

Universal Standards of Social Performance

Developed through broad industry consultation, the SPTF Universal Standards for Social Performance Management ("the Standards") are a set of management standards that apply to all microfinance institutions pursuing a double bottom line. Meeting the standards signifies that an institution has "strong" social performance management (SPM) practices. The standards have their original work which was started in year 2005 to collect social performance data through Social Performance Report of MIX.

To achieve this, institutions must:

1. Define and Monitor Social Goals;
2. Ensure Board, Management, and Employee Commitment to Social Goals;
3. Treat Clients Responsibly;
4. Design Products, Services, Delivery Models and Channels That Meet Clients' Needs and Preferences;
5. Treat Employees Responsibly; and
6. Balance Financial and Social Performance

By defining and promoting strong SPM, these Standards contribute to refocusing institutions on the client. It will help MFIs to improve quality and appropriateness of financial services with a focus on improving their social responsibility as well.

Working groups composed of SPTF members including ESAF also provided significant input in the development of the Standards document which was officially launched at the annual meeting of SPTF held at Jordan from 5th to 7th of June 2012. The meeting was attended by EMFIL- Managing Director K. Paul Thomas.

ESAF distributes Duron Solar Lamps

On June 08, 2012, ESAF Micro Energy initiatives team organized a program for distributing Duron Solar lamps to the SHG members at Kodungallur Area. Christudas K.V., GM, Dairy and Micro Energy products, ESAF Microfinance inaugurated the program. 45 members participated in the program held at Kodungallur branch.

ESAF gives financial support to the children of artisans

ESAF Microfinance in association with ESAF Swasraya Producers Company Ltd., organized a program to provide financial aid to the children of artisans who were working in the Training and Production Units of ESAF situated at Kozhijampara, Vanjippura and Kara. Jacob Samuel, Director Healthcare, ESAF, distributed the financial aid in both the areas on June 21st and 24th respectively.

(source: www.indiamicrofinance.com)

FROM THE WORLD OF MICROFINANCE

IIM graduate sells vegetables in Bihar

Kaushalendra is a graduate from Indian Institute of Management (IIM), Ahmedabad- a degree that is considered the magic key to prosperity. But, despite the educational loan that Kaushalendra had taken to complete his IIM degree, he preferred not to attend the placement drive when multinationals queued to recruit the crème de la crème of the business school. And believe it or not, Kaushalendra opted not to go for those astounding pay packages because he wanted to sell vegetables. He attributes his seemingly quirky decision of selling vegetables to his "inner voice" that also had an equally good business sense. His dream is to make Bihar the vegetable hub. Kaushalendra, is undeterred because he had done his "SWOT" (Strength, Weakness, Opportunity, Threat) analysis before he reached Patna after finishing his MBA in 2007. The young man from Nalanda began by founding a farmers' cooperative, Samridhi, which sells vegetables brought from the Ganga diara (riverine) and the Nalanda fields in ice-cooled pushcarts. Nevertheless, a beginning was made. The business kept growing in tiny steps. Soon collection centres came up for vegetables transported from backwaters, while as many as 300 farmers agreed to associate themselves with Samridhi. The private-public partnership venture, with assistance from Agriculture Technology Management Agency (ATMA) now has 50 more carts. Kaushalendra also makes free home deliveries of vegetables, a cash memo which no other vegetable seller does, and also offers one kg potato free with every purchase of 2.5 kg. Cleanliness of vegetables is another critical area that he focuses on.

On the supply side, Kaushalendra has avoided middlemen by directly taking vegetables from chosen farmers and sharing profit with him. Today, he keeps visiting farmers across Bihar to train them in methods of farming and branding vegetables. Every week, he holds farmer's meetings at some nondescript village and returns home with new business partners. Within a year after plunging into this hitherto unorganised and disorganised sector, Kaushalendra has succeeded inspiring that much confidence that his elder brother, Dharendra left his laboratory technician's job to join him. Kaushalendra is using the lessons learned and capabilities built from the IIM's marketing classes to institutionalise his vegetable business's core doctrine, while fine-tuning logistics and partnership policies.

