



P. Sridharan Nair, delivering his lecture during the International Management Seminar

Kanhagad, on June 24, 2011. Sridharan Nair is also the Vice-President of WFTO-India. The theme of the Seminar was 'Managing New India-Potential, Issues & New Developments'. K.C. Venugopal, Union Minister of state for Power, inaugurated the function. K. Ambady (IAS) of Doordarshan, Prof. J Ranganathan of Loyola College, Chennai, K. Venugopal, Vice President (INAUTICS), Dr. Sukumaran of KAU, Dr. Vijayakumar, Financial Consultant, Geojit, Dr. Prabhat Patnaik, former Planning Commission Vice Chairman of Kerala etc were the other notable speakers participated in the function.

ESAF Central Zone organizes program for livelihood units' members

On May 22, 2011 ESAF organized a get together for all livelihood members along with their families at Choker Dhani, Nagpur. Almost 100 people participated in the program. The objective of the program was to convey to the family members the importance of supporting women oriented livelihood programs.

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FROM THE WORLD OF MICROFINANCE

Mobile Banking In India-\$350 Billion Expected By 2015

India has 700 million+ mobile subscribers, just 240 million individuals with bank accounts, 20 million credit cards, 88,000 bank branches, and 70,000 ATMs. Of the households without a bank account, 42 percent have at least one mobile phone. Mobile banking could be a game changer and while we have been hearing of this for quite sometime, it's also important to note that very recently, transaction limit for mobile wallet card was increased to INR 50K. As per latest report by BCG, mobile banking in India is set to generate fee-based income of ₹20,250 crore over the next five years, mainly driven by lower transaction cost, favourable regulatory environment and UID project. (source - www.indiamicrofinance.com)

IFC to invest USD 4.6 million in Peru's microfinance institution

IFC, a private sector arm of the World Bank Group, is contributing to the capital of Caja Nuestra Gente (a microfinance organization based in Peru), with an investment of US \$4.6 million. The investment will help Caja Nuestra Gente expand its operations in rural areas and among low-income urban communities in Peru. Caja Nuestra Gente is owned by Spain's BBVA Microfinance Foundation (FMBBVA). In addition to this investment, IFC has also opened a medium-term local-currency loan facility to support Caja Nuestra Gente's expansion, in the amount of 25 million soles (about US \$9 million).

The IFC's financing will allow Caja Nuestra Gente to double the number of microenterprise loans in Peru in five years. Caja Nuestra Gente, focuses on social inclusion, serving approximately 3.26,000 clients through its 116 offices. It is currently merging with Financiera Confianza - in which it holds a 64% stake - to create a rural microfinance institution in Peru. (source - www.microfinancefocus.com)

HUMBLE HEROES

Umbrellas prove an umbrella to Sulochana's life...

19 years back Sulochana Ramakrishnan came to Laloor along with her husband Ramakrishnan and two children, Nisha and Neethu. Ramakrishnan was a daily wage earner and Sulochana used to



Sulochana at her umbrella making unit

work as a domestic help for various households nearby. In 1997, when the family was slowly adjusting to the demands of life, the unexpected demise of Ramakrishnan derailed their plans. Sulochana and her children were left in the lurch, with nothing but sheer determination to succeed in life. Elder daughter Nisha first decided to learn the art of umbrella making along with her studies. Nisha's earnings along with her mother's barely met their needs. At last, all three of them learnt the trick and tried to expand their business. They used to source accessories from companies and make umbrellas. But still the capital required for the final push was eluding.

On 31/07/2006, Sreeragam sangam was formed in Laloor under Thrissur branch and Sulochana became a member of ESAF. On July 19, 2007, Sulochana got her first loan of ₹8,000/-. This changed her fortunes and using the loan she started buying raw materials directly, in addition to the accessories sourced from outside agencies. As she was prompt in repaying the loans, availing the second and third cycles (₹ 12,000 and ₹ 15,000 respectively) proved relatively easy. Moreover, she took two cycles of education loans to educate her younger daughter Neethu, who is in plus two. Sulochana has big dreams of giving her the best education possible. Collateral free loans at relatively cheap interest rates attracted her to ESAF and helped her in transforming the fortunes of her small family.

