

## ESAF Receives Award at Microfinance India Summit, New Delhi

ESAF receives the Social Performance Reporting Award, Silver Category at the Microfinance India Summit held at New Delhi. ESAF Microfinance Managing Director K. Paul Thomas received the award from Kate Mckee, Senior Policy Advisor, CGAP on Oct 26, 2009. Microfinance India Awards 2009 sponsored by Access Development Services were also distributed during the day.

The inaugural session of the three day summit (Oct 26-28), sixth in a series of annual meetings organized by ACCESS development services, was started at

9.30 A.M. Brij Mohan Chairman Access Development Services welcomed the gathering followed by Special Addresses from Her Royal Highness Princess Maxima of Netherlands (Special Advocate for Inclusive Finance for Development of UN Secretary General Ban Ki-Moon), U.C. Sarangi, Chairman, NABARD, Mark T. Robinson, CEO, Citi South Asia and Naina Lal Kidwai, CEO HSBC India. The theme of the summit was Doing Good and Doing Well the need for balance.



Top management of ESAF attending the session



George K. John, GM Central Zone being quizzed by MF Focus



K. Paul Thomas, MD, ESAF receiving the Social Performance Award



A meeting with the GFUSA PPI team

### PLUS POINT

Interview with  
Vijayalakshmi Das – CEO FWWB



Vijayalakshmi Das, CEO Friends of Women's World Banking (FWWB) India, who is fondly called as the mother of microfinance in India, shares her thoughts with Sony V. Mathew, ESAF

**1) Microfinance Sector Development and Regulation bill introduced in the Lok Sabha in 2007 is still hanging fire? What's your take on that?**

The bill has lost its relevance as almost 70 medium sized MFIs have now changed their status to NBFCs. As usual the Government has been sitting upon the bill for too long, so the move that we witnessed from the MFIs side was hardly surprising.

**2) What do you think on countering price hike when most states are reeling under drought?**

It's high time for the Government to intervene and take appropriate actions. Support mechanisms for the poor to tackle price hikes are not satisfactory; more over there is no proper machinery to ensure food security to the poor.

Natural calamities like droughts coupled with the passiveness of the government are in fact adding salt to the wounds of the poor.

**3) Your thoughts on NREGA the flagship national project of the UPA Government to guarantee rural employment?**

NREGA is a good initiative from the part of the Government to tackle poverty but they should be willing to work in tandem with development organizations to make it more effective.

**4) About the future of microfinance in India?**

Microfinance already proved its significance through inclusive development, in the form of people's investment. The scope of microfinance in India is immense as not even 5% of the targeted poor have been covered through microfinance. MFIs should work out a way to target all the poor households and thereby expanding its reach.

**5) How can it be possible to reach the poorest of the poor by keeping the possibility of financial viability?**

If you are looking for immediate gains then it is impossible. Proper ground support should be given and may be you need to wait for years to get the results. A combination of grants, funds and loans may do the trick and help in

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



### CALLING THE SHOTS

## Perseverance Pays Off...



Ever since its inception in 1992, ESAF has been driven by passion, to serve the society, than aim for achieving any lucrative ends. We are following a holistic approach to development by taking into account factors like health, environment, education and shelter. We believe that change in the aforementioned sectors can act as a catalyst for bringing in the transformation required in the society, and thereby offering an equal platform of opportunities to all.

Years of our unstinted efforts in empowering the poor women have now been recognized globally as ESAF won the Social Performance Reporting Award-Catogary Silver for 2009, powered by MIX market, an US based microfinance information bureau. Under the light of this significant achievement, I exhort all members of ESAF family to draw inspiration and aim for bigger peaks. Surmounting each peak will surely help us to take one step closer in achieving our

objective of eradicating poverty. At the same time I want to convey my gratitude to all the members of the ESAF family for their efforts in bringing laurels to the company.

