

FROM THE WORLD OF MICROFINANCE

Triple bottom line- People, Planet & Profit

In a far-flung Kenyan village, a last-mile distributor purveys fuel-efficient stoves on his motorbike for low-income groups. Armed with an elbow-shaped stove, a family living on less than \$2 a day can dispense with laborious wood collection rounds and allocate more time for income generation. As fewer trees get felled across the savannas, low-cost stove manufacturers, in turn, can bank on carbon credit revenues. Whilst empowering rural communities through product innovation, social enterprises are finding innovative means to combat environmental degradation.

The triple bottom line concept of 'people, planet and profit' is finding resonance among companies such as the US-based Paradigm Project. The Paradigm Project has monitoring and evaluation tools in place to track the social and environmental impact of its products. It follows the Gold Standard and the UN Clean Development Mechanism for monitoring carbon credit generation. Realising the practical difficulties of making rural East African households change their traditional fuel sources, Paradigm Project has not yet forayed into the clean cooking fuel segment. The stoves do not directly boost income generation but they serve as income-enhancing tools. For example, household members can save time on wood collection and focus more on livelihood-related activities. Children, especially young girls, would be able to attend school regularly instead of collecting wood for their families.

Developing distribution networks in African countries can be a challenge due to the lack of infrastructure and geo-political risks. Social enterprises, as a result, cannot use the traditional distribution channels used in developed economies. In order to deliver its products across remote parts of East Africa, the Paradigm Project has tied up with charter-partners, who in turn, build up a sales force at a regional level. Net margins earned from stove sales are above 40%, out of which the Paradigm Project, charter-partners and resellers share 10-15% each.

Micro, Small and Medium Enterprise Finance in India

In 2009-10, the Indian MSME sector was estimated to include 29.8 Million enterprises. In order to encourage these unorganized units to register, the Ministry of MSME has simplified the registration process (replacing the earlier two-stage registration process with a one-step filling of memorandum).

The sector has been growing at an effective rate of 4 percent annually over the last three years from 2008-10. The share of registered enterprises in the

sector is estimated to be only around 6 percent, which goes to show that the sector is dominated by unregistered enterprises that do not file business information with District Industry Centers (DICs) of the State/ Union Territory. In order to encourage these unorganized units to register, the Ministry of MSME has simplified the registration process (replacing the earlier two-stage registration process with a one-step filling of memorandum). In addition to the registered and unregistered enterprises covered by the MSME census, the sector has an additional 30 million enterprises.

Enterprises in the sector can be classified into manufacturing and services. With more than 8000 products ranging from hand-made products to high precision machine parts, and numerous services catering to both industrial and consumer markets offered by MSMEs, there is clearly a huge diversity within the two categories. The manufacturing sector accounts for an estimated 29 percent of total enterprises in the MSME sector, while the services sector accounts for the balance 71 percent.

Source: www.indiamicrofinance.com (MSME Financing Report India 2013)





The organizing team of ESAF All India Managers' Conference 2013 with K. Paul Thomas, MD, ESAF Microfinance

HUMBLE HEROES

Enjoying the sweetness of 'pappadam'...



A refrigerator Usha bought recently shows her improved standard of living

It's been 5 years since Usha Pampavan enrolled as a client of ESAF Microfinance. The 43 year old lady has been engaged in the business of making pappadams for the past 25 years. She lives a happy life at Chembuthra with her husband, who works as a mason. Even after 27 years of married life a divine blessing in the form of an offspring still eludes the couple. But nothing can stop the enthusiasm of Usha in honestly discharging her duties and she is thankful to ESAF Microfinance for the timely support she is getting to expand her business.

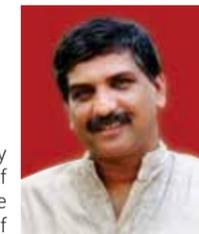
Now she is able to make a stable income of ₹ 4000 / month and can afford her husband's off-days due to lack of demand in the market or ill health. Her distribution network now covers both wholesalers and retailers. Usha says that the four loans taken from ESAF have significantly improved her standard of living. Using the money, she bought raw materials to increase the production volume. This helps her to keep churning out the product in accordance with the market demand. She then happily concluded by pointing her finger towards the refrigerator she bought recently.