Yes, the change in Sulochana's fortunes is clearly visible to all. By expanding her business through ESAF loans, she was able to repair her house and purchase household equipments like Telephone and Television. From a house thatched with coconut palm leaves (sans any walls), she now owns a house with four walls and tiled roofs...she has no one else to thank but ESAF Microfinance...

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



CALLING THE SHOTS

Why microfinance remains in the priority sector?



When 45.5 crore of India's population lives on ₹55 a day (as per World Bank report), it is only appropriate that RBI retains the priority sector status of MFIs. MFIs are here with an aim of providing sustainable livelihood activities to the poor and thereby eradicating poverty. We realized that it was not just low income and consumption that define poverty; there are social barriers like caste, gender, status, disability etc. too, which cannot be estimated. It's here that MFIs can play a crucial role through its business model based on Sangams. During sangam meetings, people come in unison sans any barriers, with a sole aim of uplifting their living environment. Retaining priority sector status can also be attributed to the fact that microfinance is considered as responsible finance and not just mere money lending. Factors like Accountability and Responsibility counts high in case of MFI programs. It's true that India spends more on programs for the poor than most other developing countries i.e., 2% of GDP. This is three times

higher than what China is spending. But due to faulty administration, most programs failed to meet the purpose. Even though the Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGP) is a landmark achievement, we all know how negatively it has affected the output of small farmers who are finding it difficult to get labourers on time. The flourishing of small and medium enterprises is another reason that justifies the priority sector status to MFIs. Availability of funds on time is very important for the survival of SMEs, which contribute 45% to the national GDP. Marketing facilities offered by social microfinance organizations like ESAF give international exposure to the products of small and micro entrepreneurs. That's why whether it is in food processing, agro-industry, gems and jewellery, engineering, textile and readymade garments, electrical and electronics, meat products, leather goods, handicrafts, animal husbandry, toy making...you name it...and we have a success story to showcase...

K. Paul Thomas
Managing Director

FROM THE WORLD OF ESAF

ESAF, Caritas organizes release of Sphere Handbook

The international network Sphere Project in association with Sphere India, ESAF and Caritas India, has released a handbook on 'humanitarian charter and minimum standards in humanitarian response' at Thrissur on April 14, 2011. The handbook was released by K. P. Rajendran, the State Revenue Minister. Fr. Romance Antony, Director, Kerala Social Service Forum (KSF), received the first copy of the book.

K. Paul Thomas, Executive Director, ESAF, presided over the function. The minister congratulated ESAF and KSSF for their invaluable contributions during the time of emergencies.



Revenue Minister K.P. Rajendran handing over the first copy of the Sphere handbook to Fr. Romance Antony.

K. Paul Thomas emphasized that ESAF is bent on promoting social causes. He also explained on various social initiatives of ESAF such as promoting sanitation and better living atmosphere in cities. George Thomas, Director Operations, welcomed the gathering, Roy K. Alex, Director-Programs, ESAF and a founder member of Sphere

India network gave a presentation on the activities and relevance of the Sphere group. Sony V. Mathew, Head Corporate Communications, ESAF Microfinance, proposed a vote of thanks. The handbook was released in 28 countries across the globe simultaneously and in 14 states in India. The book was last revised in 2004. The Sphere Project was created by a group of humanitarian non-governmental organizations and the International Red Cross and Red Crescent Movement. Since its inception the Sphere handbook has been translated into 43 languages. It addresses emerging issues such as climate change, disaster risk reduction, early recovery of services and livelihoods, cash transfers and civil-military relations.

MUSINGS

Raphael Parambi

The Context

After a number of successful years, the first half of 2011 has been one of the most challenging ones for the industry. Starting with what is now called the AP Crisis, the industry and, along with it, the livelihoods of tens of millions of the poorest, were ravaged. The 'knee-jerk' enactment of the 'AP Microfinance Institutions Ordinance' resulted in a rapid buildup of 'non performing assets' among the MFIs operating in AP, which accounted for an estimated 40%

Microfinance: A true priority ?

of all microfinance lending. There were talks of the 'contagion' spreading, and banks, which had a fairly large, but by no means excessive, exposure to the industry, feared defaults by the sector and ceased lending - even to MFIs who had no operations in AP.

