



K.C. Sasidhar, CGM, NABARD delivering his message

handicraft workers to overcome the challenges of marketing and distribution. K. Paul Thomas, Managing Director, ESAF Microfinance assured full marketing support for the project. He reflected on the need of attracting talented youngsters to the segment for exploring new possibilities. M.K. Unnikrishnan, Block Panchayath President, Sheela Bharathan, Grama Panchayath President, Saviya Sachi Panikassery, Director, MSME, Pradeep kumar, Manager, DIC, Dhanasekharan, Asst. Director, DCC Handicrafts, Usha P.T., AGM, NABARD, T.C. Sivaraman, Carpenter's Society President, Cherpu, and Joyy Koshy Varghese, ESAF Cluster Development Facilitator, spoke on the occasion.

ESAF participates in MFI conference organized by Sa-Dhan

ESAF participated in the Microfinance conference organized by Sa-Dhan in New Delhi on March 15, 2011. Shashi Kant Sharma, Secretary, Ministry of Finance inaugurated the conference. The theme for the conference was 'Re-engineering Microfinance: Need for New Products & Policies'. During his inaugural address S. S. Sharma pointed out that even though banks have 87,000 branches across the country only 30% caters to the need of the rural areas. He called for the MFIs to build a model, which other sectors could emulate in future. Mathew Titus, Executive Director, Sa-Dhan, unveiled an empirical report on Client Protection & Social Performance of Indian MFIs. K. Paul Thomas, Managing Director, ESAF Microfinance and Joby C.O., CFO represented ESAF at the function.

FROM THE WORLD OF MICROFINANCE

'Friends of Grameen' to fight for Prof. Yunus

An initiative called "Friends of Grameen" was launched with an aim to promote and develop microcredit and social business, activities of Grameen Bank and its affiliates. The organization will be registered in France, at the

headquarters of ADIE, a French Grameen Model microfinance institution created in 1989. One of the priorities of the initiative is to support the independence of Grameen Bank and its founder Prof. Yunus, who were awarded the Nobel Peace Prize in 2006, as they have been the target of an ongoing pressure campaign of rumors and misleading information.

(source – www.microfinancefocus.com)

Swiss Capacity-Building Facility in Microfinance and Micro insurance

Based on their longstanding participation in financial sector development around the world, the Swiss Agency for Development and Cooperation (SDC), Credit Suisse, FIDESIFinancial Systems Development Services AG, Swiss-contact, Swiss Microfinance Holding, and Zurich Financial Services Group, forged the SCBF as a public-private development partnership (PPDP) in April, 2011. The SCBF will initially be sponsored by these founding partners who are all represented in the steering committee.

Approximately 2.7 billion people worldwide do not have access to formal financial services. Financial intermediaries face two key constraints in expanding their outreach to this segment of the population, i) Attracting, developing and maintaining skilled management and staff; ii) Mobilizing investor funding to maintain and grow their institutions. The SCBF addresses these constraints and contributes to the development of a strong and responsible microfinance industry.

(source – www.indiamicrofinance.com)

HUMBLE HEROES

For Shalini ESAF water loans proved a blessing...

The life of Shalini Yashwant Wagde (aged 34) is another example that illustrates the positive impact microfinance can create to build a new India. Shalini, along with her husband, is engaged in the business of spices in Wadi, Maharashtra. They purchase spices in large quantities from wholesalers and sell it to retailers, after packing, in small quantities.

Before becoming an ESAF member, she was not able to concentrate fully on her work due to the lack of availability of water connection in her household. She used to collect water from the Corporation tap located 1 km away. Moreover, the availability of water in the tap was quite unpredictable, which compounded her problems. She had to walk at least thrice in a day to check the availability of water, which consumed much of her

BASIX study for UNDP refers ESAF Program

A study on Financial Literacy among poor conducted by BASIX, for United Nations Development Program (UNDP) referred ESAF Microfinance Counseling Program recommendation for visual film show / Nukkad Natak as a methodology for scaling up financial literacy in a state like Chattisgarh. The report also mentioned about the Financial Literacy program conducted by ESAF and the impact of the same. The report mentioned about the participants improved awareness of savings and insurance and their willingness to open bank accounts and to go for insurance plans. The report also stated the participants' suggestion on imparting information through folk arts and organizing such programs on regular intervals.



