

function. 30 cluster presidents along with the board members participated in the Tamil Nadu RGB held in Coimbatore.

ESAF co-ordinates community members' petition

With the support of ESAF, 40 community members at Wanjra (VAMBAY beneficiaries) visited Nag Bhavan to submit a petition to Nitin Raut, MLA, North Nagpur and Sachin Ahir, Housing Minister, to include their names in the JNNURM BSUP scheme. ESAF staff explained the poor conditions of the slums to both of them through photographs and had shown the approval letter for JNNURM BSUP Scheme. Sachin Ahir admitted that MHADA scheme, under which few houses were built, was temporary and so it was possible for the approval of JNNURM BSUP scheme. Nitin Raut promised all support to the members if they were ready to accept the scheme.

FROM THE WORLD OF MICROFINANCE

SMART Campaign to launch certification programs for MFIs

Smart Campaign, a global initiative for incorporating client protection principles across the microfinance industry, recently announced a certification process to facilitate the MFIs worldwide in demonstrating their adherence to the Campaign's core Client Protection Principles as verified by third-party assessors. More than 1,600 microfinance institutions, microfinance support organizations, investors, donors, and individual industry professionals endorsed the Smart Campaign. ESAF has also endorsed the campaign last year. The campaign recognizes that neither pledged adherence nor self reporting ensures that client protection principles are actually being followed.

www.microfinancefocus.com

First EU microfinance project gets off the ground in the Netherlands

This EU-wide initiative will allocate various European funds to the Dutch Microfinance Institution Qredits (www.qredits.nl) to facilitate loans of over EUR 20 million (₹125 Crore approximately) to small businesses and people in the Netherlands who have lost their jobs and want to set up their own company.

Microfinance in European Union

As part of the EU's Europe 2020 strategy for smart, sustainable and inclusive growth, the EU Microfinance Facility is one of the concrete actions taken at European level to address the consequences of the crisis. Qredits hopes to extend support under EUR 25,000 to over 1,000 small businesses, many of whom are higher risk borrowers and often face difficulties in accessing credit from traditional banking sources.

Microcredit in Europe

Micro-credit in the EU means loans under €25,000 (₹ 15 Lakh approximately). It is tailored to micro-enterprises, employing fewer than 10 people (91% of all European businesses), and unemployed or inactive people who want to go into self-employment but do not have access to traditional banking services. 99% of start-ups in Europe are micro or small enterprises and one third of these are launched by people who are unemployed.

www.indiamicrofinance.com

HUMBLE HEROES

For Zeenath Sincerity is the Secret of Success

40 year old Zeenath Siddique's life is a typical example on how hard work pays off with the right support. She proves that attitude is the key for success and believes that success doesn't come easily. As a member of Nirmalyam Self Help Group, under Pattikadu unit she joined ESAF on July 03, 2004.

Even when she was a student she used to love cooking. After receiving training on preparing fast food she worked as an employee at a Cutlet Centre in Thrissur. But her entrepreneurial ambitions prompted her to start a small unit at home. Her first attempt didn't turn out to be a success. Then her family, with five members, was depending solely on her husband's earnings (he was an auto driver). It was during this time that Zeenath decided to avail a loan of ₹10,000 from ESAF. This proved decisive in determining the success of her life.

She now earns well to run her family efficiently. Using the income she educated her children and married her daughters, Simina and Sidhina, both completed their graduation. She also bought household items like Refrigerator, TV, Gas Stove, Bed, Table and Chairs, which were once considered unaffordable to the middle class. Moreover, she bought new tables and one additional stove for her cutlet center. Now she was building a separate room for her cutlet center.



Zeenath at her cutlet making unit

Her cutlet business operates at Pattikadu, Mannuthy and Thrissur regions. She wakes up at 3.30 in the morning to start her work and never compromises on quality. She finds market through sample selling of vegetarian and non-vegetarian cutlets to hotels and bakeries. Yes, she takes pride in contributing to the community by keeping them healthy.

Of late, she availed her 3rd loan cycle of ₹ 20,000/- Her husband and son Nibin also supported her in labour. Apart from the family members, she has three helpers. She now plans to buy a scooter. She is also planning to renovate her house and wants to increase the salary of her helpers. She knows that quality only comes at a price. But still, she is not complacent in her success. She still ponders over improving her skills in the field and for that she wants individual loan and business training.

