An Indian NGO is lifting people out of poverty and pushing the microcredit concept forward by linking borrowers with lenders online, writes **Aditi Seshadri**

Net proceeds

When Kusum Nikose's husband died a few years ago, she decided to launch a small business rather than depend on others. Aided by her eldest son, she set up a bicycle repair shop near her slum home in the central Indian city of Nagpur.

She got off to a modest start and was keen to branch into bike rental, which required additional funds. Bank loans were out of reach and moneylenders charged usurious rates, but a 5,000 rupee (HK$808) loan last year from Chennai-based non-profit organisation Rang De enabled her to realise her plan.

Nikose has repaid the money and now hopes to earn enough to ensure her two younger children receive a proper education. "I don't want them to face the same problems that I faced," she says.

Microcredit – tiny loans issued without collateral for income-generating ventures by the poor – isn't a new idea. Muhammad Yunus famously pioneered such schemes in the 1970s through the Grameen Bank in Bangladesh. Other programmes have emerged on the mainland, in the Philippines, Cambodia and parts of Africa and Europe. But Rang De has now taken the concept further.

Launched by former software consultant N.K. Ramakrishna and his wife, Smita, the NGO raises capital online in the form of small investments from individuals.

"The strategy is to make optimal use of technology to ensure low-income groups gain access to affordable credit. By leveraging the internet to connect social investors with borrowers, we are able to cut costs and build a strong link between rural and urban India," says Smita.

The couple were working in Britain when they began to consider returning to India to work in community development.

"When you get out of India, you long to come back and do something; you see the differences and feel responsible," Smita says.

They explored ideas such as a certification scheme for restaurants that ban child labour and an ethical model to check the exploitation of domestic helpers. But Yunus' 2006 Nobel Peace Prize inspired them to venture into microcredit as a way to alleviate poverty and associated problems.

Armed with £6,000 (HK$74,495) in savings, the couple returned to India at the end of that year to build their online microcredit outfit. Not surprisingly, they encountered plenty of scepticism – neither had a finance background. Others thought they were foolish to sink their own savings into the venture.

Smita and Ramakrishna sought advice from people running microfinance institutions, found corporate sponsors, linked with community-based groups (what they call field partners) that would screen loan applicants and met some of the people they would be helping. Just as importantly, they had to set up an informative, user-friendly platform where potential investors could find out who they were lending money to (the site posts information about applicants, the amount sought and what they plan to do with it).

> [Rang De's] strategy is to [use] technology to ensure that [the poor] gain access to affordable credit
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> **Smita Ramakrishna, microcredit financer**

Smita and N.K. Ramakrishna returned to India from Britain to set up a microcredit internet site to help the country's poor

Kusum Nikose and her son were able to expand their bicycle repair shop using a loan from Rang De

People can lend as little as 500 rupees for a minimum of one year with a 2 per cent return simply by registering on the site, rangde.org. However, the founders say contributors should view this as an investment for social instead of monetary returns.

Rang De has attracted more than 450 investors and disbursed about 8.6 million rupees in loans to 1,400 people across eight states. Borrowers are typically women requiring tiny sums of 3,000 to 10,000 rupees for ventures ranging from starting a grocery shop, tailoring or candle-making businesses, or expanding a fishing enterprise.

Loan applications are put forward by the group's field partners, which include organisations such as the Karuna Trust, which works to provide health care, education and sustainable livelihoods in Karnataka state, and New Life, which aims to bring poor women into Tamil Nadu's mainstream economy.

"We have certain criteria – borrowers should be below the poverty line, be part of a group that vouches for them and lack access to bank loans – and we trust our partners to do their job. They send us application forms, which we screen at our level before uploading to the website," says Smita.

Their progress is checked by field visits two or three times a year.

Transparency is key to attracting investors, Smita says. "For people to part with their money, they have to trust us. For instance, 2,000 people registered but only 450 have invested; they're waiting to see how we do."

That's why they send regular updates to investors on how their money is being spent.

Borrowers pay 8.5 per cent interest on their working capital loans, 2 per cent of which goes to investors as returns. Field partners receive 5 per cent for their work identifying and monitoring borrowers and collecting repayment; Rang De gets 1 per cent to cover its operational costs and 0.5 per cent per cent goes to a contingency fund to repay investors in case a borrower dies or defaults.