Shalini Yashwant Wagde

time. This in fact disturbed her routine household activities as well as her business. Sometimes, she would assign the task to her 12 year old daughter or 9 year old son, as she had no other option to increase the income, especially on holidays. The little children had to lug the water pots for 2 kms (to and fro) and would be terribly tired; they could not even enjoy their holidays.

It was during that time that, Shalini attended the Community Mobilization Program organized by ESAF Nirmal Jeevandhara Team. As soon as she learnt the idea of water loans, she was very much motivated and was eager to get out of her plight. With the consent of her husband she joined ESAF 'Kumkum' SHG.

At first, she took a loan of ₹7,000/- for installing individual water connection. Getting water at her door steps dramatically improved her fortunes. No wonder, her monthly income increased by ₹1500/- after meeting all expenses, from ₹5,000/month, earlier. Shalini can now concentrate on her business, sans any tension on her household requirements...

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

CALLING THE SHOTS



Even after 40 years of bank nationalization, the poor don't have avenues to park their money and India boasts of a network of almost 90,000 bank branches in the country! Going by a presentation made by Dr. Subir Gokarn, Deputy Governor, RBI, during his speech on inclusive banking at the SASTRA University, Kumbakonam, 71% of Indians earning less than ₹ 50,000 per annum have no bank accounts. At the same time, 98% of people who have income of more than ₹ 4,00,000 per annum have bank accounts. This clearly shows that being rich and using banks are co-related.

A more close observation of the statistics related to the poor shows that only 3% borrowers who earn less than ₹ 50,000 per annum have loans from banks, in fact 97% of them have borrowed from sources other than banks like moneylenders, friends and relatives. Almost 9 out of 10 heads of expenses of the poor are always unusual and beyond reasons, which do not appear significant to the bankers. Here lies the importance of microfinance, which recognizes the financial needs of the clients, by being neutral to the purpose of the clients' needs. Irrespective of their ability to offer collaterals, social-oriented microfinance meets the needs of the clients and saves them from

Microfinance is a nation building sector

exorbitant interest rates charged by the usurious moneylenders. ESAF has designed loans that meet the contingency needs of the clients like funerals, illness etc. Comparing to banks, it is easy for microfinance organizations to gather local knowledge about the clients' circumstances. Despite the circumstances, we are always spirited in serving the clients, a line of thinking, which is impossible for formally functioning banks to follow. That's exactly the reason why ESAF has started operations in the rural areas of Maharashtra and Jharkhand, where our staff is required to cover more than 70 kms a day to serve the clients.

It's education that builds knowledge, knowledge gives ideas and a sense of belonging, ideas sprout business ventures that can change lives and build a nation...that's how microfinance scripts success stories across the globe...that's what ESAF has been doing all throughout, through Income Generation Loans (for agriculture/poultry farming), Vyapar Vikas Yojana Loans (for starting small-scale businesses), Nirmal Loans (for sanitation), and Jeevandhara Loans (for water). That's why we believe, more than anything else, microfinance is a nation building sector.



K. Paul Thomas
Managing Director

FROM THE WORLD OF ESAF

ESAF, implementing partner for Sanchar Shakti Scheme

ESAF was selected as the implementing partner for the Central Govt. project Sanchar Shakti, in Kerala and Tamil Nadu along with Sasken Communication and Technology Group. Sanchar Shakti project was launched by Honourable President Smt. Pratibha Patil in New Delhi on March 07, 2011. The project is a DOT-USOF's 'Scheme for Mobile Value Added Service (VAS) and Information Communication Technology (ICT) related Livelihood Skills for Women's SHGs in rural India.' In the Vyaparsewa project (part of Sanchar



President Pratibha Patil receiving the hand-made shawl weaved by an ESAF SHG member

Shakti), products of SHGs in Tamil Nadu and Kerala would be marketed with the help of NGOs in Delhi. The products include food items like pickles and honey and also medicinal herbs.

ESAF honours the President

During the launch, a hand-made shawl (made of pure cotton threads and golden zari border) weaved by an ESAF SHG member named Nagamanickam (Ganga Sangam in Chittoor, Palakkad) was used to honour, Her Excellency, President of India. "This shows a growing recognition of SHG products in the country. Using an ESAF member's hand-made shawl to honour the president is a prestigious occasion for all ESAF members" says K. Paul Thomas, Managing Director, ESAF Microfinance. He added that this would encourage other SHG members across India to come up with more quality products.

