs 14,662 and has availed Rs 203,526 as loans (Sa-dhan, 2016-17). It must be noted that Maharashtra is among the 10 focus states where NABARD has been making some focused

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[14]The scope of the mission was enhanced in 2016 along with renaming as *DeendayalAntyodaya Yojana* -National Urban Livelihoods Mission (DAYNULM).

interventions under the SBLP since 2014. Many innovative projects are being piloted or implemented in many parts of the state. These include: (i) voluntary savings pilot to facilitate purpose oriented additional savings in credit linked SHGs; (ii) web-based and Tablet PC-based accounting pilot in Nandurbar to facilitate field staff SHG members to enter data and generate reports; (iii) credit with mentoring support for rural entrepreneurs (with Rang De); and (iv) loans to construct toilets for SHG members (with Nagarjuna Charitable Trust) in Nagpur and adjoining districts.

As per *The Status of Microfinance Report 2016-17* of NABARD there are 885,420 SHGs in the state of Maharashtra that have bank savings worth Rs. 11.34 billion. Outstanding bank loans are reported in the case of 219651 SHGs and the loan outstanding stands at Rs. 20.89 billion. It may be noted that while the number of SHGs with bank savings increased by 197,703 between 2012-13 and 2016-17, SHGs with loan outstanding increased only by 8261 (Table 12). The increment to loan outstanding over the 5 year period since 2012-13 almost equalled the increment in savings. One of the reasons could be the phasing out of savings- linked SGSY groups as part of the reorganization of SHGs under the State Rural Livelihood Mission (SRLM).

Most importantly, the per SHG loan and savings amounts suggest that though these figures almost doubled between 2012-13 and 2016-17, they are still small in absolute terms. The average loan outstanding per SHG in 2016-17 is Rs. 103,711. Assuming an average group size of 12 the loan outstanding per member works out to be only Rs. 8640.

Table 12: Progress of SBLP in Maharashtra

Type of Bank	No. of SHGs with savings			No. of SHGs with loan outstanding			Savings (Rs. lakh)			Loan outstanding (Rs. Lakh)		
	2011-12	2012-13	2016-17	2011-12	2012-13	2016-17	2011-12	2012-13	2016-17	2011-12	2012-13	2016-17
Comm. banks	430614	297339	400002	114666	118161	126808	45357	24349	53637	82621	84581	131515
RRB	94519	89044	112079	26066	38579	38660	3882	6444	10122	19045	22808	32701
Coop. banks	301914	301334	373339	73280	62911	62444	23123	20578	46586	14588	15511	17284
Total	827047	687717	885420	214012	219651	227912	72362	51370	110345	116254	122900	181500

Loan/SHG							33812	23387	48416	54321	55952	103711
% growth		-16.85	28.75		2.63	3.76		-29.01	114.8		5.72	47.68
% share in respective total												
Comm. banks	52.07	43.24	45.18	53.58	53.79	55.64	62.68	47.4	48.61	71.07	68.82	72.46
RRB	11.43	12.95	12.66	12.18	17.56	16.96	5.36	12.54	9.17	16.38	18.56	18.02
Coop. banks	36.51	43.82	42.17	34.24	28.64	27.4	31.95	40.06	42.22	12.55	12.62	9.52
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: NABARD (2012-13, 2016-17).

Note: The drastic reduction in the number and amount between 2011-12 and 2012-13 was due to the rationalization of the programme.

Table 10 also indicates the dominant role of commercial banks in SHG linkage. While accounting for 48 per cent of savings mobilization, their share in loan outstanding is about 72 per cent. The cooperative banks registered the least growth in loan outstanding (11 per cent) in SHGs, despite having mobilized savings at the highest rate (126 per cent) from these groups. It may be noted that out of the 31 DCCBs, 11 are financially weak and not in any position to support the SHG linkage programme.

The private sector banks lead the commercial banking sector in terms of loan outstanding and public sector banks in terms of savings mobilization. Credit linkage is the highest for three private sector banks – ICICI Bank, HDFC Bank and Yes Bank. Bank of Maharashtra and State Bank of India lead in terms of savings (Table 13).

Table 13: Top Commercial Banks in SBLP

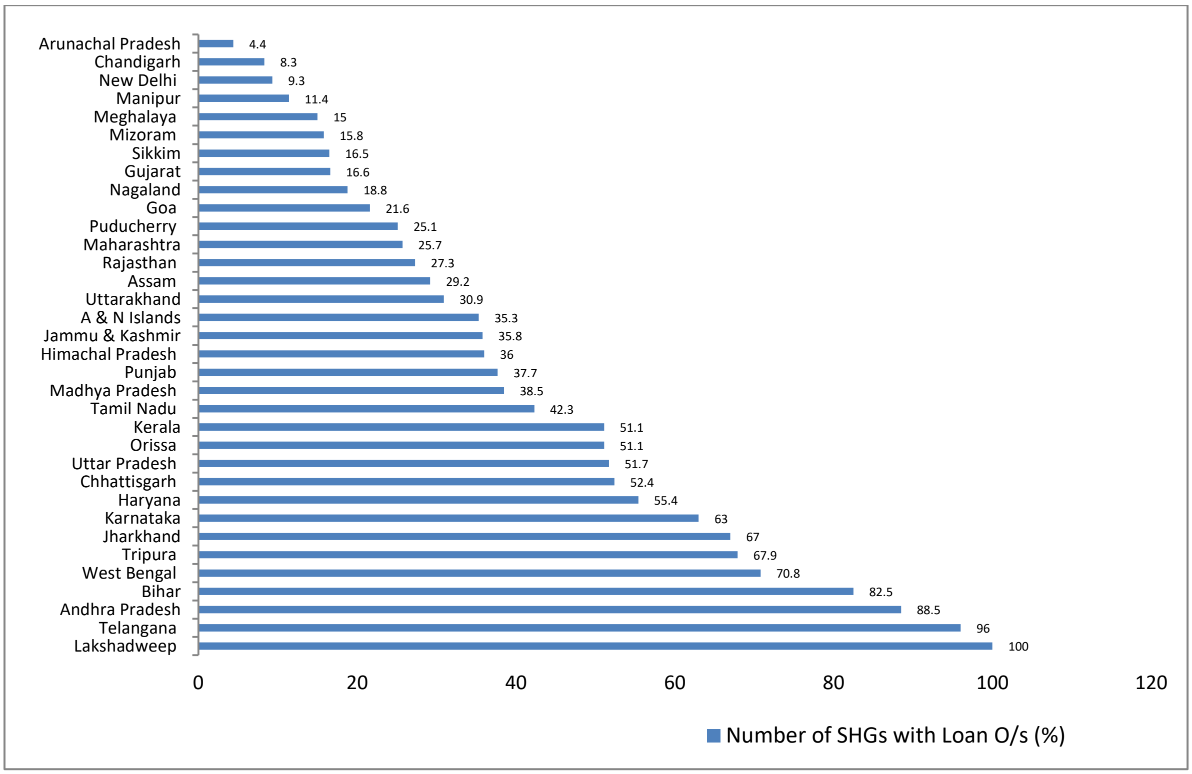
Banks	2016-17	
	Savings (Rs. lakh)	**Loan outstanding (Rs. lakh)**
Top Public Sector Banks		
Bank of Maharashtra	14223	12651
State Bank of India	4542	11029
Bank of India	10790	6785
Bank of Hyderabad	442	6609
Central Bank of India	2054	6199
Top Private Sector Banks		

ICICI Bank	6902	43081
HDFC Bank	3204	14323
Yes Bank	2086	13569

Source: NABARD, 2016-17.

However, performance of bank linkage in Maharashtra with respect to lending to SHGs has been modest compared to some of the progressive states in recent years. As of March 2017 only a fourth of SHGs had any loan outstanding (Figure 7), whereas such SHGs form 88.5 per cent in Andhra Pradesh, 82.5 per cent in Bihar and 51 per cent in Odisha.

Figure 7: Percentage of SHGs with Loan Outstanding, 2016-17



Source: NABARD (2016-17).

The available data shows that during 2016-17 (up to December) the SHGs internally circulated loans worth Rs. 1.87 billion. But there are significant regional variations in the velocity of circulation of savings within groups as evident from Table 14.

Table 14: Savings and Internal Lending within SHGs by Division

Division	Savings	Internal loans disbursed	Ratio of loans to savings
Amravati	8.94	33.65	3.76
Pune	12.72	41.46	3.26
Aurangabad	19.02	43.98	2.31
Nagpur	24.28	45.10	1.86
Konkan	7.56	12.57	1.66
Nashik	11.37	10.63	0.93

Source: Government of Maharashtra, *Economic Survey of Maharashtra, 2016-17*.

1.3.1.2 NRLM and NULM

The state has initiated the Maharashtra State Rural Livelihood Mission (MSRLM, the state mission under NRLM) and the State Urban Livelihood Mission (under NULM) since the early 2000s.These missionshavethe status of an umbrella programmes that aim to eradicate poverty by building strong institutions of and for the poor to sustainably enhance the incomes of the through creating opportunities for self-employment and skill based livelihood. The goal is to make these missions the sole architectures to implement group based poverty alleviation programmesin rural and urban areas. The Government of Maharashtra has passed a resolution that the SHGs that were already formed under SJSRY would be incorporated within the NULM, while the neighborhood committees (NHC) formed under SJSRY would be converted to area level federations (ALFs) and the CDS, to Cluster Level Federations (CLFs).