Of late, we have implemented the Progress out of Poverty Index (PPI) across all the branches to effectively measure the social development agenda. In order to expand the reach of our social service we have started operations in Delhi, Madhya Pradesh and eastern region of Dhumka, Jharkhand. I know the tasks ahead are challenging but with dedication and hard work it's definitely not impossible...

K. Paul Thomas  
Managing Director

### FROM THE WORLD OF ESAF

#### ESAF wins Social Performance Reporting Award

ESAF bagged the Social Performance Reporting Award – Category Silver, powered by Microfinance Information Exchange (MIX). Headquartered in Washington MIX is the leading business information provider in the Microfinance sector. The MIX Market currently provides data on over 1400 MFIs, over 100 investors and almost 200 partners. After being ranked 14th among the top 100 MFIs in the world in Dec 2008, this is just another token of appreciation for the company's exemplary performance in the field of microfinance.



#### ESAF at ETFAM Holland

ESAF, an accredited Fair Trade member of World Fair Trade Organization (WFTO), has participated in the international European Ethical and Fair Trade Market Place (ETFAM) Trade Fair in Eindhoven, Netherlands in



ESAF stall at ETFAM, Holland

September 2009. The Netherlands based ETFAM invited ESAF to participate in the International Exhibition, in recognition to the unstinted efforts of the organization to empower its small & marginal women producers of handicrafts and organic food. ESAF was the only Microfinance NGO from India invited for the exhibition. Out of the 19 firm enquiries received for export orders, 11 of them were for Organic Food ingredients.

#### ILO Selects ESAF for their research

The International Labour Organization has short listed ESAF among the 25 MFIs they have selected for their research program to address decent work deficits through MFIs across the world. Only two MFIs



### MUSINGS

#### Raphael Parambi

The receipt of the Social Performance Reporting Award, while being gratifying recognition of close to two decades of service, is even more a call for introspection and for re-focusing on mission. We as a company and indeed the industry as a whole have come a long

way....but where is this path leading? As pointed out in the C-GAP preamble to the awards, "Who are we reaching? How has microfinance affected the people's lives and what is its impact?"; important questions that have to be answered, if the industry is to remain relevant.

'The Quick Data' published by Sa-dhan confirms

the impressive performance of the industry:

■ 22 million borrowers served, as at March 2009, reflecting an increase of 60% over 2008.

■ Advances have grown by a stunning 97%, to Rs 11,700 cr (close to \$2.5 bill).

■ MFIs and 'Bank Linkage' based micro credit, between them, covered 61% of the low income households and MFIs have expanded to

71% of the poorest districts, of the country. Truly the industry is now well on its way to achieving Prof. Yunus's dream that his grandchildren would have to go to the museum to see poverty.

Introspection: While this is certainly true, it is equally clear that, over the years, the nature of the industry has changed. An increasing number of MFIs, including ESAF Microfinance and Investments Ltd. (EMFIL) have converted themselves into 'for profit' entities, to facilitate the raising of capital. As a consequence, for-profit MFIs account for 82% of the capital, 62% of the clients and 75% of the advances of the industry (ref. Quick Data). Even more telling is the fact that the for-profit sector is growing two and a half times as fast as the not for profit segment and will soon be the pervasive model, as private equity continues to flow into the

sector. The growth of the for-profit sector has a positive dimension. The professional investors have introduced higher standards of disclosure, better governance and independent inspection and capacity building. Individual MFIs too are, by virtue of their increased size and capacity, able to invest more on quality systems and staff than they could, hitherto, all of which augurs well for the industry. However, the trend towards for-profit has another side too. Private equity sometimes seeks exit horizons that are relatively short, for micro-credit. Consequently we see compulsions for target driven growth, increased profitability, higher efficiency through reduced services, tougher collection to reduce NPAs and the introduction of new products and 'services', sometimes more profitable to the MFI than to the poor.

**Straws in the wind:** Over the past year there have been a number of articles in respected international and local publications, questioning the effectiveness of micro-credit in poverty alleviation, raising the bogey of excessive lending and harsh collection methods and pointing to localized incidents of borrower revolt and over indebtedness. Practitioners are aware from, long experience, of the huge positive impact that we have had; localized problems and short term studies do not define the industry. However, the wise would read the straws in the wind, introspect and re-focus on mission.

