



SHG members attending the leadership program

SHG Federation, took classes on Financial Literacy. He covered topics like savings, expenses, investment, insurance etc. The participants were truly inspired and demanded more programs that educate them on entrepreneurship development. The leadership program was organized on Sep 25, 2010 at Bagbahara Branch. During the program ESS claims were paid to nominees Tukeshwar Jagat, husband of late Anusuya Jagat and Puaram, husband of Gangabai.



Financial literacy program in progress in Central Zone

178 ESAF Sangam members won the local body elections

Out of 300 members contested, 178 ESAF sangam members (representing different political parties) won the local body elections held in the month of October 2010. K. Paul Thomas, Managing Director, ESAF Microfinance, congratulated all the members and said that their victory is another example of the social impact the microfinance sector can create. He added that ESAF will continue to give emphasis on leadership development programs, with an aim to benefit the society in a better manner.

FROM THE WORLD OF MICROFINANCE

ADB, Australia to expand microfinance project in Papua New Guinea

The Asian Development Bank (ADB) and the Australian Government will support a \$24 million Microfinance Expansion Project to help rural

communities in Papua New Guinea to access credit and financial services. ADB's loan, from its concessional Asian Development Fund, covers 54% of the project cost of \$24.06 million. The loan has a 32-year term, including a grace period of eight years. Interest is charged at 1% per annum during the grace period and 1.5% per year for the rest of the term. AusAID will provide a grant of \$6 million to be administered by ADB. The Government of Papua New Guinea and project beneficiaries will cover the remaining cost of \$3.09 million. The project is due for completion around the end of 2017.

The project will extend and build on the experiences and lessons learned from ADB's Microfinance and Employment Project, also co-financed by the Australian Government through AusAID, an 8 year project that began in 2002 and established a solid base for microfinance in Papua New Guinea. ADB estimates that only 15% of the population has access to formal or informal banking facilities, and many parts of the country still use a non-monetary barter system for transactions. (Source - www.microfinancefocus.com)

IFC may invest \$10m in Credito Real to expand microfinance in Mexico

World Bank's financial arm, International Finance Corporation has proposed an investment in Crédito Real, S.A. de C.V. (CR) a finance company which is fast moving into microfinance in Mexico. The proposed project is a Credit Line for up to MXN 130 million (USD 10 million equivalent) for IFC's account. The proceeds from the credit line will be used to increase, diversify and extend the duration of CR's funding base by obtaining medium-term financing for on lending to micro enterprises in Mexico.

Credito Real is headquartered in Mexico City and operates its micro credit business in 17 Mexican states with most of its portfolio in the states of Guerrero, Mexico, Puebla, and Michoacan. It offers various forms of direct and indirect financing, consisting of small loans in principal amounts typically ranging from approximately \$250 to approximately \$2,500. In 2007, CR begun offering microcredit group loans and is now planning to expand this line of business.

IFC anticipates that the project will not only help in scaling up microfinance in Mexico but will also demonstrate the business case for microfinance during crisis and encourage private investors to invest in this sector.

(Source - www.microfinancefocus.com)

HUMBLE HEROES

She colors the lives of more than 200

Five years back, Najeeba was working as a Mason, on contract basis. The occasional income she and her husband used to generate was hardly enough for them to keep the kitchen oil burning. They were literally fighting with life to raise their three children. It was in 2006, when life was throwing constant questions without answers, she had decided to join ESAF. Five years later, that decision proved a life-changing one for her entire family. She confided that joining ESAF helped her attain success both in business as well as family lives. Nothing could bring her more happiness than educating her children. No wonder, her eldest son Muhasel is now working as a civil engineer after completing his B-tech. Her other two kids Arif and Ashier are studying in Plus One and Tenth standards respectively.