Currently, NULM is being implemented 259 statutory towns in Maharashtra. The progress under the mission has not been very impressive over the years 2014-17 as revealed from Table 15. The progress has been particularly poor in the case of facilitating loan disbursal to groups and individuals.

Table 15: Progress of NULM in Maharashtra, 2014-17

	Target	Achievement	% of Achievement
No. of SHGs to be formed	21467	12357	57.56
No. of Area Level Federations to be formed	2347	548	23.35
No. of Cluster Level Federations to be formed	157	43	27.39

No. of individual bank loans to be disbursed	38350	6373	16.62
No. of SHG-bank linkages to be established	10233	2293	22.41
No. of SHG loans to be disbursed	21930	1791	8.17

Source: UMC (2017).

The data relating to women SHGs shows that such groups have been mobilized in 10 cities across various divisions between 2014-15 and 2016-17 (Table 16). More than 50,000 new urban SHGs have been formed during this period, the largest number having been formed in Konkan and Aurangabad divisions.

Table 16: Women SHGs across Divisions: 2014/15 to 2016/17

Division	Sector	Villages/ Cities	2014-15		2015-16		2016-17		Increment 2016-17 over 2014-15	% share in increment
			SHGs	Members	SHGs	Members	SHGs	Members		
Konkan	Rural	968	6470	76706	6827	81046	9197	104961	98491	89.40
	Urban	2	861	10647	940	12940	1277	12542	11681	10.60
	Total	970	7331	87353	7767	93986	10474	117503	110172	100
Pune	Rural	1039	9409	127789	10335	138965	10492	131356	121947	92.55
	Urban	2	452	5761	430	5905	902	10269	9817	7.45
	Total	1041	9861	133550	10765	144870	11394	141625	131764	100
Nashik	Rural	1600	9814	149058	10285	154243	8471	104658	94844	92.63
	Urban	1	237	2712	249	3412	908	7778	7541	7.37
	Total	1601	10051	151770	10534	157655	9379	112436	102385	100
Aurangabad	Rural	2510	11655	189812	12355	198122	12980	146600	134945	90.88
	Urban	3	732	9513	737	10123	1552	14268	13536	9.12
	Total	2513	12387	199325	13092	208245	14532	160868	148481	100
Amravati	Rural	1942	10480	133124	11196	140815	12495	130760	120280	96.24
	Urban	1	200	2419	213	2758	654	4896	4696	3.76
	Total	1943	10680	135543	11409	143573	13149	135656	124976	100
Nagpur	Rural	2436	14216	209058	15070	219187	14580	179297	165081	95.96
	Urban	1	201	2549	201	2714	910	7155	6954	4.04
	Total	2437	14417	211607	15271	221901	15490	186452	172035	100
Regional NGOs	-	-	12952	160391	12952	160391	12806	149199	136247	
Total	Rural	10495	74996	1045938	79020	1092769	81021	946831	871835	94.14
	Urban	10	2683	33601	2770	37852	6203	56908	54225	5.86
	Total	10505	77679	1079539	81790	1130621	87224	1003739	926060	100

Source: Government of Maharashtra, *Economic Survey of Maharashtra, 2016-17*.

With the urban local governments beginning to streamline the implementation of NULM, the pace of social mobilization of urban poor into SHGs is likely to accelerate. The mission covers 213 towns in the state as of February 2016. It aims to bring under the SHG network at least one member from each urban poor household, preferably a woman, in a timebound manner. The target for SHG formation for the state for the year 2017-18 is 8000[15]. These groups are expected to serve as support system for the poor in meeting their financial and social needs. The mission also proposes to establish City Livelihood Centers (CLCs) will be established in Mission cities to provide a platform whereby the urban poor can market their services and access information on selfemployment, skill training and other benefits.

1.3.1.3 MAVIM's Role as SHPI

Among the self help promoting institutions (SHPI) the Mahila Arthik Vikas Mahamandal (MAVIM), which is the women's empowerment agency of the state, is the largest and the most visible. It implements the IFAD-supported project, the Tejaswini Maharashtra Rural Women Empowerment Programme, in over 10,000 villages. According to a recent report (Programme Management Department, IFAD, 2015) as of January 2015 the programme has reached 933,000 households as against the target of 950,000 households and mobilized 68,936 SHGs. These are supported by more than Community Managed Resource Centres (CMRC). MAVIM is the resource organization for both NRLM and NULM in the state and for social mobilization and formation of SHGs and bank linkage.

Over the decade MAVIM made consistent efforts to get banking support for providing finances to SHGs. It established partnership with ICICI bank in 2011. Partnerships with SBI, IDBI, Dena Bank etc. followed. In the partnership model CMRCs act as banking facilitators and help accelerate the process of SHG bank linkage. The quantum of loans provided by banks to SHGs increased from Rs. 580 million in 2008 to Rs. 4130 million in 2016-17 (MAVIM, 2017). As of

[1515]https://nulm.gov.in/PDF/letters_pdf/NULM_PhysicalTargets_2017_18.pdf

March 2017, ICICI bank accounts for 84 per cent of the overall SHG portfolio, and other banks like SBI, IDBI and RRBs constitute the rest. The districts of Ahmednagar, Kolhapur, Nanded, Parbhani, Yavatmal, Hingoli, Buldana, Gondia, and Sangli along with those of the Konkan division are better performing with respect to loan intake.

Apart from MAVIM a few other large non-profit development organizations also work as SHPIs in rural Maharashtra, especially in helping the State Rural Livelihood Mission to promote federations of rural SHGs. Dhan Foundation, BAIF, Nagarjuna Charitable Trust and Ugam Foundation have done impressive work (Sampark and ISMW, 2014).

1.3.2 The MFI Model

The model of purveying microfinance in the non-government, non-banking sector had its origins broadly in the Grameen Bank (GB) experiment of Bangladesh, wherein small groups of women were mobilized to offer joint liability for loans made available to them by GB in cycles of graduating loan sizes. The groups do not collect thrift or savings in this model and the financial resources are managed through donations and grants largely from overseas sources[16].

The microfinance institutional (MFI) model was introduced in India by NGOs around the beginning of the 1990s when international donor funds and cheap grants were still available. Through the 1990s this situation changed as international aid started shrinking and aid givers began emphasizing organizational sustainability as critical indicator aid effectiveness. MFI NGOs in India have steadily diversified their sources of capital and grew phenomenally through the decade. This led to concerns about regulation of microcredit/microfinance activities. The initial focus was on self-regulation given the predominance of not-for-profit entities in the

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[16] It may be noted that in other regions of the developing world different models of microcredit had taken shape by the end of the 1980s. For instance, the village banking model first introduced around 1987 by FINCA advocated coming together of local communities of low-income entrepreneurs to share and guarantee one another's loans. By the late 1990s the programme had extended to over 70 countries and was partnering with more than 200 local and international organizations. See, Painter et al., 1999.

sector. Since the late 1990s, the prominent NGO MFIs started transforming to non-banking company formats while accelerating their growth and profitability through enhanced scale of operations. The sector became a favourite site of investment for large domestic banks and international equity investors by the mid-2000s who infused large doses of capital into it. The growth was halted twice in the subsequent years – in 2006 and 2011 – by two crises in the microfinance sector in Andhra Pradesh. The crises gave rise to heightened dean for regulation and the RBI came out with a set of guidelines that govern the conduct of microfinance business across the country.

The directives issued by the RBI as part of the Monetary Policy Statement 2011-12[17] mainly laid out the terms of creation of a special type of NBFC, called the 'NBFC-MFIs. The policy was significantly influenced by the report of the Malegam Committee (RBI, 2011) that the enquired into the conduct of NBFCs engaged in the business of microfinance. The main guidelines of the policy were the following:

(1) In order for loans issued by NBFC-MFIs to be defined as qualifying assets they cannot be offered to households with annual income exceeding Rs. 60,000 in rural areas and Rs. 120,000 in urban or semi-urban areas. The limits have subsequently been revised in 2015 to Rs. 100,000 for rural households and Rs.160,000 urban and semi-urban households[18].

(2) Whilean NBFC-MFI disburses loans it should ensure that the total indebtedness of the borrower household does not exceed Rs.50,000. The limit of total indebtedness of the borrower has been increased to Rs.100,000 in 2015. Debt incurred on education and medical expenses will not form total indebtedness.

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[17] 'Introduction of New Category of NBFCs - 'Non Banking Financial Company-Micro Finance Institutions'(NBFC-MFIs) – Directions', RBI/2011-12/290 DNBS.CC.PD.No. 250/03.10.01/2011-12 December 02, 2011.

[18] 'Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) – Directions – Modifications', RBI/2014-15/544 DNBR.CC.PD.No.027/03.10.01/2014-15, April 08, 2015.

(3) The loan amount should not exceed Rs. 35,000 in the first cycle and Rs. 50,000 in subsequent cycles. Along with the revision in total indebtedness limits, loan amount limit has also been raised later to Rs. 60,000 in the first cycle and Rs. 100,000 in subsequent cycles.

