

**'Finance in Motion' signs UN's Principles for Responsible Investment**

German Alternative Asset Manager 'Finance in Motion' has signed the United Nation's international Principles for Responsible Investment (PRI). Focused exclusively on development finance with over EUR 800 million in committed capital under advisory as of June 2010, 'Finance in Motion' provides professional investment and technical assistance, management services, micro, small and medium enterprise finance, housing finance, as well as energy efficiency and renewable energy finance in developing countries and emerging markets. The PRI was developed based on certain principles. By signing up to the PRI, companies accept a duty to gradually integrate sustainability aspects into their investment processes. The Principles include promoting the exercise of ownership rights, demanding detailed reporting on environmental, social and governance issues, and encouraging investors to increasingly

**Interview with Jacob Samuel, Director Health Care, ESAF**



Jacob Samuel

**1) What are the main objectives of ESAF Health care services? Have you been successful in attaining your objectives?**

ESAF Healthcare aims at providing high quality healthcare services to the rural and semi-urban poor through health education, counselling, health insurance and a chain of hospitals and clinics. Currently we have two hospitals, three clinics, and a school of nursing. We have a project called Santhwana to give home-based care and counselling to HIV positive people and their families. We are also actively promoting a health insurance scheme in which the Sangam members get cashless treatment in the hospitals of ESAF.

**2) Brief on what prompted you to enter into the health sector in Kerala and how?**

ESAF has been involved in economic

co-operate in promoting sustainability. The investment process of Finance in Motion includes Periodic Impact Analyses as well as Social Performance and Responsible Finance Assessments. 'Finance in Motion' is currently advising the Microfinance Fund, European Fund for Southeast Europe (EFSE), and the Energy Efficiency and Renewable Energy Fund, Green for Growth Fund, Southeast Europe (GGF).

(reference – www.microfinancefocus.com)

**Microfinance Investment Vehicles have unsustainable levels of liquidity: MicroRate**

Fueled by the attractiveness of the industry's social mission and strong performance of microfinance institutions (MFIs), MIVs grew rapidly over the last five years. In 2009, that growth slowed only marginally (to 22% from 28% in 2008). However, microfinance assets grew much more slowly than total MIV assets with the result that MIV liquidity increased dramatically. The assets of MIVs have grown from \$ 1.2 billion in 2005 to over \$ 6 billion at the end of 2009. These are the findings reported in fifth annual MicroRate 2010 MIV Survey.

The survey shows that despite weak demand for funding from MFIs and against the backdrop of a worldwide recession, a number of new MIVs appeared during 2009. At the end of 2009, too

development of rural communities through microfinance programmes for the last 18 years. But over the years we realized that economic development could not be sustained without adequate facilities for healthcare. Healthier workers are likely to be able to work longer and more efficiently and generally more productive than their less healthy counterparts. Sickness shortens the working lives of people, thereby reducing their lifetime earnings. Hospitalisation or prolonged illness of a member could drain a poor family of its entire savings. ESAF responded to this issue by introducing health insurance schemes for the poor and by providing primary and secondary healthcare facilities affordable to the rural poor

**3) How sangam members are benefitted through ESAF Healthcare?**

Those who are covered under the ESAF Health insurance will get cashless treatment in ESAF hospitals and clinics. All others will get special discounts on consultation, lab and X-Ray charges, medicine and room rent. Now ESAF Medicals are giving up to 50% discounts, to the public at large.

**4) Do you have any immediate plans on the anvil to expand the organization? What are the biggest challenges that impeded the growth?**

many MIVs were chasing too few MFI lending opportunities.

Of the 88 active MIVs identified by MicroRate as of December 31, 2009, 78 completed the Survey, resulting in an 89% response rate. Total MIV assets grew 22% in 2009 to over \$6 billion. This was the lowest growth rate since MicroRate began tracking MIVs (2008: 28% growth to \$4.9 billion; and 2007: 97% growth to \$3.9 billion). The slow-down is dramatic, particularly when compared to the 97% growth rate in 2007. The MicroRate 2010 MIV Survey results also contain a note of caution. It says that MIVs are finding it difficult to place the funds they are raising from investors. Less than half of the funding mobilized in 2009 ended up in microfinance.