Finance consultant Anant Sood says microcredit and other small loan programmes for the poor are sounder than many think. For one, the loans are vital to borrowers, allowing them to sustain their livelihoods, and are not being used for consumer purchases. And because these borrowers generally regard repayment as a matter of honour, the rate of default is low.

"They are not operating on the basis of a single investor who has given a big grant that is to be dispersed," Sood says. "[Having] so many small investors makes the process more democratised. This also helps them rotate the money around much better."

There's no lack of ambition at Rang De and the founders have now launched an educational loan programme after a successful trial in Hyderabad, where parents borrowed small sums to pay their children's school fees.

With such loans, the biggest question is whether borrowers will use the money for education, so the group devised a scheme to issue parents fee vouchers that they could then present to the school. "Once the parents presented the vouchers to the school, we gave the school the money," Smita says.

If all goes well, she adds, Rang De hopes to raise 300,000 rupees by the end of the financial year for educational lending.

As the organisation grows, it is attracting volunteers such as Gurinder Khurana. A 24-year-old economist, he was introduced to Rang De last year when he worked at private equity firm ICICI Venture, one of the NGO's corporate partners. Gurinder was so impressed he now serves as a volunteer at its Delhi chapter, helping to raise funds and make field evaluations.

"I've worked in the microfinance sector, so I knew the importance of interest rates. Rang De found a way to reduce the interest rate through cheap finance," he says. "But what I like most is the connection it is making with the rest of India, raising awareness about the lack of finance and the creditworthiness of poor borrowers. The world is moving online, and organisations like Rang De have great potential."

For more details, go to rangde.org

Photo: AFP

People

Photos: AP, Reuters

Travolta tells court of extortion plot

Actor John Travolta has testified in a Bahamian extortion trial that he was told that unless he paid US$25 million, stories would be sold to the media implying his son's death was intentional and he was to blame.

Travolta (right, with wife Kelly Preston) said he was first told by long-time friend Ronald Zupancic of the alleged threat and demand for money on January 16 – two weeks after Travolta's son Jett, 16, died of a seizure disorder during a family holiday in the Bahamas.

It was unclear who relayed the alleged threat to Zupancic.

Former paramedic Tarino Lightbourne and former Bahamian Senator Pleasant Bridgewater, who is an attorney, are accused of conspiracy and attempting to extort money from Travolta by means of threats. Bridgewater is also accused of abetting extortion.

Travolta testified last week he tried frantically to save his son by mouth-to-mouth resuscitation while another visitor helped with chest compressions. *Reuters*

Miss Singapore abdicates over theft

Miss World Singapore has given up her crown after it emerged that she had stolen credit cards to go on a shopping spree for lingerie.

Beauty queen Ris Low (right) had come under public pressure to be stripped of her 2009 title after local media reported she stole seven credit cards last year while working at a medical clinic, buying goods worth about S$8,000 (HK$43,910) including gold anklets and phones.

Organisers of the pageant ERM World Marketing said she had resigned on Tuesday of her own accord. She will no longer represent Singapore at the Miss World finals to be held in South Africa in December, but her replacement has not yet been decided. *Reuters*

Smiths to host Nobel concert

Actor and musician Will Smith is to host the Nobel Peace Prize concert with his actress wife, Jada Pinkett Smith.

The pair said the opportunity to host the event after the prize-giving would be "an awe-inspiring experience", BBCi reported.

The concert, in Oslo, Norway on December 11, will feature performances by Wyclef Jean, Donna Summer and Toby Keith.

The winner of the Nobel Peace Prize will be announced on Tuesday.

The honour is bestowed on December 10 every year, the anniversary of prize founder Alfred Nobel's death in 1896.

Tate removes nude shot of Shields

A nude photo of the actress Brooke Shields aged 10 has been removed from an exhibition at London's Tate Modern on police advice.

The room containing the work in question, Spiritual America, by the US artist Richard Prince, was closed yesterday and the exhibition catalogue has also been withdrawn in what the gallery said was a temporary measure.

The image shows Shields (right) from the knees up, naked, looking at the viewer. The room at the London gallery had a notice on the door saying that visitors may find the image "challenging". The rest of the exhibition, Pop Life: Art in a Material World, remains open.

Prince made his name by rephotographing the work of others as a statement about authenticity and copyright. The 1983 Spiritual America is a photograph of the original, which had been taken in 1976 by Gary Gross.

Gross took the picture with the permission of the child star's mother, who was paid for the images by Playboy Press. *Agencies*