Read more success stories at www.esafmicrofin.com/home/successstories.html

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



CALLING THE SHOTS



The simple philosophy behind the concept of microfinance is to help the poor by leading them out of financial troubles. Beneath this great idea lies the inherent vulnerabilities of the sector towards opinion makers from among the probable investors and political parties. Meaningful partnerships are something that MFIs can make use of to counter the skeptics and more importantly open a flurry of new opportunities to the deprived class. Successful partnerships engaged by MFIs across the globe show that the essence of a partnership approach is to bring together complementary resources and skills from the partner organizations, leverage on each partner's core strengths and address complex development problems that no one party can address alone. The

Meaningful Partnerships the keyword for MFIs

success of Life Insurance business in Philippines, in partnership with MFIs, is a glaring example. In the period between 2008 -'11, the number of lives covered grew by 145 percent. What mattered were the impact of these services on economic development, poverty reduction and the improvement of people's lives. Micro Development Finance (MDF) Team initiated by HP in Uganda in 2002, in association with MFIs was another example of successful partnership. As part of the e-Inclusion program HP focused on developing new business opportunities in emerging markets by partnering with MFIs in Africa.

ESAF Microfinance also has embraced the trend of developing meaningful partnerships to benefit our customers. Our partnership with SBI Life Insurance is one such association that has shown tremendous potential. In the last quarter of the previous financial year 2011-12, ESAF collected insurance premium worth ₹ 60 lacs. For facilitating money transfer to benefit our 5 lac plus members and the general public, who at times rely on money from abroad to meet their unforeseen needs, ESAF entered into partnerships with Western Union and

Xpress Money. A few other similar partnerships are also on the anvil. In partnership with Micro Energy Credits, USA, ESAF encouraged the use of clean energy. The clean energy programs include products vital to the livelihood and well being of our clients like solar lighting, efficient and clean cook stoves, water purification and efficient housing. By entering into partnership with Nokia and Vodafone we empowered the business opportunities of entrepreneurs mainly women to help them expand their market and get information directly from the market right at the press of a button. Our association with Government programs like Swavalambhan National Pension Scheme (NPS) and Jananidhi Project also proved to be a hit. Yes, I believe that cross-sector partnerships are the need of the hour. It is a tool that merits further exploration by microfinance institutions (MFIs), as such partnerships allow each player to emphasize on their strengths while curtailing down the limitations.

K. Paul Thomas Founder and Managing Director

FROM THE WORLD OF ESAF

World Bank Group selects ESAF for India Development Marketplace

ESAF Microfinance was chosen by the World Bank Group (WBG) as one among the 20 beneficiaries for executing its India Development Marketplace initiative, a project that aimed to scale up innovative business models in the states of Madhya Pradesh, Chhattisgarh, and Jharkhand. Earlier, Omno Ruhl, Country Director, World Bank and Drew Von Glahn, Team Lead, Development Marketplace, visited the marketplace stall that ESAF put up at Bhopal to gather firsthand information on the operations.

K. Paul Thomas, Managing Director, ESAF Microfinance, opined that winning the \$1,00,000 grant was a moment of pride as "the efforts of ESAF Microfinance were accepted as scalable, replicable and financially sustainable by none other than apex International Organizations like World Bank and International Finance Corporation (IFC)". He added that the selection was the result of the Organization's holistic business models, in the chosen states, that included expanding access to basic services such as livelihood and employment, education, women and child welfare, energy, and financial services.

ESAF Microfinance and other beneficiaries will get capacity building support services over the next 18 months from the World Bank Group (WBG). WBG

will evaluate the services and delivery models, thereby assessing the successes and challenges in reaching the underserved.

ESAF organizes All India Managers' Conference 2013



K. Paul Thomas inaugurating the All India Managers' Conference 2013

inculcating the values of co-operation was an important objective of the meeting. The business plan for 2020, was the major highlight of his announcement.

The event concluded with the valedictory session of the year-long 20th anniversary celebrations.



K. Paul Thomas, honoring the oldest employee in the Organization Soudhamini Balakrishnan, a field staff

Awards were also distributed to winners of various arts and sports competitions, case study competition, top areas and branches and those who topped in the enrollment of NPS and SBI life insurance programs. Those staff who has completed 10 years of service with ESAF, was also presented with gold coins on the occasion.

