At the Cross Roads: A Case Study of The IGFS Model of Microfinance

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This case study tracks the unique IGFS model of financial inclusion, which focusses exclusively on promoting financial products and services for the poor, based on need-assessment, but not with the objective to achieve a business target. The aim is to ensure an overall well-being of the beneficiaries through wealth creation following a demand-based approach. The model has a basket of products, viz. savings, credit, insurance, pension schemes and money transfers for the poor, as defined in the scope of financial inclusion by the Reserve Bank of India. Loans are given through Joint Liability Groups (JLG) with an emphasis on ensuring that quality groups are formed. In order to achieve this objective, training of the members of the Joint Liability Groups prior to loan disbursement is compulsory so that they understand their rights and obligations in its totality. Unlike other microfinance institutions, the activities of IGFS were not confined only to distribution of micro-credit but on all products leading to the overall welfare of the beneficiaries.

The model is currently going through a turbulent phase because of intense competition, changing service expectation of the clients, pressure to increase volumes for sustainability and managing the balance between ensuring group quality with a quick turn-around time period. Competition has adversely affected the willingness of the JLG members to enforce the contractual norms among the peers in case of default.

Keywords : Financial Inclusion, Joint Liability Group, CGT, GRT, Wealth Manager

The IGFS Model of Microfinance

Livelihood of small and marginalized people can be enhanced by organizing them to form participation-based, democratically-managed institutions that leverage the strength of collaborative efforts and assistance from professionals for sustainable long-term benefits. One such area, where the collaborative effort has been successfully experimented, is microfinance where the potential beneficiaries form groups under the training and guidance of microfinance professionals, build capacities for sustainable long-term benefit by facilitating access to financial

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services. The traditional microfinance-delivery model through commercial banks, cooperative banks and regional rural banks (known as priority sector lending) at subsidised rates, has met with limited success because the subsidies were cornered by the rich farmers through unscrupulous means with hardly anything finally reaching the small and marginal farmers. Subsidy became a tool for doling out political patronage, with political parties indulging in "Loan Melas" and "Loan Waivers" with result that banks became financially weak with erosion of equity.

The microfinance delivery model pioneered by Grameen Bank of Bangladesh became the role model for countries like India where financial support is delivered to the poor through Self Help Groups and Joint Liability Groups under mutual guarantee and without any subsidy so that the delivering institutions remain profitable while fulfilling the goal of financial inclusion. Various individuals and group-based models of microfinance have been tested across the world, some of them becoming immensely successful in meeting the objectives. One such model is the **Indian Grameen Financial Services (IGFS) model of IGFS (Indian Grameen Financial Services) Trust.**

Principles Governing Indian Grameen Financial Services (IGFS) Model

The IGFS model of microfinance was pioneered by **IGFS Rural Channel&Services (IRCS) which is an organization promoted by the IGFS Trust.** The **IRCS** is registered as a Non-Banking Finance Company and owned by **IGFS Trust.** The model is based on the **three basic operating principles**, which guide and define the IGFS approach towards delivering financial services to the poor.

1. **Strong Geographic Focus**

   Each IGFS institution is designed to serve a distinct and demarcated geographical area with its unique social, cultural and economic characteristics. The geographic focus of the model makes sure that unique character of each service area is captured. This helps in getting better knowledge of the customer and the local economy which in turn helps in providing better products for the customers. The products and services are customized to serve the unique need of each region.

   Generally, a single IGFS institution has a network of 20-50 branches catering to a rural population between 2 to 2.5 million individuals. The branch is the fundamental business unit. Each branch serves a population of roughly 10,000 individuals or 2,000 households. Branches have two or three field staff, called "Wealth Managers" who perform all the administration tasks and provide customer service functions. Regional managers heading the IGFS institution oversee 3 to 8 branches and 20-25 wealth managers (Exhibit1). Each IGFS institution functions independently and has ahead office structure with autonomy in operational decision making.

   All IGFS field staff are local residents who have deep knowledge of their respective regions. Even the working hours of the branch are matched to the customers' convenience. Due to the strong emphasis on geographic focus, strict guidelines have been laid down for opening new branches at selected locations so that new branches are opened in un-served/under-served areas only, having the following criteria :

- No village in the service area should have more than 4,000 inhabitants.
- The IGFS branch should be with in seven kilometres radius from the nearest town centre.
- The service area should not extend beyond a six kilometre radius of the branch office.