*The author is the Chief Mentor of ESAF and an alumnus of IIT, XLRI and Harvard Business School. He can be contacted at raphael.parambi1@post.harvard.edu*

General Manager HR, spoke on the occasion. Prices for those who won floral competition and other sports and arts contests were also distributed.

### ESAF Organizes Sangam Leaders Meet

ESAF SHG Federation - has conducted Sangam Leaders Meet at different places across the state during the months of May and June 2009. About an average of 800 members participated in each meeting. Sangam Presidents, Secretaries and Convenors attended the program. Area managers performed orientation sessions about ESAF SHG federation and its activities. The advantages of purchasing the units of the federation were informed to the members. Most of the members expressed their interest in purchasing the units, which would be a profitable investment for them to meet their future needs. In most places Insurance Officers also took awareness classes on ESAF Insurance schemes.

### ESAF implements PPI

ESAF has implemented the Progress out of Poverty Index™ (PPI™) tool, which measures poverty levels of groups and individuals. This tool helps in determining factors that eradicate poverty like clients needs, effectiveness of programs, the pace at which clients can move out of poverty and aspects that help them for the same. CGAP, Grameen Foundation and the Ford Foundation endorse the use of PPI, which is regarded as a highly effective tool for institutions interested in measuring the likelihood of client

loans for poor nursing aspirants. K. Paul Thomas Executive Director, ESAF presided over the function. Jacob Samuel Director ESAF Healthcare, welcomed the gathering. During his speech K. Paul Thomas emphasized on the importance of social work and the difficulties that ESAF faced in achieving its social objective.

### ESAF distributes free onam kits

ESAF Microfinance, as part of its 'Onam Celebrations 2009' (Aug 29) distributed free rice to its selected members. PC Chacko, Member of Parliament, Thrissur, was the Chief Guest. K. Paul Thomas, Executive Director, ESAF inaugurated the function by draping a shawl around the parliamentarian. During his speech P.C. Chacko acknowledged the contributions being made by ESAF in the development of the economy. He also promised his support for all the social-activities that ESAF was now engaged in.



P.C. Chacko distributing free rice to an ESAF member

P.C. Chacko also distributed Onam Kits to poor families. George Thomas, Director Operations, ESAF, Sundaram T.R., Head Insurance, Raphael Parambi, Chief Mentor, ESAF and K.V. Christudas,

### FROM THE WORLD OF ESAF

from India have been selected for the study. The ILO team would conduct a preliminary study to identify the decent work deficits among a sample of clients. Based on the observations, the intervention area to be studied would be worked out. The duration of the Action Research Project is three years from January 2009 – December 2011.

In Sep 09' the ILO team comprising Ms. Severine Deboos, Technical Expert, Social Finance and Mr. Hideki Kagohashi, Enterprise Development Specialist, visited ESAF to discuss and plan out the activities to be done as part of the intervention.

### M.B. Rajesh, MP, inaugurates New Block of ESAF Nursing School

A new block of ESAF Nursing School, functioning under ESAF Healthcare, was inaugurated by M.B Rajesh, Member of Parliament, Palakkad on Aug 19, 2009. In his inaugural speech M.B Rajesh appreciated the efforts of ESAF in addressing the health concerns of people living in rural areas. He added that he would do whatever it was required to stop the All India Bankers Association's move to prevent sanctioning of



M.B. Rajesh inaugurating New Block by cutting the ribbon

## THROUGH THE EYES OF THE EDITOR

Despite criticisms for a variety of reasons, The National Rural Employment Guarantee Scheme (NREGS, now rechristened as Mahatma Gandhi Rural Employment Guarantee Act) became UPA's defining and impressive program. The Union Budget for 2009 -10 gave the scheme a significant boost by allowing an increment of Rs 39,000 crore. But if the scheme is not properly monitored the political saleability of the program may destroy the merits of the scheme. If more than one member of each family can gain Rs 100 / day, which is significantly higher than the

## NREGS should be insulated from Political Whims

market wage, many people will withdraw from the labor market to claim the scheme's benefit. This will pose a serious threat to the commercial viability of both agriculture and industry. In short, the government should not allow better-off families to take advantage of the benefits and distort its target of reaching the truly deserving poor. Yes it's time to think for a more effective governance framework to protect the prestigious 'aam admi' agenda of UPA.