HUMBLE HEROES

Water doesn't force Shalu to meet her Waterloo



Shalu Tirpude is a happy lady after she getting a water tap connection using ESAF-WATSAN loan

Shalu Tirpude resides in Silli near Bhandara. For this poor lady, collecting water for daily use was an uphill task as she couldn't afford owning a water tap connection at home. She used to lug water from a municipal tap located almost 2 kms away from her home. Sometimes, she used to wait for hours in the queue and ended up with no water to take back as the tap would run out of stock. Long wait in the queue also affect her daily routines like sending children to school. Meanwhile, Shalu came to know about ESAF WATSAN loans through her friends. She was so delighted and to know more about the scheme she contacted ESAF staff, who educated her in detail about the WATSAN loans under NirmalJeevandhara Project. As Shalu was so eager to get rid of the tedious routine of collecting water from distant places she soon agreed to join the project.

ESAF staff educated her on the water and sanitation loans and the importance of clean water. The staff then met the Sarpanch of the village and introduced the project to him as well. As he was impressed with the project, he soon made arrangements to install pipe lines in the whole village. After getting these positive responses, the NJD staff organized a community mobilization and training program, in which the clients were educated on the importance of clean water and sanitation.

www.emfil.org
www.esafindia.org

www.facebook.com/ESAFMicrofin
www.twitter.com/esafmicrofin

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

CALLING THE SHOTS

Significance of capital for MFIs



Since liberalization in the early 90s, the growth of Indian economy has been skewed towards services. This was a paradigm shift from the erstwhile agricultural economy that India was known for. The poor and marginalized communities got many opportunities opened up for them and soon advancements in microfinance product offerings played a key role in reviving their fortunes. The sector brought the confidence back to the rural poor farmers by uplifting them financially and non-financially. At ESAF, 44% of the loan portfolio caters to the agricultural sector and 22% to dairy and horticulture. Apart from that, we give training to educate and develop the farmers' skills and help to find market for their products. Leadership development training and training on health are other value added benefits we offer. Also we network with Government organizations to distribute seedlings to aspiring farmers. Thus microfinance plays a significant role in the growth of Indian economy. Despite this significance, most MFIs in India are struggling for capital and are fed mainly by social oriented investors. The recent hike of Capital Adequacy ratio to

15% also compounded the problems. While it is important to protect the financial security of the clients, issues, like high operating costs, cost of raising funds and challenges in raising capital (for MFI practitioners) also merits attention. Here Government can play an active role through policies enabling profitable philanthropy among the corporates. The average potential growth of the sector is 50% and if it is supported by tax saving programs, corporates can be encouraged to invest in MFIs. Recent guidelines by SEBI to set up an Alternative Investment Fund (AIF) including a social equity fund are a positive move. When key points like capping AIF limit to 25% may prove a dampener. A recent study conducted by ESAF on Social return on investment puts the ratio at 1:3.19, which means for every one rupee invested in ESAF microfinance there is a return of Rs 3.19. For the investors they can enjoy both financial returns as well as the satisfaction of contributing to the holistic growth of down trodden. With policies that enable easier flow of capital to the sector, the impact the sector can make is simply huge.

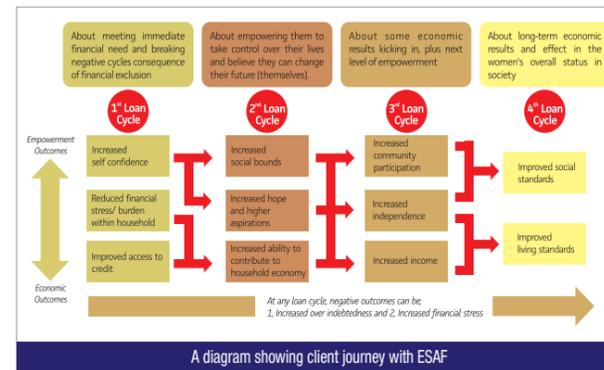
K. Paul Thomas
Managing Director

FROM THE WORLD OF ESAF

An investment of ₹1 in ESAF gives a social return of ₹ 3.19, says study

First of its kind initiative by an MFI in India

ESAF released a report on Social Return on Investment (SROI), calculated by taking in to account Income Generating Loan (IGL) Product in Kerala as the base, the first of its kind initiative launched by an MFI in India. The study revealed that an amount equivalent of Re 1/ invested in ESAF Microfinance gives a social return of