2. Wealth Management Approach

The second objective of the IGFS model is to provide tailored financial advice to every enrolled client. The households are encouraged to enrol themselves at the branch by disclosing their assets, liabilities, incomes and expenditure, based on which a welfare report for the household is generated. The welfare report highlights the type of financial services which is most suited for the household. This is called the "wealth management" approach where products are recommended after assessing the financial strengths and weaknesses of the client. It is not a supply-driven approach aimed at achieving the sales target or promoting the high margin products for the benefit of the financial service provider. The goal of this approach is to ensure that every client uses a tailored combination of financial services that best takes care of the financial well-being of the client's household. The client is informed about the product recommended specifically for him/her, the reason for the recommendation and the benefits that would be derived from the use of the product.

This approach reflects the belief that solving financial challenges of households, including optimal asset allocation and retirement financing, is complex and requires considerable expertise as well as innovation. This, in turn, entails that the IGFS institution takes the responsibility for the appropriateness of the advice about financial services recommended, while not solely relying on official product disclosures and customer judgment. The aim is not to sell products but to create assets for the customer on which they can rely to enhance their livelihood and mitigate the potential risks.

3. Wide Range of Financial Products

The IGFS units offer a bouquet of products to its customers including: credit, insurance, savings, pension and remittance facilities. The IGFS' firm belief is that every household needs a diverse range of financial services based on the 'need-assessment report' or 'welfare report' that is generated by the wealth managers after extensive discussions with the householder. There are savings, credit and payment facilities as well as these products help mitigate risk and manage the retirement period.

In order to provide other services besides credit, the IGFS institution collaborates with other financial institutions by leveraging the depth of their outreach in rural areas. Pension, insurance, securities and banking have different regulators in India, and it is difficult, if not impossible, for one organization to be licensed to offer a broad range of products. So, the IGFS institution operates primarily as agents of larger financial institutions in the belief that the product design and risk coverage should be best left to the experts in their specialised are as while providing them the distribution support in the deep rural pockets where the IGFS has extensive presence. Large financial institutions also design tailor-made products based on market feedback from the IGFS units. An important motivation for large financial institutions to partner with an IGFS institution is that the government policies often require them to extend services to low-income and under-banked clients located in remote towns and villages of India.

Vision of the IGFS Model

The vision behind the Indian Grameen Financial Services model is to build a customer centric financial institution which would give poor people the power to access money when they really needed it, the power to protect themselves against the uncertainties of weather, health and life and the power to invest and create wealth systematically. The IGFS believes that the consumption-related needs, life-cycle needs, investment needs and emergency needs should be holistically taken into consideration so that the poor man's household need not be compelled to borrow at usurious rates from the informal financial sector and slip further into debt trap from where he/she would find it difficult to extricate him/her self. Therefore, members are required to attend weekly group meetings to be informed and also repay their loans as per schedule.

In line with the customer centric approach it was necessary that the IGFS branches should have the following characteristics:

- It should understand the community it serves
- It should be located within walking distance of customer homes
- It should be staffed by people in the same region it operates in.
- It should provide tailor-made product to the client instead of "one size fits them all"
- The product and services should meet the test of Reliability, Flexibility, Convenience & Continuity

All the financial products, viz. savings, credit, insurance, pension and transfer payment, which form the scope of financial inclusion in the Indian context, are offered to the clients depending upon their individual requirements. Unlike other microfinance firms, the products offered to the clients are not to be limited exclusively to microcredit only but these should be decided on the comprehensive need-assessment report prepared on the client.

The products and services of the Indian Grameen Financial Services (IGFS) have been designed in such a way that these can withstand the test on the four basic essential parameters, viz. Reliability, Flexibility, Convenience and Continuity and thus pave the way towards complete financial inclusion in the remote rural areas of India.

Convenience and flexibility are the essential characteristics for ease of transactions, enabling even small ticket transactions. On the other hand, continuity and reliability bring in predictability for customers and are required for long-term business relationship. Continuity and reliability are also the prime reasons why the poor are more prone to borrow from moneylenders despite being charged exorbitant interest rates.

