Microfinance and the State

Exploring Areas and Structures of Collaboration

Since the early 1990s, there have been many significant state initiatives in the institutional and policy spheres to facilitate access to financial services by more poverty-stricken groups. This article reviews the performance of formal institutional channels of microfinance and discusses the emergence of new forms of collaboration in the delivery of microfinance services. However, some persistent issues in regulatory policies and institutional arrangements need to be dealt with so as to help the state leverage the resources available for the poor, effectively and in a sustainable manner.

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There have been many significant state initiatives in the institutional and policy spheres since the early 1990s to enable the poor access financial services. Major institutional initiatives include the bank linkage programme under the overall guidance and supervision of the National Bank for Agriculture and Rural Development (NABARD), the setting up of the Rashtriya Mahila Kosh to re-finance microfinance activities of NGOs and the establishment of SIDBI Foundation for Micro-Credit (SFMC) as a financier of microfinance institutions (MFIs). On the policy front, Reserve Bank of India (RBI) has come out with directives on various aspects of microfinance provision. Significant among them are the ones that classify lending to self-help groups (SHGs) as a part of priority sector targets and exempt non-profit companies engaged in microfinance business from registering as non-banking financial companies (NBFCs). As a result commercial banks (mainly in the public sector), regional rural banks (RRBs) and cooperative banks have emerged as important channels of microfinance provision. There have been fiscal initiatives too. Assistance under central development schemes like Swarn Jayanti Gram Swarozgar Yojana (SGSY) and Swa-shakti (a central government scheme exclusively targeting rural women) are routed through SHG.

This paper attempts to review the performance of formal institutional channels of microfinance and discusses the emergence of new forms of collaboration in the delivery of microfinance services. Some pertinent issues in regulatory policies and institutional arrangements that can help the state effectively and in a sustainable manner leverage the available resources for the poor are also dealt with. The paper focuses on the rural poor, while acknowledging that the problem of access to financial services to the urban poor is as important.

I
Existing Structures of Financial Intermediation

Providing rural households access to financial services, particularly credit, has been a priority agenda for the state since the early days of independence. One of the major steps in this direction was the review of the cooperative structure undertaken in the mid-1950s following the report of the All India Rural Credit Survey. This was a landmark report which suggested that the state should partner the cooperatives. The decade of the 1960s also continued to focus on institutional credit sources including cooperatives. The decennial All India Debt and Investment Surveys indicated an increasing growth of institutional participation in the credit market (Table 1). The decade of the 1970s was marked by directed lending following the nationalisation of banks in 1969 and introduction of the lead bank scheme. From Table 1, we can see that institutional sources made significant inroads in the share of indebtedness of rural households, but slipped marginally in the 1980s.

While institutional intervention continued in rural markets, it was largely driven and skewed in favour of agricultural credit. Percentage of net bank credit to agriculture – both direct and indirect – was one variable consistently monitored by the regulators. In general, the targets relating to the sector were being achieved by the banking sector as a whole. At the same time, targets for weaker sections – set at 10 per cent of the net bank credit – has not been achieved. While the public sector banks as a category have lent around 7 per cent of net bank credit to weaker sections, the private sector banks have achieved less than 2 per cent [RBI 2002]. The policy level incentives have, therefore, been skewed towards achievement of agricultural targets rather than oriented towards the poor and weaker sections.

Commercial Banks

Against a target of 40 per cent set under RBI guidelines, the percentage of net bank credit deployed in the priority sector was 42 per cent in 2003 – up from 39 per cent in 1999 [RBI 2003]. Lending to agriculture has remained around 15 per cent during

Table 1: Indebtedness of Rural Households
(In percentage)

Source	1971	1981	1991
Institutional credit	29.2	61.2	56.6
Commercial banks	2.2	28.0	29.0
Cooperatives	20.1	28.6	18.6
Government	6.7	4.0	5.7
Insurance	0.1	0.3	0.5
Provident fund	0.1	0.3	0.9
Others			1.9
Non-institutional credit	70.8	39.4	43.4
Professional moneylender	13.8	8.3	9.4
Agricultural moneylender	23.1	8.6	6.3
Relatives/friends	13.8	9.0	6.7
Landlords	8.6	4.0	4.0
Traders	8.7	3.4	7.0
Doctors, lawyers, etc			11.2
Other sources	2.8	4.9	4.9
Sources not specified		0.6	3.8

