

# 2010 ■ The Summit Report

*microfinanceIndia*  
SUMMIT 2010

November 15 to 17, 2010

MISSION OF MICROFINANCE:  
NEED TO REFLECT AND REAFFIRM





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**The  
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2010 was a tumultuous year for the Indian microfinance sector. The SKS IPO in the late summer invited both pride that an industry that started with mostly NGOs had enticed major investors and criticism that the social mission of the sector was veering off track. Just before the summit, the crisis in Andhra Pradesh hit the front pages.

The microfinance industry gathered to talk about the way ahead from the current crisis at the Seventh Microfinance India Summit on November 15-17, 2010 in New Delhi, India. Various stakeholders talked about how the industry could course correct, tweak practices, to manage the political climate and perceptions. It was an occasion to reaffirm their mission and stay on course.

Brij Mohan, Chairman, ACCESS Development Services, remarked in the inaugural session, that the theme for this year's summit was chosen back in February, but it seemed to take on a more important meaning as the year progressed. The theme, "Mission of Microfinance: Time to Reflect and Reaffirm" seemed more relevant now than ever.

The summit brought together over 90 speakers and several hundred delegates over a two day conference that explored corrective measures to be adopted to restore the faith in the microfinance movement and immediate action points on the way forward. Although implications of the crisis remained in the background across sessions conducted over the two day conference, the tone was hopeful.

The Summit also forms the platform for release of important annual publications from ACCESS. We were honoured to have an eminent panel led by Dr. C. Rangarajan release the State of the Sector 2010 authored by N.Srinivasan. The report has become the most credible reference document for the sector both within and outside the country.

SHG Federations: Development Costs and Sustainability authored by Girija Srinivasan and Ajay Tankha was also released on Day 2 of the Summit. The study was commissioned by the Rabobank Foundation and ACCESS to delve into the details of development processes, associated expenses and issues of long term economic and institutional viability of SHG-based financial federations into the need for and role of SHG-based financial federations.

ACCESS in alliance with HSBC in India instituted the Microfinance India Awards in 2009 to honour outstanding achievement of institutions and individuals who have contributed to the growth and evolution of the Microfinance Sector. The awardees this year included a financial inclusion legend, a charitable trust, an innovative new MFI and the moving force behind the SHG movement. The award for MFI of the Year (for large MFIs) was conferred on SKDRDP, which is a charitable trust engaged in rural development projects in Karnataka. The MFI of the Year Award (for small and medium category) went to Arohan, which has a client base of 2,39,123 in the three eastern states. The Award for Contribution to the Sector

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was presented to Al Fernandez, Member Secretary, MYRADA and Chairperson, NABFINS. Under the new category of an enabling institution, the jury again picked a winner in Friends of Women's World Banking (FWWB) India. For the last couple of decades FWWB has displayed far reaching vision and continued commitment in making pioneering investments in fledgling and emerging MFIs. The special Jury Award was conferred to Ela Ben, easily the tallest leader in the sector.

While sessions were held on a range of topics, ranging from responsible finance to the future of SHGs to financial inclusion plans of banks on the first and second day, there were smaller round table sessions on the third day. The topics for these included low cost housing, championing gender diversity in the sector and gold as a long term savings option.

A newsletter was brought out on all three days that highlighted the sessions to be held on that day and encapsulated the discussions held on the previous day.

This summary report gives a detailed account of all of the discussions and other highlights of the conference. It starts with the major themes of the conference. These include issues and concerns that were a crucial part of several discussions. This is followed by detailed accounts of some of the sessions that were timely and talked about the current crisis in the sector. There are also summaries from some of the key breakout sessions, write ups on the Microfinance India Award winners and highlights of the roundtables held on day three.

The report provides a comprehensive account of the conference this year. Organized against a tumultuous backdrop the conference provided a platform for the industry to reflect and course correct. It was an opportunity for the industry to come together and chart its path out of the current problems and towards a more responsible future.

The conference organisers are extremely grateful for the continued and overwhelming support by the various stakeholders in different capacities contributing to the success of the Summit. We were apprehensive this year but enduring support from new and continuing sponsors confirms our faith in the Microfinance India platform. This year's Summit yet again had the constant support of its founding sponsors, Care, Citibank and the Ford Foundation alongwith the core sponsors, HSBC India, ICICI bank and UNDP India. The co-sponsors this year included BNP Paribas, Craft Silicon, World Gold Council, IFC, NABARD, SIDBI and Standard Chartered. The media partners, Microfinance Focus, Gateway, Microfinance Insights and Microcapital helped get the word out. Special vote of thanks to the Insights team for preparing the Summit report. We were ably supported by our esteemed technical partners, CGAP, GTZ, Grameen Foundation, IFMR, SEEP and MIX.

**Vipin Sharma,**  
CEO  
ACCESS Development Services

## Staying True to the Mission

As the theme this year suggests, the over arching topic of the summit was the core mission of the microfinance industry as well as the need to refocus on it. The heady growth posted by the sector fueled by increased investment may have led to the industry veering off its mission to some extent. The repayment crisis in Andhra Pradesh further underscored the need for an honest discussion about the mission of the sector.



U.C. Sarangi, Chairman, NABARD.

U.C. Sarangi, Chairman, NABARD, said that while Return on Assets (RoAs) had been low till around 2008 after that things changed. Since then, while the global norm for RoAs is around 1.5% for Indian MFIs this could be between 1.5-5%. Lowering RoAs would allow MFIs to lower interest rates as well. “You have to think of your mission now,” he said.

One way to manage expectations of private equity investors and other investors, looking for high returns, is to have a board resolution capping margins, RoEs, RoAs and salaries as some MFIs have done.

Such transparency is very important not only for wages but also for interest rates. This elicits confidence from clients and investors alike.

Also, MFIs need to emphasise ground level monitoring of utilization of funds. With the growth in the industry each field officer was tracking more clients and so this practice had suffered. Now Sam Daley Harris, Director of the Microcredit Summit Campaign, plans to introduce a Seal of Excellence to encourage MFIs to follow such good practices.

Brij Mohan, Chairman, ACCESS Development Services, said the coming of short term investors had led to this over emphasis on operational efficiency rather than performance and this needs to be corrected. It also meant that the industry is over dependent on a single product and there has not been enough product innovation. This sentiment was echoed among several participants, including Ajay Verma, CEO of Sahayata Microfinance, who said that MFIs should have a life cycle approach to product innovation. They could look at loans for education and housing among other needs.



The Kolar incident, documented brilliantly in State of the Sector 2009, served as an early warning bell for the sector to revisit the core principles of microfinance. While the industry has taken collective measures by way of the Sa-dhan Code of Conduct which was evolved in 2007 and reviewed for effective implementation in 2010 and more recently the stance taken by Microfinance Institutions Network (MFIN) on self-regulation to promote fair practices, the approach largely remains reactionary. The panelists reiterated that as the sector gains momentum the idea of social performance management will become an integral part of the organizational structure of MFIs to comply with regulatory authorities and to gain customer confidence. One of the most damaging ramifications of the Andhra crisis has been the temporary halt on bank funds for MFIs. Coupled with the repayment crisis, this has slowed the functioning of MFIs, especially in Andhra Pradesh. This came up during a session and NK Maini of SIDBI said that lenders had swung in to action six months ago and formed a lenders forum to study the industry's problems and help tide them over<sup>1</sup>.

Talking about how the industry can rebuild trust, Aloysius Fernandez, Member Secretary of MYRADA, said "How do we do it? Not by passing a resolution. But by implementing good practices."

## Alternative Delivery Models

Speakers across sessions stressed on encouraging alternative models, such as, SHGs, Community Based Microfinance Institutions (CBMFIs) to promote financial inclusion . Representatives from these models talked about how they could reach out further and work with MFIs to extend financial services. They discussed some of the emerging models that allow banks, MFIs, SHGs and BCs to work together to offer a full range of financial services to the poor.

State of the Sector Report indicates that MFIs are now growing faster than SHGs. Several representatives from SHGs came together to talk about what was holding back the growth of SHGs and how that can be corrected. C.S. Reddy of APMAS in his presentation encapsulated some findings from an internal study on growth of the SHG movement over the last financial year. The study shows that there are one million SHGs waiting for bank accounts and two million SHGs with no active loans. Other speakers stressed on the need to increase per capita size of SHG loans, which is currently lower than that of MFIs.

