

ESAF Participates in 'Shilpotsav 2011'

ESAF participated in Shilpotsav-2011, a handicrafts and folk art fair held in 'Dilli Hat', Delhi. The two-week program was inaugurated by Mukul Wasnik, Minister for Social Justice and Development on Sep 17, 2011. More than 200 artisans from across the country participated in the function. The participating artisans were provided with concessional finance, skill enhancement and training to help them develop marketing links. ESAF also observed International Bamboo Day on Sep 18, 2011 by promoting bamboo products.



Mukul Wasnik at ESAF Fair Trade shop at Shilpotsav 2011

FROM THE WORLD OF MICROFINANCE

SMART campaign claims client protection is thriving

The Smart Campaign's "State of the Practice" report claims that the effort to embed client protection deeply in the microfinance industry is still young, but is thriving. According to the report's findings, 88 percent of the rated MFIs received overall passing marks (3.0 or higher on a 1-5 scale) with an average score of 3.8. These results also held for the two most important principles, Preventing Over-indebtedness, and Transparency.

The report, commissioned by the Smart Campaign's Steering Committee, is based on 479 third-party assessments of client protection practices at more than 300 microfinance institutions (MFIs) in five global regions. "The fact that we now have data from almost 500 third-party, external assessments of client protection practices at MFIs shows the extent to which the microfinance industry has committed itself to accountability on this all-important front," said Isabelle Barrès, Director of the Smart Campaign.

In the last year, at least ten major microfinance investment funds managing over \$2 billion have integrated client protection assessment into their due diligence and reporting. National and regional

microfinance associations from 30 countries have joined the Campaign in formal relationships, resulting in the training of 53 trainers and 42 assessors who have spread know-how on client protection to nearly one thousand Managers and staff of MFIs. To date, the Campaign has attracted over 2,200 endorsements from over 130 countries, including over 700 MFIs (representing over 40 million clients), 130 investors and donors, 350 networks and associations, and 1,170 individuals.

(source - www.microfinancefocus.com)

Credit cards an integral part of financial inclusion drive

Credit cards are set to become an integral part of a new countrywide financial inclusion drive that will pitch gram panchayats as the basic planning unit for delivery of financial services. The finance ministry has drawn up a comprehensive plan that requires banks to provide a Kisan credit card to every farmer and a general purpose card to other households.

The plan, sent earlier this week to the heads of all public and private banks and regional rural banks, envisages a bottom-up financial inclusion drive starting at the district level. The directive makes it clear that every household must have a bank account, credit card (kisan credit card for farmers and general credit card for others), micro-insurance and micro-pension schemes.

The country has nearly 140 million rural households, most of which do not have credit cards. If all these households were to be issued a card, it will substantially add to the credit card numbers, currently pegged at 17 million. Most banks are in the process of tightening their credit card operations, which have resulted in the total number of cards declining sharply from the peak of 28 million in 2007-08. The emphasis of the financial inclusion drive will now change from the village to gram panchayath level, as that has become the basic planning unit for the various government schemes. Each gram panchayath will have a designated bank that will be responsible for the coordination and delivery of the various financial services in that area.

(source - www.indiamicrofinance.com)

HUMBLE HEROES

She loves the breakfast lovers...

Premambikai, owns an 'instant mix' rice flour producing unit in Pollachi-Tamil Nadu, and is making it big among the micro-entrepreneurs. As a healthy breakfast supplement her product (a mix for preparing 'Puttu') is much sought after in the entire

Tamil Nadu region. "I feel honored when people call me and appreciate the product's quality", says Premambikai.

In the initial years, she had to struggle hard to carve a niche in the micro-business world. She bought machines worth ₹5 lac and employed three women. But her initial attempt to start a unit for producing dry coconut powder failed as the buyer recalled the orders placed. Her spirits were down to the lowest ebb when she failed to find other buyers. But her family stood by her and motivated her to launch something innovative.

Thus she came up with the idea of simplifying 'puttu' preparation, a favorite breakfast dish of South Indians, made out of rice flour dough, which is lagged with gated coconut and steamed in hollow bamboo cylinder. The challenges she faced were a plenty, although the product was lagged 10 years back. Most of the problems stemmed from her lack of knowledge in marketing the product. She relied on middle men to export the product to countries like Switzerland and the product lacked quality packing to attract the elite class.

