

SMALL BATCH LOAN MANAGEMENT OF JANALAKSHMI FINANCIAL SERVICES LTD. IN WEST BENGAL

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ABSTRACT

Indian people are very depending in nature. India is remarkable on the ground of its Poverty ratio. According to Press Note on Poverty Estimates, 2011-12 GOI Planning Commission July 2013 Rural Poverty Ratio is 25.7%, Urban Poverty Ratio is 13.7% and in Total it is 21.9%, In case of West Bengal 22.52% of Rural Population are below Poverty line, 14.66% of Urban Population are below the Poverty Line. To Reduce this Scenario Indian Govt. as well as State Govt. has been taken many Measures out of Which one is Financial Inclusion, a technique to include the maximum head of Indian people (Rural & Urban) into the Bank Accounts. Today Micro-Finance Institutions have made a good step in creating Financial Inclusion, Among them Janalakshmi is famous in West-Bengal as well as in India. The Objective of this Paper is to Highlight the Small Batch Loan Management of Janalakshmi Financial Services Limited in West-Bengal also looking out the Respondent's nature for Small Batch Loan. To Fulfill this Objective, through a well Designed Structure Questionnaire 201 Respondents of Small Batch Loan are Surveyed, and many National and International Journal, Articles, Websites are considered followed by tables. It is notable that Janalakshmi at its utmost capacity level Successful to a Certain level for managing its Small Batch Loan.

Keywords: Financial Inclusion, Micro-Finance Institutions, Small Batch Loan Management, Nature of Respondents of Janalakshmi.

INTRODUCTION

Even after 60 years of independence, a large section of Indian population still remain unbanked. This malaise has led generation of financial instability and pauperism among the lower income group who do not have access to financial products and services. However, in the recent years the government and Reserve Bank of India has been pushing the concept and idea of financial inclusion. **Financial exclusion** can be defined as the unavailability of banking services to people with low or non income. It is believed to be one factor preventing poor people leave out poverty. According to Chakraborty (2011), Financial inclusion is the process of ensuring access to

appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. This issue started gaining importance recently in the news media.

Dimensions of Financial Inclusion :

The level of financial inclusion in India can be measured based on three tangible and critical dimensions. These dimensions can be broadly discussed under the following heads:

- I. **Branch Penetration** Penetration of a bank branch is measured as number of bank branches per one lakh population. This refers to the penetration of commercial bank branches and ATMs for the provision of maximum formal financial services to the rural population.
- II. **Credit Penetration** Credit Penetration takes the average of the three measures: number of loan accounts per one lakh population, number of small borrower loan accounts per one lakh population and number of agriculture advances per one lakh population.
- III. **Deposit Penetration** Deposit penetration can be measured as the number of saving deposit accounts per one lakh population. With the help of this measure, the extent of the usage of formal credit system can be analyzed.

Among the three dimensions of financial inclusion, credit penetration is the key problem in the country as the all India average ranks the lowest for credit penetration compared to the other two dimensions. Such low penetration of credit is the result of lack of access to credit among the rural households. Therefore, the problem of low penetration needs to be understood more deeply. An attempt has been made to study the problem by examining the progress of financial inclusion over the years and efforts made by the government for reducing the low penetration of credit. The progress in the development of financial inclusion.

Need for Financial Inclusion:

The policy makers have been focusing on financial inclusion of Indian rural and semi-rural areas primarily for three most important pressing needs:

- 1. Creating a platform for inculcating the habit to save money** – The lower income category has been living under the constant shadow of financial duress mainly because of the absence of savings. The absence of savings makes them a vulnerable lot. Presence of banking services and products aims to provide a critical tool to inculcate the habit to save. Capital formation in the country is also expected to be boosted once financial inclusion measures

materialize, as people move away from traditional modes of parking their savings in land, buildings, bullion, etc.

2. Providing formal credit avenues – So far the unbanked population has been vulnerably dependent of informal channels of credit like family, friends and moneylenders. Availability of adequate and transparent credit from formal banking channels shall allow the entrepreneurial spirit of the masses to increase outputs and prosperity in the countryside. A classic example of what easy and affordable availability of credit can do for the poor is the micro-finance sector.

3. Plug gaps and leaks in public subsidies and welfare programmes – A considerable sum of money that is meant for the poorest of poor does not actually reach them. While this money meanders through large system of government bureaucracy much of it is widely believed to leak and is unable to reach the intended parties. Government is therefore, pushing for direct cash transfers to beneficiaries through their bank accounts rather than subsidizing products and making cash payments. This laudable effort is expected to reduce government's subsidy bill (as it shall save that part of the subsidy that is leaked) and provide relief only to the real beneficiaries. All these efforts require an efficient and affordable banking system that can reach out to all. Therefore, there has been a push for financial inclusion.