The State of the Industry

The RBI was quick to act, constituting the Malegam Committee to study the issue, engaging with the AP and central government and announcing its regulations for the sector (based on the Malegam Committee recommendations but including concessions in the

definition of cost of funds, stipulation of exposure limits, etc.). While the end to the ambiguity was welcomed, the jury is still out, as to whether this will be yet another case of 'opportunity missed'; the success of the regulation will lie in its wholehearted implementation by all stake holders. Unfortunately, though the RBI has clarified that lending to 'qualifying' MFIs should be treated as priority sector lending, banks have been slow to extend support. Consequently, the sector has shrunk by 30% in the year upto March (See 'Learning from the Microcredit Fallout; June 2, 2011 - <http://beyonprofit.com/learning->

from-the-microfinance-fallout) and probably even more from its peak levels, in 2010.

The Priority that is

The reason for the banks caution is not far to seek; banks' advances to some major MFIs, amounting to ₹5000 crores (over a third of all bank lending to the industry) are believed to be under restructuring and bank managements, proverbially 'fear to tread' where they 'rushed' before. However, it must be accepted that there is nothing fundamentally wrong with the industry (even the AP MFIs) and that any liquidity constraint that exists is only temporary and is relic of the 'crisis'. RBI estimates that 450 million Indians are unbanked and, depending on where the 'poverty line' is drawn and who does the estimation, half the population of the country lives in poverty. Microfinance continues to be the best answer

we have at present for both financial inclusion and poverty alleviation as is demonstrated by the reports from the field of the resurgence of money lenders in the few short months of hiatus. MFIs too have demonstrated the resilience of their operating models. The time has now come for the Banks to shed their diffidence and truly treat the sector as a priority link in the delivery channel. Sanctioning of loans must shift from the current end-of-the-quarter mode to a timely, need-of-the-borrowers based pattern and pricing needs to be made finer. RBI and the IBA have the responsibility of ensuring implementation of the RBI regulation in true spirit to ensure the revival of the microfinance sector. Similarly, Government needs to enact the MFI Bill that is pending before parliament, at an early date, clearing remaining impediments and obviating the need for

multiple, state level regulation.

Two hands to clap

The industry on its part needs to learn the expensive lessons of the crisis, for which it is partly to blame, and play a responsible role in the financial inclusion value chain. Multiple lending, end use, repayment capacity, transparency and fairness must be truly monitored; an ombudsman with adequate bandwidth and powers should be established along with one or more credit bureaus (See 'Musings - the Future of Microfinance': *Lehanti Vol.2, Issue4 - http://emfiil.org/images/downloads_images/PDFs/lahanti_ni_april_ju_ne_2011.pdf*). Only then will the priorities of the poor be taken care of.

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.parambi1@post.harvard.edu

THROUGH THE EYES OF THE EDITOR

Priority sector concept implies trickling down the benefits to the end clients

Retaining microfinance in the priority sector is part of an intelligent regulatory structure which protects the borrowers and at the same time allows the sector to flourish. Despite the negative image of greedy capitalists projected by the media, it is a laudable fact that RBI has recognized the importance of MFIs as a priority sector. The Annual Report of Sa-Dhan, the association of MFIs in India vows that microfinance has emerged as one of the world's largest social mobilization and community based programs. The importance can further be underscored by the fact that up to March 2010, MFIs in India have an aggregate loan outstanding of ₹18,344 crore.

MFIs deserve the priority sector status as long as they successfully differentiate constructive credit and predatory lending. Constructive credit gives long term tangible benefits to the poor. Apart from providing loans for sustainable livelihood activities, constructive credit also implies credit to purchase utility products like water filters and pressure cookers. When pressure cookers can increase their

efficiency in handling household requirements, water filters make sure that the poor won't burn their pockets for health-related problems. But incidents reported from various parts of the country show that encouraging consumerism beyond a level can prove fatal. So it is imperative that socially responsible MFIs should maintain a balance as far as responsible credit is concerned.

The Microfinance Equity Fund proposed in the Union Budget to support small MFIs shows the significance given to the sector by the Union Govt. in executing the Financial Inclusion plan. This will definitely boost the confidence of the bankers who lend to MFIs and push the sector forward. At the same time, MFIs should realize that enjoying the priority sector status comes with the responsibility of ensuring that the benefits should trickle down to the end users and not merely to the organizations. Other wise the whole meaning of the concept will lose relevance...