Now life has come a full cycle for Premambikai. She is a staunch supporter of the Shram Jyothi Project jointly promoted by ESAF and International Labour Organization (ILO). She believes that the project will work wonders for many women entrepreneurs. She has attended all the trainings provided under this project including enterprise specific BDS training and has gained valuable knowledge on marketing strategies. Above all, she wants to innovate another edible item, which will be helpful to thousands of housewives, without compromising on the quality...



Premambikai

www.emfil.org • www.esafindia.org

www.facebook.com/esafmicrofinance
www.twitter.com/esafmicrofin

ESAF MICROFINANCE ANNUAL REPORT 2011
Download: www.emfil.org/ar2011.pdf

FROM THE HOUSE OF ESAF
LAHANTI



...means development in Santhali, the language of an underdeveloped tribal group in Eastern India.



CALLING THE SHOTS

Technology can bring sustainability



The poor were viewed as good borrowers until the mayhem occurred in AP, which turned the sector topsy-turvy. The Joint Liability Group model was really successful in the sub-continent, but the crisis revealed that lack of regulatory framework could spell doom for the sector. It also brought to light yesterdays' trivial topics as today's significant ones and even questioned the entire business model. Under these circumstances, it is imperative to analyze the future challenges that loom large.

From the industry's perspective, the MFI bill, which is expected to be tabled in the Parliament during the winter session, may prove to be the game changer. If passed, the bill could help in bringing the much-needed regulatory framework that could separate the wheat from the chaff. Also the sector may shrink in a bid to consolidate by using size as a bulwark. This could also avoid negative interferences into the sector based on pure political grounds. From the perspective of a customer, the challenge lies in utilizing the money with a proper plan of action that can result in the formation of an enterprise. During times of emergencies, the customer has her task cut out or if the customer invests the amount in agriculture or live stocks that are more risky propositions, then her repayment capacity will be questioned. So the challenge before the customer is to utilize the money with a proper plan of action that can result in the formation of an enterprise.

From the Government's perspective they should incentivize socially committed MFIs in the form of grants or subsidies and thereby helping them in raising the much-needed capital. At the same time, MFIs that violate the norms prescribed by the authorities should be dealt with accordingly. From a business perspective the challenge is to collect accurate data of the clients and keep them updated. Also it is important to understand the transformation that the client undergoes as part of the social oriented initiatives of the concerned MFI.

In short, technology is the one word that can thwart the aforementioned challenges. From the Industry's perspective, technology plays a key role when the sector grows in size. With out proper technology, manipulation and fraudulent practices will be a never-ending affair. From the customer's perspective, technology gives a clear picture of her debts and prevents her from falling in to the trap of over-indebtedness. It also helps in determining the impact of the transformation she has undergone due to 'microfinance'. Government technological initiatives like Unique Identification Number (UID) can complement MFIs in deriving accurate data on the customers and avoid duplication / redundancy of data.

Under the current circumstances, it is clear that the success of the MFIs lies in their ability to lift people out of poverty, than sheer size or volume. For that technology has a definite role to play.

K. Paul Thomas
Managing Director

FROM THE WORLD OF ESAF

ESAF to implement Pension Scheme for Unorganized sector

The state wide launch of Swalamban Yojana (organized by ESAF) was held at Juhanon Marthoma Hall, Kottayam on Aug 29, 2011. After launching the scheme Jose K. Mani, Member of Parliament, Kottayam said that such welfare schemes had utmost significance in bringing the economic and social security initiatives of the



Jose K. Mani inaugurating the state wide launch of Swalamban Yojana Pension Scheme

Central Government into fruition. The scheme promoted by Pension Fund Regulatory Authority

under the Central Govt. was implemented through selected agencies across the nation. ESAF Microfinance was one among the few. Padma Jyer Kaul, Executive Director, PFRDA presented a detailed report on the pension scheme during the inaugural function. Sunny Kallou, Municipal Chairperson, Kottayam, presided over the function.

K. Paul Thomas, Managing Director, ESAF Microfinance, during his welcome speech appreciated the Central Government for formulating this much-needed policy and added

MUSINGS Embrace Technology or Perish - 'Hobson's Choice' Before MFIs

Raphael Parambi

State of the Sector: "The reports of our demise have been greatly exaggerated", to quote Twain and the sector has risen, Phoenix like, from the ashes of the AP crisis and the 'Malegam recommendations'. MFIs, even those worst affected, have survived the crisis, RBI has provided some limited succor in the regulations issued for MFI-NBFCs, banks have progressively gained confidence in the sector, the industry itself has come to grips with the new realities and customers are returning

to the fold. However, it is no longer business as usual and MFIs who forget the painful lessons of the recent past, do so at their peril and perhaps that of the industry - the past year has shown us how closely our fortunes are interrelated.