The IGFS model also fulfils all the requirements of the 360-degree financial inclusion on the parameters of Penetration, Access and Product Usage (Exhibit2). Penetration refers to the geographic presence of the financial institution; access refers to the customer participation in the financial institution, which happens through enrolment of the village household, and usage refers to the acceptability of the products and services which are taken care of by providing tailor-made products. The training provided by the wealth managers of the IGFS also addresses the issue of financial illiteracy whereby clients are provided instruction to understand the products and the benefits they would derive from them.

Operational Aspects of the Model

When a new IGFS branch is opened, the staff members conduct a village and household mapping exercise (survey) by visiting each and every household to demarcate the area of operation for the branch. They also request the villagers to come to the branch to enrol themselves. During the enrolment, the staff verify the details of the 'Know Your Customer'(KYC) document of every individual, upload the biometric data and conduct household visits. The branch staff also collect additional household information, which may be obtained at home or at the branch, depending on the convenience of the client. The wealth manager gathers baseline information on the client's household income, expenditure, assets, and liabilities and then compiles a household financial well-being report based on the data provided by each household. This report captures the household profile, specified financial requirement, and, this forms the basis for the IGFS to recommend a customized portfolio consisting of two to three financial products that would ideally meet each client's needs and goals. The IGFS staff also visit each of the client's homes once in six months to update the report and offer financial advice. The IGFS expects that the wealth manager spend most of their working hours enrolling and advising clients, rather than getting involved in administrative activity of the branch. There is a constant search for ways to ensure that the staff have more time for individual client advising and effective follow-up.

Every IGFS office has a branch manager and two or three wealth managers depending upon the size of the branch and the number of clients enrolled. The wealth managers provide the interface between the clients and the IGFS branch. They perform various activities starting with: (a) client enrolment, (b) collection of household data, (c) preparation of household well being reports, (d) provide financial advice based on the well being report, (e) formation of joint liability group (f) impart training to the clients, (g) follow up of repayment. Thus, at every stage the wealth managers interact with the clients. However, the biggest challenge for the IGFS personnel is to ensure that the advice given by them is work able and appropriate.

The IGFS fulfils this onerous task by imparting continuous training to the wealth managers. The wealth managers are selected from among the youth of the local area. They should have completed the 12th standard of education. They should speak the local language fluently in order to communicate effectively with clients. Even the branch timings are adjusted to ensure that the client can visit the branch without foregoing their daily wages. Few staff members have obtained university degrees but almost all of them are freshers in the job. Every new wealth manager must complete a four-week training course and pass the certification test. IGFS management learnt at the very early stage that individuals with experience in retail financial services bring a very strong product affiliation, and it was almost impossible for them to make the transition to a wealth management approach. The aim is not to sell products but to make clients' financial well-being central to daily routines.

The IGFS model also leverages technology and automation to address deficient staff skills. Wealth managers base their advice on the household data collected at the time of enrolment. These data are summarized in a financial well-being report that uses a set of predefined wealth management algorithms. Automated reports help wealth managers match household goals with an optimal set of services to meet those goals. They discuss the report with the client's family members before providing any service. Maintaining the quality of the wealth-management approach is an on-going operational challenge for the IGFS as an institution.

The IGFS institution predominantly works on the Joint Liability Group (JLG) concept for credit lending. Each JLG consists of five to eight women members. The loan tenure is 12-14 months. The maximum credit given to the group initially is Rs. 20,000 which is increased to Rs. 30,000 in the second cycle. The second cycle loan is disbursed only when the first cycle is fully repaid with a good credit history. In case of default by any one member, the other members have to share the instalment and repay it. The instalment is not accepted from any of the group members if one member defaults in repayment. Further, if any member defaults in repayment, the entire group is denied the loan in second cycle. The branch is required to focus on maximum possible enrollment within its territory, thus it constantly tries to deepen its relationship with its clients.