(4) The initial guidelines prescribed that the aggregate amount of loans given for income generation should constitute at least 70 per cent of the total loans of the NBFC-MFI so that the remaining 30 per cent can be for other purposes such as housing repairs, education, medical and other emergencies. The limits have subsequently revised to 50:50; 50 per cent of the loans disbursed by NBFC-MFI can be for purposes other than income generation.

(5) The borrower can choose to repay the loans on weekly, fortnightly or monthly installments.

(6) As for pricing of credit, NBFC-MFIs are to maintain the aggregate margin cap of not more than 12 per cent. Interest on individual loans cannot exceed 26 per cent per annum and must be calculated on a reducing balance basis. Processing charges shall not be more than 1 per cent of gross loan amount.

1.3.2.1 MFI Regulation

It must be mentioned that the importance of self-regulation of microfinance sector has been emphasized in the policy debates since the late 1990s in India. Sa-Dhan, the pioneering network of MFIs in the country, started addressing the critical questions of standards and systems followed by MFIs in the early 2000s. It developed a voluntary code of conduct (CoC) as a self regulatory mechanism for MFIs in March 2006 in the aftermath of the Andhra Pradesh crisis wherein some leading MFIs were accused of driving poor borrowers to suicide by their 'highhanded' methods of loan recovery. The CoC addressed operational practices of MFIs including interest rates and loan recovery methods (Nair et.al, 2014). Around the same time the RBI also released the Fair Practices Code (FPC) for all NBFCs[19]to adopt and follow. The FPC mainly related to sharing of information (with respect to disbursement schedule, interest rates, service charges, prepayment charges) with customers in writing through proper instruments like timely notice, sanction letter and loan agreement. This was followed in 2009 by the formation of Microfinance Institutions Network (MFIN) by 28 NBFCs as a non-profit society with the purpose of functioning as a voluntary self-regulatory organization (SRO)[20]. MFIN came up with is code of conduct in 2010. In 2011 Sa-Dhan and MFIN codes were combined to form a common set of norms that apply to both not-for-profit and for profit MFIs (Ibid). MFIN and Sa-Dhan were accorded the status of SROs of MFIs by RBI in 2014 and 2015 respectively.

The regulatory oversight of RBI and the presence of two robust self-regulatory organisations have rendered legitimacy to MFI business, while the central bank started provided the sector with enabling conditions of growth into fully regulated banking entities. During the process the banking sector reform over the last four years, several leading could transform to banking entities. While Bandhan, one of the largest MFI from the eastern region could acquire a universal banking license, few others like Equitas, ESAF, Ujjivan, Janalakshmi, and Suryoday could graduate to SFBs as mentioned earlier.

1.3.2.2 Growth of MFIs

The growth of for-profit microfinance institutions has been phenomenal in India since the mid 2000s. Though the pace has slowed somewhat in the early years of the current decade due to the Andhra Pradesh crisis, it has quickly regained momentum as the regulatory arrangements became clear and robust. It is during this phase that Maharashtra emerged as the state with the largest number of MFIs in the country. As per the Bharat Microfinance Report 2016-17 (Sa-dhan, 2017) there are 42 MFIs in the state operating in 36 districts and covering 3.9million

[19]'Guidelines on Fair Practices Code for Non-Banking Financial Companies', *RBI / 2006-07 /138, DNBS (PD) CC No. 80 / 03.10.042 / 2005-06 dated September 28, 2006.*
http://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=3105.

[20]http://mfinindia.org/about-us/about-mfin/history-origin-and-legal-form/

clients with a total loan portfolio size of Rs. 65,890 million. These include both for-profit (NBFC) and not for profit MFIs. (The major MFIs in the for-profit and non-profit sectors in Maharashtra are listed in Table 17). The state tops the list of states with respect to NBFC-MFIs – there are 26 of them in the state with a client outreach of 2.8 million and gross loan portfolio of Rs. 49,070 million.

Table 17: MFIs in Maharashtra: March 2017

NBFC-MFI	Others
Agora, Anik Financial Services,Annapurna, Asirvad, Belstar, BFIL, BSS, Chaitanya, Disha, Fusion, GK, Intrepid, JFS, M Power, Madura, Muthoot, Namra, Navchetna, Pahal, Samasta, Satin, SHARE, Sonata, SKS, Spandana, Svatantra, Unnati	dMatrix, GMSS, GSS Trust, Halo Medical Foundation, Hindustan Coop Credit Society Ltd., KrishiVikasGrameenPratishtanSanstha, SakhiSamudayKosh, Sampada, Samagra Gram VikasSanstha–Sagras, Sanjeevani Mahila BachatSangh, SWAWS Credit Corporation of India, Annapurna Mahila Mandal, Dhan Foundation

Source: MFIN (March 2017); http://www.sa-dhan.net/files/Sa-dhan-indian-map.htm

Table 18 shows that the MFI sector in the state has grown substantially between 2012-13 and 2016-17 on all parameters. The increase in gross loan portfolio and amount of annual loan disbursals has been very high compared to branch and employee growth rates. Whereas the growth in MFI lending is impressive, there have been concerns regarding the overheating of the market and the increased debt levels in the households. The report of the Religare Capital Markets (August 2015), *Indian Microfinance - Crisis Brewing,* pointed to the 'multiple weak spots' in the working of the model. According to the reportthe state has witnessed rapid growth and 47 percent of poor households in the state had taken credit from microfinance firms[21].

Table 18: Status of NBFC-MFIs in Maharashtra

[21]Mayank Jain, 'Is Maharashtra The Next Andhra Pradesh For The Microfinance Industry?' 22 December 2016, https://www.bloombergquint.com/business/2016/12/22/is-maharashtra-the-next-andhra-pradesh-for-the-microfinance-industry

	2012-13	2016-17	% growth
Number	19	26	36.84
Gross Loan Portfolio (Rs. million)	17220	49070	184.96
Clients (in million)	1.94	2.80	4.43
Loan disbursed annually (Rs. million)	17690	47740	169.87
Loans disbursed (number in million)	1.28	2.40	8.75
Average loan disbursed (Rs.)	13832	19970	44.38
Branches	682	892	30.79
Employees	5096	6219	22.04

Source: MFIN Micrometer

2. Institutional Lending for Sanitation: Prospect and Status

2.1 Commercial and Cooperative Banking Systems

Priority sector lending (PSL) is the chief instrumentality through which the commercial and cooperative banking system can serve a need like sanitation. Both the scheduled commercial banks and urban cooperative banks of India are mandated to keep 40 percent ofAdjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher to certain designated sectors. Advances to agriculture, small and micro enterprises and weaker sections form the bulk of priority sector loans, though many other purposes have been added to the list of priority sectors over time (such as housing and education). In April 2015 a new priority target– social infrastructure - was added to the list. According to the RBI communication, bank loans up to a limit of Rs. 50 million per borrower for building social infrastructure (for activities namely schools, health care facilities, drinking water facilities and sanitation facilities) in Tier II to Tier VI centres are eligible for classification under priority sector. This includes loans for construction/ refurbishment of toilets and improvement in water facilities in households too. Moreover, bank credit to Micro Finance Institutions (MFI) extended for on-lending to individuals/ members of SHGs/ JLGs for water and sanitation facilities is also eligible for classification as priority sector loans under ‘social infrastructure’ subject to certain criteria regarding overall size of microfinance business of institutions, households’ indebtedness, loan tenure and size. This indeed was an important step in the direction of making banks respond to the increased demand for sanitation assistance in the light of the accelerated drive on the part of the governments to broad-base sanitation facilities, especially, private toilets. Data on the number and quantum of loans issued under this category is still unavailable.

The limited data sourced from the agenda notes of SLBC Maharashtra (SLBC, 2017) reveals that the banking system has not taken to social infrastructure, which accounts for only a miniscule proportion of the PSL outlay, in any significant way. As per SLBC data, the annual credit target for social infrastructure was the highest for public sector banks in 2016-17. In the subsequent year, the target credit was almost equally divided between PSBs and cooperative banks. As of the quarter ending 31 December 2016, against the targets specified under social infrastructure loans only 33 per cent was achieved in terms of number and 16 per cent in amount Table 19). This was one of the lowest achievements across all priority sectors. While the public sector banks achieved 46 per cent in number and 23 in loans, in the case of private sector banks no loan was disbursed, though a few accounts were opened. Gramin banks did neither open accounts nor disburse any loan. So were cooperative banks. The situation has not changed in any significant manner in the subsequent three quarters for private sector and cooperative banks. The PSBs reported more than 300 per cent achievement against 26 per cent achievement in number of loans disbursed, indicating a substantial rise in average loan sizes under this category. In other words, these loans appear to have been disbursed mainly to institutions rather than households.

Table 19: Achievements and Targets under Social Infrastructure Advances: Quarter ending 30/09/2017

(Amount in Rs. lakh)

	Target under ACP		% achievement of ACP	
	Number	Amount	Number	Amount
Public sector banks	3680	18860	26	319
Private sector banks	517	2335	2	1
Gramin banks	665	3895	0	0
Commercial banks -Total	4862	25090	20	248

Cooperative banks	467	1700	0	0
Grand total	5329	26790	5	141

Source: SLBC (2017).