Najeeba Muhammed (right) with her team members

Using the first loan she received from ESAF she started a small unit for her business (of making caparisons) at Guruvayoor Temple side. Her lack of education was never a hindrance for this talented woman to expand her clientele and generate new leads. Now this determined lady, with a primary educational qualification of 7th standard, has employed 215 people under her and is a successful entrepreneur. Najeeba's case is a classical example of how much impact microfinance can make in the life of the poor. It clearly explains that financial inclusion doesn't mean mere money lending, for satisfying temporary needs.

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



CALLING THE SHOTS

Time to introspect on the social commitment...



At a time when MFIs are facing rough weather due to some unfortunate happenings in Andhra Pradesh, it is important to set the record straight and give emphasis to social obligations of MFIs. In a country where more than 600 million people live under less than \$1.50 a day, the importance of social obligation is simply not ignorable. That's why more than 25 million MFI members are the living testimonials of how the sector can transform the social well-being of the poor and that's why Government machinery is considering MFIs as key components for balancing the social and economic environment of the nation.

The success of the sector clearly shows that social commitment is what differentiates MFIs from moneylenders. From ESAF's point of view, more than 3,00,000 of our members are now micro entrepreneurs. This gives them sustainable livelihood means, apart from steady flow of income. No wonder, most of them now have reasonable levels of savings. As a result, their children are now getting good education, housing facilities

and clean environment. ESAF is also helping our members in marketing their products through our retail outlets like Swasraya Bazaars and Prerana. Moreover, we have hospitals and medical centers in rural areas to serve the poor. We also give them leadership training as well as vocational training to sharpen their natural talents. The fact that 300 sangam members of ESAF contested in the local body elections in Kerala and 178 of them emerged winners (representing different political parties) is ample testimony to substantiate our claims.

We also educate the clients on financial literacy, because attitude of the clients also determines the success of MFIs in meeting their social objectives. That's how the Najeebas, Pappathis and Zeenaths have shown to the world the power of microfinance. From the organization's side what is required is the highest possible standard of corporate governance and more than a bit of altruism. We are definitely doing our bit and are committed to do even more...



K. Paul Thomas
Managing Director

FROM THE WORLD OF ESAF

ESAF participates in SPM Symposium in Hyderabad

ESAF Microfinance participated in the two-day Social Performance Management (SPM) symposium organized by Oiko Credit and its Indian Subsidiary, Manaveeya Holdings and Investments (P) Ltd, on Sep 17th and 18th, 2010, at Hotel Marriott, Hyderabad. ESAF Microfinance was one among the three MFIs selected to present their case studies on how SPM could be integrated within the systems. The primary objective of the conference was to educate the

project/potential partners of Oiko Credit about the approach needed towards SPM and the tools available to implement the same.

K. Paul Thomas, Managing Director, ESAF Microfinance and Sandhya Suresh, Manager R & D represented ESAF at the function. During his speech, Paul Thomas emphasized on the importance of recognizing MFIs having social objectives. The case study presented by Sandhya Suresh on EMFIL's approach towards achieving social goals was well received by the audience.

ESAF Celebrates Onam 2010

ESAF celebrated 'Onam' the most popular Kerala

festival in grand style at the Society Hall, Mannuthy on August 21, 2010. The program was inaugurated by K. Paul Thomas, Executive Director, ESAF. In the Floral Carpet contest held



Mathew T. Thomas, inaugurating the Onam celebrations of ESAF, Kadapra branch, flanked by K. Paul Thomas

MUSINGS

Raphael Parambi

Inaugurating toilets: On a routine visit to one of ESAF Microfinance's 23,000 sangams, in a tiny village in rural Maharashtra, we were bemused when the members requested Mr. Paul Thomas, Managing Director, to inaugurate a toilet built with our financing under the experimental 'Nirmal' sanitation loan scheme. The pride and joy of the household was well evident, during the time of

'Aarti' and ribbon cut. Most of the villagers gathered to witness the proceedings; clearly, the toilet was far more important to the poor villagers than anything else, we could have imagined.