K. Paul Thomas participates in the 12th WFTO Biennial Conference

K. Paul Thomas, Managing Director, ESAF Microfinance participated in the 12th World Fair Trade Organization (WFTO) Biennial Conference and Global Fair Trade Week held at Rio de Janeiro, Brazil from May 26 -31, 2013. During the week, Rio was nominated as the global capital of fair trade. As



K. Paul Thomas with Rudi Dalvai, President of WFTO

Brazil is home to over 22,000 social businesses, the Conference is supported by the Brazilian Government. K. Paul Thomas opined that the Conference week was an important event to profile best practices, share experiences, and build strategies for social change and sustainability. Members of solidarity economy business, non-profit organizations, private businesses, and Brazilian federal and local authorities participated in the historic gathering.

ESAF declares Vision 2020

K. Paul Thomas, Managing Director ESAF Microfinance, declared the Vision 2020 set for the Organization in the All India Managers Conference held in Shanthigiri Ashram, Aluva. The statement focused on new 4 Ps Population (new groups like the physically challenged and new geographic areas), Products, Platforms (using new technologies) and Policies (that would support integrated services). According to the vision statement, the Company has planned to reach 2 million borrowers through 500 branches that will create a massive loan portfolio of Rs 5000 crore. In the last financial year, the Company has reached 420 crore portfolio through 150 branches and .4 million borrowers.

He added that the future of the sector looked promising as the banking penetration was estimated to be only about 5% among the lower income classes, and even among the middle- and high-income classes the penetration was only about 45%. He concluded that the figures represented only a meager 13.6% of the 60% population that is financially excluded.

ESAF honors long-serving employees

ESAF honored long serving employees, who have completed 10 years of service, with gold coins in the All India Managers Conference held in Shanthigiri Ashram, Aluva. **Sherly Benny** (Kerala Operations), **Sherly Davis** (Finance), **Sangeetha T. George** (ESAF SHG Federation), **Annakutty Pathrose** (Administration), **Vasantha Sundaran** (Branch Manager), **Soosan K. P.** (Branch Manager), **Senna Xaviour** (Personal Assistant to the MD) **Soy K. Elias** (Audit) and **Joji Koshy Varghese** (ESPCL) were the award winners.

ESAF joins hands with NOKIA



ESAF joined hands with Nokia to provide mobile handsets to the sangam members. Under this initiative, ESAF will provide financial support to the sangam members to buy economical and value for money mobile sets manufactured by Nokia (Nokia 112 and 206). "The idea is to empower our members

by letting them run their small ventures more efficiently" says K. Paul Thomas, Managing Director, ESAF Microfinance. In the pilot phase carried out in 5 branches in Thrissur almost 1350 handsets were sold. In total, 2509 handsets were sold. In May '13, the initiative has been extended to another 20 potential branches.

ESAF MD on MFIN Board



K. Paul Thomas, Managing Director, ESAF Microfinance has been nominated to the Board of MFIN (Micro Finance Institutions Network), at their Annual General Meeting held at Hyderabad on June 29, 2013. MFIN is an Association of NBFC – MFIs (Non-Banking Finance Company - Micro Finance Institutions). MFIN has been promoting the key objectives of microfinance in India and as the self-regulatory Organization of the industry, has been trying to establish guidelines for responsible lending and client protection.

ESAF launches travel division



K. Paul Thomas launching the travel division. Also seen is Rahul Gaur, Head Operations, RITCO.



On the occasion of the first Annual Management Meet of ESAF, K. Paul Thomas, Managing Director, ESAF Microfinance announced the launch of ESAF travel division- esafyatra.com. The travel wing was launched with technological support from RITCO Travels, a division of Transcorp International Limited. Rahul Gaur, Head Operations, RITCO, was also present on the occasion.

Johny Joseph, Head Marketing, ESAF Microfinance has given the additional responsibility of the travel division. The services that will be provided by the team encompass air ticketing, bus ticketing, tour operation, hotel room booking etc. K. Paul Thomas during his speech said that operations would be executed through selected branches at the initial phase and be expanded in another six months.

