

Food for Thought

### Approach to Financial Inclusion

The new policy to promote financial inclusion is a welcome step. Many experts have different views on the topic. However, for the entire plan to work, three important pieces need to fall in place. First, clients who want to use these services; second, a low cost, viable distribution network; and third, banks and financial institutions to serve these clients. While opening bank accounts may not be sufficient on a standalone basis, but combine this with a debit card and an overdraft facility of Rs 5,000, we can reasonably expect the poor to use them. Also, if benefits and subsidies are transferred to this account, this will make it more transactional.

Reports suggest that the government is focusing on the viability and income of tens of thousands of agents who form the last mile connect to these poor clients, a critical aspect which was earlier ignored. Unless these agents are remunerated suitably, this network will become defunct. Also, allowing MFIs who are well capitalized and professionally run, to act as these agents is an important and positive new development. The banks and financial institutions form the third and most important piece. If clients are serviced by a viable network of agents, we need institutions that are willing to offer products and services for these agents to distribute.

On the other hand by the end of March 2013, there were 182 million such accounts with an average savings balance of just Rs 1,005. Field research and feedback from local institutions indicated that at least 85 per cent of these accounts were dormant, having been treated as pass through accounts by recipients of direct benefits under MGNREGA or pensions or other handouts. The number of ICT transactions undertaken by business correspondents is no more encouraging - just 234 million in 2012/13, an average of 1.3 transactions per account in a whole year. Adding physical transactions at the bank branch will not take this average much beyond two transactions a year. Moreover, operation by small banks in "a few districts" sounds too few for a Rs 100 crore net worth financial institution to be viable?

This clearly shows that however promising is the outlook, the institutional mechanism needs to be fully understood and addressed before the final go ahead.

*(Information derived from article titled 'Will the approach to Government's financial inclusion work' published in Business Today)*

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From the World of Microfinance

### Cambodian Microfinance Market Records Big Growth

New data shows the Cambodian microfinance market disbursed \$1.79 billion in loans over the first three quarters of 2014, amounting to a 51 percent increase over last year's Q1-3 figures. The data comes from the Cambodia Microfinance Association (CMA) and includes loans issued by 45 of the country's MFIs. Last year's total for the same period was \$1.18 billion from 39 institutions. In a country where less than 20 percent of the adult population has access to formal financial services, such expansion in activity might be exciting, but is it sustainable for borrowers and institutions?

Cambodia's GDP increased annually on average 7.7 percent between 1994 and 2013, and it's expected to maintain a nearly equivalent trajectory in the years to come. On distributing this wealth, the country achieved its Millennium Development Goal of halving poverty in 2009. Agriculture in Cambodia is big, constituting about 35 percent of the country's GDP. About 90 percent of those who are poor or who are vulnerable to slipping into poverty live in rural areas. More small and medium sized entrepreneurs making investments in farming efforts, or other income-generating activities, align with an expanding economy.

The worry, however, is that the microfinance lending growth isn't so much a reflection of an uptick in borrowers or a healthy increase in borrowers' investment sizes, but a trend fueled by growing over indebtedness. In a 2013 report by the Cambodia Institute of Development Study analyzing over indebtedness levels, 51 percent of respondents indicated that they have struggled to repay their loans on time.

The Cambodian Microfinance Association indicates that the prevalence of individuals taking out loans from multiple institutions is a severe issue in the market. In some instances individuals might take out more than four or five loans, which in the likely case of inability to repay causes significant problems for all involved. The root causes of multiple lending in Cambodia, CMA shares, include under-use of credit reporting, lack of thorough credit assessments of prospective clients, and the issuance of multiple land titles by local authorities (which can then be used as collateral documents multiple times). In addition, although Cambodia is ranked 9 in the EIU Global Microscope 2014 rankings, it does not score well on client protection. Thankfully, the Cambodian market should see near term progress at least on credit reporting, as there have been appreciable advancements in the country's credit bureaus in just the past few years, as reflected in its high rating on this indicator in the Microscope.

As Cambodia's microfinance market continues to expand and work continues to bring in the unbanked population, it will be crucial to keep the issues of client ability to borrow and over indebtedness front and center.