MUSINGS

Raphael Parambi

THE STATE OF THE SECTOR

The sector has been through extremely trying times in the post AP Regulation - Malegam Committee era. The controls introduced in AP, the restrictions imposed by the RBI regulation, the ensuing uncertainty in the minds of investors and lenders, the political meddling and the incidents of default have been widely reported. There have also been reports of 'contagion' in other states.

The future of microfinance in India

Yields, profits and indeed the scope of activities are likely to be curtailed in the coming months and all of these have cast a cloud on the entire industry. MFIs are now the pariahs of society rather than its darlings. The news from across the border has been no better, with the respected father of microfinance being unceremoniously ejected from Grameen Bank by a revengeful government. All of these sound like the death knell of the sector and practitioners understandably fear the worst.

THE STATE OF THE INDUSTRY-

All is not well in Paradise India has been 'shining', recovering rapidly from the crisis, and India Inc. has every reason to rejoice. However, the 'shine' is not reflected in the pocketbooks of the poor. Food inflation has been rampant, rural incomes have not kept pace and financial inclusion remains more a precept than a practice, with the poor even more hard pressed than ever before. As per the Arjun Sengupta report, an embarrassing 77% (almost a billion Indians) have to

make do on 40c/ day! One hears from the field that moneylenders are once again on the ascent, poor women having to pawn or sell their jewellery to 'tide over', and micro enterprises failing for want of funding... while the politicians and the RBI work hard to protect the poor from pernicious MFIs.

THE FUTURE-Reports of our demise are vastly exaggerated (apologies to Mark Twain)

While the industry is down, it is certainly not out. The poor needs a path out of poverty and no viable alternative has been created nor is one likely in the foreseeable future. Consequently, microfinance will arise, Phoenix like, from the ashes. However, it will not be business as usual; the landscape has changed forever and only the firms that embrace change will survive and possibly grow, at the cost of those who are slow to respond. The industry of tomorrow will be characterised by:

Low cost, nimble players who use technology to the fullest to drive down costs and to optimise customer relations so as to make a profit within 26% ceiling and indeed bring rates down further.

A two-tier structure, comprising large cost efficient players offering standardised products at rates below the RBI ceiling and more specialised regional players who are closer to their customers and offering products tailored to specific segments, albeit at higher rates.

Improved end use monitoring and intensive market development, encouraged by the two lender and single borrower lending limits. Both of these will be driven by the 'Malegam' recommendations, though they should have been self inspired.

Customer centric MFIs developing innovative products, including direct lending, leasing, gold loans, micro leases, micro housing finance and more, in response to customer needs.

Emphasis on 'lifetime value' of the customer with new products being marketed through the member network, with MFIs cooperating (refer 'Lahanti' Vol. 01, Issue 04) with one another to deliver and derive value.

Savings are a key component of the microfinance methodology. It is a pity that this was ignored in the new regulation and it is expected that MFIs will seek to

develop compliant savings products till such time the regulation gets amended.

FINAL CAVEAT:

While the industry will survive and possibly thrive once again, this is a time for introspection. We were blindsided by our success and ignored the straws in the wind (refer 'Lahanti' Vol. 01, Issue 03). The winds were still blowing and managers would be very irresponsible if they repeated their mistakes. The RBI regulation does not eliminate the responsibility for self regulation. In each market, the major players should determine the appropriate level of indebtedness, based on income generation potential; codes of responsible lending and ethical collection need to be developed; implementation of the credit bureau(s) should be expedited and above all an ombudsman, with adequate powers and bandwidth, must be appointed if we are to avoid repeating our mistakes.

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THROUGH THE EYES OF THE EDITOR

The role of MFIs in providing basic amenities

Economic development can take place only on a strong human resource base. For that, what is required is assuring basic amenities for the poor. It is the poor who needs actual economic support as others can take care of themselves. For properly serving the poor, the problem in India lies in implementing the schemes being developed by the Govt., apart from eternal achilles heel like lack of infrastructure. For proper implementation of the schemes, what matters more is focusing on providing basic amenities and proper monitoring of the schemes. For this, the Govt. can seek the help of Microfinance Organizations (MFIs).

For the successful implementation of the schemes, what is imperative is a seamless co-operation between the Central and State Governments. But, due to petty political ends, this does not happen easily and the poor public remains at the receiving end. No wonder, after 63 years of independence, villages in India are still struggling to

have roads, drinking water, electricity, irrigation, sanitation, housing, education and health facilities.