ESAF participates in SPTF meeting, Panama

The annual meeting of Social Performance Task Force (SPTF) was held at Panama from June 4 – 8, 2013. The conference called for global commitment to protection of clients, by ensuring the standards of social performance as an integral part of the strategic decisions of MFIs. Sandhya Suresh, Manager R & D, represented ESAF Microfinance, in the function. She said that spirit of co-operation, transparency and better client level data were the key components identified, as required to meet the

objective of global commitment. Sandhya was a panel member that discussed the challenges in the integration of SPM within the MFI. She also updated the gathering on the social targeting initiatives undertaken by ESAF Microfinance and also the SROI study conducted by the Organization. The meeting was attended by over 300 participants from MFIs, donors, investors and network organizations.

ESAF launches 'Arogyasree' project

ESAF SHG Federation, in association with Ashtamudi Hospital & Trauma Care Center, Kollam, launched ESAF Arogyasree project. The project is aimed to help ESAF sangam members to avail quality medical treatment at affordable cost. In a public function held at Ashtamudi Hospital on June 19, 2013, Shri. K. N. Balagopal, MP inaugurated the project. Prof. Koshy P. Mathew, President, Thrikkovilvattom Panchayath presided over the function. Dr. Jacob John, Chairman Ashtamudi Hospital, Jacob Samuel, Director, ESAF Healthcare and Johny Joseph, Head Marketing & Business Development, ESAF Microfinance also spoke on the occasion.

ESAF supports children of HIV victims

ESAF has distributed 50 school bags to children of people living with HIV / AIDS. In a function organized by Snehaswathanam at Govt. Moyan's Girls' High School, Palakkad, on June 09, 2013, Jacob Samuel, Director, ESAF Healthcare handed over the bags to the children. He later thanked all contributors to the charity fund, which is used to support the undeserved communities like people living with HIV/AIDS.

ESAF securitizes loans worth 134 cr and raises 375 cr fresh borrowings

ESAF Microfinance announced the conclusion of five microfinance securitization transactions aggregating to ₹102 Crore during March, 2013. The Company has completed 6 securitization transactions aggregating to ₹134 crore during FY-2012-13. The first securitisation transaction happened in the month of Aug 2012 worth 32 cr and was rated A by CRISIL. Overall, five Commercial Banks and one large NBFC invested in the pool rated by CRISIL and CARE and the Pass Through Certificates (PTCs) were rated 'A' by both the rating agencies. The entire pool qualifies for the weaker section treatment as per RBI's priority sector guidelines. ESAF Microfinance was planning to do overall securitization in the range of 300 cr during financial year 2013-14.

ESAF signs agreement with Kuttiaattoor Panchayath for implementing Jananidhi

K. Paul Thomas, Managing Director, ESAF Microfinance and C. Sujatha, President, Kuttiaattoor Grama Panchayath, Kannur have signed the A2 agreement for implementing the Jananidhi project at Kuttiaattoor Grama Panchayath. Earlier, ESAF was selected as the supporting organization by the Government of Kerala to implement the second phase of the project. ESAF was an implementing partner in the first phase also. Jananidhi project



K. Paul Thomas with C. Sujatha after signing the agreement

office in Kuttiaattoor Panchayath, Kannur was inaugurated on June 26, 2013.

K. Paul Thomas later opined that ESAF was proud to implement a project of social significance and expressed his gratitude to the Government for acknowledging the efforts of the Organization by reassigning the task for the second phase. The project will be executed with the support of World Bank through Kerala Rural Water Supply and Sanitation Agency (KRWSA), for improving the quality of rural water supply and environmental sanitation.

Foundation Stone Laying ceremony at Nagpur



K. Paul Thomas and Mereena Paul laying the foundation stone for Prachodhan

April 09, 2013 was another milestone day for ESAF, as K. Paul Thomas, Founder & Managing Director, ESAF and Mereena Paul, Co-founder and Director, ESAF laid the foundation Stone for the Organization's own building in Nagpur. George Thomas, Director Operations, ESAF Microfinance also participated in the function.

Rev. C. K. Koshy, Vicar, Mar Thoma Church, Nagpur led the blessing prayer. George K. John, former GM, Central Zone, Roy K. Alex, GM, Strategic Initiatives, and Jijo Kuriappen, Asst. General Manger, Operations also participated in the function.

ESAF organizes global road safety program



P.K. Francis, District Collector, handing over the Global Road Safety Poster to Jacob Samuel.