(reference – www.microfinancefocus.com)

**Babu Jagjeevanram Foundation Award**

**George Varghese, Deputy Director, Office of Development Commissioner - Handicrafts, Ministry of textiles, GOI, won the 2010 Babu Jagjeevanram Foundation Award.**

We have a plan to start a hospital in Vadakkenchery. All further expansions will be in rural Northern and Central India where healthcare facilities are minimal.

**5) How ESAF Nursing School differs from other same schools of its genre? How sangam members are benefitted through ESAF school of nursing?**

In ESAF School of Nursing, we are concerned about the total development of the students-academic, social and spiritual. We give special coaching in Communicative English and Personality Development. 10% of the seats are reserved for the children of sangam members, who are given fees concessions as well.

**6) How do you view the health sector in Kerala. Comment on the advantages / disadvantages?**

Kerala enjoys India's highest life expectancy and lowest infant mortality and birth rates, thanks to the work of Mission hospitals and the initiative of Kerala Govt. But the concentration of healthcare facilities in the cities and towns should be extended to the rural areas also. Moreover, the sophisticated diagnostic and treatment facilities in the private sector are prohibitively costly for the poor.



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



**CALLING THE SHOTS**

**Financial Inclusion to prevent Social Exclusion...**



In these times of continuing rise in the prices of commodities, what could have offered relief to the poor is a well-established and functioning financial sector, with a wide range of tailor-made products. In fact to foster 'inclusive growth,' there is a need to develop a range of services suited to various categories of the poor and vulnerable, like affordable and flexible credit for livelihood finance; access to risk mitigation services like health, weather, asset and life insurance; access to vulnerability-reducing services like warehouse receipt finance; and access to financial services like micro pensions, SIPs and empowerment of SHGs. Despite several initiatives by the RBI and the Govt., like the Business Correspondent Model and the Banking Facilitator Scheme, only 40% of the population still has bank accounts in rural India. Lack of proper financial inclusion drive may lead to social exclusion. That is a dangerous situation, which can lead to unemployment and increase in organized crimes.

Big financial institutions are yet to discover the huge potential offered by India's rural financial market. There lies the scope of financial inclusion. Technology is another way to encourage financial inclusion thanks to innovative efforts like mobile telephony and bio-metric cards. As for the

states, they can intervene in financial inclusion by making statutory enactments, issuing official identity documents for opening accounts, and by undertaking financial inclusion drives. Although MFIs have made revolutionary changes in the lives of millions of poor, their ability to effectively solve the 'last mile' issue has been crippled by regulatory constraints. But RBI's new initiative to permit for profit MFIs to act as BCs may bring us closer to the dream of financial inclusion.

For almost two decades, ESAF has been making continuous efforts in providing credit for various life cycle needs of the poor and marginalized. But we know that mere credit won't serve the purpose. So other than Income Generation Loans ESAF is providing Water and Sanitation Loans, Housing Loans, and Energy Loans. Through our SHG Federation we are organizing Financial Literacy Campaigns and Credit Counselling Programmes. We also give emphasize to credit plus services, like Skill Training, Healthcare Support and Marketing Support, which also play a vital role in financial inclusion. We at ESAF believe that India can achieve the dream of financial inclusion, but only if all the stake holders/ authorities concerned are willing to think out of the box...



**K. Paul Thomas**  
Managing Director

**FROM THE WORLD OF ESAF**

**ESAF 'Business Development Services' is now a Permanent WTO member**

ESAF has fulfilled the requirements, of WTO standards & monitoring system, and has been approved as a Fair Trade Organization. As a result, now the organization enjoys the privilege of using the Logo to promote as an FTO on its Stationery,



Publications, Banners, Leaflets, Stickers, Posters, Press Releases, Websites, Catalogues, and all other Communications or Design Works. K. Paul Thomas, Managing Director, ESAF Microfinance opined that the achievement was the result of ESAF's unstinted

support to Fair Trade for years. He also congratulated the Business Development Team for bringing home the laurels.