JLS's Small Batch Loan is the Powerfull Instrument used for Financial Inclusion.

Objective of the Paper:

The Objective of this Paper is to:

- 1) Highlight the Small Batch Loan Management of Janalakshmi Financial Services Limited in West-Bengal.
- 2) And looking out the nature of Respondents for Small Batch Loan in different Category (Age, Earning, Savings etc.).

Microfinance institution is that Institutions which offers **financial** services to low income populations. Almost all give loans to their members, and many offer insurance, deposit and other services. A great scale of organizations is regarded as **microfinance** institution.

Company Profile: Among the Micro-Finance Institutions of West-bengal **Janaklakshmi** is a market-oriented financial institution servicing the micro-finance needs of India. "**Jana**" means **People**, "**Lakshmi**" represents **Wealth**: together "**Janalakshmi** means "**People's Wealth**". **Janalakshmi** has been **founded and promoted** by **Mr. Ramesh Ramanathan**. Sangamithra Urban Programme has been a pioneer of Urban Micro-Finance and it had been Operating as an Urban Micro-Finance Company in India since early 2000. Janalakshmi commenced Micro-

finance operations in July 2006 by absorbing the **Sangamithra Urban Programme** into **Janalakshmi Social services**. **JSS** is a Sec 8 Company, or a Non-Profit Company on the same lines as **SUP**. Presently **JSS** is called **Jana Foundation** as Renamed in May 2013. **JFS** was operationalised as a **Non-Banking Financial company (Under the RBI) in Mar 2008**.

Small Batch Loan:

This is the Loan given to a batch of Women Members to help them to engage in Income generating activities repayable in easy Monthly Installments. It is targeted at Women to make them have Self-Discipline, Self-Respect, Savings Habits.

- ✪ Potential Customers for SBL (Small Batch Loan) : Financially Under-Served Women who come together as a Batch.
- ✪ Reasons for lending to a Batch :
 - Mutual Guarantee or Joint Liability for the Batch Loans Results in better recovery.
 - Lower Administration cost for Company and low service charge for Customers.
 - Peer monitoring on usage of Loan Amount, repayment & behavior of one another.

Salient Features of Small Batch Loan:

- It is a Batch of 5 out of 25 Women in case of L1 or 3 to 25 Women in case of L2/L2+ who will come together to a Meeting Centre to avail Loan.
- The Members of a Batch have an Obligation to meet together
- They Mutually Guarantee the Loan Availed from JFS.

Every Meeting Centre Leader and Alternative Meeting Centre Leader (AMCL)

- MCL and AMCL are not Leaders, they are only Facilitating communication between Janalakshmi and the Batch.

Individual Criteria	Batch Criteria
Age:18-58 Years for all Loan Cycle	Size of the Batch:5 to 25 Members for L1
Length of Stay in the Same Locality : Not less than 2 Years	In case of Repeat Loan(L+) Customers can be form 3 to 25
Should be a part of Family.	Residence of Members should be within 200 meters radius from "Meeting Centre"
Annual Family Income should not exceed Rs.1.60 Lakh in Urban and Rs.1 Lakh for Rural.	MCL OR AMCL are not permitted to Join as Co-Applicants.
Family Should have Minimum Income of R.s.6000 in Urban and Rs. 3000 in Rural (Per Month)	Batch Members should know each other
Total Loan Outstanding of a Borrower should not be more than Rs.100000(Including our Proposed Loan).There shall be only one Borrower/One Loan Per Family.	Batch Guarantee i.e in a Batch if One Person does not pay the EMI,remaining members of the Batch should collectively Repay.
Co-Applicant should be a close Blood Relative of the Borrower.	No two Family Members permitted in the same Batch.
Photo-ID & Address Proof for both Applicant and Co-Applicant.	Members of the Batch not to be Closely Related.
Either Applicant or Co-Applicant should be Literate.	