Your response can be sent to: sony@esaf.in

Sony V. Mathew

FROM THE WORLD OF ESAF

ESAF felicitates Therambil Ramakrishnan and M.P. Vincent

ESAF Microfinance felicitated Therambil Ramakrishnan, Thrissur MLA and M.P. Vincent, Ollur MLA on June 16, 2011 at the Service Co-operative Society Hall, Mannuthy. K. Paul Thomas, Managing Director, ESAF Microfinance, presided over the function. During his presidential address K. Paul Thomas brought to the MLAs' notice the people's expectations and requested them to prove themselves equal to the task. Jacob Samuel, Director-Healthcare, ESAF,



K. Paul Thomas felicitating Therambil Ramakrishnan and M.P. Vincent

George Thomas, Director Operations, ESAF Microfinance, A. Akbar, Strategic Advisor, P.U. Hamsa and Jayashree Bhaskaran, Corporation Counsellors, Jose Palokkaran, President, Mannuthy Multipurpose Co-operative Society, C.D. Pappachan, President, Mannuthy Merchants' Association, and Saraswathy Venugopal, Board Member, SHG Federation spoke on the occasion.

During his reply, Therambil Ramakrishnan complemented ESAF for its commendable role in the development of the society as a whole. M.P. Vincent opined that the role played by ESAF in providing livelihoods for 4.5 lacs families by giving them skill training and marketing facilities was truly worth emulating...

ESAF Amballur branch felicitates Prof. C. Raveendranath



K. Paul Thomas draping a shawl around Prof. C. Raveendranath, flanked by George Thomas and Christudas K.V.

ESAF Amballur branch organized a program to felicitate Prof. C. Raveendranath, MLA, Pudukkad. K. Paul Thomas, Managing Director, ESAF Microfinance, presided over the function. Chacko Thomas, Manager, HR Kerala, welcomed the gathering. George Thomas, Director Operations, Christudas K.V., GM, HR and Admin., and Ambika Soman, Manager-SHG Federation spoke on the occasion. C.D. Sunny, Area Manager proposed a vote of thanks.

ESAF celebrates World Environment Day

ESAF in association with Thrissur Social Forestry celebrated World Environment Day in fitting style. ESAF Swasraya Producers Company Ltd. (ESPCL), SHG Federation and Natural Resources Management Division took active role in organizing the program. The program at the Head Office was inaugurated by M.P. Vincent, MLA, Ollur. Jacob Samuel, Director-Healthcare, ESAF, presided over the function. Christudas K.V., Director-Natural Resources Management Division delivered the key-note address. Dony C.J., Manager, South Indian Bank, Mannuthy, inaugurated the free distribution of tree saplings by handing over the plantlet to P.U. Hamsa,

Corporation Counsellor.

Edakkara branch, Nilambur, celebrated World Environment Day, along with the first anniversary celebration of the branch. During the program school kits were distributed to the members. Almost 1000 members participated in the function held at Prestige Palace, Edakkara. George Thomas, Director Operations, ESAF Microfinance presided over the function. John P. Cheriyan, Area Manager, welcomed the gathering. Nilambur Ayesha, Cine Artist, inaugurated the program and was the Chief Guest. K. Vijayan, Member, District Panchayath, inaugurated the distribution of school kit. The program organized at Ambalapurza was inaugurated by Sudarshanan A.S., Panchayath President, Purakadu. Ambika Soman, Manager, SHG Federation, presided over the function. Under the aegis of Punnekadu branch, Environment day celebrations were organized at Marthoma LP school, Oonjampara. The program was presided over by Anees Peter, Headmistress.

ESAF participates in WFTO Biennial Conference in Mombasa

World Fair Trade Biennial Conference & AGM were held at the picturesque Sea side Sai Rock Hotel at Mombasa, Kenya from May 22 - 27, 2011. P. Sridharan Nair, Project Director & BDS Consultant of ESAF Group and the Vice President of Fair Trade Forum-India represented ESAF at the meet. The theme of the Conference was 'WFTO for a Common Good'. More than 250 delegates participated from across the globe.

ESAF participates in Marathon to raise concern on children's issues

ESAF participated in a Marathon organized in Bangalore on the occasion of the World Environment Day to raise concerns about children's issues. The company is implementing the Livable Cities (Phase 2) project in Bangalore and Nagpur, with the intention of advocating safer cities especially for children.