Rs 3.19. A close analysis of investor social returns revealed that an investment of Rs. 4,900 Mn, including equity investment and interest paid by Clients, could potentially create Rs. 15, 610.3 Mn of present value, resulting in an indicative SROI ratio of 3.19:1. The project, started in October 2011, was facilitated by Opportunity International, Australia. The primary objective of this analysis was to understand the degree of impact ESAF Microfinance was able to

create on various stakeholders involved. "Given the current scenario the sector faces, it is paramount to clearly communicate the potential social impact to key audiences involved in decision making" says K. Paul Thomas, Managing Director, ESAF Microfinance.

A list of stakeholders covering clients and their family, SHG Federation, loan officers and management, were identified, from which client perspective was analyzed in 'Client Journey' through different loan cycles. The major analysis was conducted on the impact of income generating loan products on the lives of the clients. The report concluded that the Organization is well positioned to continue implementing an SPM strategy given its strong commitment to the social mission and its competitive edge over other MFIs on the topic.

KAMFI organizes conference on Microfinance



K.C. Joseph lighting up the lamp at the Conference. Also seen is M.M. Hassan and K. Paul Thomas

Kerala Association of Microfinance (KAMFI) in association with ASSOCHAM, Southern chapter, organized a conference on 'Achieving inclusive Growth - Role of MFIs' in Thiruvananthapuram. K. C. Joseph, Minister for Rural Development inaugurated the one day workshop held at Hotel Windsor Rajadhani. In his inaugural address the Minister, while replying to a query from K. Paul Thomas, KAMFI Chairman, promised all help to the MFIs, provided they go by the rule of the game and conduct themselves in a transparent manner. He added that the Government was committed to grant benefits to all players on a par with the flagship Kudumbashree poverty alleviation program.

K. Paul Thomas, Chairman KAMFI and Managing Director, ESAF Microfinance during his speech

made the request to the State Minister to exempt MFIs from the provisions of the Money Lenders Act as in the case of Nidhi companies and Cooperatives. He added that MFIs were finding it difficult to get bank finance since they were not exempted from the act. The Chairman of KAMFI also requested the State Government to devise a scheme to set apart a share of assistance to each account enrolled under the Swavalambhan National Pension Scheme. He also cited the case of a few states which have launched their own co-contributory schemes for some specified occupational groups. ESAF Microfinance was one of the few Organizations selected by the Central Government to implement the National Pension Scheme. M.M. Hassan, former Minister for Information and Parliamentary Affairs and Chairman Janasree opined that Banks should be willing to reduce interest on loans given to MFIs. He also suggested that Government should extend an 'Organizational Grant' along the lines of 'Organizational Expenses' to Co-operative Societies.

ESAF, NABARD organizes Fair Trade exhibition



Fair Trade exhibition in Thrissur in progress

ESAF in association with NABARD organized a Fair Trade Exhibition at Pandisamooam hall in Thrissur. International Labour Organization (ILO) and Cherpu Carpenters' Society supported the program inaugurated by Sunil Kumar, MLA, Cherpu. Elephants carved in wood were the anchor display that attracted the crowds apart from other handicraft products and organic agriculture products. Separate stalls were installed for handicraft products imported from the states of Tamil Nadu, Maharashtra, Jharkhand and Andhra Pradesh. The ultimate objective of the Fair Trade event was to create a venue for the sangam members to display and market their products.