Several participants talked of emerging models where MFI loans are given to SHGs. Kalpana Sankar, CEO of Hand in Hand, said JLGs could also

<sup>1</sup>SIDBI set up a group of lenders to MFIs, which will promote good governance by linking it with lending. This initiative is supported by the World Bank. For more information see <http://www.sidbi.com/micro/World-BankInitiative.htm>

be converted into SHGs. This could be helpful since SHGs have a more community-based model. “We urge MFIs to play a supportive role and not destabilise SHGs,” Reddy said.

The RBI High Level Committee, in its road map for access to banking facility, has recommended provision of banking service in every village with a population of 2,000 or more by March 2011. Bank representatives stressed on the need for developing new ways of reaching the rural population and highlighted the importance of working with MFIs and employing the business correspondent model to extend the reach of formal banking channels further. For instance, Punjab National Bank is currently running 39 pilots for giving out microfinance loans through business correspondents. SBI has introduced a mobile-based remittance facility, and Union Bank has introduced a smart card based remittance product in some corridors.

They also said that there is a need for business correspondents to offer a full range of financial services including savings, insurance, credit and remittances. The BC model needs to be refined so it is cost effective and convenient to the poor.

The RBI has also recently permitted companies, other than NBFCs, to act as business correspondents. Speakers at a session indicated that this new development held the promise of expanding the business correspondent model but that there is a need to understand the costs and risks involved. Srinivasan Santhanam, who conducted a study on this, agreed with the banks and said that it is important for BCs to offer clients a full range of services.

Ajay Tankha and Girija Srinivasan in their study, SHG federations: Costs and Sustainability, found that these federations often lack resources because banks do not believe they have the governance structures needed to expand or absorb loans efficiently. There is a need to strengthen governance structures in such federations. Also, promoters need to be there for the long term to develop these structures.

## Financial Inclusion

While the overarching theme of the Summit 2010 was reflecting and reaffirming the mission of microfinance, many panelists talked about the importance of viewing financial inclusion in the same light. They talked about the need to make a range of financial services and products available to the poor, including savings, insurance, pension and remittances. They also talked about reaching out to communities that are particularly excluded from the financial system, including migrants.

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The breakout on Financial Services for Migrant Workers: Availability and Affordability focused on the unique financial needs of migrants. The session began with a presentation of a study conducted by the Centre for Microfinance which highlighted that India has 100 million domestic migrant workers who depend on money transfers and value secure and speedy transfer of money. In the absence of bank branches and other formal means of money transfer they depend on multiple informal methods. An interesting finding of the study was that most migrants said that they would like to use a bank but cannot do so because they do not have the verification required to open a bank account or do not have easy access to a bank branch. Drawing attention to the cost implication for the national economy, the study concluded that if the domestic remittance operators reduced the cost of money transfer to 3%, which is the total cost of money transfer through banks, the migrants would save roughly 1000 crores annually. The study included information from 274 migrants along four popular migration corridors in the country.

There is also a need to provide financial security to migrants, most of whom work in low paying, hazardous and insecure jobs. These migrants need savings, insurance and pension products that suit their needs. Many are also unable to access the formal financial system because their constant moving means they do not have the documentation required to access the formal financial system. This could change with the coming of UID.

Abhishek Sinha, Co-founder and Chief Executive of EKO Financial Services, talked about creating a product that meets the remittance needs of migrants. EKO has developed a mobile transfer service that remits money from anywhere in the country to Bihar and Jharkhand. They also have insurance products, but the remittance service is most popular. Everyday, 130,000 people use EKO to remit INR 5-7 crore.

The financial inclusion discussion also branched out beyond MFIs to include banks and how they can reach the currently unserved. At the session on Financial Inclusion: Plans and Perspectives of FFIs, Sandip Ghose, Regional Director of the Reserve Bank of India, said that as the microfinance and banking sector take stock, they should look at their accomplishments and what remains to be done. The RBI has set a target to provide banking services in every village with a population of 2,000 or more by March 2012.

Banks are now identifying all such villages and planning how to extend their reach to them. Representatives from ICICI, State Bank of India, Union Bank and Punjab National Bank spoke on their plans to meet this target. One common sentiment among all the bank representatives was banking services are increasingly being extended to rural areas because they see growth in these places and not only to fulfill the mandate of the central bank to have a banking presence in all villages with a population of 2000 and more by 2012.

Bank representatives talked of their plans to extend bank facilities to the unbanked. They are working on several innovations to reach out to the rural poor at a low cost. For instance, Union Bank, has introduced a biometric card based remittance product for some corridors. Others are looking to integrate the SHG model with MFIs and extend MFI loans through BCs. SBI has a target of 7 million no frills bank accounts by 2013.

R. Bhaskaran, CEO of the Indian Institute of Banking Finance, said that most banks were still at a pilot stage and need to think of simplifying procedures for customers for their Bottom of the Pyramid financial products to gain popularity.

One of the alternative delivery models thought by many to be a silver bullet in the realm of financial inclusion is the business correspondent model. The RBI recently allowed companies to serve as BCs, and this has increased interest in the model. However, corporates still seem reluctant to enter the market as there are risks involved and no set guidelines from the RBI.

In his study titled “Intra-state Migrants and Remittances in Maharashtra,” Srinivasan Santhanam, revealed the importance of offering a full range of services including remittances, savings, credit, insurance and mutual funds. R. Bhaskaran, CEO, Indian Institute of Banking Finance, said that it was important for the RBI to come out with guidelines to distinguish the roles of companies and banks in this model.

S.V.S. Anjanayelu, Head of Crop Excellence at Bayer Crop Science, said that while the model presented an opportunity there are also some challenges in making a success of it. These included the development of a cost-effective and technology-driven model. Also, he said the selection and monitoring of BCs themselves would be crucial to the success of this model. Companies that introduce this will also have to look at how this can be sustainable and scalable and banks need to work on how this can be a profitable model.

Overall, the discussion of alternative models seems to show that the microfinance sector might be willing to look past the traditional group loan model to further the mission of financial inclusion.

## Lending Responsibly

Against the grim background, lending in a responsible manner was a recurrent theme that found its way into many discussions—both on and off the main stage.

One crucial step in ensuring that MFIs screen clients well and avoid multiple lending is the creation of the credit bureau. The International Finance Corporation

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(IFC) is working with MFIN to roll out the credit bureau, and several MFIs have already shared client data. According to MFIN, the credit bureau could be ready as early as next year with data for more than 30 million clients.

In Ecuador, the setting up of a credit bureau led to defaults reducing by 2% and 90% inquiries to the bureau resulted in useful information to MFIs, according to Milton Cevallos, an expert on unit development and product marketing manager at Red Financiero Rural (RFR).

Speakers said that the coming of the credit bureau could help MFIs to accurately evaluate risks and assess an applicant's total indebtedness. Some also said it was important to have a system of credit scoring so that they could prioritise potential clients. They also said that the credit bureau will have a positive impact on the economy because it will empower poor clients to access a range of financial products and services.

An internal study conducted by ACCESS Development Services found that borrowers took as many as 5- 20 MFI loans at a time without necessarily having the ability to repay. A credit bureau could help reduce such high incidence of multiple borrowing and over indebtedness.

Some of the speakers warned that while a credit bureau can provide a valid record of credit histories of clients it can only be a tool to improve lending practices and not be a panacea for everything. They cautioned that it would work well only if there is good regulation to ensure good practices.

Another method that MFIs are looking at to strengthen lending practices is measuring social impact. Currently, most MFIs only measure their impact by the amount of loans extended as well as how many clients are being reached. But, as N. Srinivasan, author of the State of the Sector report, said at the first plenary session, many MFIs are confusing outreach with real impact.

Frances Sinha, Managing Director, EDA Rural Systems, presented the findings of a survey conducted by M-CRIL on how Indian MFIs are doing on social performance. It found that directors on the boards of Indian MFIs did not track social performance, underscoring the need for a separate team for this.