**ESAF Takes Part in Social Performance Task Force Meet, Bern**

ESAF Microfinance was the only MFI from India, selected to participate in the meet

ESAF participated in SPTF Learning Meet held in Bern, Switzerland, from June 29 to July 02, 2010. The meeting brought together over 200 specialists for three working days on social

**MUSINGS**

**Raphael Parambi**

The story of the microfinance industry in India has been a story of success, with advances growing by an impressive 97%, to Rs 11,700 crores (\$2.5billion), and number of borrowers, by 60%, to 22 million, in 2009. During the year, the Microfinance Institutions, along with the SHG funding of banks, covered 61% of the low income

households in the country. The sector has also shown that it can be profitable, while charging some of the lowest rates in the world, in the Micro Credit space.

Private Equity has been flowing into the industry, during the past two years, attracted by the 'double bottom line' pay off in the form of attractive return on investment and the possibility of doing good. Bank finance too has become more

**Towards inclusive growth**

plentiful, due to the improvement in the liquidity of banks, the good track record of the MFIs and the government's encouragement of lending to the 'priority sectors'.

**Success is not a numbers game**

While penetration into unbanked populations does indeed further the Government's objective of 'financial inclusion', access to finance, by itself, does not ensure

alleviation or eradication of poverty. If that were so, the money lenders, who have operated in these markets for generations, would have sufficed. If MFIs are to ensure that they do not become merely sophisticated money lenders, they need to do more than just extend loans. Recognising the needs of the below the poverty line clients, ESAF Microfinance and many other MFIs offer, variously:

**a.** Micro insurance schemes that protect the members in the event of illness or death, the major causes of indebtedness among the poor; **b.** Market access support, to enable the members to market their products and/or source raw materials competitively; **c.** Livelihood training, imparting training in income generating activities; **d.** Empowerment through training and exposure to enable the poor, especially the women, to play an active and dignified role in society; **e.** Education of the children of the members and others;

**f.** Healthcare, through a network of hospitals and clinics, through teams of healthcare workers and by training the members themselves in healthcare and hygiene.

#### The road ahead

Anecdotal and intellectually, we are convinced of the benefits being delivered by the schemes implemented by the industry. However, with the first successful IPO from the industry and the continuing injection of funds by Social Investors and Venture Capitalists, the industry is poised to grow at an even faster pace. This will see the introduction of new and varied products and services by the sector, with top managements, out of necessity, becoming evermore removed from markets. Consequently the time has come for more rigorous evaluation of the effectiveness of our 'finance plus' offers to the poor. This would need to be done through longitudinal surveys of samples from among members availing each of

our services, *vis-à-vis* control samples of non borrowers with similar demographics. Such analysis of effectiveness is essential, if we are to ensure and demonstrate continued relevance of the industry.

#### Conclusion

The microfinance industry has grown in scale and stature over the years and is today recognized as a significant player in poverty alleviation and financial inclusion. Given the rapid growth of the industry and the various forms that these schemes have morphed into, it is important that each MFI evaluate and fine-tune the effectiveness of its programmes, using formal longitudinal surveys thus ensuring that the relevance of the industry grows along with its growth in scale.

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

## Address root causes of financial exclusion

When tons of food grains rot in government godowns the poor are staring helplessly at the authorities, without knowing anything, other than the burning feel of hunger. As the Govt. boasts about the Financial Inclusion plans, the number of beggars in the streets is increasing everyday. In India, the poor are scattered across the country but the North East, Eastern and Central regions contain most of the financially excluded population. Financial Inclusion will not be complete unless the authorities identify the root causes of financial exclusion. Moreover, the term Financial Inclusion should also hold concepts like prohibition of child labour and providing strict education to children after six.