ESAF Artisan receives 'Sate award for Best Craftsman'

From a worker in the mining field to a craftsman, Subhash Hansda, has come a long way. By getting proper support from ESAF he nurtured his skills in Bamboo product-making. Last month he received the State Award for the Best Craftsman from Jharkhand Chief Minister, Arjun Munda. Hats off to Subhash...



Subhash Hansda Receiving the award

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



CALLING THE SHOTS

Micro-finance, macro effects



of the Malegam report, the think tanks of most MFIs node. Discussions on the viability of the sector were s levels and some were even calling for alternative, models of microfinance. As for ESAF, most of the made in the report were routine affairs, something we ception. Our experience shows that social oriented create the transformation, due to its sheer impact at nunity and regional levels.

At the personal level, MFIs often support the members in acquiring personal skills and financial knowledge, which in turn gives them higher social status and independence. As a result, they get better access to education, healthcare, sanitary infrastructure, food supply etc. Many of the sangam members of ESAF are now community leaders, thanks to the skill training given by ESAF Business Development Services team. The fact that almost 189 of our members won Kerala State local body elections held in the state last year stands testimony to my claims.

At the community level, microfinance can create better labour conditions and productivity. This will give higher and more stable income for the

community and improve their economic base and resilience. In association with ILO, ESAF has now registered many of its members in the unorganized sector to help them expand their market and enjoy the privileges of Govt schemes. At the regional level microfinance can create more job opportunities, which will help in reducing the migration flows to urban areas. Micro enterprises are the backbone of many economies providing up to three-quarter of the jobs.

Yes, gauging the effect of social impact is an arduous task. ESAF has adopted globally acknowledged tools like PPI (Progress out of Poverty Index) developed by Grameen Foundation, US, to measure the impact. Lack of social-oriented microfinance will result in social disruption. That's why ESAF always relies on financial sustainability based on social commitment.



K. Paul Thomas
Managing Director

FROM THE WORLD OF ESAF

ESAF catapults 189 sangam members to civic bodies

Bringing out leaders from the marginalized community is an arduous task and ESAF deserves appreciation for their efforts, Thrissur Mayor I.P. Paul has said. He was inaugurating 'Janeekayadaram 2010' a program organized to honor 189 ESAF Sangam members who were elected to various local bodies in the State. During his presidential address, Ollur MLA, Rajaji Mathew Thomas said that for women empowerment what was required was a



I.P Paul, Thrissur Mayor, inaugurating Janakeeyadaram 2010, flanked by Prof Raveendranath (Kodakara MLA), K. Paul Thomas and George Thomas

sustainable approach to uplift the living standards of the poor through skill training. He added that finding a market to sell their products was equally important like training. Kodakara MLA, Prof.

Raveendranath delivered the key note address. He opined that Housing, Water and Education were the primary requirements for the development of a society and so development organizations like ESAF played a key role in a country, where more than 40 crore people were living under the poverty line.

During his welcome speech, K. Paul Thomas, Executive Director, ESAF opined that the efforts of ESAF in the last 18 years, sans any religious or political favoritism were now bearing fruits. He then briefed on the social oriented projects, of ESAF in association with the Governments of Maharashtra and Jharkhand like Slum Rehabilitation and Water Sanitation projects. He

MUSINGS

Raphael Parambi

'Let a hundred flowers blossom' was the slogan of Chairman Mao, in his effort to unshackle public opinion, in 1957. Given the communist party's unwillingness to accept differences of opinion, the effort failed miserably, delaying the 'Chinese developmental miracle' by decades, till the arrival of Deng. Fortunately for the MFI sector, RBI has, traditionally, been receptive to suggestions and it is believed that a hundred flowers will indeed blossom in the industry with the implementation of the Malegam

Committee recommendations in its final form.

The Context: The micro finance industry has grown rapidly, in recent years, playing an important role in the Government's drive towards financial inclusion and poverty alleviation. Much still needed to be done with 90 % of rural Indians yet to be reached by the banking system and almost an estimated half a billion Indians living on less than \$1.25 per day. The Industry was gearing up to meet the challenges, with expansion in the underserved North and North East and development of innovative products targeted at the needs of the excluded. At this critical juncture, a

bombshell was dropped in the form of the AP ordinance and along with it a fear of similar populist action elsewhere.