FROM THE WORLD OF ESAF

ESAF participates in ASSOCHAM Summit, Chattisgarh

ESAF participated in the ASSOCHAM Summit, Chattisgarh titled 'Advantage Chattisgarh' held at Raipur on May 30, 2011. Ajith Sen, Senior Manager, ESAF Dumka, represented ESAF at the function and made a presentation on the topic 'Keeping traditions alive, handicrafts sector'.



Ajith Sen delivering his message during the function

Hon'ble Chief Minister of Chattisgarh, Dr. Raman Singh, was the Chief Guest for the program. During his presentation, Ajith Sen highlighted on the activities of ESAF and the successful model ESAF has been pursuing in the handicrafts sector in Jharkhand.

One of the major agenda items at Mombasa was supporting members to market their products through WFTOMarket.com, the e-commerce venture. "ESAF's intention is not only to register ourselves as a producer company but also to provide all possible capacity development services" says Sridharan Nair. He added that Fair Trade stands for life in dignity and solution to poverty. At the AGM held after the conference, two Fair Trade Forum-India board members were elected to the Global Board - Roopa Mehta & Johny Joseph. For ESAF Swasraya Producers Company Ltd. (ESPCL), Prerana Handicrafts and Organic Food are the main brands that hold the potential to reach international market. K. Paul Thomas, Executive Director, ESAF expressed hope that this attempt would open up the long



Sridharan Nair (second from left) posing with a few participants

awaited dream of ESPCL entering the Global Fair Trade market.

A friendly Sevens Football tournament was organized (Asia, Africa, Pacific, Latin America & Europe as participants) during the event, and Europe emerged as the winner. A trophy resembling the world cup football was awarded to the winner. Other major topics covered during the conference were - (1) Women Empowerment Project by WIEGO [Women in Informal Employment Globalizing & Organizing] the action research findings from the developing country partners including India, (2) State of the WFTO & Regional Chapters, (3) Trade Relationship & Fair Trade Compliance, (4) The proposed WFTO Fair Trade System (which is a combined version of membership monitoring-cum-SFTMS. The word SFTMS will not exist anymore), (5) Changing lives & mindsets: maximizing the impact of Fair Trade, (6) Visit to Bombaloolu Crafts Centre (7) E-Commerce, (8) Future strategy of WFTO, (9) WFTO Governance and (10) the AGMs - WFTO Asia & WFTO.

Launch of Fair Trade India

Under the new initiative Fair Trade India, 20 shops were identified by Fair Trade Forum - India, to promote fair trade practices in India. Among these, 7 shops were selected for the pilot program. Prerana brand under ESAF was one among those shops. According to P. Sridharan Nair, Fair Trade Forum India Vice President and Director ESAF-ILO Project, this initiative provides a unique opportunity for ESAF

FOOD FOR THOUGHT

The treasure lies in banana fibre

India is the largest producer of banana in the world. Banana cultivation is spread across the country in almost 275 thousand hectares of land but the fibre extraction remains unexploited. Even though the potential yield of fibre is 200 thousand tons only a small amount of the same is extracted manually by the Indian artisans in making handicrafts for the cottage industry. In fact, very few are aware of the commercial viability of banana fibre. Apart from using in security / currency paper, packing cloths, towing ropes of ships, wet drilling cables etc., it can be used in the textile industry as well as for making bags, mattresses, ropes, showpieces and other products. Fibres are extracted from banana stems and presently waste banana stems are available at cheap rates due to the problem of disposal. Compared to the production of other natural fibres like Cotton, Jute and Hemp, the cost competitiveness of banana fibres will definitely fuel its growth. Philippines and Japan use banana fibre for large scale commercial production of textile items. Philippines is also exporting huge quantities of readymade garments from this fibre to Japan, Singapore, Taiwan and other far East Asian countries. Definitely we have got something to learn from our neighbours...

sangam members to expand their market to metro cities like Chennai and Bangalore. He added that for the trading members this was an opportunity for co-operation, as the dealers could mutually sell the products at an agreeable rate and could enjoy the benefits of umbrella branding. Apart from ESAF, Keystone Foundation based in Kottagiri, ANTS based in Andhra Pradesh and Satha based in Calcutta are the other key players behind the initiative.

ESAF participates in International Management Seminar

P. Sridharan Nair, Director, ESAF-ILO Project, was invited to deliver a lecture on "Creating a Fairer India - Contemporary Challenges" at the International Management Seminar held at