Also thorough measures should be taken to overcome the barriers to adopt Financial Inclusion, like illiteracy, poor infrastructure and cumbersome documentation procedures. It's important to target each district at the nooks and corners of the country, for effective

implementation of Financial Inclusion. Big Corporates should be encouraged to start rural schools as part of their CSR programs; as this will open more employment opportunities to the educated poor. The linkage of SHGs with the banks was a major success, thanks to NABARD which had played a significant role in supporting the group formation. The Business Correspondents model adopted to expand the rural reach was also applaudable, as it allows post offices, NGOs, Trusts and Societies to act as BCs, as they have a better rural knowledge. MFIs having wide network in the financially excluded geographies can be considered as potential intermediaries to act as Business Correspondents. Procedures for selecting the intermediaries should be tightened by conducting due diligence and risk should be minimized by using well respected local organizations and by adopting proper IT solutions.

Sony V. Mathew

### contd. FROM THE WORLD OF ESAF



Sandhya Suresh, giving a presentation on ESAF at the SPTF meet held in Bern

performance. The SPTF is a global membership organization that has clearly defined social performance metrics to measure social performance. During the meeting the participants shared experiences and concerns and gave updates on the progress made towards last year's objective. They also shared information on latest Social Performance Measuring Tools, Monitoring and Reporting Practices and Training Opportunities. ESAF Microfinance was the only MFI from India that was selected to participate in the meet. Sandhya Suresh, Manager R & D represented ESAF at the meeting. Sandhya said that only three MFIs who participated in the meet were allowed to give presentations and ESAF was one among them. She added that through the presentation she conveyed the organization's commitment towards social responsibility and it was well received by the audience.

Three best branches of the quarter  
**Kulasekharam,  
Thoothoor, Colachel**

### ESAF Celebrates World Environment Day 2010

ESAF in association with State Medicinal Plant Board celebrated World Environment Day in fitting



Thomas Unniyadan, MLA, distributing gooseberry saplings to ESAF members

style. ESAF Swasraya Producers Company Ltd. (ESPCL), SHG Federation and Natural Resources Management Division took active role in organizing the program. Under the aegis of SHG Federation, Gooseberry saplings were distributed to the members of various branches in Ernakulam and Palakkad districts. The program organized at

Palakkad was inaugurated by K.K. Divakaran, MLA and the program organized for ESAF Sangam Members at Irinjilakkuda was inaugurated by Thomas Unniyadan, MLA. The Medicinal Plants Conservation Park of ESAF at Peedikaparambu, Mannuthy, was inaugurated by Selina George, Deputy Director, Agricultural Department. Christudas K.V., Director, ESAF NRM Division, presided over the function.

### ESAF Organizes Nirmal Loan Drive Program

Rajnandgaon branch in Central Zone, organized a special 'Nirmal Loan Drive' programme for its



Distribution of WATSAN credits in progress

### ESAF Case Study Contest Winners

The winners of the two month long Case Study Contest held across the board are mentioned below –

- Ist Prize - Ajisha Ramdas** Thrishur Branch, article on Sulochana Ramakrishnan an umbrella maker
- IInd Prize - Nirmal Jeevandhara Team** Central India, article on Shalini Yashwant Wagde, whose life has changed after availing water loan from ESAF.
- III Prize - Rema Mohandas**, Pattikad Branch, and **Lalitha Gaikwad** of ESAF Scale Up Project, Central India, jointly won the third prize, articles on Zeenath Sidiq (a cutlet maker) and Lalaram (who has availed house construction loan), respectively.

Apart from the aforementioned prizes six consolation prizes were also announced. Winners were selected by a panel constituted by the management, which included Jacob Samuel - Director, Healthcare, Sony V. Mathew - Head, Corporate Communications and Sandhya Suresh - Manager, R & D. K. Paul Thomas, Executive Director, ESAF and George Thomas, Director - Operations were the ex officio members in the panel.