ESAF organizes BDS consultation meet

A BDS Consultation meet for developing a sustainable integrated BDS model for ESAF Microfinance was organized at Hotel Hamara, Thrissur. K. Paul Thomas, Managing Director, ESAF Microfinance presided over the function. K. Vasumathi, Asst. Vice President, BASIX Krishi Samruddhi Ltd, Hyderabad was the Chief Guest for

ESAF opens 3rd hospital in Palakkad



Abdul Khudoose cutting the ribbon during the inauguration

ESAF opened its 3rd hospital in Palakkad district on May 10, 2012. The new hospital (earlier known as Balaji Hospital) adjacent to the Municipal Town Hall was inaugurated by Abdul Khudoose, Municipal Chairman. K. Paul Thomas, ESAF Founder and Managing Director, presided over the function. During his presidential address K. Paul Thomas opined that ESAF's healthcare initiatives were strictly in line with the group's overall vision of holistic development of the society. He also added that ESAF healthcare was focused on making healthcare affordable to all. ESAF Hospital and Research Centre, Thachampara, ESAF Ayurveda Hospital, Thachampara, Deenabandhu School of Nursing, Kozhijampara, ESAF Hospital, Kozhijampara and ESAF Medical Centre, Vadakkenchery were the other health care initiatives of ESAF in Palakkad district.



K. Paul Thomas handing over a kit to K. Vasumathi, AVP BASIX Krishi Samruddhi

the program. The objective of the meeting was to chalk out a blueprint for a feasible business model integrating all Business development entities of ESAF- ESAF Sawasraya Producers Company Ltd., SHG Federation, Rhema Dairy and ESAF Retail. K. Paul Thomas during his presidential address opined that a fee-based model would help the clients understand the value of microfinance and added that emphasis should be given on the quality of service. Vasumathi during her key note address agreed with the views of the Managing Director and explained the

business model for BASIX Krishi Samruddhi. The outcome of the ESAF-ILO project was presented by Benita Sara Mathew, Manager Research. ESAF Microfinance was one among the two MFIs selected by International Labour Organization (ILO) to undertake a global action research project called Microfinance for Decent Work. Papers on topics like diary and energy products, inclusion of poultry rearing into BDS model, linking agricultural products with markets, new initiatives and market opportunities, and integrated BDS model for ESAF Microfinance were also presented on the occasion.

Customers call for Car free Commercial Street



A still from Commercial Street, Bangalore

A survey conducted by ESAF Research and Development team in Bangalore as part of the Livable Cities project revealed that a whopping 75% of customers wanted the Commercial Street to be pedestrian friendly. Out of 385 customers interviewed, 65% wanted safety from vehicles and 58% called for pollution free environment. Out of the 370 shops in Commercial street 125 shops participated in the survey. In contrast to the customers' opinion, 74% shoppers were against the idea of pedestrian-friendly streets. They believed that number of customers visiting the shops would be negatively affected, if cars were not allowed to park or drive along the street. When asked about the shopping experience at Commercial Street, lack of parking was raised as an issue by only 17% of respondents. This clearly showed that more respondents were worried about the unsafe nature of the street. But most of the merchants who were frequent travelers felt that in India people preferred private vehicles to public transport. But the study concluded that increase in pedestrian traffic could only increase the footfall in shops. ESAF started Livable Cities Program in 2009, with the support of Health Bridge, an NGO based in Canada. The program was launched in the cities of Bangalore and Nagpur. Recently ESAF has started the project in its home ground, Thrissur.

ESAF starts walkability survey in Thrissur

As part of livable cities project, ESAF began walkability survey in Thrissur city. For effectively

THROUGH THE EYES OF THE EDITOR

Time to protect the golden goose

In the age of boutique investment bankers, raising capital for branded saloons or fresh juice chains doesn't seem a challenge insurmountable, but for MFIs which have a broader role to play in nation building, challenge of raising capital is very much an Achilles heel. The avenues for easy flow of capital to the sector are almost closed due to a variety of reasons. When lack of clear cut regulations play the spoilsport at one end, strangling of MFIs through curmudgeon legislations kill the golden goose at the other end. For any business, capital is the core for expansion and MFIs are no different. In the case of MFIs, expansion is more significant because of the positive resonances that they can create in rural India, where 70% of the population resides and majority of them lack the financial or educational firepower to explore the opportunities that lie ahead.

The core features of MFIs that function on a co-operative model are

highly commendable, like workforce comprised mainly of women and its bank at the doorsteps model of functioning. Most MFI beneficiaries were living under \$2 per day earlier and the need based approach of MFIs had so far graduated 52 mn livelihoods to the next level. Thanks to some innovative product designs like water and sanitation, clean energy and diary loans. But still MFIs lack the punch when it comes to profitability, due to high operating costs. Lack of consistent regulations / policies makes matters worse, which result in poor flow of capital to the sector. While Government initiatives like multi purpose ID cards have the potential to revolutionise the sector, it's also important to have a lucid uniform policy that guide the sector as a whole. This will usher in a new era that ensures smooth functioning of the sector and let's hope the authorities will soon act to protect the goose that lays the golden egg.