Source: All India Debt and Investment Survey, 1991-92.

this period, falling short of the 18 per cent overall target set for the sector. Lending to small industries has fallen from 18 per cent to 13 per cent, while advances to other priority sectors have shown an impressive increase from 9 per cent to 15 per cent

The public sector banks, on the other hand, have consistently failed to meet the target to reach weaker sections of the society. Against the target of 10 per cent of the net bank credit, the achievement was only 7 per cent in 2003. This indicates that while the banks have been able to reach the priority sector target in overall terms, their ability to penetrate to the weaker sections, or make small loans, is still inadequate. The growth in 'other priority sectors' indicates a growth in sectors like export, housing, education, etc, rather than those that deal with the poor and the vulnerable. However, public sector banks have achieved a greater penetration compared to private sector banks vis-à-vis the weaker sections. The latter advanced 11 per cent of the net bank credit to agriculture whereas their deployment for weaker sections is as low as 1.5 per cent. The new generation private sector banks, interestingly, have not reached out to the weaker sections at all. It appears that alternate mechanisms need to be worked out to ensure that these banks reach the poor.

The figures for public sector banks indicate that the level of non-performing assets (NPAs) in the category of weaker section advances was 20 per cent in 2003. The proportion of NPAs in the overall portfolio was only 9 per cent. It appears that the conventional bankers' concern with respect to lending to weaker sections may not be misplaced.

Regional Rural Banks

RRBs were created to offer targeted lending in rural areas. Their performance over the years has not been very heartening. Though in the past few years many of them have turned around from their extended state of sickness, the loans as a percentage of resources at their command (credit-deposit ratio) has been on the decline since 1997, but for an improvement in 2003 (Table 2). Over the past six years, the commercial banks had a CD ratio of 60 per cent as against the CD ratio of RRBs of 40 per cent. This indicates that the turning around of RRBs has been at the cost of access to credit to rural areas. In 1997 the year when the deployment of credit was the highest (CD ratio 50 per cent) NPA was also the highest (37 per cent) and the system as a whole was incurring losses. With a consistently falling NPA ratio since 1997, it appears that RRBs can get back to their basic business of lending. Given a stable and low interest rate regime, opportunities for arbitrage in the money market and interest earnings from investments – major sources of income in the past years – are going to have limited impact on the bottom lines of the RRBs. It may be noted that RRBs do provide an outlet for rural people to save.

Several measures were taken in the past to improve the performance of the RRBs. These included a programme of recapitalisation to the extent of Rs 2,188 crore (starting 1994-95), proposal to merge RRBs sponsored by the same bank (1991), and closing of non-profitable branches (2002). In addition, they have been encouraged to issue kisan credit cards, and use microfinance as a mechanism to reach the poor by promoting and lending to SHGs. The deregulation of interest rates has gone a long way in making RRBs competitive and market savvy. In 2002 a working group has recommended changes in the RRB Act that included changes in capital and ownership structure, governance, regulatory and supervisory systems for the RRBs [GoI 2002]. If implemented these would change significant aspects of operations of the RRBs.

Cooperatives

Emergence of the microfinance movement is often attributed to the failure of the cooperatives in providing sustained access to credit to the poor. From Table 3 it is evident that the resource availability for cooperatives has been decreasing in the last few years. If prudential norms applicable to the banking institutions were applied to the lower tier cooperatives, most of the primary and district cooperatives would be found wanting. Table 3 clearly shows that a significant part of the re-financing has been sought for converting short-term loans into medium-term. This is illustrative of the extent of delinquency prevalent in the system. Of the state cooperative banks, 23 were making profits and six were incurring losses in 2003. The recovery performance of these banks was 81 per cent – inadequate for a vibrant banking system. The greater cause for concern is that these banks stand at the top of an apex structure having an extremely weak foundation.

The district cooperative banks too do not present a rosy picture on the recovery front. In 2002, the recovery of these banks was 66 per cent. Of a total of 368 district cooperative banks, 258 were showing profits and 110 losses. The most significant change in the balance sheets of these banks was the decline in the rate of growth of deposits, and loans and advances. Investments grew faster, implying that the customers (borrowers and depositors) are moving away from the banks, while the banks are deploying funds in investments that added marginally to their profitability. Data on primary societies is not readily available; but the broad trends indicate that this channel continues to have huge NPAs. This does not bode well for the structure that has the best outreach in rural India.