The granting of licenses to small finance banks seems a welcome development in the commercial banking space with respect to priority lending. As mentioned elsewhere in the report, the purpose of setting up SFBs is to further financial inclusion by catering to the saving and borrowing needs of the unserved and underserved sections of the population. Importantly, the SFBs have a much higher target of priority sector lending (the PS categories remaining the same) compared to commercial and cooperative banks - 75 per cent for of ANBC (RBI, 2017). The RBI guidelines mandate that these banks should allocate 40 per cent of ANBC to different sub-sectors targeted under PSL. The balance 35 per cent can be allocated to any one or more sub-sectors under the PSL, where the banks have competitive advantage. In other words, SFBs can build their business models solely around the target sectors under PSL.

Many SFBs have already started their operations in Maharashtra. Especially, AU, Equitas, Ujjivan and Suryoday have started their branches in several districts. It appears from the current branch network that the distribution of SFB branches will also be skewed towards Mumbai. Districts like Wardha, Nashik, Nagpur, Ahmednagar, and Aurangabad also figure in the list of branches for these SFBs. While it is premature to make any analysis of the loan product offerings of SFBs, a quick glance through the product profiles indicates their primary focus as of now on business loans. However, AU SFB has introduced a bulk loan product aimed at housing finance institutions and MFIs, whereas Suryoday has a joint liability loan product targeted at women belonging weaker sections. Such products can be effectively calibrated to cater to the gap in sanitation finance.

The new private sector universal banks, IDFC Bank and Bandhan Bank havealso taken up sanitation lending. IDFC Bank, especially, has started such lending on an ambitious scale. Having started sanitation and water lending in 2016-17, the bank has built relevant portfolio in many states. As of 2017, the bank has made over 63,000 sanitation and water loans, with a near 100 per cent repayment rate. Loans are made in two modes: one to individuals through retail outlets, and the other through JLGs by leveraging the BC network.

2.2 UCBs and Credit Societies

UCBs, excepting salary earners banks, are also mandated to devote 40 per cent of the adjusted net bank credit (ANBC) or credit equivalent amount of off balance sheet exposure whichever is higher[22]. As for sub-targets, the norms do not specify any target for agriculture. As for micro and small enterprises, though there is no overall target stipulated, there are specifications as to how the MSE portfolio needs to be structured to support smaller enterprises within the MSE category. Though there is no clear target specified for the MSE sector (as against commercial banks for whom the target is 7.5 per cent of the ANBC), 40 per cent of all MSE advances extended by UCBs need to be targeted at micro manufacturing enterprises having investment in plant and machinery up to Rs. 1 million and micro service enterprises with investment in equipment up to Rs. 4 lakh. The target for MSEs in the larger size category – manufacturing enterprises with investment of Rs. 1 to Rs. 2.5 million and service emprises with investment of Rs. 4 lakh to 1 million – is prescribed as 20 per cent of the MSE advances. As for UCBs sub-target (10 % of ANBC) is clearly specified only in the case of advances to weaker sections consisting of a wide variety of sections including small and marginal farmers, scheduled castes/ scheduled tribes/minorities, Self Help Groups and distressed farmers indebted to non-institutional lenders.

Education loans (up to Rs. 1 million for education within the country and up to Rs. 2 million for outside), micro credit (up to Rs. 50,000 per borrower), and housing A host of loans are also identified as eligible under PSL for the non-weaker section categories too. Government agencies and National Housing Bank approved non-government agencies can also avail priority sector loans for larger programme of slum clearance, reconstruction and rehabilitation (up to

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[22] See, *Master Circular - Priority Sector Lending – UCBs*, RBI/2015-16/8 DCBR.BPD.(PCB). MC.No: 11 /09.09.001/2015-16, dated July 1, 2015. Available at www.rbi.org.in.

Rs. 5 lakh for the former and up to Rs. million for the latter. Curiously, social infrastructure does not figure in the list of eligible priority sector lending activities for UCBs. The data as of end March 2017 shows that almost half of the advances extended by UCBs fall under the priority sectors, of which 14 per cent are advances to weaker sections. Loans to micro and small enterprises constitute 23 per cent (4 per cent to weaker sections) and housing loans, 10 per cent (4.5 per cent to weaker sections).

Not many specific products to cater to the needs of economically weaker sections could be found in the elaborate portfolio of loans on offer from both scheduled and non-scheduled cooperative banks. The rare exceptions are Saraswat Bank's initiative to promote the central scheme of providing credit linked subsidy under Pradhan MantriAwas Yojana and the microfinance program of JanasevaSahakari (Borivli) Bank Ltd. Some of the mahila cooperative banks (for instance, Manndeshi Mahila Bank, Satara and Jijamata Mahila Sahakari Bank, Pune) serve weaker sections and women, though one cannot find any specific sanitation related product in their overall portfolio.

Importantly, the communication (dated 02 June 2016) from the Commissioner of Cooperatives to all non-agricultural/urban/employee credit cooperative societies informing them that they can offer sanitation loans to members and employees at a rate of interest not less than the cost of deposit and not exceeding 5% of the total loan does not seem to have reached most of the societies.

A few small scale experiments have, however, been attempted in the cooperative sector (Table 20). KrantiJyotiSavitribaiPhule Women's Urban Cooperative Society (KMS), Pathri (district Parbhani) has disbursed loan to 90 members for constructing toilet. The society has been working on the issue of improved sanitation facilities to its members since 2006 mainly through awareness generation programmes (Table 19). As these efforts translated in to demand for toilets, the society designed a special 'toilet loan' product after considering factors like cost and patterns of demand. The loans were extended to women members. The loan size was decided as Rs. 30,000 initially and revised to Rs.50, 000 in 2016. As of March 2017, 97 per cent those who availed loans constructed toilets. Loan repayment stood at 71 per cent.

Table 20: Sanitation Loans: Some Initiatives of the Cooperative Sector

Sr. No	Location	Credit Coop Soc/ Bank	Urban/ Rural	No. of loans disbursed	Loan Amount (Rs.)	Comments
1	Parbhani	KrantiJyotiSavitribaiPhuleWomen's Urban Cooperative Society, Pathri	Urban	90	50,000	Personal loan society members for a term 36 months; 12 % interest rate; monthly repayment; two guarantors and KYC
2	Jalgaon	BalwantNagriSahakariPatasantha	Urban	3	Rs 30,000	Rate of interest 13% Repayment is ongoing
3	Chipri, Kolhapur	Karmagil Cooperative Society, Jaisingpur	Rural	200	Rs 15,000	
4	Majalgaon, Beed	Aadhar Multistate Cooperative Credit Society	Rural	300	Rs 12,000	Loan tenure 3 months

Source: Based on documentation done by the CEPT project team.

2.3 SHGs and Federations

SHGs hold great relevance and promise in the sphere of sanitation credit. While the fact that these loans are demanded by poorer households increases the risk of lending, SHGs are able to provide mutual guarantee so that repayment issues can be managed to some extent. In most cases members of SHGs represent the vulnerable sections, who are in need of additional financial support apart from state subsidy.SHGs can build a strong demand for bulk loans through the bank linkage scheme by leveraging priority sector funds under social infrastructure available with commercial banks here they have accounts. SHGs are eligible to apply to cooperative banks too for loans under the weaker sections target, which can be on-lent to needy members.

In Maharashtra, however, despite the impressive growth over time, lending to SHGs has not kept pace with savings mobilization. Banks seem to have been keen on savings linkage, while credit linkage has been lagging seriously. The average SHG loan sizes are still very small and the ability of groups to experiment and innovate very limited. Repayment is also not as high as other loans.

There are some instances of SHGs leveraging funds directly from banks to be lent to its members. For instance, the Wai Urban Cooperative Bank in Satara has extended about 30 loans to women SHG members under the Mahila Sabalikaran scheme. The routing of loans through SHGs could take care of the issue of repayment guarantee. A woman can avail maximum loan of Rs. 20000 carrying an interest 11.5 per cent, which is repayable within a year. The loan disbursed in installments as per the progress of toilet construction by the beneficiary. Bank staff verifies the utilization of loan by house visit after completion of the construction.

Such innovative experiments are yet to be institutionalized in the urban SHG-bank linkage arrangement mainly due to the gap in policy guidelines. The guidelines of SwachchBharat Mission (Rural) clearly underscore the potential role of SHGs as micro financing units for sanitation infrastructure that can leverage the revolving fund available at the district level through the National Rural Livelihood Mission (NRLM). It may be noted that up to 5 per cent of the district project outlay subject to maximum of Rs. 15 million can be used as revolving fund. Under the Mission SHGs with proven creditworthiness can access this fundfor providing cheap loans to their membersfor the construction of toilets including improved toilets with bathing facility. Such loans are to be recovered in 12-18 installments. States have the flexibility to decide the terms and conditions for sanctioning loans out of the revolving fund.

The guidelines further provide that “To enable the provision of low cost financing to individual households for the construction of household latrines and to leverage the network of NGOs and SHGs identified by agencies like NABARD and other financial institutions, in the wake of the need for universalisation of sanitation facilities, possibilities of setting up a micro-financing arrangement should be explored by the States and the MDWS. This will facilitate converging financial resources, management skills and outreach capabilities to cover the demand of toilets for households not eligible for direct incentives under SBM(G), and/or for those households interested to build a more expensive toilet” (p.20).