For providing basic amenities, the Govt. can utilize the services of MFIs, as they have a key role in reducing the disparity in income levels. The Government could do well by following a carrot and stick policy towards the MFIs. For that they should have a detailed survey of each village. MFIs that do well in providing basic amenities to the villages at both household and community levels should be properly rewarded through subsidies or by giving special statuses. Basic amenities should be measured against a set of parameters and the status of the MFI should differ according to its performance in providing basic amenities. Yes, the quality of the public depends on the quality of the Govt. to achieve that they can do well by encouraging nation building sectors like microfinance organizations...

Sony V. Mathew

FROM THE WORLD OF ESAF

ESAF signs MOU with Jharcraft

As part of ESAF's strategy to develop skills of Jharkhand artisans in handicrafts, the Company signed an MOU with Jharcraft (Jharkhand Silk, Textile & Handicraft Development Corporation Ltd.), for working together in training, value adding and promoting craft & related activities in Santhal Pargana region of Jharkhand. The MOU was signed between Dharendra Kumar (IFS), Managing Director - Jharcraft and Additional Secretary for Silk, Textile & Handicrafts, Jharkhand Govt. and K. Paul Thomas, Executive Director, ESAF.



K. Paul Thomas signing the MOU with Jharcraft MD

K. Paul Thomas pointed out that "An ESAF artisan, Subash Hansda, won the Award for the best artisan in Jharkhand and received the prize from the Chief Minister Arjun Munda. This shows that the efforts put in by ESAF are bearing fruits". He added that, ESAF would also implement various Social Security Schemes for the 2 Lakh artisans of Jharcraft in Jharkhand. An elaborate plan is on the anvil for developing at least 7 craft clusters in the coming financial year and to train more than 2000 Artisans in various crafts. These programs would be supported by Jharkhand Govt., through Jharcraft and NABARD.

ESAF Celebrates 19th Foundation Day

ESAF celebrated 19th Foundation Day on March 11, 2011. The Program held at Ollukara Society Hall was inaugurated by Dr. K. Mohandas, Vice chancellor, Kerala University of Health and Allied Sciences. ESAF Eye Donation Forum was also launched on the occasion. K. Paul Thomas, Founder and Executive Director, ESAF presided over the function. During his inaugural address, Dr. K. Mohandas appreciated the role of microfinance in providing sustainable livelihood activities and its impact in building up the country's economy. In his presidential address, K. Paul Thomas explained to the audience the milestones and achievements of ESAF from 1992-2011. During the program, Johnny T.K., Branch Manager, Kattapana and Beena George, AGM HR, ESAF Central Zone were honoured for completing 10 years of service in the company. In Central Zone, Foundation Day was celebrated in grand style at the Wadi branch. George K. John, GM, Central Zone cut the cake along with Radha Varma, the senior-most staff of the branch. By accumulating contributions from the staff, ESAF donated food items to Bethel Balsadhan at Wadi Dhaba. A Blood Donation Camp was also organized at the branch. George K. John thanked the staff members who co-operated generously to make the event a success.

ESAF Launches Eye Donation Forum

As part of ESAF 19th Foundation day ESAF Eye Donation Forum was launched by Dr. K. Mohandas, Vice-chancellor, Kerala University of Health and Allied Sciences. The program was initiated with the support of Thrissur Medical College and Sankara Nethralaya, Coimbatore. More than 200 ESAF staff signed the acceptance paper. During his inaugural

ESAF cumulative disbursement crosses ₹ 1000 crore

ESAF cumulative disbursement crossed ₹1,000 crore in the month of March, 2011. K. Paul Thomas, Managing Director, ESAF Microfinance expressed his joy and added that the trust enjoyed by ESAF among the clients proved handy, amidst turbulent times. He added that ESAF has definite plans to improve the quality of service by introducing customized products.

address, Dr. K. Mohandas expressed his willingness to sign the acceptance paper to donate his eyes.



K. Paul Thomas handing over the eye donation agreement paper to Dr. K. Mohandas

Exhibition of sangam members products

During the day, ESAF Shram Jyoti team provided an opportunity for the clients to exhibit their products. Four clients participated in the exhibition and registered sales of ₹2,000 each in just 2-3 hours. The Shram Jyoti team prepared labels for the products, which gave an impressive look to the packs.

Three best branches of the quarter

Kulashekaram Thoothor, Alathur

FROM THE WORLD OF ESAF

ESAF participates in ASSOCHAM's Jharkhand Summit



Roy K Alex, giving a lecture on the topic cluster development, during the ASSOCHAM Summit held in Jharkhand.

