

**MICROFINANCE BASED DISASTER  
PREPAREDNESS AND MITIGATION: A  
STUDY OF THE DESIGN AND  
IMPLEMENTATION OF TWO PROJECTS  
IN EARTH QUAKE AFFECTED  
KUTCHDISTRICT OF GUJARAT (INDIA)**

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# Disaster and Livelihoods

- Increase in disasters (UN)
- Adverse impact on livelihoods especially of poor.
- Gujarat earthquake of 2001 caused severe loss and damage and affected socio-economic life.
- Many efforts towards rehabilitations using various instruments
- Microfinance (MF) is being used as an instrument of disaster management.

- Care-India came with two MF based restoration projects called Disaster Mitigation Fund (DMF) and Financial Access for Improved Rehabilitation (FAIR) in Kutch District
- DMF and FAIR are being implemented since 2002 and 2003

# Objectives and Methodology

- To critically study the design, implementation and working of the two microfinance based disaster preparedness and mitigation project namely DMF and FAIR as implemented in Kutch district of Gujarat.
- To draw implications about the possible role of microfinance based interventions for disaster preparedness and mitigation
- Methodology: Paper Based on Evaluation studies of FAIR and DMF

# **Microfinance (MF) and Disaster Management (DM): Some Issues**

- Growing interest in using MF for various purposes including DM
- MF is basically about providing financial services to poor using social intermediation
- MF has emerged because of failure of formal institutions
- Two roles of MF in poverty alleviation: Protection and Promotion
- Limitation of MF: Excludes very poor. Credit alone may not work.

## **MF Role in Disaster Management**

- Two Needs: Relief and Rehabilitation
- In relief: The role is more towards grant based assistance
- MFIs should not involve themselves in relief
- Ensure liquidity / insurance / savings / flexible recovery
- MFIs need to protect themselves through linkage and insurance
- In rehabilitation the role of MF is controversial

- Some say the affected should be given grant/soft loan
- Some say MFIs should not give up sound norms
- Use subsidies for capacity building
- MF has to be different, flexible and balanced in disaster situation

# The Design of DMF/FAIR Project

- Livelihood rehabilitation through MF-credit, savings and insurance
- Emphasis on disaster preparedness during normal times and disaster mitigation during emergency time.
- Two Funds: Normal time fund and emergency fund channelised through community based organisations (CBOs)
- SHGs and federations as CBOs. Federations to emerge as MFIs
- Focus on poor and women
- To be implemented in partnership with NGOs

# **Project Implementation and Working**

- CARE is the promoting agency: Funding, capacity building and monitoring
- Three NGOs involved: Cohesion, ICEDCD, Prayas
- NGO Role: Mobilisation of poor, SHG and federation formation, capacity building, tranferring funds and withdrwal

# Project Results

## Outreach of Achieved of SHGs, Dec. 2004

Partners	Villages	SHGs	Members
Cohesion (DMF)	16	25 (30)	342 (450)
ICECD (DMF)	12	31 (30)	420 (450)
Prayas (FAIR)	27	42 (40-50)	551 (700-800)
<b>Total</b>	<b>55</b>	<b>98 (100-110)</b>	<b>1313 (1600-1700)</b>

*Source: Reports of implementation partners*

NB: Figures in brackets are targets.

- Focus on poor and women.
- Some well-off also included.
- Drop-outs from SHGs.
- Group Management:
  - 2 leaders, Rules, Clusters. Books
  - Grading of SHGs
- Savings: Rs. 10-100 PM
- Internal lending: Most SHGs into internal lending
- Bank Linkage: Few SHGs

# Grading of SHGs

## Classification of SHGs by Grades

<b>NGO</b>	<b>Good/ A</b>	<b>Average /B</b>	<b>Poor/C</b>	<b>Total</b>
Cohesion (DMF)	2	4	19	<b>25</b>
ICECD (DMF)	22	8	0	<b>30</b>
Prayas (FAIR)	7	14	21	<b>42</b>
<b>Total</b>	<b>31</b>	<b>26</b>	<b>40</b>	<b>97</b>

Source: Records of Implementing partners

# Savings and Internal Lending

<b>Name of the Cluster</b>	<b>Total Savings (Rs.)</b>	<b>Total Internal Loans (Rs.)</b>	<b>Saving-Credit Ratio</b>
Cohesion	1,69,961	1,06,535	0.63
ICECD	4,64,346	347442	0.75
Prayas	2,51,968	119650	0.48
<b>Total</b>	<b>8,86,275</b>	<b>5,73,627</b>	<b>0.65</b>

Source: Loan and Savings Register, December 2004

	<b>Total SHGs</b>	<b>Bank Linkage for Saving</b>	<b>Bank Linkage for Loan</b>	<b>Amount of Bank Loan (Rs.)</b>
Cohesion (DMF)	25	25	0	0
ICECD (DMF)	31	31	8	2,34,000
Prayas (FAIR)	42	42	0	0
<b>Total</b>	<b>98</b>	<b>98</b>	<b>8</b>	<b>2,34,000</b>

- Members continue to borrow from informal sources
- *Insurance:*
- Multi-risk insurance linked to LIC & GIC covering death, hospitalisation, accident, disabilities, loss of house, etc.
- Rs. 950 per women (Rs. 900 from project Rs. 50 from members)
- Rs. 225 renewal p.a.
- Many dropouts

# Insurance Membership and Renewal

	Year 1	Year 2	Year 3
Cohesion	362	279	184
ICECD	450	420	260
Prayas	750	210	---

- Federation: Three federation formed

**Federations in DMF and FAIR projects**

<b>Project</b>	<b>Name of Federations</b>	<b>Date of Registration</b>	<b>Number of Board Members</b>	<b>NGO Staff Representation</b>
Cohesion (DMF)	Wagad Sahayak Sangathan	Dec, 2003	11	Yes (Fund Manager)
ICECD (DMF)	Mahila Jagruti Mahasangh	Jan, 2004	9	Yes (Fund Manager)
Prayas (FAIR)	Kutch Ekata Mahila Mahamandal	Apr, 2004	14	Yes (Fund Manager)

- Federation as society / trust
- Only 20 SHGs linked to two federations for loan
- Normal fund transferred to two federation
- Emergency fund yet to be transferred

## **Conclusion and Implications**

- DMF / FAIR are microfinance based projects for livelihood rehabilitation
- Outreach of 1600-1700 households in 55 villages formed in 98 SHGs and three federations
- Novel Idea of using MF
- Targetting of poor / women
- Many Dropouts: Self-exclusion of poor due to many constraints

- Focus on disaster preparedness and mitigation
- Disaster preparedness is a good idea. Federations need focus on this
- Mitigation: EF not transferred. Difficulties / constraints of EF use in emergency
- Federations yet to emerge as strong MFIs

- Federation: Limited outreach and inappropriate forms for MF
- Rigid time-frame leading to targeted approach & hurried pace
- Several operational difficulties
  - NGO selection / multiple NGOs
  - Insurance for mobilisation
- Good savings but Limited bank linkage and lending. Continued dependence on moneylenders
- Dropouts from SHG and insurance leading lower outreach and coverage

## **Implications**

- Needs strengthening of federations and SHGs
- Federations need to get integrated with financial system
- EF should be made available for normal use also
- Focus more on disaster preparedness
- Integration and coordination among federations
- Capacity building of SHGs and federations

**THANK YOU**