The Need of the day is for MFIs to ensure high levels of transparency, responsible interest rates and margins, avoid multiple lending, serve the truly 'excluded' and cope with increased (and possibly intrusive) regulatory and public scrutiny, all while making a return which will ensure the flow of capital so badly needed by the poor.

An apparently impossible task; however, with this challenge, we have also been provided by a single point solution - appropriate technology.

'AkshayaPatram' of Technology has the potential to solve every one of the challenges facing the industry, if appropriately implemented and in an article of this nature one can but touch on a few examples:

- Borrowers, especially the more excluded (and thus the most deserving) have neither financial savvy nor choices, hence 'transparency' in the form of disclosure is meaningless - the moneylender does as

much. However, technology offers a platform for posting terms and conditions for peer review. EMFIL actively supports the efforts of MF Transparency, in this regard.

- Operating under thin margins requires reduced operating costs and collection efficiency and inclusion require 'reach'. Fortunately the penetration and low cost of mobile telephony provide a convenient platform for field officers to review 'demand', report collections and enter data without expensive and time consuming data entry and trips to the office. The technology also provides a platform for cost effectively marketing new products and for conveying collection and non-collection information to borrowers, improving recovery and reducing the possibility of fraud and collusion.
- The Unique ID project, once implemented, will

provide an admirable way of avoiding multiple lending, when combined with information sharing enabled by technology. Indeed, KAMFI, the Kerala Association, has had some initial discussions on setting up a local 'MFI id' and disclosure system, till such time as the UID project is implemented

- Mobile banking has been approved by the RBI and is rapidly gaining traction (see editorial). MFIs would be well advised to be early movers, reaping the advantage.
- Market access & information opacity are major impediments to the development of micro enterprise. ITC's much touted e-Choupal initiative and others have eliminated some part of the problem. Appropriate technology provides the micro enterprise with market information, weather forecasts and market access; he

is no longer doomed to being an ignorant 'price-taker'. **Way Forward:** The industry is at the end of a trying period that followed the proverbial years of plenty. Every indication is that most of us have come through a lot wiser for the experience and not much the worse. The MFI bill pending before parliament may be expected to give modest respite; come the last quarter, bank funding is likely to ease and private equity is once again interested in the sector, albeit at more modest valuations. The challenge before the sector is to re-focus on 'mission' manage costs, improve transparency, increase last-mile reach and become more focused on service; appropriate technology is the answer.

The author is the Chief Mentor of ESAF Microfinance and Investments (P) Ltd. and an alumnus of IIT, XLRI and Harvard Business School. He can be contacted at: raphael.paranti@post.harvard.edu

THROUGH THE EYES OF THE EDITOR

Technology gives an opportunity to scale up

Technology is the buzzword across all business verticals and microfinance is no exception. Mobile based marketing services and mobile banking are the two bellwether technologies that are set to change the face of microfinance in the country. The fact that MFIs were selected as implementing partners for the Sanchar Sakthi scheme promoted by Dept. of Telecommunications, Gol, bore testimony to the importance of technology in microfinance. ESAF is one among the few MFIs selected for the purpose. The Sanchar Sakthi-Vyaparasewa scheme is aimed at providing mobile based value added services to the SHG members and helping them in finding markets for their products. This allows talented entrepreneurs to increase volume and scale up their businesses.

Mobile banking is another technological innovation of modern times. Telecommunications system in India is the second largest in the world with 851.70 mn cell phones. For any rural business man, making payments and transferring funds can be done through mobiles. In all 39 banks were granted approvals for mobile banking by the RBI and 34 banks have started the services. On an average 6,80,000

transactions amounting to ₹61 cr in a month are settled through this system, according to RBI. As per the studies conducted by PricewaterhouseCoopers, mobile banking is expected to cover 340 mn population by 2015 resulting in cost savings of approximately ₹ 11 bn. Other services that are possible through mobile banking are insurance, tax deposit services and stock market services.

On an experimental basis microfinance institutions have also teamed up to link mobile banking and microfinance. For MFI clients, mobile banking can ease people's access to funds and make it easier to accumulate assets and mobilize savings. Poor infrastructure, high illiteracy and language are the reasons for low acceptance of mobile banking in rural areas. Also, many MFIs widely use bio-metric machines that resemble 'point of sale' terminals, to record transactions and improve the accuracy of data. All these developments underscore the fact that there is no substitute for technology...