The Malegam Committee Report (MCR)

The industry was waiting for succour from the RBI in the form of the MCR and its release was met with an initial wave of welcome.

The silver lining: The MCR's recognition of the role of the MFI industry in poverty alleviation and financial inclusion, its endorsement of the sector's eligibility for priority sector lending and the suggestion that the AP ordinance be repealed were

Malegam Committee – let a hundred flowers blossom

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perhaps the major causes of welcome. The report also recognised the high cost of delivering small amounts of credit in unorganised markets, the need for remunerating capital and the importance of ease and availability (rather than the cost) of finance in underserved markets. Further it supports the proposal for setting up two credit bureaus, recognises the problem of multiple lending and over indebtedness (see Lahanti Vol. 01, Issue 03), insists on greater transparency and suggests a more appropriate provision policy; and for these the MC deserves commendation.

The clouds around: in the context of the opportunity the committee had for shaping an industry, it perhaps missed some crucial aspects. In the first place, MCR prescribes a normative spread of 10-12% above cost of funds with an overall lending rate ceiling of 24%, based on the analysis of 6 large and 2 small firms. Even in this extremely small sample, the survey found a wide deviation from the mean, indicating that only a few firms had operating costs below the mean. Every practitioner knows that only the largest firms or those operating only in the densest, most developed markets and offering few services could survive at the

recommended rates, particularly as MFIs' interest costs are rising steadily. It could hardly serve the interests of the poor if the industry were concentrated in the hands of a few players and if the servicing of un-developed, less populous markets by new players was made unviable. Intelicap's* analysis had recommended a more realistic cost structure which may be considered by the Committee.

Secondly, MCR mandates a minimum capital of ₹15 crore, suggesting advances of ₹ 100 crore. Given that the need of the market is for the penetration of new underserved areas, it is appropriate that this capital requirement be reduced to the order of ₹ 2-5 crore to enable the development of 'local' MFIs with a greater transformational impact. Further, the enhanced CAR requirement of 15%, citing the 'riskiness' of the industry, smacks of pre-Yunus views that the poor are not bankable; the MFI industry has proved its effectiveness and the CAR norm may be reviewed to enable scarce capital to be leveraged in the service of the poor. Thirdly, MCR severely restricts the products that may be offered. Micro insurance, unlike 'bank-assurance' is not primarily aimed at protecting the MFI. Instead, insurance against death and illness of borrower

and family members protects the poor from one of the biggest causes of the 'debt trap'. A mechanism for acceptance of deposits needs to be developed – thrift is a critical component of poverty alleviation; and innovations like direct lending, micro housing and leasing need to be encouraged. Given the shortage of space, this article will not go into every aspect of the MCR, suffice to say that given the universal slowness of regulatory change, it is important that light touch regulation be adopted in respect of this evolving but crucial industry

The industry today stands at the cross roads and the MCR has the opportunity to develop or to stifle the industry, making it the plaything of just a few large profitable players. Given the RBI's excellent track record, I am confident that a hundred flowers will bloom.

*Intelicap White Paper: "Indian Microfinance Crisis of 2010: Turf War or Battle of Intentions" October 2010 had arrived at a cost of 29-34% for the smallest firms (< ₹50 crore in assets); 22-28% (₹50-500 crore); 17-22% (> ₹ 500 crore)

The author is the Chief Mentor of ESAF Microfinance and Investments (P) Ltd. and an alumnus of IIT, XLRI and Harvard Business School. He can be contacted at raphael.parambi@post.harvard.edu

THROUGH THE EYES OF THE EDITOR

The last mile impact ...

The history of social-oriented microfinance in India clearly reveals that this mode of finance has the potential to create the last mile impact on a wide range of poverty reduction targets like income, health, nutrition, and education. More than 4,00,000 of our members are living testimonials to the successful impact microfinance can create in balancing the economy. The success lies in providing services according to the needs of the target group. Among the poverty reduction targets expanding primary education to children has the most wide-ranging impact. Better education gives better job opportunities, which results in higher income and affordable living.

Apart from contributing to female empowerment, microfinance will also help the poor in building assets, providing assistance during natural / personal

disasters and smoothening consumption, which is very important from the economic perspective.