Loan Purpose & it's Usage:

Batch Size	Minimum No. of Customers who should obtain Loan for Income Generation	Usage	Other Conditions
5	3	To buy Income Generating Equipments or Assets	Applicant should agree to pay the annual premium for Life Insurance product (of Bajaj

			Alliance or HDFC Life Insurance Companies) for the defined loan period for both Applicant & Co-Applicant.
8	4	To Start a New Business (Nature of Business to be specified in SB Loan Application)	All Customers should pass through Credit Bureau Check(CB Check) process. If Customer got rejects in CB Check will not Considered for Loan.
10	5	For improvement of their Existing Business	
15	8	Micro-Enterprises-Engaged in Manufacturing and Preservation of Goods Etc.	
18	9	Any Other Purpose, found genuine by Janalakshmi	
20	10		
25	18		

Credit Bureau Process:

Credit Bureau Check is a process of checking the past borrowings of Customers.Details verified at the time of Credit Bureau Check are:

- ✓ No. of loan taken by customers and their current status
- ✓ Loan outstanding of the customers
- ✓ Previous Loan Repayment history

Reasons for rejection by credit bureau :

- ✓ Customers having more than 2 MFIs Loan Outstanding
- ✓ Customers crossing Rs.100000/- Outstanding (Including proposed Loan)
- ✓ Customers having OD with other MFI for the period greater than 30 days.

- ✓ Customers who are defaulters and their accounts were earlier Written off
- ✓ Mandatorily either MCL or AMCL should pass through CB Check process. If both MCL & AMCL should pass through CB Check process. If both MCL & AMCL are rejected, the particular batch will not be considered for Loan.
- ✓ After Completion of CB Check, at least 3 members(LA)Credit Check Status should be accepted in a batch (In case of L2, Minimum 2 Members)

KYC Documents:

All MFIN members will be required to take Minimum two KYC Documents. Out of two KYC Documents, one of them necessarily should either UID (Aadhaar Card or Voter ID card.

Photo Id Proof	Address Proof
Passport	If Customers are not staying in the Address mentioned in the above KYC'S then below mentioned Proof can be considered as Address Proof. Ration Card
PAN card	Electricity Bill
Driving License	Gas Connection Bill
Job card issued by National Rural Employment Guarantee Act	Telephone Bill
Identity Card issued by Central/State Government departments, Statutory/regulatory authorities.	Water Bill
Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions Passbooks.	
Letter issued by a gazette officer, with a duly attested photograph of the person.	

Note: Above Mentioned Photo ID Proof (except PAN Card) can be taken as Address Proof. Electricity Bills should not be Older than 2 Months. The Electricity bills should be either in the name of the Applicant / Co-Applicant (own House) or in the name of Owner (rented House).

Minimum Surplus Should be 120% on Loan EMI amount (130% in case Customers obtained MP).

Rate of Interest: Loan Amount & Repayment period.

Interest Rate is 23.72% or 1.98% PM (*Rate of Interest will be revised from time to time)

Charges Payable by Customer:

Sl. No.	Particulars	Loan Amount & Repayment Period		
1	Loan Amount	30000	40000	50000
2	Loan Tenure	24	24	24
3	Loan Cycle	L(802)	L2(819)	L2+(819)
4	Loan Processing Charges	342	456	570
5	Insurance Premium (For Borrower & Co-Borrower)	480	640	800
6	Janajeevan Card Charges	228	228	228
	Total Charges	1050	1324	1598

The Maximum Loan Amount is R.s. 100000/-

Loan Processing charges-11.45%

Insurance Premium Four Rupees per Thousand per year.

Amount Disbursement :

Cash Disbursement is substituted with prepaid card which works like ATM Debit Card. Each Customers will be provided with prepaid card called “Janajeevan Card” and can withdraw the money as per their requirements.

Collection	Further Loans	Additional Benefits
Collection is on Monthly basis one predefined time and date. CREC will download DB list and collections happens through Bio-/metric authentication using Smart Card Technique. Fool Proof Receipts and Pass Card will be provided to	Those who promptly clears L1 will be eligible for further Loans like L2,L2+ amount ranging from 40000 to maximum of Rs.100000.SBL Customers can be migrated to Individual Loans like Nano for various Income generating activities.	Insurance: SBL Customers are insured for their Loan and will be converged in the event of any unforeseen eventualities and claim process. Pension: SBL customers can opt for Pension Scheme

Customers.		encouraging them to save for Future use.
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End to End process of Small Batch Loan:

The different activities involved in the Small Batch Loan process are broadly grouped under Six phases.

1) Customer Acquisition Phase: (Through area Survey, Loan Building, Batch Formation & training by CREM/CRES, CIS form filing by CREM/CRES, On site verification by CRES, Batch verification by AH, Small Batch Loan Application filling by CRES, Customer Enrollment on Net-Book by CRES, Booklet Submission at Branch.

2) Sanction Phase: (Booklet Checking by OAC, Files Tracker creation in SFDC, Files Scanning Operator of the Data Entry Agency, Data Entry & Data Approval by Data Entry Agency, Credit bureau Check automated, Sanction of Batches in SFDC by sanction Officer, Loan amount Creation in CBS by BPO executive ,Loan Document Kit preparation at CPC, Mailing of DB kit to Branches, Communication to Customers about Loan Sanction and fixing Up DB date).