She also said that while MFIs have increased their efficiency, this has not translated to a lowering of interest rates. MFIs also lack transparency and do not disclose all fees and interest being charged to a client in a transparent manner.

Ujjivan is one MFI that has been measuring social impact assessment with positive results. "If you have a mission and you don't measure it, it doesn't make sense," Samit Ghosh, CEO of Ujjivan said. He said that a pilot survey had found that



Samit Ghosh, CEO of Ujjivan

Ujjivan's clients were not only satisfied but have improved their living standards. They used the survey results to introduce products that borrowers said they wanted. They introduced an insurance product for the client and spouse, education loans for the urban poor and other customised products for third cycle clients.

During the session on Social Performance Management: Seeking Double Bottom Line Impact, the need for social performance management and some of the tools that measure it were discussed. These included the Progress out of Poverty Index (PPI) developed by the Grameen Foundation's Social Performance Management Centre and another indicator developed by the Social Performance Task Force that measures social performance using multiple indicators including governance for social performance, the range of products, staff training on social performance management, assessing client poverty, staff incentives, market research and social responsibility.



## Inaugural Session

**Welcome Address:** Brij Mohan, Chairman, ACCESS Development Services

**Special Addresses:** Pieter Bult, Deputy Country Director, UNDP India

U.C. Sarangi, Chairman, National Bank for Agriculture and Rural Development (NABARD)

**Keynote Addresses:** R. Gopalan, Secretary, Department of Financial Services, Government of India

Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister

The inaugural session of the 2010 Microfinance India Summit was an occasion to take stock of what the industry had achieved and to collectively decide on the road map for the future. While there is a growing realization that the industry has achieved a certain scale it now needs to leverage this to reach out to more people at the Bottom of the Pyramid and put its house in order to lend more responsibly to them.



Left to right: U.C. Sarangi, Chairman (NABARD), Pieter Bult, Deputy Country Director, UNDP India, Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister, R. Gopalan, Secretary, Department of Financial Services, Government of India

There are now more than 100 million microfinance clients in India, according to this year's State of the Sector report and they have received loans worth several billion dollars. But as the industry has grown in scale, "there is less of a premium on doing good and more on doing well," said Brij Mohan, Chairman, ACCESS Development Services.

Maintaining this equilibrium is particularly important for the industry because the receiver of the loan is poor and the giver is increasingly a profit making entity. When the industry was smaller its Return on Assets (RoA) and Portfolio at Risk (PAR) were both low and the transaction cost was high. Since private equity and bank money started flowing in to the sector, in 2008, this situation reversed. Now, RoAs in India could go up to 5% while the global norm is 1.5%. Transaction costs have reduced with scale but the benefits of this have not been passed on to the consumer. The industry needs to guard against these issues and remain aligned with the financial inclusion agenda of the government.

MFIs play a particularly important role in financial inclusion because current criteria for the bankable exclude a substantial number of people. For instance, NSSO data shows that 45.9 million farmer households do not have formal credit. Just 27% farmers have loans from the formal sector. So, banks, SHGs and MFIs need to be more sensitive to the needs of farmers and provide advice



Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister

and services beyond just credit. For this to happen effectively the SHG and BC models need to be strengthened so that they can reach out to more people, give out larger loans, across larger parts of India.

MFIs also need to be more transparent on interest rates and ensure that they follow sensible collection practices and do not do multiple lending. Both SHGs and

MFIs need to reduce lending for consumption purposes. For SHGs, consumption loans could form as much as half of the loan portfolio, according to some estimates. Along with this, participants also underscored the need for investment in the Bottom of the Pyramid and access to financial services, which is among the most important means of lifting the poor out of poverty.

The highlight of the session was the release of the State of the Sector Report 2010, an annual study brought out by the Microfinance India platform. Given the diversity of models and methodologies, this initiative supports an in-depth, well-researched and well-analyzed document that cohesively traces the state of the sector year to year. The report intends to highlight and present perspectives on current issues and document new interest, investments and innovations in the sector. It also identifies existing knowledge gaps that require further research, statistical efforts, and empirical backing. In the past four years the State of the Sector has been considered one of the most useful reference document for microfinance India both within and outside the country. The report has been among the five most downloaded sector documents worldwide as per CGAP Microfinance Gateway

#### Key Takeaways:

- MFIs need to offer a range of advisory and financial services to clients other than just credit
- They should pass on the benefits to reduced transaction costs to borrowers
- The SHG and BC models need to be strengthened
- MFIs need to focus on social performance along with operational and financial performance
- SHGs and MFIs need to reduce lending for consumption needs

## The State of the Sector: The Crests and Troughs

**Moderator:** Indrajit Gupta, Editor, Forbes India

**Lead Presenter:** N. Srinivasan, Author, State of the Sector report

**Discussants:** K.V. Eapen, Joint Secretary, (Banking Administration)

Department of Financial Services, Government of India

Shadab Rizvi, In- Charge, Microfinance Business Unit, Darashaw & Company

Justin Oliver, Executive Director, Centre for Microfinance at IFMR

David Gibbons, Founder and Chairman, CASHPOR Microcredit

Discussion at this panel centered around the just released State of the Sector report. The report, which is released at the conference every year, is a barometer for emerging trends, problems and growth areas for the industry. The State of the Sector 2010 indicates abated growth compared to previous years. The sector grew at 18% in 2009- 10. But this growth came by focusing on outreach rather than the deepening of service offerings and this needs to be corrected.



Left to right: Shadab Rizvi, Head, Microfinance Business Unit, Darashaw & Company, N. Srinivasan, Author, State of the Sector report, Indrajit Gupta, Editor, Forbes India, K.V. Eapen, Joint Secretary, (Banking Administration), Justin Oliver, Executive Director, CMF, IFMR

For instance, the report found that there are enough MFI loans in Andhra Pradesh so that each poor family could have nearly 10 loans. Or that even large villages have 4- 5 MFIs operating there. This has led to growing pockets of multiple lending and over indebtedness as well as unethical practices, including the growth of Ring Leaders. They are members of a group who take attendance and collections but have increasingly started to acquire an extra constitutional status. They may sign up members for others MFIs, up loan sizes etc, leading to increased multiple lending.

“Coming up with a loan amount and dividing it by 52 weeks is easy; taking livelihoods into consideration is hard,” said N Srinivasan, author of the report. MFIs need to link credit with livelihood programmes and offer a range of financial services to clients.

The inability to do this may have led to the Andhra ordinance. Such state regulations have come up because the nature of the industry has changed from non profit to increasingly NBFC. While many MFIs started out as trusts or non profit companies, they are now NBFCs. So, they are not regulated by the charity

<sup>2</sup>Chapters of the book are posted on Roodman’s blog for readers comments. [http://blogs.cgdev.org/open\\_book/](http://blogs.cgdev.org/open_book/)

commissioners and other such regulators. But they are also not typical NBFCs because they are social businesses.



David Gibbons, Founder and Chairman, CASHPOR Microcredit

That is the reason state governments have come up with ad hoc regulations to deal with the meteoric growth of the industry. For instance, in Kerala, MFIs are regulated under the state's money lending regulation. There is a need for a national regulation that will monitor MFIs and also ward off unnecessary state legislation.

Participants also discussed the grim state of affairs in the microfinance sector. "It's a sad day for microfinance," said David Gibbons, Founder and Chairman of CASHPOR Microfinance. "I've always been proud to say I'm doing microfinance. In the early days, nobody knew what it was, and I was happy to explain what we were trying to do. Now when people ask, I feel embarrassed. And I feel like hiding somewhere. I often say, I must admit, I'm just retired. So this is the sorry state of the sector today. So far we have fallen."

Regulations and market situations have already caused the growth to slowdown and this trend could continue in the future. MFIs need to consolidate rather than look for high growth now. The sector also needs investors who accept a lower growth phase and be patient about seeing profits immediately. MFIs themselves should use the crisis as an opportunity to reconsider their practices and learn from their mistakes.