*(courtesy- <http://cft-blog.org>)*

Humble Heroes

### Cups and saucers bring her cup of tea



Meena Maruti Gaykoad aged 35 engages in the business of selling cup and saucers. She is well supported by her family members including husband Gaykoad. Before associating with ESAF as a sangam member she used to work in a manufacturing unit of cup and saucer. She is now a member of Anchal sangam.

Earlier she was earning a paltry sum of Rs 4000 per month. She also bought the micro energy product; greenway stove from ESAF and now enjoys 50% savings in fuel cost. Her total monthly earnings now come to Rs 10,000.

After receiving the loans of ESAF her income has grown by leaps and bounds. Her first loan was Rs 5,000 and now she is in her 5th loan cycle of Rs 15,000. These loans helped in complete upliftment of her total well-being. Now she is willing to consult doctors for solving medical issues of her family members. For someone who has an elementary school qualification of 5th standard what she has achieved through her business is truly outstanding. She is thankful to ESAF for bringing in the change.

Appropriate utilization of loans is the secret of her success. The lady with a good business mind makes sure that the loans are used to expand her business based at home. She wants her daughters to get good education.

Read more success stories:  
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Download ESAF Microfinance Annual Report 2013-14  
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FROM THE HOUSE OF ESAF  
...means development in Santhali, the language of an underdeveloped tribal group in Eastern India.



ESAF MICROFINANCE  
Financing Livelihoods...

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Calling the Shots



For Microfinance Institutions the opportunity provided by the RBI, is a step in the right direction as far as countering political risk and opening an opportunity to access savings from the target segment are concerned.

For the Govt, it is a more realistic step towards achieving the goal of financial inclusion. I believe that it is a much awaited recognition for all the hard work that MFIs have put in over the past two decades, advertently or inadvertently for the cause of financial inclusion.

From the World of ESAF

### K. Paul Thomas wins TiEcon Award



K. Paul Thomas receiving the award from Ashok Rao

K. Paul Thomas won the TiEcon Emerging Entrepreneur of the year Award 2014. In a function held at Hotel Le meridian Kochi, he accepted the award from Ashok Rao, Chairman Tie Global. During his address, K. Paul Thomas said that the idea behind his entrepreneurial venture was to combine social targets with financial components, without which a holistic empowerment was never attainable. He also thanked the authorities for bestowing him with the honor.

Sheila Kochouseph, MD, V-Star and Rajan Singh, Co-founder, Course Brew, won the best woman entrepreneur, and the start-up entrepreneur awards respectively for the year 2014. The best entrepreneur of the year 2014 award went to Abdul Azeez, MD, Skyline Builders.

Some of the key speakers at the conference included Dr. Murad Lala, noted oncosurgeon and first Indian doctor to climb Mount Everest, AtulVir, CEO, Entrepreneur, inventor and business ethics expert, Arunachalam Muruganantham, inventor of affordable napkins, Vani Kola, MD, Kalaari Capital and Dr. Sriram Nene, cardio-vascular surgeon.

### Small Banks, a promising opportunity for MFIs

not have any restriction in the area of operations and it also comes with an opportunity to design targeted financial products that can meet all kinds of needs of the clients, say big ticket Micro-enterprise loans.

Despite impending concerns over high cost of banking operations, difficulty in building a robust base of retail deposits and need to comply with tougher regulatory norms, MFIs are upbeat about the prospects of

*The most important lure of a banking licence for MFIs continues to be the ability to raise deposits, which, in turn, will bring down their cost of funds substantially and allow them to lend at more reasonable rates than they do now.*

becoming a bank. The most important lure of a banking licence for MFIs continues to be the ability to raise deposits, which, in turn, will bring down their cost of funds substantially and allow them to lend at more reasonable rates than they do now. It also

allows MFIs to counter their inherent vulnerabilities as target of petty politics and the perception of 'unorganized' player among the general public. According to rough estimates the cost of funds of MFIs will come down to 16 - 17 % from 22- 24%. This is a significant scale down considering the objective of financial inclusion of the MFIs, who cater to people living in the lowest strata of the society.

The positive prospects however come with its share of challenges as mentioned above. The challenge of technology up-gradation and branding also looms large. But the silver lining is that, in course of time the best performing small finance banks can still aspire to transit into universal banks. The time for MFIs to be reckoned as universal banks is not too far away...