NABARD is the apex financial institution for agriculture and rural development and is expected to re-finance the rural portfolio of the banks and cooperatives. With falling interest rates, banks do not find it attractive to borrow from NABARD. The other role that NABARD performs is that of managing the Rural Infrastructure Development Fund (RIDF), which is used to finance rural infrastructure projects. In case the banks are unable

Table 2: Performance of RRBs, 1997-2003
(In Rs crore)

Details	1997	1998	1999	2000	2001	2002	2003
Resources mobilised	16,971	20,978	26,319	31,306	38,696	44,873	50,190
Loans outstanding	8,718	9,692	11,356	13,109	15,794	19,075	22,585
Interest income	1,606	2014	3286	3895	4625	5191	5501
Other income	87	107	157	205	234	372	430
Operating profits	(53)	133	335	530	730	774	714
Net profits	(589)	76	247	428	600	608	524
Credit deposit ratio	50.3	46.2	43.3	42.1	42.1	42.5	45.0
Investment deposit ratio	14.7	16.8	19.7	20.0	20.4	15.7	25.9
Standard assets	63.2	67.2	72.2	76.9	81.2	83.9	na
Non-performing assets	36.8	32.8	27.8	23.1	18.8	16.1	na

Source: Trends and Progress of Banking in India, RBI (various years).

Table 3: Refinancing of Agriculture by NABARD, 2000-2003
(Rs crore)

Details	2000	2001	2002	2003
Refinance for agriculture (Drawals)	6,848	7,295	8,286	5,055
Refinance for agriculture (outstanding)	3,611	4,384	4,440	4,887
Medium-term loans	29	5	-	-
Medium-term outstanding	106	69	40	21
SAO conversion	5,186	11,971	30,743	1,818
SAO conversion outstanding	35,053	29,732	44,292	35,575

Note: SAO – Seasonal Agricultural Operations.
Source: www.nabard.org

to achieve the priority sector lending targets for agriculture, they are expected to deposit the shortfall under the RIDF. While the banks falling short of their targets have been depositing the amounts, the funds do not seem to have been deployed effectively. By March 2004 it has cumulatively disbursed only around Rs 21,000 crore out of the total corpus of Rs 42,000 crore available under various phases of RIDF [RBI 2004].

The SHG-bank Linkage Programme

One of the most successful programmes supported by the state in the microfinance sector has been the bank linkage programme. Around seven lakh groups were linked to the banks and around five lakh groups were refinanced by NABARD by 2003 (www.nabard.org). Cumulative disbursement of loans to these SHGs stood at Rs 2,048 crore. However, the linkage programme is skewed in favour of the southern states, particularly Andhra Pradesh. This state alone accounts for 39 per cent of the total linkage, while the northern and north-eastern region together account for only 5 per cent of the total programme. This imbalance is an issue that requires attention.

It is true that some of the states, particularly in the north, east and north-eastern regions, have a chequered history of dealing with formal credit. It, therefore, calls for significant preparatory work to put an alternative credit mechanism in place that would benefit these regions. This process of capability building and social mobilisation cannot be easily accelerated. It may be noted that the success of the SHG-bank linkage programme in states like Andhra Pradesh is attributed to the existence of strong institutions involved in social intermediation, which help in the formation of SHGs.

State-promoted Schemes

One of the most popular state promoted schemes is SGSY, a revamped version of the Integrated Rural Development Programme (IRDP), launched in 1999. Several of the anomalies that were identified in IRDP have been seemingly done away with in the re-packaged scheme. A part of the loans under this scheme goes through SHGs. This is expected to help in beneficiary identification through participatory methods. The subsidy element is back-ended in order for it to work as an incentive to pay back the loans. The rates of subsidy have also been rationalised. Under this scheme, bank credit to the tune of Rs 1,109 crore was disbursed to around eight lakh poor people in 2001-02. Women constituted around 40 per cent of this.

In addition to schemes that targeted the poor, the kisan credit card scheme introduced in 1998-99 has continued to grow and provide rural areas with access to financial services. RRBs and the cooperatives issued a significant proportion of the kisan credit cards. To ensure that smaller farmers are also provided this facility, the floor limit of Rs 5,000 for the card has also been removed.