We used the opportunity to discuss this unanticipated need for toilets, with the villagers, and to assess where else the microfinancing was still leaving a void. Later, this process has been repeated at numerous sangam meetings and the conclusions confirmed what many of us have

What the poor really need ?

perhaps intuitively learnt from experience.

Ground realities - what the poor really need Over the past 15 years, ESAF Microfinance has given around a million 'income generating' loans to over 300,000 borrowers in multiple loan cycles. These loans have helped poor ladies to ensure adequate food on the table and also save some money for a rainy day. Our compulsory micro insurance schemes have provided some protection in the event of death or disease.

However, it takes many loan cycles and a measure of good fortune for the poor to actually come out of poverty or to save enough for anything but the most basic of needs. Yet, the poor like the rich, have life cycle and quality-of-life needs, which in general are not being met by mainstream microfinance. Some of these are:

■ **Shelter:** many of the poor live in make shift accommodation; once the basic sustenance needs are met, the next aspiration is for better housing and a micro housing product that enables them to improve their dwellings, even in stages, while paying from future cash flows.

■ **Sanitation:** Open defecation is another cause of concern among the rural and urban poor. However, our experience in Maharashtra showed that, the poor, especially the younger ladies, find it extremely demeaning, especially as population density increases.

■ **Education:** Our sangam meetings emphasise

the need for educating the children and the message is enthusiastically received by the members, who live with the emasculating impact of lack of education. However, good education at every level costs and the poor needs finance to meet this cost.

■ **Working Capital:** the typical 'grameen model' Income Generating Loan requires repayment in 50 weekly installments. The installments are often greater than the cash generated by the income generating activity. The implication is that business has to be scaled back or alternate borrowings made to pay the installments.

■ **Life cycle needs:** weddings, death, illness and festivals are inevitable and require a cash corpus. MFIs' micro insurance and savings schemes have alleviated some of the problems; however, there remains a gap to be filled.

Towards meeting the needs: faced with pressing needs that are not met by MFI funding, the

poor either approach money lenders or divert funds from their income generating activities, in both cases with disastrous consequences. So far the industry has focused mainly on income generating loans with a view to eradicating poverty. However, with the maturing of the industry, it is important for us to add products that seek to at least alleviate poverty. The industry would do well to formally survey the needs of the poor. I believe that we will be pleasantly surprised to find that the poor indeed know what the poor need. It could be the services listed above or indeed, some others. However, interest rate is unlikely to be the prime concern! By meeting the identified needs, MFIs would increase their relevance in the lives of the poor and also do much to allay the criticism that is unfairly being leveled against the sector.

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THROUGH THE EYES OF THE EDITOR

MFIs are here to stay...

Ever since the Andhra mayhem, Microfinance institutions are under fire from various quarters. It's high time for the MFIs to join together and find solutions for an image makeover. The issue can be solved to an extent by letting the world know the social impact of microfinance. Of course, the initiative should come from the side of the MFIs and its associations, but the onus of answering the question 'who will replace Microfinance Institutions' rests with the critics.

India is the biggest microfinance market in the world and the sector here maintains an astonishing repayment rate of 98%, despite its size. Even when established banks are showing NPAs in crores, this is not a mean achievement. Moreover, when microfinance market across the globe, especially in countries like Pakistan, Nicaragua, and Morocco, shows a tendency towards higher default rates (more than 10%

according to a study conducted by a Washington based Policy and Research Firm Consultative Group to Assist the Poor), India is performing reasonably well, despite Kolar and Andhra Pradesh (2007). In Bosnia and Herzegovina delinquencies stayed low only due to aggressive loan write off.

The sector is also playing a key role in achieving the financial inclusion plans and economic growth rates envisioned by the Government. Apart from providing livelihood activities, microfinance also encourages consumption, which is very important for maintaining demand and in creating a balanced economy. So from the interests of the clients, banks and the country, it is pretty clear that MFIs are here to stay....