### contd. FROM THE WORLD OF ESAF

SHG members. Rajnandgaon was the third branch in the Chattisgarh region that started the 'Nirmal' loan programs. Almost 52 members attended the meeting. The meeting was presided over by Eshwar Hedau, Branch Manager, Rajnandgaon. During his speech he dwelt on the importance of good leadership to create awareness among all community members. Abhilash Philip, Area Manager, also spoke on the occasion.

Two documentaries 'Ganga Jamna' and 'Raju ka Ped' were shown to the gathering. 'Ganga Jamna', an endeavor of Indian School of Microfinance for Women, narrated on the importance of Savings and accessing Microfinance services like loans and Insurance. The other movie produced by the RBI, was on Financial Literacy. Anil V. George, Program Officer, PSF, Chhattisgarh, spoke on the importance of having Toilets at home, and the perils of open defecation. The members were also educated on the importance of Water Sanitation and technologies like Rainwater Harvesting. An interactive session was also there to encourage the members to divulge their opinions.

ESAF Durg branch also organized a special sanitation programme for the SHG members. About 60 members attended the meeting, which was presided over by T. Vijay Kumar, Branch Manager, Durg. S. Satish, ABM, welcomed the gathering.

### ESAF Durg Branch Disburses 50 Nirmal Loans

ESAF Durg Branch in Chhattisgarh, had crossed a new landmark by disbursing 50 Nirmal Loans. These loans were meant to meet the sanitation requirements of the poor. Bhilai and

Rajnandgaon branches of ESAF also started distributing Nirmal Loans in the month of June.

### ESAF Organizes HR Conclave

ESAF Microfinance organized an HR Conclave on May 07 and 08, 2010 at Hotel Ashoka Inn, Thrissur. The second HR conclave of ESAF was inaugurated by K. Paul Thomas, Founder and Managing Director, ESAF Microfinance. During his inaugural address he expressed hope that the roundtable would help the managers to meet the challenges that arise in an increasingly competitive environment. Christudas K.V., GM, HR and Admin presided over the function. George Thomas, Director Operations, delivered the key note address.

### Training Program for Shram Jyoti Facilitators

A one day training program to orient the facilitators of the Shram Jyoti project-Kerala, was organized



Sreedharan Nair displaying the first set of pamphlets

at Valapad on April 24, 2010. The participants included Field Staff and six SHG Cluster Leaders (2 each) from three treatment branches at Vadanapilly, Valapad and Perinjanam. The objective of the training was to orient the participants about the Shram Jyoti project and its expected outcome. Pranab, Block Development

## FOOD FOR THOUGHT

### 'Old age homes'- are they a blessing or reflection of selfishness?

A survey conducted by the UN informed that elderly population in India would rise from 82 million to 177 million in 2025. No wonder, old age homes across the country are multiplying in cities. But the moot question remains mute...does that signify the ruthless penchant for mundane affairs by the younger generation or does that mean old age homes are serving a noble cause? Loneliness and depression may be the unwanted bedfellows of old age. But does that mean old people are unwanted? Enough laws have been formulated to enforce the rights of senior citizens like the Maintenance and Welfare of Parents and Senior Citizens Act 2007 and National Policy on Older Persons 1998. But the harsh reality is that with old age comes the sense of being neglected and uncared for. It's time for us to introspect and take a call on our attitude towards older generation...

Officer, Talikulam and Jojo Koshy Varghese, Chief Operating Officer, ESPCL were the core trainers who spoke on the formalities and benefits associated with the registration of a business unit with DIC (District Industries Centre) Thrissur.

Sridharan Nair, Project Director, Shram Jyoti inspired the facilitators in realizing that ESAF is 'beyond microfinance'. He also briefed on the credit plus activities of ESAF and the need for a successful business model that has the potential of being replicated elsewhere. The first set of IEC materials containing posters and pamphlets were also released on the occasion. An open forum immediately followed the two training sessions to enable the participants to clarify their doubts.

## 'life' line

"We must reject all ideologies of exclusion for nature's way has been to be inclusive" Manmohan Singh