The lending guidelines for NRLM issued by RBI initially talked about extending collateral-free loans to SHGs to be lent onwards to members for purposes like meeting their social needs, swapping of high cost debt, taking up sustainable livelihoods or for financing viable common activities by SHGs[23]. However, the master circular issued by the central bank recently(July 2017) has added construction of toilets as an activity for which SHG members can use the loans availed under NRLM[24].Thus loans availed from public sector and private sector banks, RRBs and cooperative banks by women SHGs and extended in rural areasas toilet loans have become eligible for subvention of interest above 7 per cent. Additionally, in the case of 250 specifically identified districts in the country (13 of them falling within Maharashtra[25]) commercial and cooperative banks are mandated to lend at 7 per cent to NRLM SHGs for the stated purposes. Also, on prompt repayment such loans can attract additional interest subvention of 3 per cent. These are positive steps in the direction of making toilet loans accessible to needy rural households at affordable rates.

No such specific emphasis, however,has been laid in SBM (Urban) on collectives as channels of credit support for households. In these guidelines SHGs are seen more as instruments for promoting community engagement and O & M of toilets. Our field interactions with MAVIM and the NULM management revealed that the idea of microfinancing toilet construction in urban areas is yet to be taken up seriously as yet.

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[23] 'Priority Sector Lending- Restructuring of SGSY as National Rural Livelihood Mission (NRLM) – Aajeevika', RBI/2012-13/559; RPCD. GSSD. CO. No 81/ 09.01.03/2012-13; June 27, 2013. Available at https://rbi.org.in/scripts/NotificationUser.aspx?Id=8075&Mode=0

[24]'Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)', RBI/2017-18/10;FIDD.GSSD.CO.BC.No.04/09.01.01/2017-18;July 01, 2017. Available at https://www.rbi.org.in/Scripts/ BS_ViewMasCirculardetails. aspx?id=11035

[25]These are Solapur, Ratnagiri, Thane, Wardha, Beed, Sindhudurg, Chandrapur, Gadchiroli, Gondia, Jalna, Osmanabad, Nandurbar, Yvatmal.

An SHG-based sanitation financing model that needs special mention here is that of Dhan Foundation.Building women self-help groups and their federations at the grassroots and enabling them for community ownership and sustainability are key elements of the approach of Dhan Foundation[26]. The sanitation and water financing programme for the benefit of SHG members of Dhan formally started in April 2013. The first program was implemented in 31 DHAN federations. Over 2013-16, 17,755 families availed sanitation and water loans. The loans fund – amounting to Rs. 24.39 crore - was mobilized through a combination of SHG-bank linkage and internal SHG funds. As of December 2017, 147 DHAN federations from 48 districts across 11 states have dispersed 154,623 sanitation and water loans through the Kalanjiam network. Most of the loans have been used for toilet construction. Loan repayment by SHGs has been close to 100 percent. The Dhan model of sanitation financing is founded on intensive demand generation through community institutions like SHGs and federations as also robust partnerships with banks and government departments.

2.4 MFIs

An important development in the MFI sector over the 2000s has been the increased focus on measuring social performance of credit programmes as an integral part of rating exercises. Social performance refers to an MFI's effectiveness in achieving its stated social goals and creating value for clients. An MFI with strong SPM practices is deemed to achieve better social impact and hence is assigned a higher social rating. Most of the investors made it mandatory for MFIs to undergo social audits and rating. A host of MFIs started engaging with water and sanitation products around the same time as part their social performance oriented portfolio. By 2014-15, WatSan loans came to be accounted for 11 per cent of the non-income generation loans of MFIs (Sa-Dhan, 2015).

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[26]This section draws on 'Solid and Liquid Resource Management: Credit, Finance and Employability', http://swachhbharatmission.gov.in/SLRM/Download.aspx?FileName=Credit%20Financing%20in%20the%20Sanitation%20and%20Water%20Sector.pdf.

The largest WatSan microfinance initiative in India is the WaterCredit programme that was introduced by Water.org in 2008 in partnership with five MFIs. By 2014, the programme was expanded to 14 partners. The portfolio grew very fast between 2011 and 2014 to cover more than 2 million people with close to half a million loans. The programme works through MFI-NGO partnerships, wherein the NGOmobilises demand and provides technical support, while the MFI sources capital and extends loans at market rates. Water.org's contribution to the partnership is in the form of smart subsidies targeted at specific activities, such as baseline and market assessments, product development, awareness generation, community mobilization, and monitoring and evaluation (Foster, 2016).

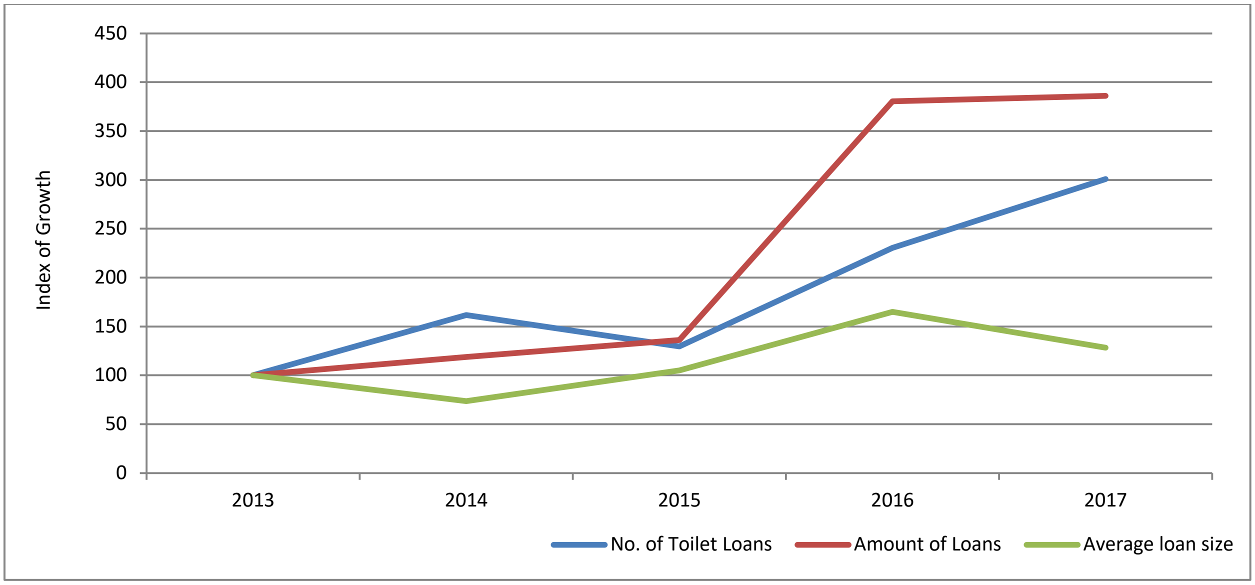
Table 21 and Figure 8 present the progress of sanitation lending by the MFI partners of Water.org. The data shows that both the number of loans extended for the purpose of construction or upgradation of toilets as also the amount of loans increased impressively over the period 2013-17, though not in steady manner. But a sudden increase is visible in the number and amount of loans in 2016 and 2017. Table 20 also suggests a slight upward movement in average loan sizes in recent years. See also Figure 3.

Table 21: Progress of Micro Sanitation Loans by MFI Partners of Water.org

Year	No. of Toilet Loans	Amount (Rs. Crore)	Average Loan Size	Index of growth		
				Number	Amount	Average loan size
2013	79550	122	15336	100	100	100
2014	128517	145	11283	162	119	74
2015	102946	166	16125	129	136	105
2016	183291	464	25315	230	380	165
2017	239391	471	19675	301	386	128
Cumulative over 2013-17	733695	1368	18645			

Source: http://swachhbharatmission.gov.in/SLRM/Download.aspx?FileName=Credit%20Financing%20in%20the%20Sanitation%20and%20Water%20Sector.pdf.

Figure 8: Growth in Micro Toilet Loans: 2013-17



Source: Same as Table 20.

The partners of WaterCreditprogramme operate through designated branches for WatSan loans. As of 2015 there were about 780 such branches. Grameen Koota, a Bangalore-based NBFC-MFI (220), Annapurna, headquartered in Bhubaneswar (140) and SKDRDP, Dharmasthala, Karnataka (100) accounted for 59 per cent of all the water credit branches. Grameen Koota has the largest water credit branch network among all MFIs.

In the case of nine MFIs, the annual interest was more than 20 per cent. The rest charged between 15 per cent and 18 per cent. The average toilet loan size varied from USD 140 and USD 279. The repayment rates of sanitation loans were reported to be high – between 99 to 100 per cent (Ibid).