Sony V. Mathew

contd. FROM THE WORLD OF ESAF

as part of the festival, Branch Desk team won the First prize. Finance and Insurance teams won the Second and Third prizes respectively. Joy M. Mannur, President, Press Club, Thrissur and Dr. Jyothi Bhaskar, Professor, Communication Centre, Agricultural University, Mannuthy were the Chief Judges of the Floral Carpet contest. Jacob Samuel, Director, ESAF Healthcare, George Thomas, Director Operations, ESAF Microfinance, Selina George, Treasurer, ESAF, Dr. Joby V. Paul, Principal, Carmel Engineering College, Perinad, Joby C.O., Chief Financial Officer, ESAF Microfinance and Sundaram T.R., Head Insurance, ESAF Microfinance, spoke on the occasion. Cash Awards to the winners of the Case Study Contest were also distributed on the occasion.

The Onam programs of ESAF were held across all the branches. The program of Kadapra branch, held at St. George Orthodox auditorium, Kattappuram, was inaugurated by Mathew T. Thomas, MLA, Thiruvalla (former Transport Minister). Vadanappilly branch organized an Onam-fair at Mukriyath Auditorium, Vadanappilly. Christudas K.V., GM, HR and Admin inaugurated the function. Almost 1000 members participated in both the programs.

Three best branches of the quarter

Kulasekharam Vadanapilly & Valappad

ESAF Shram Jyothi project gives meaning to micro ventures

The 'Shram Jyothi' project that ESAF launched in association with ILO, in January 2010, has registered 15 clients from the unorganized sector, so far. Another 12 names are now on the anvil. ESAF is also helping them by handholding them to process the application forms with relevant documents. ESAF is planning to give the registered members training on Leadership, Business Management, Financial Management, Cost Analysis, Market Linkages etc. ESAF will also help them in exploring financial support in the form of bank loans and grants through Government schemes. Rukhiya was the first client who got her catering unit registered in the name Punchiri.

On being the first to get registered after the initiation of Shram Jyothi program, Rukhiya is now a proud entrepreneur along with the ESAF Shram Jyoti team who spent almost 6 months,

to orient, educate and counsel the micro entrepreneurs on the steps they need to undertake.

ESAF launches Oorja Shop in Nagpur

As part of Suryajyothi project ESAF has launched an Oorja shop on August 05, 2010 at Mangalwari complex, Sadar, Nagpur. George Thomas, Director Operations, ESAF Microfinance inaugurated the shop by cutting the ribbon. After



Newly opened Oorja Shop, Nagpur

ESAF Study Influences Supreme Court Decision

Agarwal finally gets justice

A study conducted by ESAF and Health Bridge, a Canada based NGO, titled 'Women's economic contribution through their unpaid work', paid way for the Supreme Court to render justice to Arun Kumar Agarwal (Civil appeal – Arun Kumar Agarwal Vs National Insurance Company and others). The entire incident started with the death of Renu Agarwal, wife of Arun Kumar Agarwal, in a road accident in Uttar Pradesh. The Motor Accident Claims Tribunal awarded Rs 2.5 lakh as compensation to Agarwal, which was later confirmed by the Allahabad High Court. The amount was too small for Agarwal to yield. As a result, Agarwal went for an appeal at the Supreme Court. Finally, the bench comprising Justice A.K. Ganguly and G.S. Singhvi (in the civil appeal No.5843 of 2010 arising out of SLP (Civil) No.19655 of 2004) enhanced the compensation to Rs.6 lakh with 6 per cent interest from the date of filing of the petition till the date of payment, which should be made within three months. The court also awarded the appellant Rs 50,000 in costs. At last justice is served to the hapless victim, thanks to the study conducted by ESAF and Health Bridge on economic contribution of unpaid women. The Supreme Court verdict shows that being a housewife is not a thankless job, it can also be judged in monetary terms.