ESAF participated in ASSOCHAM's Jharkhand Summit - 'Rising Jharkhand the Land of opportunities'. The program was presided over by S.K. Choudhary, Chief Secretary and was inaugurated by Arjun Munda, Chief Minister, Jharkhand. ESAF was one of the ASSOCHAM partners for the event. Roy K. Alex, Director Programs, ESAF, participated in the event and made a presentation on cluster development activities of ESAF in Jharkhand.

The Chamber focused on the development of clusters of small and medium enterprises and proposed to promote them on public/private partnership basis. The Chamber identified 12 clusters for handicrafts and handlooms, engineering and fabrication, bamboo and wood carving, terracotta, metal craft and auto crafts. The Chamber and Ernst & Young jointly brought out a study identifying the areas for inclusive development, which was later released by the Chief Minister.

ESAF BDS training for Shram Jyoti clients comes to an end

The certified course for Shram Jyoti clients promoted by ESAF and ILO in Kerala has come to an end on February 23 and 24, 2011. The training program included 6 modules and the training programs for the last module 'how to handle business crisis' were held at Vyapar Bhavan Hall, Perinjanam and Brothers Auditorium, Vadanappilly, respectively.

On an average, almost 70-80 potential entrepreneurs attended each training module. Professional trainers from EKSAT (a trainers group based in Ernakulam) conducted the training. Certificates would be given to those who successfully attended all the trainings.

ESAF organizes seminar on 'Making cities livable for children'

ESAF in association with HealthBridge organized a seminar on 'livable cities' in Bangalore on Jan 29, 2011. Almost 28 members representing various organizations participated in the seminar. George Thomas, Director Operations, ESAF Microfinance, Padmini, Executive Director, Child Right Trust, Kavitha Krishnamurthy, Executive Director, KILIKILI (an organisation working for inclusive public play space in collaboration with Government), and Kristie Daniel & Ms. Phaeba Thomas from HealthBridge were the panel members. During his keynote address George Thomas mentioned about the importance of making children involved in the decision making process. Dr. Padmini chaired the meeting and shared with the audience her experience as a Senior Policy Analyst with UNICEF for 25 years. Kavitha Krishnamoorthy highlighted on the importance of Government to be involved in making play spaces available for children from all sections of the society.

ESAF organizes Lenders' Meet

ESAF Microfinance had organized Lenders' Meet on January 20, 2011, to tide over the crisis originated due to the Andhra mayhem in October 2010. The meeting started at 2 PM at Quality International Hotel, Cochin. A. Vikraman, Director ESAF Microfinance, presided over the meeting. During his presidential address he said that onward lending, especially for the second and third cycles, were badly affected due to the partial stoppage of funds. K. Paul Thomas, Managing Director, ESAF Microfinance welcomed the Malegam report, and added that the recommendations made by the committee had already been implemented by the organization in one way or the other. The possibility

of consortium model lending was also discussed during the meeting.

ESAF joins hands with NABARD to revitalize Elephant Handicrafts Cluster, Cherpu

With the support of NABARD Cluster Development Project, ESAF initiated the total renovation of Elephant Handicrafts Cluster based in Cherpu. Advocate V.S. Sunil Kumar, MLA, Cherpu, presided over the function held at Carpenter's Society Hall. K.C. Sasidhar, CGM, NABARD inaugurated the program. During his inaugural address Sasidhar emphasized on regaining the lost glory of the cluster, which was launched in late 30's after the visit of Mahatma Gandhi. He expressed hope that the association with ESAF would equip the

FOOD FOR THOUGHT

Are domestic workers mere pushovers?

Women domestic workers in the country were hoping for some succour under the 'protection of women against sexual harassment at the workplace' bill. As per the recommendations of Krishna Tirath, Union Women and Child Development Minister, it would be better if domestic workers took recourse to criminal law for redressal. Union cabinet also seems to endorse this logic, which practically refuses to see households as legitimate work sites. Sexual harassment as mentioned in the bill is dependent on the perception of the aggrieved women, which means any complaint by a domestic worker would be one person's word or perception against another's. For the unorganized domestic workers, home is the workplace and the bill would have offered them a legal recourse in the event of harassment, although they were covered under the Unorganized Sector Workers' Social Security Act. State Governments can also do their bit like Tamil Nadu, which have included domestic workers under the Manual Labour Act and Andhra Pradesh, has offered them a protective cover under the legal provision for minimum wages. Instead of excluding domestic women from the bill, including a clause for punishing false or malicious complaints would have been a much better alternative.