

FOOD FOR THOUGHT

Microfinance market way below potential – ICRA



The microfinance market is less than half its potential size because some big markets remain under-penetrated and the average loan size remains much smaller than the actual demand, according to credit rating agency ICRA.

The market potential, according to ICRA's calculation, is ₹ 1.4-₹ 2.5 lakh crore. However, the current size of the microfinance market, including microfinance institutions (MFIs) and those under self-help group-bank linkage programme, is just ₹ 60,000 crore.

Explaining the rationale for the potential estimates, ICRA, mentioned that many places in States such as Uttar Pradesh, Bihar and Madhya Pradesh were under-served. Also, the loan requirements are huge in rural areas but MFIs are extending only small-value loans.

According to industry associations, a typical loan size is ₹ 10,000 and many borrow from two MFIs. This, however, is lower than the ₹ 35,000-45,000 loans that many households are demanding, says ICRA. Now that there is a fair amount of regulatory certainty, ICRA sees the MFIs growing at 30-35 per cent a year over the next three years.

It also expects asset quality of non-Andhra Pradesh MFIs to worsen a little more as they expand into newer geographies and lend to marginalized sections.

FROM THE WORLD OF MICROFINANCE

Exploring Housing Microfinance

Access to housing and access to housing finance by low income earners is a critical development issue facing most countries around the globe. UN Habitat notes the predominance of "two extreme outcomes of current shelter systems that are being witnessed today: affordable shelter that is inadequate, and adequate shelter that is unaffordable." That report goes on to state that within the next 20 years it is unlikely that conventional sources of finance will be available in many developing countries for investment on the scale needed to meet projected demand for infrastructure and housing. With deficits in public budgets and the persistence of

weak financial sectors, the situation seems untenable. In sub-Saharan Africa, this reality is especially dramatic.

The problem is quite simple: throughout sub-Saharan Africa, income levels are such that the majority of households cannot afford to buy the least expensive house, even if mortgage finance were available. Research commissioned recently by the FinMark Trust in four countries has found that at best, 17% of the population in Zambia, Botswana, Namibia and Kenya might be eligible for mortgage finance – but even here, the cost of housing has meant that such solutions are still unrealistic.

It is within this environment that housing micro lenders have emerged as an important source of housing finance for low income earners whose access to more traditional forms of credit is constrained both by their affordability, and the housing circumstances in which they live. Growing either from NGO movements supporting housing delivery for the poor, or micro enterprise lenders seeking to diversify their product range – or any other number of institutional models – "housing micro finance has emerged over the past decade as a crucial component in facilitating housing in slums and for low income groups."

Housing microfinance, otherwise known as microfinance for housing or as incremental financing, is regarded as the application of a microfinance based approach to housing finance (Daphnis and Ferguson, 2004). While the concept 'housing microfinance' is relatively new in development circles, the practice is not. Many households in Africa are unable to access mortgage finance either because it does not exist or because it is inaccessible. Housing microfinance makes it possible to address housing needs progressively, step-by-step, towards a larger housing vision. Tomlinson (2007) highlights that even today, throughout Africa, while high income earners generally use their own resources to house themselves, buying formal housing outright; the middle class and low income earners finance their own construction over time, often in unplanned areas. The innovation is that this practice is finally being noticed and is now being supported with more formal mechanisms.

CAHF has undertaken various research initiatives to explore the state of housing microfinance in South Africa and across sub-Saharan Africa, highlighting innovation and providing recommendations for attention by financial institutions and governments. Our work is focused on supporting the growth of a housing microlending sector in Africa, with more players supported by more investors, reaching more clients. Towards greater cooperation and development in the sector we've also co-hosted two workshops, both with Rooftops Canada and Habitat for Humanity.

Source:
www.housingfinanceafrica.org

HUMBLE HEROES

Stitching dreams step by step



Radhamani at her textile shop

At the age of 26, when most women prefer to relax on the shoulders of their better halves, fate had left Radhamani without any such shoulders to rest. As a widow she adorned multiple roles to get things moving for her and her son, including the role of a house maid at her home town Thotipalayam, Thudiyalur. Radhamani was adept in tailoring but couldn't find sufficient orders to rely on it as a primary income source. Meanwhile, she joined ESAF Microfinance as a sangam member and not surprisingly, utilized her first loan of ₹ 8,000 to buy a new tailoring machine. Through her sangam network she found it easy to get stitching orders and the small loan never gave her sleepless nights over repayment.