#### Key Takeaways:

- MFIs overtook SHGs in total outstanding loans for the first time this past year
- There is a need for a national regulation for the microfinance sector
- The growth of the sector has moderated and is likely to remain moderate over the next financial year
- In view of the moderated growth, MFIs should look to consolidate and improve management and collection practices
- There is a need for prudential regulation to screen investors and attract patient capital

## Rethinking Development and Microfinance: Changing Paradigms

**Moderator:** Steve Rasmussen, Head, Technology Program, Consultative Group to Assist the Poor (CGAP)

**Lead Presenter:** David Roodman, Senior Fellow, Centre for Global Development

**Discussants:** Rajiv Lall, Managing Director and Chief Executive Officer, Infrastructure Development Finance Company (IDFC) and Co- Founder, Lok Capital, Sam Daley Harris, Director, Microcredit Summit Campaign  
Vijay Mahajan, Chairman, BASIX India and President, MFIN

The research findings of David Roodman, a senior fellow at the Center for Global Development, formed the basis of discussion at this panel. Roodman is writing a book on the issue of development and microfinance and has been writing on the recent crisis in Andhra Pradesh<sup>2</sup>. He laid out three globally accepted ideas of success as defined in the development sector, namely, direct impact on poverty alleviation, development as freedom and development as industry building. In his research, he has found that microfinance fails to give clear indication on fulfilling the first two accounts but rates high on the third. There is no other example in the development sphere of social investment, foreign aid and philanthropy helping build business like institutions which challenge the economic status quo. But the challenge is to decide when is growth development, in the Shumpeterian sense of enriching the economic fabric. The notion of the limits is very important in microfinance because it is a means for millions of poor people to manage their money but should be used for specific purpose and in moderation.



Left to right: Steve Rasmussen, Head, Technology Program, CGAP, Vijay Mahajan, Chairman, BASIX India and President, MFIN, Rajiv Lall, Managing Director and CEO, Infrastructure Development Finance Company (IDFC) and Co- founder, Lok Capital

“We’re likely to do the most good if we let microfinance do what it does best: help millions of people gain more control over their finances,” he said. “Credit can be useful in moderation. “It’s like a prescription drugs. Just enough is good. It can be addictive.”

More credit is not necessarily better because borrowers may take it irrespective of whether they can pay back or not. This can lead to over indebtedness. That is why credit is not like any other product where increased supply would lead to a

reduction in prices. So, there has not really been a reduction in rates though the number of microfinance players has increased.



David Roodman, Senior Fellow, Centre for Global Development

Similarly, although India has the largest bank network of any country, there are still millions of households with no access to the financial system. That maybe because there are many players in the market and most compete in the same space rather than try to deepen the market.

A consensus among panelists seemed to be that the sector can learn and emerge differently from this crisis. But for this the sector needs to decide what its mission is and then work towards achieving it. It could be giving each and every person in India a bank account or the alleviation of poverty, or even something completely different but the entire industry then has to move in that direction.

Vijay Mahajan, Founder, BASIX spoke about the need for Microfinance version 5.0 which incorporates all the good elements of the preceding versions. The new version needs the adaptability of a moneylender, member run ownership and peer contribution factor characterised by the credit cooperative institutions and the sustainability, scale and accessibility to new capital market exhibited by the MFI model. The closest physical manifestation of such a model could be a SHG based business correspondent model.

Discussants spelt out the major challenges in delivery of public services to the last mile. Disenchantment with the government delivery of public services led to scalable business model of MFIs but we need to decide whether financial services are utilities or profit maximizing commodities. The traditional concepts of maximization of shareholder's interests may not be applicable in this sector. Financial services can be run on a for-profit basis but requires regulation.

There are lessons to be learned from the environment micro finance now operates in. The current refusal by borrowers to repay and governments' support for this has soured the credit culture and has made the operating environment unsustainable for MFIs. To counter some of this, MFIs will need to move away from the reliance on credit and move to linking credit with livelihoods.



### Key Takeaways:

- The sector needs to define what has worked and decide on a fair business model
- It needs to decide what its mission is and move in that direction
- Credit is good in moderation and excess credit can cause over indebtedness because it is hard to know when that limit is reached
- The greatest benefit of micro credit is that it helps people gain control over their finances

## The State and the Sector: Locating the Fault Lines

**Moderator:** N. Srinivasan, Author, State of the Sector Report

**Discussants:** Brij Mohan, Chairman, ACCESS Development Services

N. K. Maini, Deputy Managing Director, SIDBI

Alok Prasad, Chief Executive Officer, MFIN, India

Aloysius Fernandez, Member Secretary, MYRADA, & Chairperson, NABFINS

With the microfinance industry reeling under the impact of the new ordinance in Andhra Pradesh, this panel presented an opportunity to discuss the impact of the ordinance on the industry, what caused it and how the sector can emerge from the current crisis.



Left to right: Alok Prasad, Chief Executive Officer, MFIN, India, Brij Mohan, Chairman, ACCESS Development Services, N. Srinivasan, Author, State of the Sector Report

Defining the fault lines, Aloysius Fernandez pointed out that there was a dichotomy in the way the Indian economy has transitioned and integrated in a systematic manner with the world economy and the way in which the microfinance sector has developed without regulation from the Central government. The Government has thus far considered soft regulation, mostly prescribed prudential norms. The second fault line is in models. There is no clear indication about what is a SHG.

On October 15, 2010, the Andhra Pradesh Government passed an ordinance saying MFIs need to be registered with a government agency, which can revoke their registration in case of a complaint. They have to specify their area of operation and interest rate, which cannot exceed the principal amount. Loan recoveries can only be made by staff members with identity cards in public places. Second loans cannot be given without the first being repaid.

This ordinance came in the light of several alleged incidents of suicides by borrowers because of forced recoveries. This led to increased non repayment to MFIs in Andhra.

Several MFIs from Andhra could not make it for the conference because they are facing repayment problems. They are also moving to a monthly repayment cycle, in accordance with the new ordinance and are said to be facing some harassment from government officials. This repayment crisis has also meant that banks have cut down on lending to MFIs.

SIDBI has set up a lenders forum, which looks at cash flows of MFIs. It helps to ease cash disbursements when there are bottlenecks.



N. K. Maini, Deputy Managing Director, SIDBI

Apart from this, the panel was also a platform to talk about practices that had crept in to the functioning of MFIs that led to the stand off with the state government and the repayment crisis. Participants said that over the last few years short term equity investors fueled the growth of the sector. But their expectations of high returns and quick exits may have led to business practices that prioritized

investor returns over client convenience. For instance, it led to Indian MFIs having RoAs of 5- 7% compared to the global norm of 1.5- 1.8%. Or that the industry did not develop a range of loan products to meet client needs and is over dependent on a single product.

Also, the involvement of communities has reduced in both SHGs and MFIs.

The industry now needs to correct some of these practices, train its staff on better management and collection practices, and increase community involvement. Some of these are already underway, including the setting up of a credit bureau, MFIs' code of conduct and a training programme for trainers at IIM Ahmedabad.

### Key Takeaways:

- Proposed regulation should find a balance between the freedom to pursue business according to the basic laws of microfinance and customer protection
- Strengthen collection and management practices at the field level
- Slowdown in bank disbursements to MFIs has adversely affected the sector and lenders need to show more confidence in MFIs who are taking corrective measures

<sup>3</sup>Source: APMAS report on SHGs

## Financial Inclusion: Plans and Perspectives of FFIs

**Moderator:** Sandip Ghose, Regional Director, Reserve Bank of India

**Presenters:** Gobinda Banerjee, General Manager, Punjab National Bank

S. C. Kalia, Executive Director, Union Bank of India

Rakesh Sharma, General Manager (Network III), State Bank of India

Anil Kaul, General Manager, ICICI Bank

**Discussant:** R. Bhaskaran, Chief Executive Officer, Indian Institute of Banking and Finance

With the Reserve Bank of India's deadline of ensuring banking presence in every village with a population of 2,000 or more coming up in March 2012, bank representatives discussed their respective plans to meet this. They said that this financial inclusion agenda is not just being implemented because it is an RBI guideline but because it is a business opportunity for them. For instance, State Bank of India has increased its market share in rural India since it increased its presence there.

To provide banking services in rural India while keeping costs low for clients has meant that banks are looking at new technologies to deliver financial products to rural India. For instance, SBI has a mobile-based remittance facility and Union Bank has a biometric card based remittance product for some corridors where migration is high. Punjab National Bank is also running 39 pilots to give out microfinance loans through BCs.