Only the social oriented organizations with commitment can create the last mile impact. In the rural areas of Jharkhand and Maharashtra, where people are living in absolute darkness, ESAF Staff travel more than 50 km a side to serve their needs. I think there is no better way to exemplify the impact, microfinance can create in the country's economy.

Moreover, private sector is inevitable for the successful financial inclusion plans of the Government. The lack of success of Regional Rural Banks (RRBs) also shows that microfinance has a role to play in transforming the economy.

Sony V. Mathew

contd. FROM THE WORLD OF ESAF

also requested the Mayor to consider ESAF for future developmental activities planned in the rural areas of Thrissur. Subi Babu, Deputy Mayor, Thrissur, T. Nirmala, Thrissur District Panchayath Vice-president, Usha P.T. Assistant General Manager, NABARD, Joy Mannur, President, Press Club (Thrissur), Selina George, Chairperson, ESAF SHG Federation, Vikraman Ampalakat, Director, ESAF and R. Prabha, General Manager (Rtd.), Canara Bank offered felicitations. Sabu Abraham, Board Member, ESAF SHG Federation, proposed a vote of thanks.

ESAF takes the lead in forming KAMFI

ESAF initiated and organized a meeting for the formulation of KAMFI – Kerala Association of Microfinance Institutions - on Dec 07, 2010 at Hotel Ashoka Inn, Thrissur. Almost all representatives from different microfinance institutions participated in the meeting. K. Paul Thomas, Managing Director, ESAF Microfinance, chaired the meeting. In his speech, he emphasized on the need for top level representations at the meetings of KAMFI to ensure a meaningful and value added participation.

Three best branches of the quarter

Kulashekharan, Vadanappilly, Thoothoor

ESAF participates in All India Microfinance conference in Delhi

ESAF Microfinance participated in the All India Microfinance Conference held in New Delhi on Nov 14, 2010. The 7th Microfinance conference was organized by Access Development Services at Hotel Ashok in New Delhi. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister (and former RBI Governor) inaugurated the conference. During his inaugural address he mentioned that MFIs played a crucial role in providing micro credit to the poor for livelihood generation activities, which was very important to achieve the government's economic growth and financial inclusion plans.

He also dwelt on the importance of banking support to SHGs and allowing MFIs to act as Business Correspondents to reach the rural areas and added that the banking sector would be the worse affected, by the failure of MFI models. K.V. Eapen, Joint Secretary (Ministry of Finance), Banking Administration, also said that the plan to allow NBFC-MFIs to act as Business Correspondents was under the consideration of the Ministry.

Almost all leaders in the MFI sector supported the move for regulating the industry. K Paul Thomas, Managing Director, ESAF Microfinance, opined that fraudulent practices could be prevented by bringing the sector under proper regulation. The Microfinance Sector Report 2010 was released on the occasion by Dr .C. Rangarajan, U.C. Sarangi, Chairman, NABARD and R. Gopalan, Secretary, Finance Ministry. 83 experts in the field of banking and microfinance gave presentations on various meetings during the two day summit. More than 1600 delegates attended the two day summit from across the globe.

ESAF crosses 150 branches

ESAF Microfinance has crossed 150 branches in the month of November. George K. John, General Manager-Central Zone, ESAF Microfinance, inaugurated the 150th branch (37th in Central Zone) at Umred in Nagpur on Nov 27, 2010. Almost 100 SHG members participated in the inauguration function. George K. John, during his inaugural address said that ESAF's mission was to expand to the most un-reached areas in the country. K. Paul Thomas, Managing Director, ESAF Microfinance, also expressed his delight in crossing the new milestone. "The fact that ESAF doesn't have presence in saturated MFI markets, shows the commitment of the Organization in achieving its mission of serving the ultra poor in the most un-reached areas", he added.