Grameen Koota (GK) had cumulatively issued 175,179 sanitation loans worth Rs.1.9 billion between 2012 and 2015[27]. Till October 2015 these loans carried 22 per cent rate of interest, which was reduced to 20 per cent in October 2015. Importantly, the MFI has been working on issues related to health and hygiene through an NGO NavyaDisha since 2009. Navya Disha has

[27]http://www.grameenkoota.org/index.php?option=com_content&view=article&id=152&Itemid=96

been implementing Water and Sanitation Program in association with Water.org in Karnataka, Maharashtra and Tamil Nadu for the members of GK. The NGO has been organising awareness campaigns to encourage households to construct their own toilets, have own water connections, build rainwater harvesting systems and ensure safe disposal of waste by opting for biogas plants, composting and solid waste management programs. It also provides training to local masons in building low cost and affordable sanitation systems. In other words GK's sanitation lending is organically integrated with its socio-economic development agenda pursued in collaboration with the activities of a non-profit.

Annapurna, an Odisha based MFI has extended about 25000 'Swasth' loans in rural areas of an average size of about Rs. 15,000 (with a portfolio size of close to Rs.500 million). It also provides sanitation awareness activities with the help of Water.org and FINISH society. Interestingly, despite the priority sector specifications, the MFI has not been able to leverage bank loans for this purpose. According to the MD of Annapurna, they have negotiated with a few commercial banks, but nothing worked out. The MFI hence uses the funds available through other funding agencies. This could be one of the reasons why the Swasth product appears expensive for a purpose like sanitation. The loan carries an interest rate of 22 per cent (reducing balance). The processing fees is 1% of the loan amount, and 14.5 per cent is taken as service charges on the loan processing fee. The borrower is also offered life insurance at the premium of Rs. 5.6 per Rs. 1,000 of the loan amount.

3. MAINSTREAMING SANITATION CREDIT: CHALLENGES AND OPTIONS

In the backdrop of the foregoing discussion we present in this section our assessment based on our consultations with a range of stakeholdersregardingthe available options, challenges and ways forward to integrate sanitation credit in the ongoing agenda of financial inclusion. As we described in the introduction, there are sections of population who are denied the opportunity to lead healthy and dignified lives because they are cash constrained. The question is how to make the credit delivery system respond to the unmet need for finance for constructing toilets and sanitation systems by households.

The skewed nature of banking in Maharashtra and the concentration of banking activity in metro branches imply that inadequate banking resources are available for regions that most require them. The indifference of banks towards causes like developing household sanitation system is a reflection of this imbalance in banking distribution and the structure of priorities it creates.

The views of bankers and other stakeholders with respect to supporting the cause of making Maharashtra free of open defecation were found fairly divergent in this exercise. Our discussion with the federation leadership of UCBs is a case in point. The section of leadership inspired by the philosophical underpinnings of cooperatives as socially responsible businesses were open to the credit societies and banks proactively taking up lending for sanitation purposes. The other section thought it was not feasible to extend such 'unproductive' loans especially given the regulatory and market compulsions under which the cooperative credit system operates currently. Moreover, urban cooperative banks have become very ambitious since the mid-2000s. The Report of the High Powered Committee on Urban Co-operative Banks (RBI, 2015) points out that there is demand among UCBs "for an enabling environment for growth and undertaking of business akin to commercial banks. Such aspirations are reflected in the requests received from UCBs such as permission to be a part of the food credit consortium, for lending against regulatory assets, lending to big infrastructure projects, investing in securitised assets, becoming trading members in the currency derivative segment and trading in derivatives/ overnight index futures and swaps… and some of them have expressed a desire to convert to commercial banks" (p.11).

The structurally vibrant cooperative credit system in Maharashtra could have acted as a robust mechanism to democratise credit delivery in the undeserved areas. But as we have gathered from literature, personal conversations and official reports, a substantial part of the system has been abused for personal and political gains, eroding its economic value and social credibility. The ongoing efforts to revive and professionalise the cooperative system to increase efficiency have the attendant danger of exclusion of the most vulnerable sections of population in rural and urban areas. This would further alienate cooperative societies and banks from supporting causes like sanitation, the intrinsic merit of which is more social and economic.

SHGs hold great relevance and promise in the sphere of sanitation credit. While the fact that these loans are demanded by poorer households increases the risk of lending, SHGs are able to provide mutual guarantee so that repayment issues can be managed to some extent. In most cases members of SHGs represent the vulnerable sections that are in need of additional financial support apart from state subsidy. The commercial microfinance institutions, in our view, have serious limitations in addressing the demand for sanitation credit mainly because of their high cost of lending. Only those MFI who have some ideological or programmatic commitment to socio-economic development have ventured into lending for construction of toilets. The other mechanism would be of interest subsidy to MFIs that borrow social infrastructure loans from SFBs/commercial banks/UCBs using the provisions under priority sector.

Started off as innovative last mile service agencies, MFIs have grown in size and reach over the past two decades or so. The largely unregulated phase of growth of MFIs came to an end by around 2011. These institutions are closely regulated now either through self-regulation arrangements or by the norms and policies of RBI. The regulator has also made its strategic intention of integrating microfinance within the banking paradigm by introducing policy instrumentalities to help large MFIs to convert to banks. This has meant that MFIs have started behaving like banks in structuring their products and in framing lending policies. The social perspective that informed its initial phase of growth has almost become redundant in the new scenario. The prospect of MFIs championing the cause of lending for a purpose like construction of toilets or sanitation systems needs to be seen in this milieu.

MFIs face several constraints in managing sanitation and water portfolio. They lack adequate access to capital to expand WaterCreditoperations. As sanitation loans are not linked to any income generating activity unlike typical micro credit products, mobilising and servicing such loans are found to be highly resource intensive. While this increases the operational costs for the MFIs, the revenue from such loans cannot match up given their small sizes and non-recurring nature. It may be noted that the average toilet loan size varied from USD 140 and USD 279 in 2015 in the case of partners of Water.org. This has prompted many MFIs to charge interest rate on par with commercial microcredit, ranging from 20. However, there are also cases of MFIs like Grameen Koota and Bharat Financial Inclusion Ltd (erstwhile SKS Microfinance) that charge lower interest rates for sanitation and water loans by leveraging economies of scale.

Moreover, the MFIs find it difficult to monitor construction quality and loan utilization (Foster, 2016). “Ensuring strong rapport and effective coordination with local government has been paramount due to their role in rural water service delivery, but this has proved to be a difficult task. Loan volumes have also been affected by the prevalence of piped water supply infrastructure, the strength of sanitation supply chains, prevailing sanitation attitudes and behaviors, and local environmental conditions, all of which vary within and across MFI operational areas” (ibid: 4).

We present in next section the major challenges that were identified during the review of the available secondary material and the discussions we had with officials and the community.

3.1 Sanitation Credit: Major Challenges

1. The importance of a financing arrangement is not recognized in NULM guidelines.

2. Sanitation lending still has considerable ambiguity as a viable financial product.

3. Banks are not incentivized to offer toilet construction loans to individuals as there is no policy.

4. Assurance that the subsidy amount will be transferred to the beneficiary accounts with them. The subsidy acts as a minimum guarantee of repayment of loan, which does not generate any income for the beneficiary thus increasing the lending risk.

5. New banking institutions like SFBs may not take to sanitation lending easily in the initial years as they have to drive profits to make the banks viable within the stipulated time frame. They may rather explore more lucrative avenues like MSME lending.

6. In Maharashtra, despite the impressive growth over time, lending to SHGs has not kept pace with savings mobilization. Banks seem to have been keen on savings linkage, while credit linkage has been lagging seriously.

7. The average SHG loan sizes are still very small and the ability of groups to experiment and innovate very limited. Repayment is not as high as other loans.

8. Urban cooperative banks have moved closer towards their commercial counter-parts in terms of institutional mandate, financial products and processes. They do not consider sanitation loans as productive and viable.

9. The urban credit societies have not been properly integrated within the SMM.

10. MFIs are inclined to lend for productive livelihood activities unless motivated through mobilization and technical subsidies.

11. MFIs face several constraints in managing sanitation and water portfolio such as lack of adequate access to capital, resource intensive demand mobilisation processes, high operational costs, and low revenues due to small sizes and non-recurring nature

12. Banks have not been very responsive to the demands of a handful of MFIs who wished to enter the space, along with capacity building and technical inputs.

13. Sanitation lending with high cost private investment funds would make sanitation loans costly and unaffordable to borrowers.

3.2 Key Recommendations

12. The priority sector option can be used by both commercial and cooperative banks to finance toilet construction by individual households who can also avail the subsidy offered by the state/ULB. The commercial banks can extend such loans directly to households under social infrastructure provision of PSA. As for the cooperative banks, they can make use of the provision available under weaker sections. Given that banks have not made much progress in social infrastructure lending, prescription of a sub-target for sanitation would be useful.

13. Banks will be incentivized to offer toilet construction loans to individuals only if there is a policy assurance that the loan is linked to the subsidy due to the beneficiary. This can done through a system of credit-linked capital subsidy scheme (CLCSS) similar to what is offered in the case of EWS housing or micro and small industry lending.An appropriately designed CLCSS can reduce the interest burden on borrowers and lending risk of finance providers. Commercial and cooperative banks, SFBs and housing finance institutions need to be brought together on a platform to share best practice cases with respect to CLCSS.

14. The other plausible option is to set up a refinance corpus for a stipulated time period to help banks extend loans without much anxiety.

15. NULM already provides interest subsidy (7%) to enterprise activities and a further interest subvention (3%) to women SHGs. This can be extended to sanitation too.