Reference – http://www.taxmanagementindia.com/wnew/detail_rss_feed.asp?ID=1196
<http://courtnic.nic.in/supremecourt/temp/ac%20584310p.txt>

contd. FROM THE WORLD OF ESAF

the inauguration, Ranjit Ambasatha, Senior Manager, CHF performed the first sale of the solar lamp to George K. John, GM, Central Zone. During his inaugural address George Thomas emphasized on the importance of using solar lamps. A street play was also organized to make people aware of the benefits of solar products. Apart from ESAF staff, almost 150 community members from Bhimnagar and Chikli participated in the program.

ESAF Organizes Seminar on 'Women and Modern Society'

As part of Edakkara branch inauguration, ESAF organized a seminar on the topic 'Women and Modern Society'. Edakkara branch was the 127th branch of ESAF. K. Paul Thomas, Managing Director, ESAF Microfinance, inaugurated the program. George Thomas, Director Operations, presided over the function. Aryadan Showkath, popular Malayalam script writer (National Award winner) and Nilambur Panchayath President and Sister Merina (CMI) gave lectures at length, on the topic. Ummu Selma and Ummu Kulsu, sangam members of ESAF, shared their experiences on ESAF with the audience. Pushpavally Teacher,



Aryadan Showkath, popular Malayalam scriptwriter, delivering a lecture on the topic 'Women and Modern Society'

Panchayath President, Edakkara, Serina Ibrahim, Vice-president, Edakkara Panchayath, Jijo Kuriyappan, Senior Manager, Operations, ESAF Microfinance, John P. Cherian, Area Manager, Malappuram and Varghese C.J, Branch Manager, Edakkara, spoke on the occasion.

FTF India elects P. Sridharan Nair as Vice-chairman

P. Sridharan Nair, ILO Project Director, and BDS Consultant, ESAF Microfinance was elected as the Vice Chairman of Fair Trade Forum- India, at the AGM held in Kochi on Sep 13, 2010. The new Board will call the shots for two years, until 2012. Nair who had played an instrumental role in getting WFTO status for ESAF was the former Chief Operating Officer of ESAF Swasraya Producers Company Ltd (ESPCL). ESAF has been a member of FTF-India, since 2008, which is affiliated to WFTO at the Global level and WFTO –Asia at the regional level.

ESAF Sanitary initiatives going strong...

MD visits Central Zone

K. Paul Thomas, Managing Director, ESAF Microfinance, Raphael Parambi, Chief Mentor and Sajikumar, Consultant - SIT, visited Central Zone, Nagpur on Sep 7th and 8th 2010. MD interacted with both the staff and SHG members and was happy to see the progress gained by the SHGs because of our 'hygiene' initiatives. He also visited the Zonal Office and appreciated the staff for their efforts. Raphael

FOOD FOR THOUGHT

A bank that deals in goats

Women in remote Korawan, near Allahabad, have come up with a novel bank which exclusively deals with goats. The area is best known for goat breeding. Here goats are accepted as savings and lent as loans. The bank provides goats to women having interest in taking up goat-breeding as a full time activity. When a goat gives birth one of them is deposited with the bank again. Moreover, goats in the banks are medically examined every week. Now the bank has more than 40 women from 6 villages as members. In case a goat dies it is either replaced from the market or from the bank depending upon the availability. Necessity is the mother of invention. Is it time for the MFIs also to come up with some innovative thinking.



K. Paul Thomas interacting with Nirmal loan beneficiaries. Parambi also encouraged all the staff to increase their productivity.

ESAF Central Zone organises Financial Literacy and Leadership Development Programs

ESAF Central Zone organized Staff & Members' training on Financial Literacy on Sep 23, 2010 at Chindwara office building. Amit Milton, Branch Manager, Chindwara welcomed the gathering. Jeetendra Singh, Project Officer, Prachodhan

'life' line

"One day our grandchildren will go to museums to see what poverty was like." Muhammad Yunus