Your response may be sent to: sony@esaf.in

Sony V. Mathew

FROM THE WORLD OF ESAF

that selecting ESAF for implementing the project was another feather in the cap of the Organization. He also said that the pension scheme on the lines of Govt Pension Schemes would surely benefit almost 4.5 lac ESAF clients spread across 7 states in India.

Awards for best ESAF Sangam Units in Kottayam were presented by V. Vasavan, former MLA, Kottayam. Rakesh Sharma, Dy. General Manager, PFRDA, R. Prabha, Board Member, ESAF Microfinance, and Joseph K. Paul, Deputy Labour Commissioner also spoke on the occasion. George Thomas, Director Operations, ESAF Microfinance proposed a vote of thanks.

As per the scheme a person joining the program shall contribute ₹1,000 a year. The Government will also contribute an equal amount annually until the financial year 2013-14. The accumulated amount will be invested by the Government in funds having growth prospects. The beneficiaries will be able to avail of the pension when they turn 60, based on the amount accumulated. They will also have the option of withdrawing the amount partially, subject to certain conditions.

ESAF gets β+ rating from M-CRIL

ESAF Microfinance was selected as the first MFI in India by M-CRIL to undergo the Responsible Finance Rating as per the methodology developed by them in line with international best practice norms. After analyzing the financial and social parameters, ESAF Microfinance was graded β+ by the rating agency. The report appreciated the strong adherence of the company towards double bottom line and mentioned that associated development activities have given the company the competitive edge.

Three best branches of the quarter

Kodungalloor, Kulashekaram & Thoothoor

ESAF MD participates in IIMK Entrepreneur Summit



K. Paul Thomas delivering his message during the IIMK Entrepreneur Summit held in IIMK campus Kozhikode

K. Paul Thomas, Managing Director, ESAF Microfinance was invited as a key note speaker at the IIMK Entrepreneur Summit held at IIMK Campus, Kozhikode on Sep 03 and 04, 2011. The Summit was the first of its kind in Kerala and the underlying idea was to bring business leaders, venture capitalists, seasoned and upcoming entrepreneurs, academia and students under one umbrella. A gamut of activities were covered under the event like Entrepreneurial Lecture series, Entrepreneurial workshops, Panel discussions, investment fair, Startup fair etc.

ESAF, implementing partner for National Amla Mission project

ESAF was selected as an implementing partner for National 'Amla Mission' in Palakkad and Eranakulam districts. The mission is aimed at propagating the importance of cultivating Gooseberries (Nelly). On behalf of ESAF, ESAF Swasraya Producers Company Ltd., (ESPCL) is responsible for implementing the project sponsored by State Medicinal Plant Board and Department of Health and Family Welfare, Kerala. The project was conjoined with ESAF Microfinance's Cluster Reformation programs in the districts of Eranakulam and Palakkad for effective implementation. Grafted and wild varieties of Gooseberry plants were distributed to

the sangam members. The inaugural program was held at Muthalamada on July 13, 2011.

ESAF participates in IOB Customers' Meet



George Thomas with M. Narendra during the IOB Meet

ESAF Microfinance participated in the Customers Meet organized by Indian Overseas Bank (IOB) on Aug 06, 2011. George Thomas, Director Operations, ESAF Microfinance met M. Narendra, Chairman and Managing Director, IOB on the occasion. Joby C.O, Chief Financial Officer and Joseph Varghese, Senior Manager, Corporate Relations also accompanied him. Products of ESAF sangam members and artisans were gifted to Narendra as a token of appreciation. S.R. Venkitachalam, Senior Regional Manager, IOB, Kozhikode Region was also present on the occasion.

OIA India Report praises ESAF

The initiative taken by ESAF Microfinance on the Social Performance Management front was particularly highlighted in the SPM India report of Opportunity International, Australia. The report cited the practices followed by the Company like Financial Literacy training and Pre-payments on future installments as appropriate product designs. When the latter could help the clients in managing their volatile cash flow in a better manner the former could help them in avoiding over-indebtedness. The report also applauded other responsible practices followed by ESAF like providing clients training on credit methodology, providing employees incentives based on the quality of loan portfolio and deploying a foolproof complaint redressal mechanism.