Gradually she shifted her work base from home to a rented house and officially launched her tailoring shop. Using her 4th loan cycle, she expanded her tailoring shop to a ready made garments shop. She started taking readymade garments from Erode and selling it at her shop. Her daily income now increased ten folds from ₹100/ day to ₹1,000/day. The life insurance and pension schemes provided by ESAF encouraged her to cultivate her savings habit. No wonder, her standard of living improved and now she owned a house with concrete roof in five cents and didn't need to compromise on her favourite dishes. Moreover, she was happy that she could give reasonably good education to her son. Now she focuses on improving her revenues and has plans to open another shop in Coimbatore, which will help her to attain the twin aim of profit maximization and new job opportunities for the poor. She is grateful to ESAF for the hassle free loans provided at the right time.

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

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CALLING THE SHOTS



Housing Microfinance is now slowly getting recognized as an effective way to finance housing for low-income population in the developing world. The UN projection underscores this fact and states that by 2050, 70% of the world's population will be living in urban areas, many of them in sub standard conditions. Compounding the problem, half of the adult population worldwide does not have an account at a formal financial institution. This shows that access to funding that low-income families can afford is a crucial element for the success of housing microfinance. Incremental housing through housing microfinance is an answer to this challenge. Incremental housing is a process by which a family builds their housing in stages as their resources permit.

Incremental housing through housing microfinance

Swarna Pragati housing microfinance started in 2011 in Delhi, was a good initiative by a few former bankers and had received adequate funding. Micro Housing Finance Corporation, which recently raised funding from Ronnie Screwvala's Unilazer Ventures, Shubham Housing Development Finance Company (Helion Venture Partners) and India Shelter Finance (Sequoia, Nexus) were other major players who had proved their worth in the segment.

Their success shows that housing microfinance is an effective way to meet the urgent housing needs of low-income families across the developing world, especially in countries like India where population is always a matter of concern. This also proved that microloans could be a useful tool for helping millions of people living in the world's slums to incrementally improve their conditions. Yes, it's time for all responsible MFIs to focus more on housing microfinance as a social obligation. While there

have been investments in the micro housing finance space, most of the firms in the segment have focused on urban areas with a loan size of ₹ 3-4 lakh and above. Recognizing the need, last year ESAF Microfinance also included housing microfinance into the bouquet of products with a ticket loan size of ₹ 5 lac. Moreover, we focus on both urban and rural areas for balanced development of the economy.

At the same time, Government support is also required in the form of recognizing housing microfinance as an effective way to finance housing for low-income populations in the developing world. National and local laws that create a framework for granting sufficient tenure security is also mandatory.

K. Paul Thomas
Founder, Chairman & Managing Director

FROM THE WORLD OF ESAF

ESAF micro loans making visible changes

A study conducted by the R&D team of ESAF Microfinance among 590 clients from Central India, Tamil Nadu and Kerala revealed that microloans had made marked improvements in the socio-economic conditions of the clients. All the clients chosen for the survey had undergone training programs organized by ESAF. The clients in the first and sixth loan cycles were interviewed using a structured tool, with the purpose of understanding the change that had occurred in their lives after utilizing at least 5 microloans from ESAF.

According to the study, the number of housewives had decreased from 66% to 55% and those who were self employed increased from 14% to 25%. There was a considerable decrease in families earning less than ₹ 100 / day due to an upward movement in income levels up to ₹ 200 – 400 /day. The impact in education was more visible in the northern states of Maharashtra and Madhya Pradesh as the clients were encouraged to continue

Employment Status	1 st Loan	6 th Loan
Daily wages	20%	20%
Housewife	66%	55%
Self employment	14%	25%
Total	100%	100%

Ownership of House	1 st Loan	6 th Loan
Joint family	07%	05%
Own house	78%	85%
Rented	15%	10%
Total	100%	100%

the education of their children who had dropped out of schools once they finished their primary education. Also the increased incomes enabled them to afford education in private schools. Those who owned a house of their own had increased from 78% – 85% and savings habits of members increased from 25% – 38%.

Visit ESAF Social Performance Management page
www.esafmicrofin.com/home/spm.html

ESAF observes International Car Free Day

ESAF observed World Car Free Day on Sep 22, 2013. As part of the event, a signature campaign was organized at the premises of Mathrubhumi daily by ESAF Livable Cities team to create awareness about the importance of car free day. More than 100 employees from ESAF participated in the program. Apart from this, Awareness hoardings were displayed at different locations in Thrissur city. The public was also sensitized through press releases and radio announcements.