While banks have set target for the number of no frills accounts etc that they need to open, they face several challenges in expanding their presence in rural India. One of the major problems is the strict KYC norms. Microfinance clients often do not have the required documentation to open an account. The coming of UID could be a game changer in this regard.

Also, the agenda of state governments sometimes clashes with central government or RBI plans making it harder for banks to follow RBI guidelines.

While several banks are looking to expand their BC network, getting well trained and inexpensive BCs is getting increasingly difficult. And as a growing number of banks and companies look to adopt the model, attrition rates for BCs are rising.

Also, while MFIs have a growing presence in rural India, banks need to meet the need for savings products and help develop a savings culture. The lack of reliable savings products often means the rural poor have to deplete most of their savings or take loans in case of medical emergencies etc.

R. Bhaskaran, Chief Executive of the Indian Institute of Banking and Finance, said that while banks are trying several innovations to bring a range of financial products to the rural poor they need to think of the client's convenience and affordability while devising such products.

### Key Takeaways:

- Several new innovations are currently being piloted to extend the reach of banks in to rural areas
- There is a need not only for credit but also remittance, savings, insurance and other financial products in these areas
- Banks need to understand the budgets and mind sets of the rural poor and design financial products that will work for them

## Self Help Groups: Need for a New Surge

**Chair:** Y.C. Nanda, Chairman, Agricultural Finance Corporation

**Presenters:** C.S. Reddy, Chief Executive officer, APMAS

Shaheel Rafique, Implementation Support Officer, IFAD India

**Discussants:** S.L. Kumbhare, Chief General Manager, NABARD

K. R. Mohanty, General Manager, Network I, State Bank of India

Kalpna Sankar, Chief Executive Officer, Hand in Hand

Aloysius Fernandez, Member Secretary, MYRADA and Chairperson, NABFINS



Left to right: S.L. Kumbhare, Chief General Manager, NABARD, C.S. Reddy, Chief Executive Officer, APMAS, Y.C. Nanda, Chairman, Agricultural Finance Corporation

The backdrop for the session were findings from the State of the Sector Report indicating that SHG growth has slowed and that MFIs are now growing faster than SHGs. A range of representatives from the sector talked about how to get back on the growth track and also get closer to its mission of being community based organisations.

The reasons for the slowing in growth of the SHG movement could be seen in some of the findings of a report on the sector, conducted by APMAS. The study showed that one million SHGs in the country do not have bank accounts and two million do not have active loans. While there is a savings element to SHGs as well, members also expect to get loans when they join SHGs and if such large numbers of groups are unable to get loans they may then move to MFIs etc, abating the growth of the channel.

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The growth of MFIs has made it harder for SHGs to maintain their emphasis on savings and community building. This is because while it may take months of savings to access a loan in an SHG, a borrower could get a MFI loan as soon as they join.

The State of the Sector report also indicated that while the per capita SHG loan size is Rs 4450, the per capita loan size for MFI loans is Rs 6060. This may help meet the business needs of borrowers and encourage the move towards MFIs.

APMAS' Chief Executive, C. S. Reddy said "We forget the importance of savings. If we want empowerment, we need to emphasise savings and de-emphasize loans."



Aloysius Fernandez, Member Secretary, MYRADA and Chairperson, NABFINS

SHGs have also suffered because they do not have the same community strength that they had in their early years. Now, while the movement is associated with women, of the 7 million SHGs in the country, just 5.3 million have only women. The rest have men or both men and women.

SHGs are looking at several innovative ways to do business, including some pilots that involve using post offices. While the movement started in the south and 63% SHG loans are still given in the south<sup>3</sup>, the movement is spreading elsewhere too. Bank of Baroda is currently running pilots to start SHGs in Rajasthan.

### Key Takeaways:

- There is a need to increase loan sizes so that business needs of borrowers are met
- The movement will need to develop effective models to grow in urban areas
- The proportion of loans given for consumption needs to be reduced
- The movement should be more evenly spread nationwide rather than be concentrated in the south
- There is a need to innovate and come up with a range of savings products

## Growth and Governance: Pulls and Pressures

**Moderator:** Gregory Chen, Regional Representative for South Asia, CGAP

**Discussants:** Bharti Gupta Ramola, Head, Deals Practice,  
Pricewaterhouse Coopers India

Vineet Rai, Managing Director, Aavishkaar Venture Management Services

P.N. Vasudevan, Managing Director, Equitas Microfinance India Pvt Ltd

Joseph Silvanus, Regional Head, Development Organizations,  
Standard Chartered Bank

Francois Debiesse, Senior Consultant in Microfinance and Philanthropy,  
BNP Paribas

Vijaylakshmi Das, Chief Executive Officer, Ananya Finance for Inclusive Growth



Left to right: Francois Debiesse, Senior Consultant in Microfinance and Philanthropy, BNP Paribas, Joseph Silvanus, Regional Head, Development Organizations, Standard Chartered Bank, P.N. Vasudevan, Managing Director, Equitas Microfinance India Pvt Ltd, Vineet Rai, Managing Director, Aavishkaar Venture Management Services

The over arching idea throughout this session was that governance is more than just the activities of the board of directors. All aspects of the way an organisation is run qualify as governance and organizations need to think about and embed good governance in their organisational structure irrespective of the stage of growth.

For instance, P.N. Vasudevan, Managing Director, Equitas, said that he had informed investors right at the beginning what sort of growth trajectory he was looking at, what RoEs and RoAs this would lead to and what returns they should expect. Governance has to be in an organisation's DNA. "If someone says that "I just started up so I can't afford to have good governance now, that day will never come," Vasudevan said.

It is important for MFIs to maintain transparency on rates, wages and their mission. For instance, Vasudevan's salary is part of a presentation that all new hires receive as part of their orientation. Adopting such measures means that investors, employees and lenders know the organization they are part of and do not expect higher growth or other goals.

In the absence of external regulation MFIs operate independently, which means they have the primary responsibility to not only be ethical but also be seen as ethical. MFIs should also look at microfinance as a social activity with business as a by product rather than a business activity.



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Apart from this, governance also comes from the board, minority shareholders, investors, lenders and political parties. Investors at the session said that they try to enforce good lending practices but given that organizations have the best visibility on their functioning, the investor would have to go by what the MFI says. But others said that lenders and investors need to play a proactive role and look at social performance and governance issues while investing in an MFI.



Left to right: Gregory Chen, Regional Representative for South Asia, CGAP, Bharti Gupta Ramola, Head, Deals Practice, Pricewaterhouse Coopers India, Vijaylakshmi Das, Chief Executive Officer, Ananya Finance for Inclusive Growth

Good governance is also about maintaining a balance between financial performance and social outreach. Just going for financial growth can cause both governance and other problems for an MFI.

While MFIs should internalize and follow all of these good practices, there is a need for a national regulation to enforce this so that erring MFIs can be held accountable for any transgressions. “I can’t imagine another sector in another country like this not having regulation,” said Bharati Gupta Ramola, Co-Founder, BASIX. Remove microfinance.

**Key Takeaways:**

- Good governance is not limited to the board of directors, but should be implemented at every level within the organization, such as, the investors, shareholders, lenders and industry associations. Transparency is the key to good governance
- Good governance is a constant balancing act between social outreach and financial sustainability

## Responsible Finance: How Committed is the Sector

**Moderator:** Rohini Nilekani, Chairperson, Arghyam

**Discussants:** Chuck Waterfield, Chief Executive Officer, MF Transparency  
Jennifer Isern, Regional Business Line Leader, Access to Finance Advisory, South Asia, International Finance Corporation

Shubhashis Gangopadhyay, Research Director, India Development Foundation

Isabelle Barres, Director, SMART Campaign, ACCION

Moumita Sen Sharma, Vice Chair, CAHPOR Microcredit

Jayshree Vyas, Managing Director, SEWA Bank and Chairperson, Sa- Dhan



Left to right: Jayshree Vyas, Managing Director, SEWA Bank and Chairperson, Sa- Dhan, Moumita Sen Sharma, Vice Chairman, CAHPOR Microcredit, Shubhashis Gangopadhyay, Research Director, India Development Foundation, Chuck Waterfield, CEO, MF Transparency, Rohini Nilekani, Chairperson, Arghyam, Jennifer Isern, Regional Business Line Leader, Access to Finance Advisory, South Asia, IFC, Isabelle Barres, Director, SMART Campaign, ACCION

The lending practices of MFIs have come increasingly under scrutiny with concomitant news of widespread defaults which have damaged the foundation of the sector. At this panel, participants talked about the role of various stakeholders, including banks, MFIs, lenders and academics, where they faltered and how they can now help encourage lending that is transparent and affordable for the client and at the same time sustainable for the micro finance industry.