II
Exploring Areas of Collaboration

The state has been relying largely on the twin channels of cooperatives and rural branches of banks to direct its subsidy-based programmes to the poor. This has resulted in the state interfering with the functioning of these institutions, often leading to compromising on the latter's assessment norms. This has not only affected the portfolio quality of the schemes driven by the state, but has had a ripple effect on the residual portfolio too. Due to the weakening of portfolio and overall profitability of the institutions (particularly cooperatives) the state has taken the responsibility to strengthen them by infusing additional capital and a professional workforce, who behave like patrons rather than providers of financial services.

On their part, formal agencies have limitations in reaching out to the poor. They are involved in multiple activities and, hence, cannot devote the attention that the poor deserve. The cost structures also do not permit them to undertake large number of small transactions, unless it is met with risk-free volumes. Unfortunately, these volumes do not come without risk. While bank exposure to this segment has gone up, default rate too has gone up. This might be because banks have not applied appropriate methods for banking with the poor.

In addition, elected representatives at the local level have come to assume an increased say in beneficiary identification process of state schemes by virtue of their membership in formal committees or through informal influence. This is clearly evident in the Velugu project of the Andhra Pradesh government. By Velugu, the state adopted an unconventional method of taking the state sponsored programme to the poor. It functions as an independent unit. SHGs (both existing and freshly promoted ones) are used as the main unit of implementation at the grassroots level. They are federated at the village and mandal levels. The design did not involve elected representatives in any manner. However, as the largest anti-poverty programme implemented by the state, there were legitimate demands by the elected representatives to be involved in it. The state ultimately had to yield to their demands. Such tensions are quite likely in situations where there is a movement away from direct delivery towards delivery through independent channels, which increases the distance between elected representative and the electorate.

Involvement of bureaucrats and elected representatives is indeed crucial for the successful delivery of state supported regional development programmes (like creation of livelihood opportunities, provision of infrastructure facilities, ensuring information flows and provision of market access). However, such an involvement may create a system of patronage in the case of programmes like microfinance that distinctly target individuals and creates a tangible surplus for the service provider. Its delivery is best done by professionals like bankers.

The not-so-good experience of the targeted credit era, however, has made banks sceptical about the business viability of microfinance sector. Their scepticism arises from two factors. The first relates to the high transaction costs involved in reaching out to the poor and, the second, to the likelihood of improper identification of borrowers or loan purposes, which would lead to an adverse usage of the credit, and eventually to NPAs. The issue of transaction costs is directly linked to the high investment that MFIs makes in building a detailed and reliable customer base, mainly through formation of groups, training and imbibing prudential processes. In the case of NGO-MFIs these costs are subsidised by funding agencies. NPAs is a non-issue in the sector as high repayment rates are evident in all models of microfinance – SHGs, Grameen replications and the individual banking model. The SHGs have been able to creatively build social collateral and peer pressure to ensure that repayments come on time. The Grameen model, which uses peer pressure to the maximum, has also a zero tolerance for default. The individual banking models have built a combination of peer pressure through formation of joint liability groups and high level of customer contact.

Collaborating for Financial Intermediation: Some Models

The experience of microfinance so far indicates that it is possible to have high repayment rates, if credit is dispensed appropriately. The experience also underlines certain inherent limitations of mainstream structures face in engaging with the rural and low end market. Therefore, banks may look at multiple levels of involvement with MFIs – direct lending where it is feasible and building a series of low-cost collaborations cum outsourcing models when it cannot do direct lending.

Collaborations can be forged in various ways. Sanghamithra Rural Financial Services (SRFS) is a company promoted by MYRADA, an NGO-based in Karnataka. For MYRADA working in partnership with the state is a time tested manner of operation. Right from its inception it has focused on leveraging schemes offered by the state, coupling them with the social mobilisation skills of an NGO. Sanghamithra shares this orientation – it works as a demonstration model in rural areas for the bankers to emulate, but not in competition with them. Its objective is to self-liquidate, if banks step in. A recent study has found that the overall credit availability in the areas it operates in, have gone up. Banks are aggressively lending to the groups formed and serviced by Sanghamithra and in some places, they even 'poach' on them [Srinivasan 2003].