ESAF livable cities team observed Global Road Safety Week from May 6 – 12, 2013, as an effort to support UN Global Road Safety Week, which was dedicated to pedestrian safety. In a function held in

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EDITORIAL

Partnerships for financial and non financial benefits

Like in any other sector, competition among the MFIs is getting severe after each passing day, especially among big MFIs. Rightfully, many big MFIs in India adopted the strategy of sensible partnerships with Corporates, NGOs, Governments and other likeminded organizations. The idea is to enlarge the bouquet of services on offer. In the clamor of maximizing services it should be noted that services of non financial nature make more sense to the beneficiaries than financial, as the latter may add up to the already mounting financial woes of the beneficiaries.

Non financial services like leadership training, access to quality healthcare etc. can help the poor women in transforming their outlook and leading a healthy life, thereby helping them in scaling up the ladder. Moreover, offering non financial services in partnership with reputed Organizations can add up to the credibility factor for the MFIs. Although

the Collectorate of Thrissur on May 8, 2013, District Collector, P.M Francis, released the Global Road Safety Week poster (developed by the Livable Cities Project team) by handing it over to Jacob Samuel, Project Head. The Organization's participation complemented its ongoing advocacy efforts to ensure pedestrian safety in the city of Thrissur.

The global campaign would draw attention to the urgent need to protect pedestrian rights and would contribute to achieving the goal of the Decade of Action for Road Safety 2011-2020, i.e. to save 5 million lives.

Follow ESAF Livable Cities on Facebook www.facebook.com/livablecitytr

ESAF observes World No Tobacco Day

ESAF observed World No Tobacco Day on May 31, 2013. The special awareness program organized at the Head Office was led by Jacob Samuel, Advisor Social Transformation. Posters educating the importance of quitting the habit of smoking were displayed inside the office premises. In his presentation Jacob Samuel highlighted the health risks associated with tobacco use and advocated for effective policies to reduce tobacco consumption. Tobacco use is the single most preventable cause of death globally and is currently responsible for killing one in 10 adults worldwide. The theme for World No Tobacco Day 2013 was 'Ban tobacco advertising, promotion and sponsorship'.

ESAF observes World Health Day

ESAF observed World Health Day on April 07, 2013 at ESAF Medical Center, Mannuthy in association with NSS (National Service Scheme) unit of the Kerala Veterinary and Animal Sciences University, Mannuthy. The theme of the day was 'High Blood Pressure and the program was organized to raise awareness on the consequences of high blood pressure.

Dr. Rajeev T. S, Assistant Professor, KVASU, Mannuthy inaugurated the programme. A free medical camp was also conducted as part of the programme. ESAF Sangam members as well as staff and students from KVASU, Mannuthy participated in the programme.

most big MFIs are right on the money when it comes to expanding their bouquet of offerings, what is lacking is long term thinking and thorough customer insights to innovate new products or services. Life insurance in partnership with reputed MFIs is another service that big MFIs are making use of now a days. Promoting life insurance is a right approach as it can play a huge role in supporting the kin, if the breadwinner who runs his business using microloans dies.

MFIs should exercise caution while selecting the partners. A wrong selection of partners may spoil the hard earned reputation of the microfinance organizations and can invite perpetual trouble for them.

Sony V. Mathew

Your response can be sent to sony@esaf.in

FOOD FOR THOUGHT

Filipinos' savings in MFIs more than loans



For the first time, the amount of Filipinos' savings in microfinance institutions or banks offering microfinance services overtook the industry's outstanding loans, the Bangko Sentral ng Pilipinas chief said in his speech at the launch of the 11th Citi Micro entrepreneurship Awards. As of March 2013, the combined savings have reached P8.2 billion, higher than the P8 billion they have borrowed. The figure compares to combined savings of P6.4 billion and P8.4 billion as of end-2012. The decreased loans mean that clients were no longer borrowing because their savings and earnings could fund their businesses. Savings serve as a cushion for microfinance clients in times of emergencies and can help in expanding their businesses. Touted as the best in the world, the local microfinance industry includes 186 banks with microfinance operations reaching out to more than a million clients as at the end of last March. The practitioners in the country are still looking for more inspiring stories of how access to collateral-free credit can be so empowering. Microfinance institutions or banks engaged in microfinance extend credit to the country's entrepreneurial poor, who are usually shunned by huge banks.

THREE BEST BRANCHES OF THE QUARTER

**KODUNGALLUR
KULASEKHARAM & ALATHOOR**