I. Loan Sanctions and Disbursement

Prior to sanctioning the loan, the wealth manager has to conduct village meetings to form groups. This is followed by Compulsory Group Training (CGT), followed by Group Recognition Test (GRT). All group members have to be present at a pre-decided location for the training and the branch manager should also be present. This training is meant to inform the members of the terms and conditions of the loan, documentation, interest calculation method, joint liabilities of the group members, group repayment process, grievance redressal mechanism, perils of over-indebtedness, etc. Four such trainings are conducted before the disbursement of the loan so that the group members are fully made aware of their rights and obligations. The CGTs play a crucial role in the early stages of MFI-client interaction; it is a critical channel for the application of the Client Protection Principles (CPPs) and ensuring transparency.

The loan amount sanctioned for the household is based on the completion of Compulsory Group Training, Group Recognition Test and Debt Service Coverage of the household (Exhibit 3). All the group members have to repay their loans as a composite group.

II. Loan Monitoring and Repayment

Post-disbursement monitoring is done through loan utilization check and weekly meetings with the group. Given the fact that the IGFS operates in the unorganized labour sector, where it caters to low income groups and BPL class of borrowers, such as farmers and daily-wage labourers, the likelihood of their customers defaulting on payment is far higher than in the organized sector. Tough regulatory guidelines issued by the central bank, with respect to repayment collection, have further reduced the flexibility for collection. Generally the group members, instead of paying in group at the meeting, prefer to make individual payments at the branch office. Though this is discouraged and all the members are asked to pay jointly, the group leader is reluctant to exert pressure on defaulting member/s because it causes unrest at home. Each member attempts to keep his/her repayment track record clean for future eligibility rather than persuading the defaulting member/s to pay up. The wealth manager has to segregate the defaulting member/s and deal with them individually to understand his/her problem and draw a separate repayment plan accordingly. So the spirit behind forming the JLGs gets diluted. Hence, IGFS needs a serious rethink on its viability.

History of IGFS Model

The first IGFS was started on June 1, 2008 at a village called Karambayam, 40 kms from Thanjavur district in Tamil Nadu. It was a small village with only 2034 households. There was no formal financial institution and people were relying on informal sources of finance. Most of the households owned a piece of land and cultivated crops, and, those who were landless, worked as labourers. Many of them owned livestock also and virtually all of them had savings in gold.

From a modest beginning in June 2008, when the first branch was opened, the model has spread from Tamil Nadu to two other states - Orissa and Uttarakhand. The model is working effectively at five different regions across the country, three in Tamil Nadu and one each in Orissa and Uttarakhand. The model has covered 3700 villages through 266 branches.

Recent Developments

Many of the JLG members are defaulting in payment. As per the rule of the IGFS, in case of default by one of the group members, others have to apply peer pressure and enforce social sanctions so that s/he pays. If the default is due to some unforeseen expenditure, the instalment amount of the defaulting member/s can be paid through sharing among the other members. Since this is a Joint Liability Contract, if any member in the group fails to repay the loan it is considered as default by the entire group and the group loses the opportunity to receive an additional loan in the future. The fear of being deprived of financial support in the future serves as an incentive to pay on time.

In the case of IGFS borrowers it was observed that in most cases of members' default, the other members are neither willing to put pressure on the defaulter to pay nor willing to share the instalment among themselves. Because of this negative attitude of the members, the IGFS is finding it difficult to enforce sanctions on defaulting members. The group leaders are ready to relinquish the leadership position rather than force the defaulter/s to clear the overdues. This attitude goes against the core principles of Joint Liability Lending Model where the money should be recovered through sanctions imposed by the group, with a strong disincentive for non-repayment.

Few pertinent questions that arise are:

1. Are the groups formed voluntarily so that they are socially cohesive or are they formed under compulsion to avail quick credit facility?
2. Are the group members being adequately instructed about their responsibility in case a member defaults or is the same concealed for the sake of business?
3. Are there strong disincentives spelt out clearly for the members and the groups that do not repay the loan?
4. Are all members of the group denied future credit in case of default by a member until the loan is repaid?

Now that with more and more competitors are entering into the service arena, the organization is going back to the drawing board to have a relook at some of its initial principles for starting new branches. The service area of the branch has already been extended from five kilometres to eight kilometres to make the branches viable. Every other financial institution is forming Joint Liability Groups, and, it is not uncommon to find the same member in more than one group. Probably this might be one of the reasons why the regular paying members of a group are not putting pressure on defaulting members to repay the loan. Since they can rely on alternate sources for a future loan, any sincere effort to resolve a case of default in repayment is missing.