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

Sony V. Mathew

carrying out the survey, roads were divided into different segments after analyzing different intersections and junctions along each section of the road. All together 381 segments were identified; 109 segments in the East, 58 in North, 121 in West and 93 in South. The survey would specifically detail about walkability in each section and segments of the city, and further the entire report of the survey would be submitted to Thrissur Corporation and Transport and City Development departments to bring more pedestrian friendly policies in the city.

ESAF celebrates World Environment Day 2012



Christudas K.V and Meera Sundaram distributing the saplings

ESAF in association with Thrissur Social Forestry celebrated World Environment Day in fitting style on June 5, 2012. ESAF Swasraya Producers Company Ltd. (ESPCL), SHG Federation and Natural Resources Management Division took active role in organizing

the program. The program at Sandeepani School, Kuttumukku, was inaugurated by Christudas K.V., Director, ESAF Society. In his inaugural address, he dwelt at length on the role played by ESAF NRM division in popularizing good environmental practices and the perils of a world that was fast becoming a concrete jungle. Meera Sundaram, Principal, Sandeepani School, presided over the function. She along with Christudas K.V., distributed 500 saplings to the students.

ESAF encourages internship programs on social performance



K. Paul Thomas giving the internship certificates to Roxane Lienart

As part of the internship programs organized by ESAF R&D department 3 students were awarded

internship certificates in the month of June 2012. All the students selected topics related to Social Performance/Responsible finance. Roxane Lienart, Masters in Microfinance, Solvay School of Business - Belgium, worked on the topic Social Performance Management Systems in ESAF, Oki Evans Palme, MBA Finance, Calicut University, worked on the topic Socio Economic returns from the perspective of ESAF Microfinance, and Vineeth Kunnath, MBA Finance, College of Engineering, Thiruvananthapuram, worked on the topic responsible finance and the issue of over indebtedness.

FOOD FOR THOUGHT

In Kenya MFIs can open current accounts

In Kenya MFIs are allowed to take deposits and Deposit taking MFIs (DTM) will soon be allowed to operate current accounts just like banks, according to new proposed regulations by the Central Bank of Kenya. The move will help the DTMs to boost their deposit mobilization capacity and will place micro-lenders in a good position to compete with commercial banks. Earlier DTMs were not allowed to issue third party cheques or operate current accounts. The move might also see DTMs being allowed to trade in foreign currencies and in financing of foreign trade, role currently reserved for banks only. In the last ten years dynamics within the sector in Kenya have been changing with the distinction between banking business and microfinance business becoming thinner and thinner. A number of MFIs have entered into the regulated arena and are offering a wider range of financial products, including credit, savings, transfer, payment services amongst other services. The proposed changes will also see costs for setting up branches for DTMs reduced as well as allowing the micro-lenders to use third party agents, marketing offices and satellite branches. There are currently six licensed DTMs in the country with a branch network of 63 branches by the end of May 2012. During this period, the gross loans and advances for the 6 DTMs stood at Sh 17.74 billion compared to Sh 16.5 billion registered in December 2011 thus translating to a growth of over 14.1 per cent.

MD participates in CEO Roundtable -Jordan



K Paul Thomas at ESAF stall at the CEO Roundtable

K. Paul Thomas (Managing Director) was invited by Social Performance Task Force group to attend the CEO roundtable as part of SPTF's annual meeting which was held at Jordan on 5th June 2012. He presented a case on EMFIL's Social Performance Management as the participating CEO's expressed their take on integrating SPM as part of responsible finance. Paul also participated in the closing ceremony of MF4DW Action Research Project organized by ILO at the same venue and presented ESAF's experience in implementing the project. EMFIL was one among the two MFIs in India selected by ILO to implement the MF4DW project.

Three best branches of the quarter

Kodungalloor, Kulasekaram & Thoothor