Sony V. Mathew

### FROM THE WORLD OF ESAF



poverty. The PPI is based on an approach developed by Mark Schreiner of Microfinance Risk Management, L.L.C. Although the PPI is built on a universal methodology, each PPI is country specific.

## FROM THE CORPORATE WORLD OF MFIs

### Sustainable water and sanitation services need of the hour: World Bank

Giving poor people a say in the water and sanitation services they receive, and allowing alternative documentation to prove their residence status are some of the simple solutions that can bring sustainable water and sanitation services to the hundreds of millions currently living without, according to a new report released by the World Bank's Water and Sanitation Program (WSP). According to UNICEF and WHO, 900 million people do not drink safe water and 2.5 billion people live without access to improved sanitation, leading to millions of deaths every year, mostly of children under five. The report titled, "Guidance Notes on Services for the Urban Poor: A practical guide for improving water and sanitation services", identifies barriers to service delivery for poor people living in urban areas in Africa, East and

South Asia, and Latin America and recommends practical solutions to overcome them. The report includes a compilation of 19 case studies from 12 countries as well as consultations with urban poor communities to analyze similar barriers and propose solutions.

### USAID launches Water Finance website

The U.S. Agency for International Development (USAID) has launched a new Water Finance website at World Water Week, the International Annual Conference that brings together more than 2,000 experts, practitioners, decision makers and leaders from around the globe to exchange ideas, foster new thinking and develop solutions.

USAID's new publicly available resource provides a structured yet flexible approach to help practitioners define appropriate financing interventions for water, sanitation and hygiene (WSH) services. This website is a practical resource and one stop shop for exploring various financing options, and will help busy practitioners make good decisions. National governments, multilateral development banks, foreign donors, microfinance institutions, the local private sector, and WSH service providers themselves are all valuable sources of financing for WSH services. Thoughtful use of this tool will lead to financing solutions that will ensure safe water to even the poorest members of a society.

### Microfinance goes mobile

Electronic gadgets once symbolized the stark difference between the world's haves and have-

nots, but cell phones are starting to bridge that divide. Banks are taking advantage of new handset technology and the expansion spree of service providers, by extending financial services to roughly 2 billion people who use cell phones but lack bank accounts.

Microfinance made headlines as a development success story when Grameen Bank founder Muhammad Yunus won the 2006 Nobel Peace Prize, but extending its reach remained a challenge. The cost of the small transactions involved in microfinance—savings accounts, money transfers, and loans to the poor—has been an obstacle. A CGAP study of financial services for the poor, proves Cell phones can cut the cost of such transactions, making widespread microfinance more efficiently funded. It also found that cell phone banking was potentially six times cheaper for routine banking transactions. (Source: www.globalenvision.com)

## FOOD FOR THOUGHT

### Tribal Midwives to get training in Modern Gynaecology

A novel program to impart lessons in modern Gynaecology to traditional midwives has been launched by The Kerala Social Security Mission and the Institute of Maternity and Child Health Care. This decision holds water as tribal people in Wayanad and Idukki districts still depend on traditional birth attendants for delivery and neo-natal care. This also helps the tribals in beating the difficulties of reaching hospitals situated in towns/cities.

(Source: Indian Express, 11/08/2009)

Three best branches of the quarter: Vizhinjam, Vadanappally and Chavakkad

'life' line

"Yesterday is but today's memory, tomorrow is today's dream" - Kahlil Gibran