K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance inaugurated the Signature Campaign. During his inaugural speech he said that "ESAF always stands for the well being of the society and considers it as a privilege to educate people on the importance of giving up the comfort of their personal vehicles for a day and take up walking". He also added that authorities should adopt measures like increasing parking fee / encouraging cycling habits that should curb the instincts of using private vehicles every day. Car Free Day was also observed at ESAF's corporate office.

About 40 countries and 1500 cities across the world



K. Paul Thomas inaugurating the signature campaign

observes the day as an international car free day every year. George Thomas, Director-Operations, Jacob Samuel, Director, Livable Cities, Beena George, Manager and Jinu Varghese, Program Officer also spoke on the occasion.

Visit ESAF Livable Cities on Wordpress
www.livablecitiesindia.wordpress.com

ESAF celebrates Onam 2013

ESAF Corporate Office celebrated Onam 2013, in a colourful ceremony organized at Cooperative Society Hall, Mannuthy on September 10, 2013.



T.S. Anantharaman inaugurating ESAF Onam celebrations. Flanked by K. Paul Thomas and George Thomas

T. S. Anantharaman, Director, Catholic Syrian Bank inaugurated the programme. K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance presided over the function. George Thomas, Director Operations, Jacob Samuel, Director, ESAF Healthcare and A. Akbar, Strategic Advisor also spoke on the occasion. While a sumptuous Onasadya added taste, cultural programs like Thiruvathirakali, Onam fusion and Onappattu added color to the celebrations.

The staff team was divided into five houses and competitions were conducted between the houses. Joy M. Mannur, Bureau Chief, Mangalam, Thrissur, Dr. Jyothi Bhaskar and Dr. S. Estelitta, Professors from Communication Center, Kerala Agricultural University, Mannuthy were the Chief Judges for the Floral Carpet contest. The White House team won the first prize in the floral carpet contest and the Red House team won the overall championship. Prizes for the winners were also distributed during the day.

ESAF opens Sanma garments factory

ESAF opened a factory built for making garments at Dumka, Jharkhand. The finished garments from the factory would be marketed in the brand name Sanma. Harsh Mangla IAS, Deputy Commissioner of Dumka inaugurated the factory on July 17, 2013. K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance presided over the function and Rev. John Kirubakaran, former General Secretary of FMPB delivered the key note address. The project



K. Paul Thomas welcoming Harsh Mangla IAS

was initiated by FMPB, ESAF and Gnanaraj, owner of Shelton Shirts. K. Paul Thomas, later opined that this initiative would provide employment opportunities to the Santhal and Malto tribal communities and in turn would contribute to the economic and social empowerment. He added that the name SANMA was coined by merging the names of the two tribes Santhal and Malto.

ESAF organizes pedestrian awareness campaign

ESAF Livable Cities Team with the support of Thrissur City Police and the Student Police Cadet (SPC) organized a pedestrian safety awareness campaign at Swaraj round, Thrissur on August 16,



Jacob Samuel with S. Gopinath IPS during the campaign

2013. The campaign was inaugurated by S. Gopinath IPS, Inspector General of Police, Thrissur Range at 9.30 AM. Police Commissioner P. Prakash, IPS also participated in the function. Jacob Samuel, Director, Livable Cities program represented ESAF on the occasion.

The student Cadets distributed awareness materials developed by ESAF to the drivers and the public. People were also encouraged to use subways as part of the awareness campaign.

Gopinath and Prakash showered encomiums on the ESAF Livable Cities Team for their initiative to bring to the fore issues surrounding the 'walkability and pedestrian facilities in Thrissur city', and assured that the City Police would consider the findings of the study with the seriousness it deserved. The initiative also caught the attention of the print as well as the electronic media.

ESAF extends support to flood victims Cometh the hour cometh the man

True to its tradition of helping the needy at their hour of crisis, ESAF SHG Federation organized relief programs to help the flood affected families in Kerala. In response to the natural calamity that struck the state, ESAF formed a committee to give leadership to the relief programs. Jacob Samuel, Director, ESAF Healthcare, Chacko Thomas, Manager, HR Kerala, Varkey C. J., Manager, Insurance and Gireesh Kumar, Assistant Manager, ESAF SHG



K. Paul Thomas distributing food kits at Alleppey

Federation were the committee members.