FROM THE WORLD OF ESAF

ESAF Organizes SPM Workshop

ESAF Microfinance organized Social Performance Management (SPM) strategy workshop on Aug 22 and 23, 2011 at the Head Office with Calum Scott, Research Project Manager from Opportunity International, as the Chief Facilitator. SPM strategy for three verticals of ESAF - ESAF Microfinance, ESAF Producers Company and ESAF Healthcare was covered in the workshop. All the key officials from the entities attended the workshop and brainstormed on the challenges they face in terms of balancing the financial as well as social objectives.

ESAF Launches Second Phase of Nirmal Jeevadhara

ESAF Launched second Phase of Nirmal Jeeva Dhara in Madhya Pradesh, Maharashtra and Chhattisgarh in partnership with Water.org USA, supported by PepsiCo Foundation. The launching ceremony of the second phase was organized in Chennai. Mr. George Thomas lightened the lamp on behalf of all partners of Water.org. Mr. Rich Thorsten, Director of International Program, Water.org was the Chief Guest. Mr. George Thomas, Director Operations - ESAF Microfinance, Mr. Philip John, DGM (TN) & Mr. George K John, GM, Central Zone participated in the program.

ESAF Celebrates International Car Free Day

ESAF along with Health Bridge International celebrated International Car Free Day in Bangalore on Sep 22, 2011. The campaign included creating awareness through posters in IT companies / parks like Oracle in SJR I park, Bhagamane Tech park, Alcatel, IBM, various apartments in and around Whitefield; L'Oreal Paris, Residency Road etc. International Car Free Day is a growing global movement celebrated this year in 37 countries and 1923 towns and cities.



ESAF
Creating Opportunities

HealthBridge

ESAF's awareness program targeted to promote the message of car free day through book stores such as Crosswords, Gangarams, Higginbothams, Sapna Book House; Community library chain Just Books, Archie's Gallery in Brigade road, Beta showroom and Federal Bank in Banaswadi, Village, Hypermarket at Marathahalli etc. Apart from this, 15,000 handbills were distributed through newspapers in four areas in the city.

MFIs visit ESAF to understand Producer Company

In order to gather awareness on Producer Company, authorities of different South Indian based MFIs - BSS, Samasta and Apex Abhisek visited ESAF along with Ramanathan, Retd. CGM, NABARD. K. Paul Thomas, Managing Director, ESAF Microfinance welcomed the gathering and expressed his happiness on the Producer Company model getting acceptance. Christudas K.V., Managing Director, Rhema Milks, dwelt at length on various aspects of Milk production and the challenges faced by the company.

ESAF Participates in Watsan Workshop

ESAF participated in the workshop on 'Sustainable financing of safe drinking water, sanitation and solar energy projects,' jointly organized by Manaaveeya Development & Finance (P) Ltd., (fully owned subsidiary of Oiko Credit, Netherlands) and International Finance Corporation (IFC) on Aug 09, 2011 at Hotel Green

FOOD FOR THOUGHT

Can the world absorb any number of people?

Do you know that earth's land area is only 3 percent, where half of the 7 bn world population is huddled together? The United Nations Population Fund Report (UNFPA) cautions that the world can't mindlessly absorb any number of people in the years to come. So the need is to frame a proactive plan for human settlements, by using the available land wisely and ensuring that future population will have better places to live in. Estimates for the next 30 years show that much of the population growth will occur in urban areas, i.e., about 5 bn people will live in cities. This growth will surely throw-up serious questions on population management. Now smaller towns that lack planning infrastructure are absorbing significant numbers of population. In India, of the 2,774 new urban centers that have emerged in the last decade, 2,532 are census towns or places without a statutory urban local body such as a Municipality. This disconnect is a reminder to the policy makers to strengthen the capacities of smaller towns and enable them to handle population surge better. Due to expensive land prices the number of people residing in cities has come down but the city peripheries are growing at a hectic speed. This means a huge loss of Agricultural land and it pushes the perimeter of urban consumption far beyond. If the situation is unchecked, this could result in ecological overshoot. The vital issue will be planning for the poor. If the world needs to be slum-free, providing for the land needs of marginalized people should be a top priority. Maybe MFIs can contribute in planning for the poor in partnership with Central/State Governments.

Park, Hyderabad. Rosalind Copisarow, Managing Director, Oiko Credit inaugurated the function. Roy K. Alex, Director - Programs, ESAF made a presentation on 'Water, Sanitation and Energy: Making accessible to low income members of ESAF'. More than 30 stakeholders from across the nation participated in the function.