

## Fresh challenges for micro-finance

*Keya Sarkar*

It was bound to happen. Just like the institutions and the banks before them, the micro-finance institutions, or NGOs working in the micro finance sector, have to learn new tricks. No longer are donor agencies or banks willing to sustain and support unconditionally.

The new buzzwords are *depth of management* and *accountability*. And like others before them, the micro-finance sector is realising that beyond the committed visionaries and leaders who started their organisations, there is almost no trained second line that can provide the depth of management needed to ensure an efficient, sincere working of the organisations.



*Fresh Challenges for Microfinance, Keya Sarkar, Business Standard, Aug 27, 2004,*

<http://www.business-standard.com/search/storypagenew.php?leftnm=lmnu5&leftidx=5&lselet=1&autono=165302> [C.ELDOC.1075270]

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Herein lies the demand for training in this sector. And the good news is that a host of organisations have geared up for capacity building in the microfinance sector. Since most of these have been spawned by organisations that have been pioneers in the field of micro-finance, there is certainly going to be a big change in the way training is imparted.

*Sewa* Bank and Friends of Women's World Banking (FWWB), Basix, the *Dhan* Foundation, and Micro-save have either started or are in the process of setting up schools that will teach NGOs and micro-finance institutions (MFIs) to cope with the winds of change. Each of these organisations has carved out a niche for itself, but all are firmly rooted in getting practitioners to teach, and learn from research.

A lot of thinking is going into how training can be customised to suit the smaller non-government MFIs and how grassroots practitioners can be taught in their own languages.

And in their efforts at pioneering rigorous training for capacity building, there is a lot of interaction between the training institutes. Hopefully, this will remain, because there is so much to be done that a feeling of competition would be unnecessary.

But building good training institutes requires money. Especially so, because it is for a sector in which those who need it the most cannot pay for it. So the training institute has not only to raise funds to set up office and attract competent faculty



members, but also arrange for students' scholarships.

Almost all those who have raised or tried to raise funds in the recent past (except for the *Tata Dhan* Academy, which is now well established) have had very encouraging responses from both the public and private sector banks. Because, with banks becoming more and more aware of their bottom lines in a situation where the RBI still insists on priority sector lending, they are also realising how important it is for the micro-finance sector to be more accountable.

But whether it is Sankar Datta of the Indian School of Livelihoods Promotion, or Vijayalakshmi Das of the Indian School of Micro-finance for Women, or *Graham Wright* of Micro-save, the experience has been that the banks are looking at sponsoring specific courses, research, or pilot projects. But a training organisation cannot start shop without being assured of funding for a period of at least five years.

With the exception of the Indian School for Micro-finance for Women, which is sponsored by *Sewa* and FWWB, and which has a commitment of core funding from the Citigroup, almost all others have been more successful in convincing international donor agencies like the CGAP, Ford Foundation, and Indian private trusts (like the Sir Ratan Tata Trust or the Dorabji Trust), than domestic financial institutions.

Of course not all the funding is signed and sealed as yet. Like in all funding exercises, there are a host of queries raised by funders. But there does not seem to be any disagreements between funders and the fund raisers regarding the demand-supply gap in capacity building.

What these institution builders are lamenting, however, is that the government or government-owned institutions like *NABARD* or

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*SIDBI* do not seem to be particularly worried about the lack of capacity in the sector to absorb increasing funding.

While these organisations are willing to fund specific research projects or even pay for scholarships for their borrower organisations to attend training programmes, they are unwilling to look at core funding.

And while international donor agencies or private trusts may be willing to bridge the gap for now, soon they will begin to question what domestic organisations set up specifically for the sector are doing about capacity building.

Capacity-building work has just begun; a lot needs to be done. Good brains need to be attracted to these training institutes, syllabi must be made relevant to Indian conditions and suitable for imparting training in different regional languages, and then small NGOs and MFIs have to be convinced to create training budgets.

**It is not enough to say in the Budget speech that the micro-finance sector needs a push. A lot of expensive digging has to create a foundation. ▶**

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