The Oriental Bank of Commerce (OBC) discovered that microfinance could be a profitable business through one of its pilot branches [Harper 2002]. The Rudrapur branch, which does exclusive business with the SHGs, flouts all accepted banking norms. The branch office is closed during working hours because the manager and staff are out in the field attending SHG meetings and carrying out bank transactions at the village centre. The change was made possible only after significant re-orientation of the staff who have to invest significant amount of time in nurturing SHGs in order to reduce future transaction costs and ensure prompt repayment. The manager of the branch had to be convinced that profitability of the branch would not be held against him in his own performance evaluation.[1]

ICICI Bank, by far, has followed the most systematic approach towards building collaborations in the microfinance market. It has avoided entering the microfinance market directly. Rather it works in partnership with institutions that provide these services to the poor and deserving. While banking with the poor is one way to achieve its priority sector targets, the bank also looks at it as a legitimate revenue generation model. ICICI Bank has tried out various models of collaboration in the field so far. These include encouraging promotion of SHGs (as in Madurai, Tamil Nadu) that could eventually borrow from the bank, leveraging the existing NGO-MFI network for acting as agents to disburse loans on behalf of the bank for a fee (Madurai, Tamil Nadu and Mirzapur, Uttar Pradesh), and purchasing MFI portfolio in a securitisation deal (Hyderabad, Andhra Pradesh). In the long-term the bank could sell this portfolio that may far exceed their priority sector obligation targets as paper to other banks for a margin. This is a case where a large bank is building partnerships to leverage existing institutions and infrastructure to reach out to the unreached.

Even the direct delivery model could potentially be made more effective by appropriate structuring. If there are conditionalities to be imposed on issues like end-use interest rates or subsidies, these have to be packaged in a manner that does not put the basic financial product in peril. The financial institutions are able to package such products keeping the overall sustainability and longevity in view. As in the case of SGSY, it might be good to back-end the subsidies than give them up-front. All directed finance to the poor could be covered under a partnership model between banks and NGOs/NGO-MFIs. While the latter have the capability and reach, involvement of banks would ensure that usual norms of assessment are not compromised. Such loans then need to be disbursed as a normal banking transaction and not in the format of a 'loan mela'. The beneficiaries should be able to see the services as coming 'from' the bank and not 'through' the bank. The state may subsidise the financial institution for its transaction costs by providing soft loans, or establishing a sectoral fund. The routing of packages through financial institutions also ensures sustainability and continuity. While customers in the process will get used to dealing with banks, the latter may see these customers as long-term clients rather than as one-time beneficiaries.

III
Regulation of Microfinance Activities: Issues and Priorities

It is evident that NGOs or NGO-MFIs play a major role in the microfinance sector in India, but these are largely unregulated. Some are partially regulated to the extent that they have sought grants from foreign sources and file annual returns with the union home ministry. The only regulated institutions in this sector are the few NBFCs.

Usually microfinance operations start as a division of the NGO and grow large enough to warrant a spin-off into a separate organisation. However, organisations incorporated as trusts, societies and not-for-profit companies are not designed to undertake commercial activities of borrowing and lending. The intent of these forms of incorporation was to receive individual or bulk donations and carry out charitable activities. A legislation governing charitable activity is inappropriate for microfinance. Experience has revealed that people with commercial capital are unlikely to invest in microfinance business. Similarly, it is unlikely that MFIs will grow in to large commercial banks. Though there are counter-examples for this in other parts of the world – such as Bancosol in Bolivia and the BRAC Bank in Bangladesh – these are few and far between.

As the microfinance market expands and becomes more complex, many MFIs are transforming themselves into regulated institutions so as to be able to operate under the legal world of commerce. There is, however, no uniform regulation under which all such organisations could be recognised. This is despite the availability of a number of enabling organisational formats. The issues of regulation can be better explained if they are posed within the framework of these formats.

Cooperatives: What is today known of microfinance has been happening within the cooperative fold. The regulatory environment for cooperatives varies across states. The financial cooperatives are subject to minimal regulation as these are mutual benefit organisations following the principle of open and voluntary membership and democratic control. Therefore, the prudential norms that are required for financial institutions have not been applied with the same rigour as in other financial sector organisations. The assumption here is that cooperatives deal only with members and, hence, norms applicable to financial institutions dealing with public funds need not be applied. However, several cooperative banks seek deposits from the public by bringing them in as adjunct members without voting rights. Also, there are state-sponsored institutions registered under the cooperative law.