In a function held at Alleppey and Ambalapuzha branches on July 11, 2013, K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance distributed 1080 food kits to the members. M. Thyagarajan, President, Punnappa North Grama panchayat inaugurated the function. Prof. Elizabeth John, President, ESAF Society, Sreekumary, Board member, ESAF SHG Federation and Viji Abraham, Area Manager, Alleppey spoke on the occasion.

In a function held in Kodungalloor branch on July 08, 2013, George Thomas, Director Operations, ESAF Microfinance inaugurated the distribution of food kits to 158 families. Asha Ramesh, BAC President, Kodungallur branch presided over the function. In Cherpu Branch, Siby K. A., Deputy General Manager, Kerala Operations, ESAF Microfinance inaugurated the distribution programme attended by 198 members.

In Thiruvalla branch, 640 food kits were distributed on July 09, 2013 by Jacob Samuel, Director, Healthcare, ESAF. Chacko Thomas, Manager, HR Kerala, ESAF Microfinance and Varkey C. J., Manager, Insurance and Gireesh Kumar, Assistant Manager, ESAF SHG Federation spoke on the occasion. 925 families received food kits at Vaikom and Aroor branches on July 12, 2013. Altogether 3000 affected families received food kits. The staff

at Cherpu, Kodungallur, Alleppey, Ambalapuzha, Thiruvalla, Vaikom and Aroor branches extended their co-operation to make the relief project a great success.



George Thomas distributing food kits at Kodungallur

ESAF honors senior sangam members

In association with ESAF SHG Federation, ESAF Microfinance has organized a special function at Kodungallur to honour 85 senior sangam members of the Organization. The day also witnessed another landmark in the form of a new branch office at Kodungallur. K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance who presided over the function honored senior members who had completed 10 years of association with ESAF. Subhash K.R., Vice Chairman, Kodungallur Municipality inaugurated the new branch office building. George Thomas, Director Operations, distributed educational aids (127) to children of ESAF sangam members. Adv. Venkiteswaran D. T., Ward Counselor, Kodungallur, distributed cash awards to the children of ESAF sangam members, who scored high marks in SSLC and Plus Two examinations. Romy T. K., Manager, South Indian Bank, Kodungallur distributed PRAN cards to the sangam members of ESAF. Harikrishnapillai, Circle Inspector, Excise Department, Syrus P. K., Manager, South Malabar Grameen Bank, Kodungallur, Siby K. A., Deputy General Manager, Kerala Operations, ESAF Microfinance, Dileep T. U., Senior Manager, Kerala Operations, Shiney Varghese, Area Manager,



K. Paul Thomas honoring a senior sangam member

Kodungallur, Mereena Martin, Branch Manager, Kodungallur and BAC members spoke on the occasion.

ESAF sponsors solar lamps to tribal children

For the children in the 'Let Them Smile' child care centers in Jharkhand, ESAF launched a unique solar lights program in collaboration with Barefoot Power India. Christudas K. V., General Manager, Energy, NRM & Dairy inaugurated the initiative on July 08, 2013. Barefoot Power is a globally reputed manufacturer of solar lamps, resolved to support the poor in developing countries to access affordable

renewable energy. The program is aimed at helping the tribal children in their studies by providing them with solar lamps. Studies have proved that the use of solar reading lamps could make a remarkable improvement in the learning behavior of children.



Children with their solar lamps given by ESAF

Follow ESAF Let Them Smile on Facebook
www.facebook.com/LetThemSmile

ESAF celebrates Independence Day

ESAF branches across the country celebrated the Independence Day with zeal and zest on August 15, 2013. At the Head Office, a colorful ceremony was organized at the premises of Hepzibah Complex, Mannuthy. Adam Code, Vice President, Creation Investments Capital Management, Chicago was the Chief Guest. George Thomas, Director Operations, ESAF Microfinance hoisted the National Flag.

ESAF promotes Aksharajyothi scheme of Mangalam daily

In order to encourage reading habits among rural children, ESAF partnered with Mangalam daily to promote 'Aksharajyothi' project. In a special assembly organized at Government High School,



K. Paul Thomas inaugurating Aksharajyothi scheme

Mudapallur, K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance inaugurated the programme by handing over a copy of the newspaper to the school leader. Biju E. J., Regional Manager, K. J. Biju., Area Manager and Sundaran C., Credit Officer, ESAF Microfinance also participated in the function. ESAF sponsored five copies of Mangalam newspaper each for 10 schools in Palakkad and Thrissur districts.