16. Small Finance Banks, given their predominant focus on financial inclusion, can have a clearly specified sub-target for sanitation. Given the microfinance background of most of the SFBs, they can be motivated to focus on sanitation lending leveraging their strength in micro-lending. However, SFBs may explore more lucrative avenues like MSME lending in the initial years as they have to drive profits to make the banks viable within the stipulated time frame.

17. SHGs can build a strong demand for bulk loans through the bank linkage scheme by leveraging priority sector funds under social infrastructure available with commercial banks here they have accounts. SHGs are also eligible to apply to cooperative banks too for loans under the weaker sections target, which can be on-lent to needy members. Effective demand system has to be created at the level of SHGs. They may proactively integrate the issue of sanitation as part of their larger agenda of improving the health status of the local society.

18. SHG federations at the city/area level proposed under NULM may be used to generate demand on scale and to manage a sanitation revolving fund.

19. UCBs may be motivated to explore possibilities of designing products appropriate for households in need of toilets.

20. Awareness creation at the society level is the first step towards motivating the cooperative system to introduce sanitation loan.

21. Commitment to promoting sanitation loans can be incorporated as an element in the auditing of cooperatives.The other plausible option is to set up a refinance corpus to

help banks extend loans without much anxiety. The potential role of urban cooperative credit societies in sanitation lending needs to be recognized in the policy circles. The communicationregarding sanitation lending issued by the Commissioner of Cooperatives should reach all levels. Moreover, subsidy amount can be channelled to committed societies so that their risk perception will be minimized. Provision of sanitation credit may be added as an audit criterion.

22. MFIs can address the demand for sanitation loan by designing affordable loans products within the lending norms stipulated by RBI. They can also potentially leverage social infrastructure loans under PSA. Sanitation loan is an appropriate product for promotion under MFI-bank partnerships. Such partnerships can be structured selectively for regions with a high demand for sanitation loans.

3.3 Conclusion

Our enquiries clearly indicated the absence of an institutional mechanism that connects the existing market potential with even the resources already earmarked for the purpose of financing social infrastructure or helping weaker sections to achieve decent quality of life. The existing initiatives in the sphere are sparse and highly fragmented. There needs to be a concerted effort by the central and state governments, banks, NABARD, cooperative federations, organisations like MAVIM and MFI networks like Sa-Dhan and MFIN to strategise and design policies that enable increased flow of credit to meet household level demand for financing construction of toilets and sanitation systems. This can be operationalised only through a consortium approach with the state providing clear and strategic direction. Along with these initiatives, adequate investment must be made towards designing appropriate and affordable technical support for sanitation activities.

Appendix Table 1: BC-NGOs in Maharashtra

	District	BC Name	Date of empanelment
1	Akola	Navnirman Mahila Bahuddeshiya Sanstha	27-Jul-13
2	Amaravati	AshrayaSevabhavi Society	04-Dec-12
3	Amaravati	Community Action for Rural Development Society (CARD)	17-Apr-13
4	Amaravati	Maharastra Gram Darpan	25-Jan-14
5	Amaravati	Social Action for Rural Integration Training & Awareness	25-Jan-14
6	Aurangabad	DilasaJanvikasPratishthan	18-Feb-15
7	Aurangabad	SAHYOG	26-Aug-15
8	Buldana	Shri GajananMaharajSamajSevi Sanstha	28-Oct-14
9	Chandrapur	Association of Women Awareness and Rural Development	26-Aug-15
10	Chandrapur	Navdrushti Mahila Vikas Sanstha	04-Jul-16
11	Dhule	Lupin Human Welfare and Research Foundation	01-Apr-15
12	Gondia	Indian Social welfare Society	09-Nov-13
13	Hingoli	Ugam Gramin Vikas Sanstha	21-Jan-17
14	Jalgaon	Action for Community Empowerment	15-Jun-16
15	Kolhapur	Anandibai Mahila Bahuddeshiya Sanstha	23-May-14
16	Kolhapur	Sham Swayamsevi Sanstha	23-May-14
17	Kolhapur	Shri Manvel Bardeskar Education Society (M-Bes)	28-Jan-16
18	Nagpur	Comprehensive Rural Tribal Welfare Development Program	14-Jun-16
19	Nagpur	Tejaswini Bahuddeshiyasevabavi Vikas sanstha	27-Sep-13
20	Nanded	Gramin Vikas BahuddeshiyaSamajSevasanstha	27-Sep-13
21	Nanded	LalitVishwaShikshansamiti	10-Apr-14
22	Nanded	VanshriSamajikSanskrutikVa Gramin Vikas Sanstha	11-Apr-14
23	Pune	Helpo Foundation	23-May-14
24	Thane	Global Alliance for Susutainable Development	18-Feb-15
25	Wardha	Prayas Gram Vikas Sanstha	26-Aug-15
26	Wardha	RashtriyaYuvakrantiBahuUddeshiya Mahila Vikas Sanstha	03-Aug-13
27	Wardha	Society for Agriculture & Rural Development	26-Jul-13
28	Washim	SwayamShasanBahudeshiya Mahila Sanstha	25-Jan-14
29	Yavatmal	Shivshakti Mahila Mandal	10-Apr-14
30	Yavatmal	AniketBahuddeshiyaSamajjikShikshan Sanstha	27-Sep-13
31	Yavatmal	Asmita Institute of Development	12-Apr-17
32	Yavatmal	SanjivaniBahuddeshiya Sanstha	10-Apr-14

Source: http://nabfins.org/business-correspondent-maharashtra/

Appendix 2: List of Mahila Cooperative Banks in Maharashtra

	Name of the Bank	Address
1	Ajinkyatara Mahila Sahakari Bank Ltd.	346, YadogopalPeth, "LaxmiNivas", Satara
2	Ambica Mahila Sahakari Bank Ltd.Ahmednagar.	District Co-Op Board Building,FirstFloor,PanchpirChavadi,Maliwada, Ahmednagar
3	Indira Mahila Sahakari Bank Ltd., Malegaon	Malegaon Mauledar Lane, BudhawarPeth, Malegaon, Nasik
4	Jijamata Mahila Sahakari Bank Ltd., Pune.	MalatiMadhav 1639 B,SadashivPethTilak Road Pune
5	Kolhapur Mahila Sahakari Bank Ltd.	Mahila Seva Mandal Sankul, 1082, K, B Ward, Tutuchi Bag, Opp. Khasbag, Kolhapur
6	Manndeshi Mahila Sahakari Bank Ltd., Mhaswad	Near Jain Temple, At Post Mhaswad, Tal. Mann, Satara
7	Matoshri Mahila Sahakari Bank Ltd., Parner, Ahmednagar	Matoshri Mahila Sahakari Bank Ltd. Parner Taluka Parner, Ahmednagar
8	Nasik Jilha Mahila Sahakari Bank Ltd.	3, Stadium Complex, M.G. Road, Nasik
9	Nasik Zilla Mahila Vikas Sahakari Bank Ltd.	430 vadnagreBhavanJuna Agra Road, Nasik
10	Priyadarshini Mahila Sahakari Bank Ltd.,Gadhinglaj	Opp. Kalbhairav Road, Ajra - Sanke-,shwar Main Road, Gadhinglaj, Kolhapur
11	Shree Laxmi Mahila Sahakari Bank Ltd.,Sangli	134, South Shivajinagar, Sangli, Taluka Miraj, Sangli
12	Adarsh Mahila Nagari Sahakari Bank Ltd., Aurangabad.	31, Shivjyoti Colony, N-6, CIDCO, Aurangabad
13	Indira Mahila Nagari Sahakari Bank Ltd., Latur.	Gandhi Market, Latur
14	Indira Mahila Sahakari Bank Ltd.,Nandurbar	Shriram Tower, Opp. Nagar Parishad, Nandurbar
15	Jai Kalimata Mahila Urban Co-Operative Bank Ltd., Basmatnagar	Saraswathi Co-op. Housing Society, Basmatnagar, Mama Chowk, Hingoli
16	Jijamata Mahila Nagri Sahakari Bank Ltd., Buldana.	Deshpande Nursing Home, First Floor, Chikhali Road, Buldana
17	Priyadarshani Mahila Nagri Sahakari Bank Ltd., Beed.	"Shreya " Building, Mondha Road, Beed
18	Sanmitra Mahila Nagri Sahakari Bank Maryadit, Chandrapur.	KavyayaniHospital,I st Floor,BalajiRoad,Near: NikasMandhir,MainRoad,Chandrapur
19	Shivparvati Mahila Nagari Sahakari Bank Ltd., Parbhani.	Sardar Patel Road, Gujari Bazar, Parbhani
20	The Amravati Zilla Mahila Sahakari Bank Ltd., Amravati.	Jawahar Road, Amravati
21	The Bhagyalakshmi Mahila Sahakari Bank Ltd., Nanded.	BhagyalakshmiBhavan, Mahavir Chowk, Nanded
22	The Mahila Urban Co-operative Bank Ltd., Gondia.	Katangi Line, Main Road, Gondia
23	The Yavatmal Mahila Sahakari Bank Ltd., Yavatmal.	Mainde Chowk, Tilakwadi, Yavatmal
24	Vasundhara Mahila Nagari Sahakari Bank Ltd., Ambajogai.	Prashant Nagar, Ambajogai, Beed
25	Wardha District Ashirwad Mahila Nagari Sahakari Bank Ltd., Hinganghat.	Opp.Civil Court, Hinganghat, Wardha