As the industry grew, there was an incorrect impression in the industry that the poor need access to finance and are relatively insensitive to interest rates. This meant that MFIs were breaking even in a couple of years of operations compared to six or seven years, a few years ago. A study by EDA showed that 20 MFIs showed

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RoEs of 20% or more. While operating expenditure has gone down as the industry grew and adopted more technology, yields have not gone down, the EDA study showed. Also, there is no competition on prices because MFIs do not disclose the effective rate of interest charged on a common platform.

Such competition on prices is essential and will come as there is increased transparency about interest rates charged. The current crisis has led to an increased awareness of and interest in transparent pricing and other responsible lending practices among MFIs. More than 80 MFIs have signed up with Micro Finance Transparency to clearly label and explain interest rates to their clients and others. Several have also shared client data with the soon to be operational credit bureau.

Governments and industry bodies also have a role in ensuring this because as a service provider the MFI may not be best placed to create client awareness. They can, for instance, create help lines where borrowers in distress can call and lodge complaints against MFIs. But governments should try to reform the sector without shutting down or hurting a service that is essential for the poor.

Lenders and banks also play an important role in enforcing responsible lending and should ensure that MFIs follow good practices while lending to them.

The industry also needs to use the current repayment crisis to reflect on some of its lending practices and reform them.

Jayshree Vyas, MD of SEWA Bank said “NPAs for MFIs are low because the poor are sincere at paying back and MFIs should pass on the benefit of that to them rather than increase their own profits. Profits should also be ploughed back in to helping the poor rather than to provide higher returns to investors.”

### Key Takeaways:

- Some responsible lending practices got eschewed as the sector grew exponentially
- The current crisis is an opportunity to correct some of those practices, to help those MFIs who are acting responsibly and steer the MFIs that do not in the right direction
- The government needs to reform the sector without hurting a service that is essential for the poor
- Transparency in pricing is important to ensure there is competition on price and clients can choose between MFIs
- Banks and lenders need to ensure that the MFIs they lend to follow responsible lending practices
- MFIs need to pass along the benefits of reduced operational costs to clients

## Key Takeways of Breakout Sessions

### Social Performance Management: Seeking Double Bottom Line Impact

Measuring social impact, instead of just the traditional financial and outreach indicators has become an important issue for MFIs. Many new tools for measuring this impact have been developed, and this session served as a way to introduce them.

In this session, Micol Pistelli, Manager, Social Performance Program, MIX, joined Aditya Bhandari, Manager – India Investment Portfolio, IncoFin, Laura Foose, Coordinator, Social Performance Task Force & Partner, Alternative Credit Technologies, Frances Sinha, Director, EDA Rural Systems; Samit Ghosh, Founder and CEO, Ujjivan Financial Services; and Jeff Toohig, Deputy Director, Social Performance Management Centre, Grameen Foundation.

The variegated SPM tools created to measure and implement the mandate are difficult to analyze within a single, unified framework. MIX introduced social performance data on their website a few weeks earlier. The site allows users to compare MFIs by financial data and now social performance data.



Left to right: Frances Sinha, Director, EDA Rural Systems, Jeff Toohig, Deputy Director, Social Performance Management Centre, Grameen Foundation, Laura Foose, Coordinator, SPTF

Frances Sinha, Managing Director, EDA Rural Systems, talked about M-CRIL’s current outreach of the program: 52 MFIs in 14 countries with 21 in India. The ratings are based on systems, responsibility, outreach and quality of services.

Measuring social data is in line with the original social mission of microfinance, and measuring the data is an important part of reaffirming that mission. This data can also serve as important

indicator to provide associated services to promote financial inclusion and poverty alleviation. “Microfinance itself is not enough; you have to do other things as well,” said Samit Ghosh, CEO of Ujjivan Microfinance.

One of the recently developed tools is the Grameen Foundation’s Progress out of Poverty Index and the new certification process that was rolled out earlier this fall. The certification will allow the foundation to develop a critical mass of users and then develop a way to benchmark those users. Organisations can also use the certification to approach investors.

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### Key Takeaways:

- Measuring social impact is important to the core mission of microfinance
- Many tools have developed recently to measure the impact
- Quantifiable database will help MFIs develop better products for their customers

### Credit Bureau for Indian Microfinance: Value and Viability

The possible creation of a credit bureau and how that would improve operations was a common theme throughout the summit, but this breakaway session focused on what the credit bureau should look like.

The session was moderated by Colin Raymond, Principal Operations Officer, Global Financial Markets Department, International Finance Corporation.



Left to right: Milton Cevallos, Expert, Unit Development, Product Marketing Manager, Red Financiera Rural, Colin Raymond, Principal Operations Officer, Global Financial Markets Department, IFC, Shubankar Sen Gupta, Managing Director, Arohan, Arun Thukral, Managing Director, CIBIL

Milton Cevallos, Expert on Unit Development, Product Marketing Manager, Red Financiera Rural

(RFR), Ecuador, presented the challenges and successes of setting up a microfinance credit bureau in Ecuador. The industry in Ecuador shows an improvement in repayment and a decrease in defaults.

Subhankar Sengupta, Member MFIN and Managing Director, Arohan, shared the progress of their work with Credit Bureau “High Mark” and expressed his hope that it would roll out in January.

P.R. Vishwanathan, Consultant, ACCESS, highlighted the feasibility study conducted by ACCESS in alliance with Omidyar Network and IFC for establishing a credit bureau in India.

The panel decided that a credit bureau is needed to decrease information asymmetries, allow lenders to accurately evaluate risks and allow lenders to calculate borrower capacity. All of this would have positive economic effects.

### Key Takeaways:

- International experience shows that the establishment of a credit bureau reduced default rates
- A credit bureau is one tool but cannot solve all the industry’s problems

## Risks in Microfinance: Current Environment and Mitigation Strategies



Left to right: Ajay Verma, Founding Member & CEO, Sahayata Microfinance, Royston Braganza, CEO, Grameen Capital India, Manoj Sharma, Director - Asia, MicroSave, Prashant Thakker, Director & Global Business Head, Microfinance, Standard Chartered Bank, Alok Misra, Director, M-CRIL, Lakshmi Shyam-Sunder, Director, Corporate Risk, IFC, C. S. Ghosh, Chairman & Managing Director, Bandhan

With increasing emphasis on Government and self-regulation of the sector and responsible lending an associated facet is to address the congenital risks in microfinance. Participants primarily discussed on how the repayment crisis in some regions had underscored several risks in the business practices of MFIs that need to be mitigated.

Chandrashekhar Ghosh, CEO of Bandhan, said that MFIs need to build capacity of the staff, teach them soft skills to deal with crises. “Risk is a part of life that you cannot avoid. You have to deal with it at the ground level,” he said. Also, while MFIs grow they should not lose their focus on the borrower. He said that when Bandhan moved from non profit to for profit they created a structure to ensure that 5% profits went to the non profit, where they are used for welfare programs.

He also said that while technology has a role it cannot replace the crucial role of the field officers and their interactions with the borrowers play. Alok Misra, of M-CRIL, also said that the reduction in operating expenditure had come mostly by increasing the case load on field officers.

There is also a need to develop a range of products and reduce the dependence on a single product. MFIs need to look at client needs and create products that fulfill their needs.

Royston Braganza, CEO of Grameen Capital, said that there is a need to help small MFIs access capital so that the market has a range of organisations catering to borrowers. He also said that there is a need to develop domestic equity as a form of investment for MFIs.

Several panelists emphasized the need to strengthen client relationships, social performance management and manage political risk.