Joint Liability Model: An Overview

Joint liability can overcome information and enforcement problems as long as social sanctions are effective enough to deter the habitual defaulters. An institution that gives poor people the proper incentives to use information on their neighbours and to apply non-financial sanctions to delinquent borrowers can out-perform a conventional bank in terms of repayment. Group lending was an innovation that made lending to the poor viable at the grassroots. The traditional lending models relied on collaterals, something which the poor people could not afford to provide. The banks perceived that the money lent is secure if the prospective borrower has a good track record and lending is backed by collateral. As a result, financial institutions preferred to give loans to the well-off categories depriving those who really needed the financial support. Under the Joint Lending Model, the group is collectively responsible for repaying the loan of its group members. The financial institution lends to the group that in turn distributes the money among themselves on the basis of on their actual requirements. By lending to established groups, banks transfer a substantial portion of their responsibility to recover the amount to the group members. The group generally consists of five to seven members who come together voluntarily with the objective of availing credit. They are all from the similar socio-economic background, which factor enables to retain the cohesive fabric of the group. Social status or affluence does not guide the group decisions.

Group lending helps to overcome the four major problems of financial intermediation by utilizing the local information and social capital that exist among the borrowers. These problems are:

1. To obtain information about the risk associated with the prospective borrowers (adverse selection);
2. To ensure that the loan availed is utilized properly so that the borrower is able to repay *(moral hazard);*
3. To learn about the progress of the project in case the borrower declares inability to repay the loan *(auditing costs)*; and
4. To find methods to force the borrower to repay the loan if there is reluctance to do so *(enforcement)*.

Group lending does better in certain social contexts because the neighbours and kins know better about one another than an external institution like a bank. Also, banks cannot enforce financial sanctions against the poor because by definition they are poor. If a borrower defaults on a loan and has no physical or financial assets, the lender cannot force the borrower to under go labour services to repay the debt. The lender can only seize the asset which is pledged (limited liability clause) and cannot resort to bonded labour, slavery or physical punishment to support the credit contract. Thus we see that social cohesion and better information flow among members ensure better enforcement of the contract and better repayment rates. Another positive aspect of lending to a group is that it reduces the operational cost for the bank. The cost of sanctions and disbursement, monitoring and collection is thus reduced in the case of lending to groups.

The JLG model works best when there are strong incentives for timely payment and disincentives for non-repayment. No doubt the disincentives should been forceable. In case the members can get loans from alternate sources after defaulting then there is no disincentive for defaulting. The threat to exclude a defaulter from one program is less effective if individuals can simply switch over to another source. Those who advocate increased competition, as a mechanism for improving credit delivery to poor people, must bear in mind that competition undermines the very basis of joint liability lending schemes.

Research Problems

1. Are the groups formed voluntarily so that they are socially cohesive or they are formed under compulsion to avail credit facility?
2. Are the group members being trained effectively about their responsibility to repay in case a member defaults or is the same kept concealed for the sake of business?
3. Are there strong disincentives put in place for the members and the groups that do fail to pay the loan?
4. Are all group members denied future credit in case of default by a member until the loan is repaid?
5. Is stiff competition affecting the quality of Joint Liability Groups and dissuading the members to honour the joint liability contract?

Research Method

- Focussed Group Discussion with members of Joint Liability Groups
- In-depth interviews with the branch manager, wealth manager and accountant of the branch
- In-depth interview with the Regional Head of the IGFS

Realty Check at the Ground Level

A study conducted on some of the IGFS branches has revealed that the groups are not necessarily voluntary in nature. Joint Liability Groups are being organized by the wealth managers and not by members themselves. The group members do not know each other so closely to enforce the contract.

The CGT-GRT Training of the group members before disbursing the loan does not take place regularly. Besides, the CGT-GRT process has been reduced to a mere formality, especially during the first two meetings. This process should be held before sanctioning the loan. Moreover, there are many customers who have not attended the CGT class and undergone the Group Recognition test because they were reported to be busy in other activities. The ‘repeat’ training by the wealth manager also was not conducted. As a result, the members who missed in the first instance were not imparted training at later stage.