K. Paul Thomas  
Founder, Chairman and Managing Director

Read previous issues of 'Calling the shots'  
[www.esafmicrofin.com/newsaevents/message.html](http://www.esafmicrofin.com/newsaevents/message.html)

### ESAF, in the run for European Microfinance Award

ESAF Microfinance was one among the three finalists shortlisted for the European Microfinance Award 2014. The finalists were selected based on their efforts in contributing directly to improving the lives of the clients. ESAF's clean energy for the poor initiative proved a decisive factor in the achievement.

XacBank LLC from Mongolia was another finalist for the European Microfinance Award. Through



K. Paul Thomas along with Mereena Paul receiving the award

### ESAF emphasizes on empowering women by listening to them

The Client Empowerment and Satisfaction Survey 2014 showed that, out of the 350 members participated, all women now enjoyed active participation in key household decision making and were satisfied with the punctuality of the collection meetings. 99% of the participated members opined that their economic well-being improved significantly since becoming ESAF members and 98% were satisfied with the response of staff for

the Eco Product Program, they have facilitated the purchase of over 150,000 energy efficient heating and insulation products to poor district households in Ulaanbaatar (Mongolia).

Kompanion Financial Group from Krygysthan won the Award for the Pasture land management training initiative: an ethno-ecological approach to pasture land preservation' that addresses the pressing issue of pasture land degradation in Kyrgyzstan. The European Microfinance Award was launched in 2005 by the Luxembourg Ministry of Foreign and European Affairs - Directorate for Development Co-operation and Humanitarian Affairs.

View 'Awards and Accolades' ESAF received  
[www.esafmicrofin.com/home/milestones-.html](http://www.esafmicrofin.com/home/milestones-.html)

queries addressed. K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance, opined that the survey results pointed out that the Organization was right on its path to attain its vision of holistic empowerment of women.

### ESAF joins hands with Mathrubhumi Seed to promote Herbal Garden at Home

ESAF in association with 'Mathrubhumi Seed' organized 'herbal garden at home' program





Jacob Samuel distributing tree saplings to students

promoted by State Medicinal Plants Board. The program organized at Elappully Sree Narayana Public School, aims to promote herbal plants at homes of selected 25 students. Jacob Samuel, Social Advisor, ESAF Microfinance inaugurated the function. Gangadharan, Secretary, Sree Priya, Principal, Rajan Cherukkad, Mathrubhumi, Chief Sub-editor, Saji K. Thomas, Circulation Manager, and Benjamin Joseph & Radhakrishnan from ESAF spoke on the occasion.

## Adat Farmers Bank partners with ESAF for 'Mission Adat' project

Actor Sreenivasn inaugurated the Mission Adat Jaivam Amrutham project initiated by Adat Farmers Service Cooperative Bank in partnership with State Agriculture Department, Kerala Agricultural University and ESAF at Ompathumuri paddy field at Adat on 13<sup>th</sup> November 2014. M.V. Rajendran,



George Thomas along with representatives from Adat Co-operative bank welcoming actor Sreenivasan

President Farmers Service Cooperative Bank, Adat presided over the function. George Thomas, Executive Director, ESAF Microfinance, Dr. U. Jayakumaran, Professor & Head Kerala Agricultural Research Station, Mannuthy, Dr. T. R. Gopalakrishnan, Director of Research, KAU, Mannuthy and Jayaraj Warriar, Caricaturist spoke on the occasion. Mission Adat Jaivam Amrutham is a comprehensive farming project which aims at producing organic paddy and vegetables along with duck and fish farming. ESAF will be an active partner in this unique project.

## ESAF Celebrates Gloria 2014

ESAF group celebrated 'Gloria 2014' on December 22, 2014 at St. Joseph's Church Parish Hall, Ollukkara. More than 600 people (ESAF staff and their family members) participated in the function. K. Paul Thomas, Chairman, ESAF Group presided over the function. Mar Andrews Thazhath, Metropolitan Arch Bishop of Syro-Malabar Catholic Archdiocese of Thrissur delivered the Christmas message. ESAF Choir rendered traditional and contemporary carols followed by cultural programs performed by the staff from different entities of

ESAF group. Jacob Samuel, Director - Programmes and George Thomas, Executive Director, ESAF



K. Paul Thomas along with Mar Andrews Thazhath cutting the Christmas Cake

Microfinance spoke on the occasion. The function concluded with a sumptuous Christmas feast.