Appendix Table 3: Return on Assets of UCBs -2015 to 2017

	Name of SUCB	Net Profits as % of Average Assets (RoA)		
		2015	2016	2017
1	Nasik Merchant's Co-operative Bank Ltd.	2.32	2.15	1.94
2	The Khamgaon Urban Co-operative Bank Ltd., Khamgaon.	1.77	2	1.52
3	Bharat Co-operative Bank (Mumbai) Ltd., Mumbai	1.38	1.23	1.04
4	TJSB Sahakari Bank	1.28	1.13	1.01
5	Kalyan Janata Sahakari Bank Ltd., Kalyan	1.03	0.94	0.88
6	ShamraoVithal Co-operative Bank Ltd.	0.93	0.83	0.82
7	DombivliNagari Sahakari Bank Ltd.	0.95	0.89	0.8
8	The Akola Janata Commercial Co-operative Bank Ltd., Akola.	1.5	1.23	0.77
9	Mahanagar Co-operative Bank Ltd., Mumbai	0.87	0.69	0.63
10	Citizen Credit Co-operative Bank Ltd., Mumbai	0.83	0.69	0.62
11	Nagar Urban Co-operative Bank Ltd., Ahmednagar	0.83	0.85	0.33
12	Pravara Sahakari Bank Ltd.	0.97	1.01	0.24
13	Shikshak Sahakari Bank Ltd., Nagpur.	0.32	0.56	0.11
14	Abhyudaya Co-operative Bank Ltd., Mumbai	0.29	0.02	0.03
15	Janakalyan Sahakari Bank Ltd., Mumbai	0.29	0.05	0.02
16	Bassein Catholic Co-operative Bank Ltd.	1.64	1.31	1.18
17	NKGSB Co-operative Bank Ltd., Mumbai	0.66	0.66	0.61
18	KallappannaAwadeIchalkaranji Janata Sahakari Bank Ltd.	0.66	0.64	0.55
19	Janalaxmi Co-operative Bank Ltd., Nashik	2.46	2.18	0.59
20	New India Co-operative Bank Ltd., Mumbai	2.86	2.6	0.44
21	Janata Sahakari Bank Ltd., Pune.	0.82	0.76	0.41
22	Bharati Sahakari Bank Limited.	1.77	0.57	0.4
23	GopinathPatilParsik Janata Sahakari Bank Ltd., Thane	1.13	1.05	1.38
24	Greater Bombay Co-operative Bank Limited	0.54	0.65	1.38
25	Rupee Co-operative Bank Ltd.	0	-2.14	1.26
26	Karad Urban Co-operative Bank Ltd.	0.37	0.41	0.9
27	Bombay Mercantile Co-operative Bank Limited	0.11	0.03	0.38
28	The Akola Urban Co-operative Bank Ltd., Akola.	-1.34	-1.25	0.09
29	Nagpur Nagrik Sahakari Bank Ltd.	0.87	0.33	0.68
30	Thane Bharat Sahakari Bank Ltd.	0.48	10.2	0.53
31	Zoroastrian Co-operative Bank Ltd., Bombay	1.38	1.21	1.36
32	Punjab & Maharashtra Co-operative Bank Ltd.	1.09	0.94	0.99
33	SolapurJanata Sahakari Bank Ltd.	0.78	1	0.97
34	Saraswat Co-operative Bank Ltd., Bombay	0.61	0.62	0.62
35	Jalgaon Janata Sahakari Bank Ltd.	0.6	0.58	0.55
36	Cosmos Co-operative Urban Bank Ltd.	0.3	0.15	0.36
37	Sangli Urban Co-operative Bank Ltd., Sangli	0.25	0.07	0.21

Source: *Primary (Urban) Co-operative Banks' Outlook*, https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications

Appendix Table 4: Spread and CRAR of UCBs – 2015 to 2017

	Name of SUCB	Spread - Net Interest Income to Total Assets (%)			Capital to Risk (weighted) Assets Ratio		
		2015	2016	2017	2015	2016	2017
	New India Co-operative Bank Ltd., Mumbai	2.73	4.7	4.03	12.35	32.27	39.67
	Janata Sahakari Bank Ltd., Pune.	2.74	1.39	1.65	11.64	34.01	25.27
1	Nasik Merchant's Co-operative Bank Ltd.	4.65	2.26	2.41	28.32	21.25	19.37
2	ShamraoVithal Co-operative Bank Ltd.	2.26	3.01	3.34	12.66	19.07	19.12
3	Cosmos Co-operative Urban Bank Ltd.	2	2.78	2.38	11.25	18.97	18.68
4	Apna Sahakari Bank Ltd.		3.49	3.23		20.55	18.5
5	Greater Bombay Co-operative Bank Ltd.	0.23	3.95	3.86	13.25	20.43	18.47
6	Mahanagar Co-operative Bank Ltd., Mumbai	3.27	2.82	3.74	12.98	11.22	18.04
7	Bharat Co-operative Bank (Mumbai) Ltd., Mumbai	2.76	2.97	3.09	12.68	18.06	17.33
8	Akola Janata Commercial Co-operative Bank Ltd.	3.25	2.89	2.96	14.21	12.22	17.33
9	Jalgaon Janata Sahakari Bank Ltd.	0.5	4.16	3.93	11.67	42.89	17.11
10	Kalyan Janata Sahakari Bank Ltd., Kalyan	2.98	2.86	2.91	12.31	16.22	16.88
11	Khamgaon Urban Co-operative Bank Ltd.	3.75	0.98	2.89	20.02	-25.75	16.86
12	Thane Bharat Sahakari Bank Ltd.	3.18	3.32	2.57	12.27	15.55	16.48
13	Rupee Co-operative Bank Ltd.	-0.48	2.11	2.39	-222.09	13.59	15.63
14	DombivliNagari Sahakari Bank Ltd.	2.59	2.38	1.77	13.07	13.62	15.38
15	Bombay Mercantile Co-operative Bank Ltd.	1.96	2.68	2.56	11.34	16.95	15.08
16	SolapurJanata Sahakari Bank Ltd.	3.31	2.63	2.47	11.17	14.57	14.68
17	G. PatilParsik Janata Sahakari Bank Ltd., Thane	4.09	2.68	3.19	19.47	14.4	14.66
18	Citizen Credit Co-operative Bank Ltd., Mumbai	3.28	2.28	3.04	20.76	12.39	14.58
19	Pravara Sahakari Bank Ltd.	2.82	2.46	2.35	12.22	15.21	14.55
20	Nagar Urban Co-operative Bank Ltd., Ahmednagar	3.74	2.96	3.01	15.32	12.53	14.2
21	Bharati Sahakari Bank Ltd.	2.9	2.88	2.51	15.85	13.18	13.88
22	TJSB Sahakari Bank	3.03	3.12	2.98	14.96	19.92	13.74
23	Nagpur Nagrik Sahakari Bank Ltd.	2.94	3.85	3.03	20.75	15.48	13.29
24	KallappannaAwadeIchalkaranji Janata Sahakari Bank Ltd.	2.84	2.78	2.7	13.46	13.9	12.86
25	Janakalyan Sahakari Bank Ltd., Mumbai	2.47	2.97	2.43	11.23	12.01	12.79
26	Shikshak Sahakari Bank Ltd., Nagpur.	2.56	2.16	2.49	13.75	12.46	12.69
27	Jalgaon People's Co-operative Bank Ltd.			3.12			12.43
28	NKGSB Co-operative Bank Ltd., Mumbai	2.31	2.56	2.06	12.62	12.38	12.39
29	Saraswat Co-operative Bank Ltd., Bombay	1.68	2.27	2.48	12.57	12.01	12.3
30	Bassein Catholic Co-operative Bank Ltd.	3.28	2.44	2.27	21.38	13.16	12.27
31	Punjab & Maharashtra Co-operative Bank Ltd.	3.18	3.61	2.42	12.43	13.23	12.16
32	Zoroastrian Co-operative Bank Ltd., Bombay	3.66	3.54	1.81	15.87	1.21	11.94
33	Janalaxmi Co-operative Bank Ltd., Nashik	2.1	2.24	2.28	4.66	13.31	11.51
34	Abhyudaya Co-operative Bank Ltd., Mumbai	2.02	1.9	1.6	12.81	12.34	10.98
35	Akola Urban Co-operative Bank Ltd., Akola.	1.52	2.97	2.13	9.32	15.32	8.34
36	Karad Urban Co-operative Bank Ltd.	2.44	2.82	-1.63	11.1	12.95	-57.08
37	Sangli Urban Co-operative Bank Ltd., Sangli	2.54	-0.09	2.2	12.31	11.34	-442.12

Source: Same as Appendix Table 1.

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The Center for Water and Sanitation (C-WAS) at CEPT University carries out various activities – action research, training, advocacy to enable state and local governments to improve delivery of services. In recent years C-WAS has focused its work on urban sanitation.