ESAF wins social performance reporting Award 2009



For the second time in a row, ESAF Microfinance, has won the Social Performance Reporting Award – Category Silver, sponsored by CGAP, Michael & Susan DELL Foundation and Ford Foundation and powered by MIX. Headquartered in Washington Mix is the leading business information provider in the microfinance sector. K. Paul Thomas, Managing Director, ESAF Microfinance opined that the achievement is truly inspiring under the present circumstances. Mike Krell, Social Performance Analyst, MIX also praised the efforts of ESAF to bring sanity in the sector.

contd. FROM THE WORLD OF ESAF

ESAF organizes certified training program on Business Development

ESAF organized a certified training program on Business Development at Bhavana Auditorium, Thrissur on Nov 19, 2010. K. Paul Thomas, Managing Director, ESAF, presided over the function. During his presidential address he exhorted the members to dream big and carve a niche for themselves in their respective fields. He reminded that their enterprises were supporting not only their families but also the state as a whole and urged them to make use of all the resources provided by the state to small and micro enterprises.



K. Paul Thomas inaugurating the certified training for Business Development Program

Sridharan Nair P., Director – ILO Project, welcomed the gathering. He extended his gratitude to the Block Development Officers of the DIC for their whole-hearted support in registering the business units. Almost 80% of the Shram Jyothi project, started in Jan 2010, has been completed.

BDS Program in Maharashtra

The Business Development Program in Maharashtra was launched on December 10, 2010 at Bezanbagh Sanskrutik Hall. 65 clients of the treatment group participated in the program.

Mr. George K. John, General Manager, ESAF, briefed the clients about the Shram Jyothi project and ESAF role. He encouraged the clients to take the benefit of the project and to increase their business enterprise.

An open discussion was held for the clients wherein they shared their queries regarding registration and business expansion. Mr. Prakash Kolhe, Director,

National Education Department clarified their doubts. Ms. Benita Sarah, Manager R&D, ESAF Microfinance, Mr. Sandeep, Area Manger, Nagpur, Ms Mercy Mathew, Branch Manager, Sadar, and Mr. Krishna, Assistant Branch Manager were also present on the occasion.



George K. John delivering his message during the programme held in Maharashtra

ESAF Organizes Gloria 2010

ESAF branches across the nation cheerfully celebrated Christmas from Dec 17 -23, 2010 at all area levels. Chief Guests of the programs cut the Christmas cakes and delivered X'mas messages. Cultural programs of the staff and family members were also held. All the Branch staff enthusiastically participated in the program.

Christmas tree Competition

In the Head Office, Christmas Tree Competition and launching of ESAF Recreation Club were held as part of Christmas celebrations 2010, on Dec 23, 2010. In the evening, cultural programs including Kids Programs were conducted at Parish Hall, St Antony's church, Mannuthy. ESAF Kerala Operations team won the first prize in the X'mas tree competition.

ESAF SHG Federations conduct RGB

Representative General Body meetings (RGB meeting) of ESAF SHG Federations, in Kerala and Tamil Nadu, were held on Dec 07 and 08 (2010) in Thrissur and Coimbatore respectively. The Kerala SHG Federation RGB was held at Hotel Casino (Thrissur) at 2 PM. Almost 150 cluster leaders participated in the function. The Annual Report of

SHG Federation was presented and approved by the members. K. Paul Thomas, Managing Director, ESAF Microfinance, cleared the doubts of all the members during the Open Forum organized after the meeting. Selina George, Chairperson, SHG Federation, presided over the



K. Paul Thomas interacting with the cluster leaders during the RGB held at Coimbatore

FOOD FOR THOUGHT

How NGOs are change agents?

Of late, NGOs are gaining new significance. No wonder, the Planning Commission backed by the Prime Minister, ahead of drafting the 12th plan, sought the inputs of the leading civil society groups including women, urban poor, dalits, tribals etc., for better utilization of funds. The increase in significance started with the success stories of Kerala's Literacy Campaign and Karnataka's outreach programs in 22,000 schools. Reports from other states also reveal a willingness of the Governments to engage with NGOs. In Bangalore the NGOs have taken initiatives for town planning and city development projects and cost-effective and hygienic mid day meals. In Madhya Pradesh, they proved their worth in adult literacy, better rehab packages for Narmada dam oustees and improved IT infrastructure in villages. Yes, whether the topic is related to BT Brinjal cultivation or Polavaram dam project or Bauxite mining or water harvesting or skill development or panchayath-level governance, the outcome has often hit the plans of corporate giants. As communicators with their ability to represent issues in the language understood by the policy makers, NGOs will definitely continue to be in the limelight...and hopefully may usher in a range of rights regimes – information, education or livelihood and soon the right to food.