## ESAF participates in the Inclusive Finance India Summit and Livelihoods Asia Summit

ESAF Microfinance participates in the Inclusive Finance India Summit and Livelihoods Asia Summit, co-organized by ACCESS-ASSIST & ACCESS Development Services at New Delhi from 8<sup>th</sup> to 11<sup>th</sup> December 2014. Inclusive Finance India



George Thomas attending the summit along with ESAF staff members

Summit is a global platform to deliberate on issues related to financial inclusion, financial education and financial stability, and build a Financial Inclusion Vision 2020. The Organization was represented by a team of managers under the leadership of K. Paul Thomas, Chairman and Managing Director.

## ESAF participates in Swachh Bharat Mission

On Gandhi Jayanthi day, 2<sup>nd</sup> October 2014, ESAF participated in Prime Minister's Swachh Bharat Mission. P. U. Hamsa, Councillor, Thrissur Corporation inaugurated the cleanliness campaign at the premises of ESAF Corporate Office at Mannuthy. K. Paul



ESAF Swachh Bharat volunteers

Thomas, Founder and Chairman, ESAF Group opined that by cleaning up the city, ESAF wanted to pay tribute to the father of the nation, albeit in a different manner that could benefit the society as a whole.

## ESAF congratulates Kuttiyattoor Panchayath

ESAF Jananidhi team organized a meeting to congratulate the Kuttiyattoor Grama Panchayath for being selected for the Prime Minister's Sansad Adarsh Gram Yojana scheme. The meeting was presided by the Jananidhi team leader Eby Koshy. Jacob Samuel, Social Advisor, ESAF Microfinance inaugurated the meeting and handed over a memento from ESAF to C. Sujatha, President, Kuttiyattoor Panchayath. Padmanabhan N., (Vice President, Kuttiyattoor Panchayath), Rajan Puthussery (Secretary, Kuttiyattoor Panchayath) and B. Krishnan (Secretary, BG Federation) spoke on the occasion.



Jacob Samuel handing over the memento to C. Sujatha

Sansad Adarsh Gram Yojana is an ambitious village development project under which each Member of Parliament will take the responsibility of developing physical and institutional infrastructure in three villages and turn them into model villages by 2019.

## ESAF launches Ambedkar Hastshilp Vikas Yojna project

ESAF was selected to implement Ambedkar Hastshilp Vikas Yojna (AHVY) project in wooden crafts at Alathur, Palakkad. The project is promoted by the Development Commissioner Handicrafts



K. Paul Thomas interacting with the artisans

(DCH) under the Ministry of Textiles, Govt. of India. Indira Chandran, President, Alathur Block Panchayath officially inaugurated the project in a function held at Tarur AUP School, Alathur on September 09, 2014. K. Paul Thomas, Chairman & Managing Director, ESAF Microfinance welcomed the gathering and explained about the project.

## ESAF distributes food kits at Thiruvalla

ESAF Cooperative Credit Society conducted a free food kit distribution programme in association with the ESAF Microfinance, Thiruvalla Branch at Ottathayikkal Mar Daiscros Memorial Hall, Thiruvalla. The program was organized to support the sangam members who were affected by flood.

Adv. Mathew T. Thomas, Honorable MLA of Thiruvalla inaugurated the function and Joseph M. Puthussery, Ex MLA of Kallioyppara distributed the food kits to the members. Roy K. Alex, General Manager, ESAF Microfinance presided over the function. Pawsan Varghese, AGM & Head- Operations,



Adv. Mathew T. Thomas distributing food kits

ESAF Cooperative Credit Society and Renish Mathew, Area Manager, Kottayam spoke on the occasion. Food kits were distributed to more than 957 sangam members.

## ESAF organizes Nelli Utsav at Thrippunithura

ESAF organized Nelli Utsav at Ernakulam, in order to conclude the project to distribute 6,000 Nelli saplings in Ernakulam district. The program was organized at Layam Ground auditorium, Thrippunithura on 18<sup>th</sup> of October 2014. K. Babu, Hon'ble Minister of Excise inaugurated the function and



K. Babu inaugurating the programme

R. Venugopal, Chairman, Thrippunithura Municipality presided over the function. K. G. Srikumar, CEO Kerala State Medicinal Plant Board, George Thomas, Executive Director, ESAF Microfinance, O. L. Pius, Coordinator KSMPPB, Thrissur and Jacob Samuel, Social Advisor, ESAF Microfinance spoke on the occasion.