ESAF launches Arogyamithra

ESAF society launched Arogyamithra in partnership with Microcredit Summit Campaign, a US based Non-profit Organization. The health awareness project is intended to integrate microfinance with health awareness services by focusing on non

EDITORIAL

Housing microfinance for holistic development

For a sector, which was growing at a Compounded Annual Growth Rate (CAGR) of more than 70% until a few years back, the AP set back in 2010 was a huge blow not only for the practitioners but also for the beneficiaries who were thought to be relieved from the clutches of moneylenders. After the Government intervention, the sector is now slowly regaining its lost glory. The unbalanced growth of the Indian economy shows that traditional microfinance is not the only solution for comprehensive growth. Even though the sector has regained its growth momentum the number of destitute families in Indian cities is growing. It's time for revolutionary ideas like microfinance to focus on hitherto less attended segments like housing microfinance.

For this, Government and private sector partnership is imperative. Government should create agencies that catalyze, facilitate and regulate housing microfinance. With private partnership the Government can enhance capacity building through innovations in technology. At the same time MFIs should concentrate on expansion of housing finance products.

communicable diseases like diabetes and hypertension. Selected sangam members of ESAF will be trained to act as Arogyamithra health workers and will be delivering health classes and organizing home based blood sugar and BP check up programs in Palakkad district.

K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance inaugurated the project on Sep 25, 2013 at ESAF Hospital, Palakkad. Dr. D. S. K. Rao,



K. Paul Thomas inaugurating Arogyamithra project

Asia Regional Director, M.S.C., Jacob Samuel, Director, ESAF Healthcare, George K. John, General Manager, ESAF Microfinance and Sandhya Suresh, Senior Manager, ESAF Microfinance spoke on the occasion.

ESAF promotes Maduram Malayalam scheme of Mathrubhumi daily

ESAF joined hands with Mathrubhumi daily to promote the Maduram Malayalam scheme, which was intended to encourage the reading habits among students. In a function held at Govt. Higher Secondary School, Kattapana, Roshy Augustine, MLA, Idukki inaugurated the program by handing over a copy of the newspaper to the school leader. Benny K. Paul, Area Manager, Idukki, Mini Mathew, Branch Manager, Kattapana and K. M. Jalaludeen, PRO, ESAF SHG Federation also participated in the function.

Owning a house can improve the confidence level of the poor and help them come up in life.

The responsibility and pride of owning a house can inspire them to strive for better outcomes. This compliments the holistic vision of most MFIs. Microfinance firms should take initiatives on counseling the clients and give them guidance on utilizing better opportunities. Organizations like Habitat can play a key role in giving guidance on building cost-effective houses for the poor.

This segment also opens an opportunity for youngsters with entrepreneurial ambitions to start initiatives that can tie up with MFIs to provide guidance on building low cost houses. At the same time, MFIs can think of separate entities to cater to housing microfinance. This helps them to attract investors who look for social investment with a long term commercial objective. They can be easily lured by the huge unattended opportunities in housing microfinance.

Sony V. Mathew

Your response can be sent to
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In a special meeting organized at Govt. Tribal Higher Secondary School, Murikattukudy, Kattapana, Benny K. Paul, Area Manager, Idukki, ESAF Microfinance inaugurated the function by handing over a copy of the newspaper to the school leader. ESAF has sponsored 10 copies of Mathrubhumi newspaper to two schools in Kattapana area.

ESAF honors top scorers

ESAF Staff Welfare Trust selected the following students, who scored the highest marks in the Plus 2 and 10th examinations during the year 2012-13, for special awards.

Dhrishya K., daughter of Shyla M.,
Kozhinjampara branch – Plus 2

Jophina Johnson, daughter of Suja Johnson,
Mudappallur branch - 10th – Kerala

Linta Eldhose, daughter of Lilly Eldhose,
Rajakumari branch – 10th – CBSE

Alankritha Luthra, daughter of S. Klement Raj,
Tiruvanniyur branch -10th – Tamil Nadu

Certificates and cash prizes were distributed by K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance during the occasion of Onam celebrations.

**THREE BEST
BRANCHES
OF THE QUARTER**

**KODUNGALLUR
ALATHUR
& KULASEKHARAM**