### Key Takeaways:

- Risks are an inevitable feature of a sector exhibiting rapid growth, rising competition and integration with the mainstream sector
- There is a need to strengthen client relationships, social performance management and manage political risk



## Promotion of Community Based MFIs: Costs and Sustainability

In response to the growing movement to convert community-based federations to MFIs, a breakout session moderated by Sitaramachandra Machiraju, Extended Term Consultant, World Bank, analyzed the current business models adopted by federations, their organizational structure and operational performance

Ajay Tankha and Girija Srinivasan presented keyresults from their study that examined current federations and the social investment needed for their development.

The study found that the average cost per SHG is Rs. 19,676. The study further analyzed the factors affecting the sustainability of the SHG federations and the contributory factors across scale and type of model with suggestions for the policy makers.



Left to right: Girija Srinivasan, Independent Consultant, Author of the study, Iris Van Der Velden, Rabobank Foundation, Kalpana Pant, Joint Director, Chaitanya, Ajay Tankha, Independent Consultant, Author of the study

### Key Takeaways:

- NGO-promoted structures tend to be more process oriented
- Banks do not lend to community-based MFIs because they donot have confidence in their governance structures

## Financial Services for Migrant Workers: Availability and Affordability

Migrants usually live transitory lives without identification papers and as result are cut out of the financial system. But their need for access to financial services including, but not limited to, remittances is great.

One of the key issues that came up in the session was that there is lack of services and products which cater to this section primarily because of the lack of understanding of the needs and requirements of such clients. "We do not have enough understanding of migrants to be able to lend to them," said Anil Kaul, General Manager, ICICI bank. Referring to the IFMR study, he said that most migrants prefer to use banks to transfer money and there is a strong business case for providing this service considering the huge migrant population in India.

Justin Oliver, Executive Director, Center for Microfinance, presented the findings of a study conducted by CMF on the need for financial services for migrants. The study found that there are approximately 100 million domestic migrants in India with limited or no access to banks or other traditional means of remitting money.

The greatest need in this market is an affordable and safe solution for remitting money domestically. He said that migrants could save several thousand crores if transaction costs for remitting money home reduced by a few percent. This is also a viable business opportunity for domestic remittance service operators.



Rajiv Khandelwal, Founder, Aajeevika Bureau

Rajiv Khandelwal, founder of Aajeevika Bureau, explained the most pressing problems they face while working with migrants is that they work with the most vulnerable and unskilled section of the migrant workers, this sub-section is highly stratified, thus, requires a range of financial services at various points of the migration

cycle and this section is currently shut out of the formal financial system due to lack of identity proof and unstable occupational structure.

Ajeevika Bureau works with last mile migrants from Rajasthan and Gujrat to provide integrated financial services including health, insurance, pension to this section of the population. Abhishek Sinha, founder of EKO Financial Services, pointed out that as banking correspondents for ICICI and SBI, EKO does 8-10,000 transactions worth 5-7 crore in a day. This underlines the huge unmet demand for real time transfer of money by migrant workers. He praised the setting up of the National Payments Corporation of India by RBI as an umbrella institution for all retail payment systems in the country. Highlighting some limitations he said given the lack of prudential norms and regulation it is difficult to access long term capital investment or to achieve economies of scale to develop sustainable models.

#### Key Takeaways:

- Migrants are highly stratified and require a canopy of financial services, viz., savings, credit, insurance and mechanism for transfer of welfare benefits
- There is a need for regulators to keep in mind the unique needs of migrants
- UID could help provide the documentation migrants need to access the financial system

## Corporates as Business Correspondents: Value Propositions for Both Sides

Based on the recommendations of the Internal Working Group in 2005, RBI laid down the eligibility criteria and roles of BC/BF. Subsequent notifications expanded the scope and viability of the Banking Correspondent (BC)/Business Facilitator (BF) model.

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This breakout session centered on the revised guidelines issued by the RBI in September 2010 allowing companies registered under the Indian Companies Act, 1956, excluding Non Banking Financial Companies (NBFCs) as BCs.

The session was moderated by R. Bhaskaran, CEO, Indian Institute of Banking Finance. The other panelist included S. V. S. Anjaneyulu, Head Business Excellence, Bayer Crop Science; A.S. Sundaresan, Head of Sales and Distribution – Mobile Services, Bharti Airtel; Rajender Sehgal, and S. A. Deval, Assistant General Manager, Union Bank of India.

The lead presenter for the session was Srinivasan Santhanam, an independent development consultant. Santhanam was part of a study team that conducted a study on the feasibility of engaging corporate retail network as BC. The study was commissioned by the Bill and Melinda Gates Foundation. This study looked at existing BC models, bankers'



Srinivasan Santhanam, Consultant

expectations and concerns, expectations of corporations, different models, cost, revenue and sustainability analysis of BC and risks involved. Santhanam stressed on using a holistic approach to the BC model; they should offer more than just loans but other products such as remittances, savings, insurance and mutual funds.

Responding to the RBI announcement, Bhaskaran said that he welcomed the decision to allow corporates to be BCs but wishes that the RBI had come out with a set of guidelines to distinguish the role of banks and of corporates.

Although the panel was excited about the announcement, they recognised the inherent challenges in implementing the model. Anjaneyulu outlined the challenges he saw: assuring the sustainability and scalability of project, securing the profitability of the model, selecting and monitoring BCs, operational issues such as reconciliations, creating a cost-effective and technology-driven model.

The audience also had some thoughts on the BC model, and the general consensus seemed to be that although the regulatory framework existed, banks aren't making use of it.

### Key Takeaways:

- Many hope RBI will release a set of guidelines for corporates as BCs
- While panelists were encouraged with the announcement, they also saw challenges in sustaining the model

## Microfinance India Awards 2010

As a part of its Microfinance India initiatives, ACCESS Development Services with the support of The Hongkong and Shanghai Banking Corporation in India instituted the Microfinance India Awards in 2009.

As Microfinance in India wades through the rippling effects of the financial crises and the recent policy intervention it seems befitting to honour institutions and individuals that have contributed significantly. The Microfinance India Awards aim to recognize the contribution of notable thought leaders, policy makers, promoters and institutions which help translate the vision of reaching the poorest in a sustainable manner into reality.

The distinguished Jury panel was chaired by Ms. Naina Lal Kidwai, Group General Manager and Country Head, The Hongkong And Shanghai Banking Corporation Limited, India and Malcolm Harper, Professor Emeritus, Cranfield University. The illustrious panel consists of Mr. Rakesh Rewari, Deputy Managing Director, SIDBI, Mr. Vijay Mahajan, Chairman and Managing Director, BASIX Group, Mr. Brij Mohan, Chairman ACCESS Development Services.

The Awards were presented on the inaugural day of the Microfinance India Summit - November 15, 2010 at Hotel Ashok, New Delhi.

Malcolm Harper, of the jury committee, opened the ceremony by saying that being a part of the jury process was refreshing because it reminded him “how many good institutions and people are working in Indian microfinance, and we needn’t be ashamed to be associated with it.”

Harper stressed the difference in deciding the best MFI and any other company. If you were judging an airline, you wouldn’t make the judgment on what the passengers did once they got to their vacation spots. But, he said, an MFI is different.

For that reason, the jury used some quantitative data to narrow down the nominations and then judged them based on qualitative factors: client protection, transparency, etc. The awards for contribution to the sector were based solely on qualitative measures.

### Microfinance India Institution of the Year 2010 (Large MFI): Shri Kshethra Dharmasthala Rural Development Project (SKDRDP)

Shri Kshethra Dharmasthala Rural Development Project, one of the largest MFIs in Karnataka, is an unusual MFI. It is run as a charitable trust and is connected to a well-known temple in southern Karnataka. The trust started out as a means to extend temple funds to the poor and needy and included micro finance among its activities in 1994.

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Now SKDRDP offers a range of products and services to its clients, including shared labour, alcohol de-addiction camps, low interest loans, subsidised crop and housing loans and life and health insurance among others. It now has 12 lakh borrowers and Rs. 860 crore in loans outstanding.

L.H Manjunath, Executive Director of SKDRDP believes SKDRDP's biggest strength is its network in the community it operates in. For instance, they encourage members to work on others farms once a week. "This has created a wealth of more than Rs. 300 crore," he said. "Creation of goodwill in the community is very important and sometimes MFIs miss out on that. If you involve the community you can fight everything."