Most of the information was provided only during the third meeting. Sometimes the three meetings are completed during a period of three months, which effectively implies that teaching/training delivered in the first meeting has already been erased from memory when the second meeting was held. Obviously, each subsequent meeting should be held to reinforce the message delivered in previous meetings within short duration to be effective.

The post-disbursement meetings are not held regularly because most often one of the group members comes to the branch every month to repay the loan on behalf of the group. Doorstep collection during group meeting is not conducted. Doorstep collection gives the wealth manager the opportunity to interact with the group members, gather information about their well being and take pre-emptive steps if any problem is foreseen. It also helps in monitoring the end-use of the loan. There are instances when clients have borrowed from the IGFS to lend it to other members in their own group or out source the amount to third parties.

Though all the group members are expected to repay the loan jointly, branches are accepting repayments even when one or two members' payments are overdue. This is contrary to the terms of joint liability contract and more akin to an individual loan repayment. The members who are paying their dues regularly, irrespective of the group's behaviour, have the opportunity to avail future credit from competitors, as a result, they are not keen on enforcing social sanctions on defaulters. All these constraints prove that there is no enforcement of discipline among the group members in terms of attending CGT & GRT training, repayment as a group. Each member feels that s/he is not liable for the amount borrowed by another group member.

Many customers prefer to take an individual loan rather than a JLG loan because of the lack of coordination and cooperation among the group members and the availability of higher loan amount as an individual loan rather than a group loan. Individual loans can also be restructured where as restructuring of JLG loans is very difficult. Also in a rural setting if one group defaults and proper action is not taken promptly, the other groups also automatically start defaulting.

Addressing the Problem

In the case of IGFS, the Joint Liability Groups should be formed by members themselves voluntarily and the wealth managers should act only as facilitators. Close-knit groups can be formed where members come together voluntarily. Training of the group should be very consciously implemented at every stage as required by the model. The CGT-GRT should be scripted in a proper format so that the branch staff know what information to deliver, how to deliver and when to deliver. The CGT-GRT process should be strictly monitored so that it is not bypassed. Group lending derives its effectiveness from the affinity among the group-members and if these clos-knit ties are weak or if they express unwillingness to impose sanction, then the JLG will not be effective as envisioned.

It is also important that loan repayment should be accepted from the group when all the members are ready to repay it together. It puts a moral pressure on every member to repay and also persuade others to repay the loan. If few group members are allowed to repay then in future they would be able to avail loan from competitors and never get penalised for breaching the joint liability contract. Enforcement through joint-liability schemes relies on the dynamic incentives inherent in the lender's threat to cut off from future loans to all members of any group that defaults. Financial institutions must be in a position to make this threat real so that the borrowers are serious about repayments of loans availed.

Close monitoring by the lending institution also ensures better recovery. Collection of instalments during group meetings ensures monitoring of the usage of the loan and helps to gather relevant financial information about the households. This would also reveal information on future repayments and implications thereof.

The formation of JLG should not be driven by sales target motive because it has a deleterious effect on the quality of the group. In a competitive environment every agency is vying for quick return with lesser investment of time and effort, which is not a good omen for building a cohesive group. Group members should be screened on different criteria like local reputation and the seriousness about adhering to the expectation of the group. A higher quality group guarantees repayment and ensures a higher quality social capital which is necessary when the MFI/Bank has to impose sanctions on some members to enforce group discipline and to improve the timeliness of repayments.

Future Challenge to JLG Lending by IGFS

The threat to exclude a defaulter from one program is less effective if individuals can simply switch over to another financial provider. This situation seems likely to happen in the future as several countries have similar programs that operate in the same geographic area. Competition among micro-lenders has diluted the threat to JLG members being deprived of future credit in case of default. Intense competition has also resulted in groups being formed very quickly to avail loan in the least possible time without devoting time and efforts in proper screening of members and training them so that they are wedded to the group objectives. Collection of dues during group meetings, though desirable, entails time and effort on the part of wealth managers who are under pressure to achieve business targets and concentrate on new loan origination and hence they encourage members to make payment at the branch. Target-based group formation is not conducive to maintaining the group quality.