Over 700 people gathered for the function. The major highlights of the program included a training session on the cultivation and uses of Nelli, competition on the detection of medicinal plants and distribution of Nelli saplings. Prizes were distributed to the winners in the Quiz competition conducted for school students. National Amla Mission project of Kerala State Medicinal Plant Board was implemented by ESAF in Ernakulam and Palakkad districts.

## ESAF observes International Day of the Girl Child

Violence against girls and violations of their human rights is a major social problem. In December 2011, the UN declared that it would annually observe the International Day of the Girl Child, starting from October 11, 2012. ESAF began to celebrate this day right from 2012. The theme for this year's

## Editorial

### 'Small banks' a big idea

Today what rural India needs are basic banking services. Rightly assessing the need, the RBI has decided to set up small banks to bring the underserved and unbanked population in the bank net. This move will surely complement the Pradhan Mantri Jan Yojana scheme to attain the objective of financial inclusion. The RBI stipulation that 25% of the branches should be in non-banked areas is a welcome signal for MFIs who mostly carry their operations in rural hinterlands.

The transformation will also help the MFIs to get a makeover from being an 'unorganized player' to an 'organized player'.

Pradhan Mantri Jan Yojana scheme has so far raised deposits up to Rs 3,600 cr from 5.1 cr accounts. Opening of small banks will take that statistics to greater heights. Moreover, small bank status will help MFIs to get rid of the biggest accusation they have been facing with regard to interest charged. The transformation will also help the MFIs to get a makeover from being an 'unorganized player' to an 'organized player'.

But the move has thrown certain obstacles for the applicants to tackle. One of the concerns raised

was that since the new banks would have to use the words 'small finance banks' in its name, it would be a major challenge with regard to brand awareness and brand equity compared with existing banks. It is a fact that it will take a long time for these banks to build a good level of retail deposits. Adding small bank as part of the name makes it more vulnerable to prospective depositors. They would assume that since these are 'small' banks, they might not be as safe as 'larger' banks. Another challenge comes in the form of technology. The

operations of the bank should be technology-driven right from the beginning, conforming to generally accepted standards and norms. The banks are being encouraged to have new approaches for data storage, security, real time data update and so on. A detailed technology plan for the same has to be prepared. In modern times, banks can survive only with innovation and technology.

Sony V. Mathew

Mail your response to: [sony@esaf.in](mailto:sony@esaf.in)



K. Paul Thomas inaugurating the project in Thrissur

'Aksharajyothi scheme', which is aimed to promote reading habits among children in the rural areas. The program was inaugurated by K. Paul Thomas, Founder Chairman & Managing Director, ESAF Microfinance in a function held at Sandeepani Vidyanikethan School, Thrissur on 15<sup>th</sup> October 2014. ESAF is sponsoring 50 Newspapers for 10 Schools in Thrissur & Palakkad districts.

## ESAF promotes Vayanakalari scheme of Malayala Manorama



K. Paul Thomas inaugurating the project at Kattilapoovam

In order to encourage reading habits among rural children, ESAF is partnering with Malayala Manorama to promote their 'Vayanakalari' project. In a special assembly organized at Government Higher Secondary School, Kattilapoovam, Thrissur, K. Paul Thomas, Chairman, ESAF Group inaugurated the programme in the school by handing over a copy of the newspaper to the school principal. ESAF has sponsored 10 copies of Malayala Manorama newspaper to the school.

## ESAF promotes Aksharajyothi scheme of Mangalam daily

ESAF is also partnering with Mangalam Daily's

**ESAF MICROFINANCE**  
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**BEST BRANCHES**  
October - December 2014

Region Name	Branch Name
Chathisgarth	Raipur
Chennai	Minjur
Coimbatore	Thudiyalur
Ernakulam	Kodungallur
Jharkhand	Dumka
Kottayam	Cumbum
Kozhikode	Edakkara
Madhyapradesh	Betul
Maharashtra	Sadar
Thrissur	Chavakkad
Trivandrum	Kulashekaram

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