3) Pre Disbursement Phase & Disbursement Phase: (Loan Document Printing, Taking Customers' signature on Loan Documents by OAC, Confirmatory Meeting by AH/BH, Handing over Janajeevan Card by OAC, Customer Bio-Metric Verification & Disbursement).

5) Collection Phase: (Downloading of Demand List from SFDC, Checking Correctness of Demand List, Correction done by informing BIC, BIC do the Correction in SFDC, Downloading of DL in the Net-book by CREC, Collection of EMI on defined collection meeting date & place by CREC, Cash Submission at Branch, Passing Collection Entry in CBS by the Cashier, Crediting the Collection in to Customer's Accounts in CBS, CREC continues collection of EMI every month).

6) Closure Phase: Loan Account closure by BPO Executive. After collection of the last EMI by the CREC, the Loan Account is closed by the BPO Executive.

Process Partners and IT Applications involved in Loan Processing :

Meaning of Outsourcing: Outsourcing means contracting out of a Business Process to another party. The vendor claims to bring in a Higher level of expertise and continuous improvements in their field, such that we can focus on our Core Business.

Benefits of Outsourcing :

- ★ It is Time saving for the company.
- ★ We can get work done from the best Technical Staff.
- ★ We can take the Benefit from the people who have rich Experiences.
- ★ We can focus on Core Business Activity rather than getting diverted by.
- ★ We can get support from the Excellent people in the Industry.
- ★ It is cost saving for the Company.

Sl. No.	Data entry Partners	Zone/States/Regions covered by them	Description
	Vindya	Karnataka, and North Zone and all Zones of Micro Pension Application Process	<p>Vindya is located in Bangalore. It provides employment to people who are Differently Abled. It takes up data entry and data check.</p> <p>Vindya provides its services for Janalakshmi's Karnataka region and North Zone.</p> <p>Vindya assures Quality Services, Cost Reduction, Transparency and greater efficiency.</p> <p>Out of 526 Employees 12% or 60 Staff are dedicated for JFS</p>
	Rural Shores	Tamil Nadu	<p>Rural Shores is located in Vellore, 150 km from Chennai. Its mission to create employment for Village Folk.</p> <p>Rural Shores provides its services for JL's Tamilnadu region.</p> <p>Rural Shores: Janalakshmi partnership started in 2012</p>

			39 employees are dedicated to JFS data entry work.
	Pamac	West Zone & East Zone	PAMAC is a leading third party process Management Company. It is located At Mumbai. PAMAC provides its services for JL's West and East Zone. PAMAC-Janalakshmi started in Dec-2012. This team has a vision to be a preferred service provider and partner. It offers end to end solutions in Banking, Financial and Telecom sectors.

❖ **Transworld-Our File Storage Partner :**

This Organisation takes care of post audit file storage activity. It Started Operations in 1999 in Bangalore. It is an ISO certified Packing and Moving Company. It has branches at Chennai, Cochin, Hyderabad, Kolkata, Mumbai, New-Delhi and Pune.

❖ **Accenture-: Partner for backed Loan processing :**

Accenture is a Global management consulting, technology services and Outsourcing Company. Accenture Joined JFS as a process partner in Oct-2013. It manages JFS's backed operations which includes:

- ❖ **Data Entry Vendor Management**
- ❖ **Loan Account Creation.**
- ❖ **Third Party product (GTLI, MP, NPS) process**
- ❖ **EMI postings in CBS**
- ❖ **Loan account closures**

IBM-Technology Partner :

IBM joined JFS as a partner to transform its business and technology capabilities on 15-July-2014. IBM will provide JFS with an end-to-end technology platform along with mobile and analytics based solutions. IBM will procure IT assets for branches/field and support them through warranty and post warranty.

IBM will provide ongoing IT support to zone/Region and Branch for smooth operations.

Sl. No.	Application used	Nature of work
1	Sales force	Customer relationship management Application
2	Tata Communication	Helps in disbursement and enrolment.
3	JL interchange	Links between sales force, flex cube & Channel.
4	Flex-cube	CBS-Core banking Solution

SFDC-Sales Force Dot Com:

Salesforce.com is a global leader in Customer relationship management solution. It maintains details of each customer and enables work flow automation. SFDC has been designed to capture all the details of the customer from CIS form. SFDC supports the data entry and processing of the applications of customers. We are using this for both our assets and liabilities product.

Tata Communication Payment Solutions Ltd.