Also, wealth management approach with customized financial solution requires persistence and patience, which may not suit the appetite of the investors looking for quick returns. The gestation period required by the branch to build up rapport with each household in its service area, enrol them, collate information related to income-expense-asset-liability and thereafter, prepare customized solution may not find the support of investors. It is also not necessary that all households enrolled with the IGFS will turn out to be its client in the future. The model even with the best of positive features is facing threats from competitors who are on the lookout for quick returns with minimum investment, time and effort.

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Exhibit 1: Organization Structure of IGFS

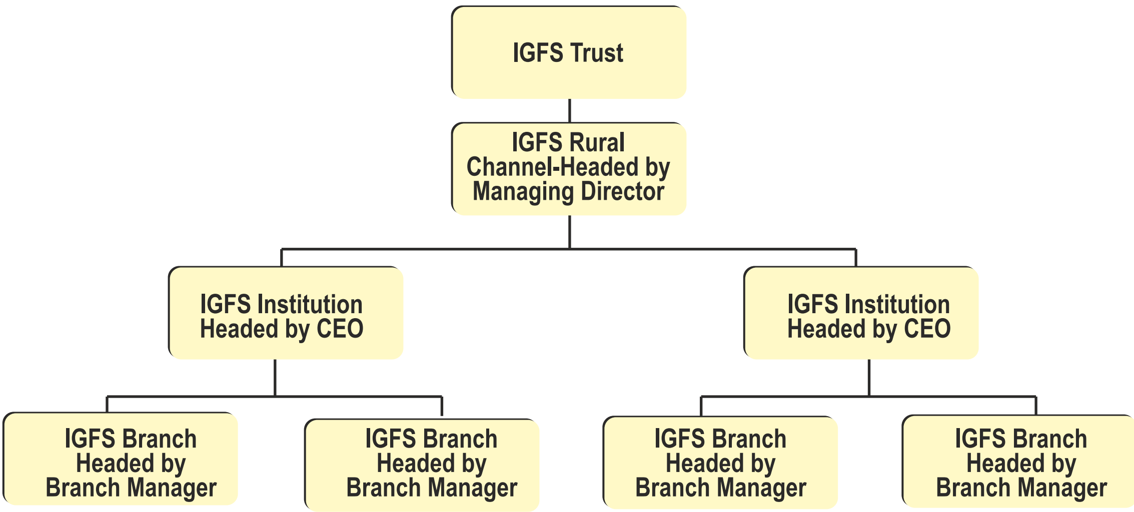

Exhibit 2: Step towards 360 Degree Financial Inclusion: IGFS Fulfils All Parameters of Financial Inclusion

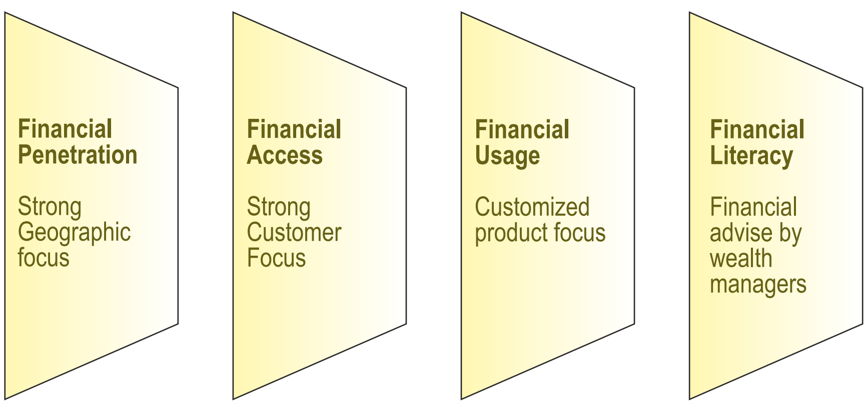

**Exhibit 3: Process Description
Group Formation Up to Loan Monitoring and Repayment**

Abbreviations

CGT Compulsory Group Training

GRT Group Recognition Test

IGFS Institute of Financial Management & Research

IRCS IGFS Rural Channel & Services

JLG Joint Liability Group

IGFS Indian Grameen Financial Service

(This is an Experience Case and please contact Author for Teaching Notes)