The passage of the Mutually Aided Cooperative Societies (MACS) Act by the Andhra Pradesh government in 1995 was an important landmark in the history of cooperative reform. This liberal legislation enables SHGs to grow into cooperatives. Only few states have followed the example of Andhra Pradesh (Bihar, Chhattisgarh, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Orissa and Uttaranchal) and passed similar legislation to govern and regulate mutually aided cooperatives. In the given scenario, MACS could be a near ideal form of collectivity. There should be a sharper definition of 'user' so that these institutions remain member-user owned and governed. There is also an urgent need to leverage the nearly 1,00,000 agricultural cooperatives in the country for a greater benefit of the poor.

Cooperative companies: The centre has amended the Companies' Act to allow for cooperative type companies to be set up. However this covers only producer companies. This means that a cooperative set up for the purpose of economic activities can carry out finance as an ancillary activity; but this cannot be the main object of its operations. It would be useful if finance could be added, but with a tight definition and disclaimer clauses on definition of user-members, thereby giving some choices for groups that want to set up MFIs having operations beyond the borders of a single state.

Regional rural banks and local area banks: RRBs form a small part of the sponsor banks and, therefore, do not get the strategic attention they deserve. Changes in the RRB Act suggested by the working group are relevant in this regard [GoI 2002]. Allowing banks to sell or acquire RRBs, recapitalisation of RRBs to make their size significant, rationalisation of the number of RRBs that can come under a single bank and encouraging mergers and even liquidation so that these are seen as strategic businesses are some measures that would help revive this channel of rural credit deployment. A related issue is that of modifying the design of local area banks (LAB). An experiment that was done after a great deal of policy advocacy and thought was removed without much debate. If RRBs can work, there is no reason why LABs cannot.

Commercial microfinance institutions: It needs to be recognised that there are interested developmental professionals, willing to work, that have the necessary social mobilisation skills but lack capital. Capital for MFIs flows through the charitable route because of the interests of the donor agencies. However, there is no mechanism of getting developmental capital as risk capital. The donor agencies are prohibited from making equity investments in commercial companies. But they are willing to institute a permanent fund that can be rotated and grown. These funds by definition are routed into not-for-profit entities, which are not permitted to invest in commercial microfinance operations because of their tax status. While one recognises the fact that no tax exemption is to be granted for commercial activities, the regulations do not permit partial taxation for the commercial division of a not-for-profit entity. As a result, there is a danger that the NGOs lose the tax exempt status even if they continue the microfinance operations under the inappropriate form of a charitable organisation. Therefore, it is best for the state to allow not-for-profit entities to invest in commercial microfinance. The caveats here are having a definition of microfinance, defining ownership, a mechanism to ensure that the operations of the commercial division are not subsidised by the non-profit entities and a mechanism to de-mutualise the commercial and non-profit entities over the long-term.

The issue of taxation should not pose a great problem as microfinance will be carried out by distinct commercial entities and, therefore, gains no special benefits. Since dividends paid to the promoters (including not-for-profit trusts) will be post-tax (and under the current regime, subject to dividend distribution tax) the state should not lose any revenue. This would attract more capital and would help the private initiatives of microfinance grow organically.

IV
Conclusion

In the general development of infrastructure and support mechanisms for the poor, where the state has a direct or indirect role, prioritisation and planning of activities need to be done in consultation with elected representatives so that the local area development fund under their disposal can be better harmonised with other resources. However, support directed towards individual beneficiaries is to be routed through professional institutions in order to avoid tendencies towards patronage. Subsidies can be back ended and the intermediary institutions should have a risk element to ensure that professional assessments continue. Incentives could be general in nature and can be directed towards recovering high transaction costs rather than dealing with accounts of individual customers and write offs.

At the policy level, efforts to revitalise the cooperative movement to leverage the existing structure, encourage states to enact parallel liberal cooperative legislation and expand cooperative companies to include the provision of financial services are important. In addition, rationalisation of RRB norms and encouragement for new LABs with appropriate changes in prudential and priority sector norms have to be examined. Not-for-profit entities may be allowed to invest in companies undertaking finance for the poor without any prejudice to their tax status. Entry capitalisation norms for each category of institutions may be retained at the present levels. EPW

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Note

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1 Personal discussion with Ravinder Yadav, general manager, the Oriental Bank of Commerce, September 12, 2003.

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