TCPSL application works on a network having Internet Connectivity. It is used for Enrollment, Disbursement and Collections. Transactions can be captured on network in either online or offline mode. Enrollment can be done at the field itself unlike in earlier times when customer had to come to the branch. This enables secure doorstep service for the customer.

CBS-Core Banking Solution:

1. Core Banking is a system used by most banks today, under which all the branches of a particular bank are networked together.
2. The “CORE” in core banking stands for ‘centralized online real-time environment.
3. Janalakshmi uses Oracle’s CBS software called Flexcube.
4. All financial transactions of each customer are captured in CBS

5. Feature CBS:

- ✓ Creation of product codes.
- ✓ Creation of individual loan accounts.
- ✓ Records all financial transaction.
- ✓ Calculates Interest.
- ✓ Accounting entries recorded

Research Methodology: This paper based on both Primary and Secondary Data where Primary Data is collected through Structured Questionnaire Survey on 201 Respondents of Small Batch Loan of Janalakshmi and secondary data was taken from national International Journal, Book, Web-Sites.

Table 1 Showing the Category or Nature of Respondents of SBL in Different Criteria:

Result of Survey on the Beneficiary of MP Scheme of Janalakshmi

Branches of Janalakshmi	Laketown	Howrah	Amtala	Total	Per(%)
<u>Age</u>					
Up To 20	3	0	1	4	0.20
21-30	30	20	25	75	37.31
<u>31-40</u>	43	16	26	<u>85</u>	<u>42.29</u>
41-50	17	7	12	36	17.91
51-59	0	0		1	0.50
		2			
		<u>5</u>			
		8			
<u>Education</u>					
Illiterate =	12	17	20	49	24.38
Upto Class Viii=	37	20	36	93	46.27
Upto	26	4	6	36	17.91
Madhyamik=	6	1	3	10	4.98
Upto Class H.S.=	8	1	0	9	4.48
Upto Graduate=	4	0	0	4	1.99
Upto PG=	0	0	0	0	0

Occupation					
Business	34	39	63	136	67.66
Service	35	1	1	37	18.41
Housewife	23	3	1	27	13.43
Student	1	0	0	1	0.50
No.of Family Members					
Up To 4	67	21	42	130	64.68
4-6	21	10	18	49	24.38
6-8	3	9	4	16	7.96
8-10	2	3	1	6	3
Excess 10	0	0	0	0	0
Self-Income					
Upto R.S.3000	0	0	0	0	0
R.S.(3001-6000)	5	2	16	23	11.44
R.S.(6001-9000)	43	38	26	107	53.23
R.S.(9001-12000)	10	0	12	22	10.94
Excess of R.S. 12000	14	0	6	20	9.95
No Income	21	3	5	26	12.93
Family Income (Monthly)					
Up to R.S.5000	0	0	0	0	0
R.S.5001-10000	1	0	0	1	0.50
R.S.10001-15000	0	1	1	2	9.95
R.S.15001-20000	24	17	17	58	28.86
Excess of R.S. 20000	68	25	47	140	69.65
Savings(Monthly)					
R.S.500	0	0	0	0	0
R.S.(501-1000)	9	1	0	10	4.97
R.S.(1001-1500)	9	0	4	13	6.47
R.S.(1501-2000)	19	23	10	52	25.87

Excess of R.S.2000 No Savings	56 0	19 0	51 0	126 0	62.69 0
Provisions					
Yes having Provision					
Only 1	37	0	3	40	36.81
More than 1	51	11	25	87	43.28
No Provision	5	32	37	74	36.82
Total	93	43	65	201	100

According to the Table 1 it is noticeable that Most of the Respondents are belonging to the Age Group 31-40 Years i.e.42.29% of Total, Having Education Upto Class Viii i.e 46.27% of Total, Their Occupation Level is Business (Small & Micro) i.e 67.66%, They have Income level Monthly R.s. 6001-9000 i.e.53.23%,Family Income Level is Excess of Rs. 20000 i.e.69.65%, Monthly Savings level is Excess of R.s 2000 i.e 62.69%, Having Provisions for future, only 1 36.81% in Total, More than 1 43.28% in Total, No Provision 36.82% in Total.

Conclusion :It is very Difficult task for disbursement of Small Batch Loan to Rural and Urban Poor People because it has High Risk i.e. unable to fulfill Conditions of Micro-Credit, Became Involvement after Paying few Installments of loan, illiteracy. Presence of such Difficulties Janalakshmi Successful in Dishbursing Loan to the Poor ones in Rural and Urban area. It has Successfully able to Include73500 People under SBL according to the Financial Year April2015-June2016.For Developing the Financial Status of Poor-One each and every phases Janalakshmi is in top position among the 10 MFIS in West-Bengal and India.

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