They use everything they can, including availing government schemes, to help their members. So, they offer a NABARD crop loan at 9% and another government subsidised housing loan for backward castes at 9%. While loan amounts and tenures are decided in consultation with the community, typically loans are given at 15% reducing balance interest rates.

**Microfinance India Institution of the Year 2010 (Small and Medium MFI):  
Arohan**



Arohan Financial Services won the Best Small and Medium MFI. In his acceptance speech, Managing Director, Shubhankar Sengupta, thanked his employees and people who had invested in the growth story of the company. He announced that Arohan would create 200 scholarships worth Rs. 5,000 each for the clients' children.

Arohan is based in Kolkata and operates in three east Indian states. The MFI has an outreach of more than 200,000 clients. Sengupta is a founding member of MFIN and worked for BASIX for eight years before starting Arohan.

The word Arohan means 'progress', 'journey forward', 'going beyond' in Sanskrit. All of these are concepts that Arohan aims to embody.



Looking toward the future, Arohan aims to reach 800,000 customers by March 2012 with a portfolio size of Rs. 5 billion and to reach 2 million customers by 2014 with portfolio of Rs. 15 billion.

### Microfinance India Contribution to the Sector 2010 (Enabling Institution): Friends of Women’s World Banking (FWWB) India

The 1975 International Women’s Conference in Mexico City which brought together like-minded women leaders from across the world culminated into formation of Women’s World Banking (WWB) in 1980. The WWB was created to address the hitherto unmet needs of economically active but poor women’s access to financial services thereby enabling them to engage in productive economic activities. In 1982 Friends of Women’s World Banking, India (FWWB-I) was created as one of the first few affiliates of Women’s World Banking



Throughout the years, FWWB has served as an important support system for MFIs and provides financial and capacity building services to assist organizations working with poor women.

Currently, FWWB works in 17 Indian states, partners with 120 organisations and reached 5 million clients.

### Microfinance India Contribution to the Sector 2010 (Individual): Aloysius P. Fernandez

This year’s winner for individual contribution to the sector, Aloysius Fernandez, has been involved in the development field since 1971. Most recently, he was appointed Chairperson NABARD Financial Services Limited (NABFINS), an NBFC sponsored by NABARD. Fernandez also serves as a member secretary of Myrada, an organisation he ran as Executive Director for nearly three decades, from 1982 to 2009.





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Fernandez pioneered the SHG movement in 1986, and has worked with NABARD to promote the movement since then. In 1992, NABARD started the SHG-Bank Linkage Program.

Fernandez was awarded the Padmashree award by the Government of India in 2000 as well as the Caritas Millennium Award, also in 2000.

### Jury's Special Award for Lifetime Achievement: Ela Bhatt



Although she was not there, Ela Bhatt, the founder of Self Employed Women's Association of India, poignantly reminded the summit of the mission of microfinance. In a speech, emailed from the United States and read out by SEWA bank's Jayshree Vyas, Bhatt spoke of the beginnings of SEWA and the microfinance movement.

She talked of how she started out working with the women's wing of a textile trade unions and then started SEWA in 1972 to encourage economic freedom for women.

Since then SEWA has worked to organise, finance, provide banking services, housing, legal services, childcare and find markets for women across a range of professions including salt workers, garbage collectors, artisans and farmers.

Over the years SEWA has been an inspiration and cradle to many in the microfinance sector. Bhatt also helped set up Women's World Banking and its Indian affiliate, Friends of Women's World Banking, which provided crucial support to many Indian MFIs.

SEWA is now one of the largest trade unions in the country with more than 680,000 members and is run with the participation of its members. Bhatt has always emphasised working with the involvement of women members and designing products and practices with them in mind. Fittingly, in her absence, her award was collected by Vyas and several members of SEWA.

## Thematic Roundtables

### Affordable Housing Finance

Participants talked about developing, the currently fledgling, models for affordable and low income housing at this round table organised by IFC. The IFC's Subrata Dutta said that there was not yet a fully developed understanding of this market but that it would probably not be developed only by the government or private players but both. This market is very rate sensitive and that there is a cost for the right to build. Several payers who are in this market talked about the challenges they faced and how they are dealing with it.

Bala Venkatachalam of the Monitor Group, which is incubating a low income housing company, said a survey they conducted found that there is a pent up demand for housing but that there is no access to finance. This supply of finance is often restricted by the fact that potential home owners may not be in the organised sector and have identification documents etc making it harder for banks to assess income. This means the costs to assess and service these customers is high. He said the urban micro mortgage market will probably be for loans of around Rs. 825,000 and above. Monitor has done a white paper analysing the costs, RoE and RoAs for this market.

Anoop Kaul, Head of Financial Inclusion at the BASIX Group talked about their affordable housing pilots. In 2007 BASIX started this pilot in two rural, two semi urban and two rural areas. While average micro finance loans could be for Rs. 15,000 or less these loans were for Rs. 1 lakh and are longer term loans. This is a seven year product given at 18% to women and 19% to men. He talked about a pilot in the Mongolpuri area of Delhi, where 30 loans have been given and there is a subsidy for technical assistance to help build the house.

Eric Adams, Director of Operations and Capstone Financial Services and Henry Waller, of Habitat for Humanity's Technical Assistance Center, talked about their experiences with developing this market. Adams said that he saw the rising food inflation affecting repayments for home loans. He said while a family of four spent around Rs. 2000 for food every month this may have doubled now.

P.R. Jai Shankar, Assistant General Manager of the National Housing Bank, said there is a shortage of around 80 million houses in the country. Given the ticket sizes, terms etc of these loans very few MFIs can enter this market he said. While there is a three year period for housing finance companies to receive funding from NHB this rule may not apply for companies in the low income housing segment. He also said that while NHB does not currently do leasing yet it will look to do so.

Gujarat Mahila Housing Sewa Trust's Bijal Bhatt said that there should be a moratorium on paying back loans till they take possession of the homes. Otherwise the cost of paying rent and mortgages can be prohibitive for the poor.

### Championing Gender Diversity for Microfinance

A study conducted by Women's World Banking found that the number of women in leadership positions in MFIs is declining. In the WWB network, the number of women at the board level has declined from 66% in 2003 to 58% in 2007. The number of women in senior management positions declined from 66% in 2003 to 51% in 2007.

There is a particular need for women in leadership positions in the MFI sector because an overwhelming majority of clients are women and also because they act as role models for others.

Participants talked about various ways organisations can be more women-friendly. For instance, recruitment and promotions could be made more balanced. Women from Ujjivan Financial Services, which was one of the organisations in the study, and BASIX talked about the issues they face at work.

At Ujjivan there are 871 men and 2859 women. Of these, 31% were policy approvers and 25% were customer facing. Navitha, Susan and Vittal from Ujjivan said women face cultural and geographical constraints. Ujjivan has gender sensitization programs for men and women and a women's forum where women talk about the challenges they face. BASIX also has such a forum and a 24-hour helpline for women. Also, six of 10 senior management positions at BASIX are filled by women.

However, women sometimes find it hard to balance home, and work attrition rates are high. Vijaylakshmi Das, of Ananya, said that there is a need to incentivise women field staff because there is a need for more women at this level. She said that training for field level women should be for two to three days and conducted locally so that they can attend conveniently.

### Relevance of Gold as a Long Term Savings Instrument

Gold, which has always held a special place in Indian society, has been talked about recently as a tool for savings for BoP customers. This session, held in the morning, was sponsored by the World Gold Council.

Participants talked about pilots where gold has been bundled as a top up loan for MFI borrowers and used as security for the top up and earlier loan. Results of such pilots have been encouraging as there is a demand of close to 18,000 tons

of gold every year in India. Participants also talked of the pros and cons of other gold investment opportunities including as jewelry, ETFs etc.

The price of gold fluctuates. For that reason, educating customers that the price of the gold might change from the beginning to the end of the loan is essential. Even though the price might be slightly lower at the end of the loan, gold experts say that gold is always a good investment because the price will never fall below a certain point.

Having a physical object tied to the loan also help when dealing with BoP customers, for whom understanding difficult financial concepts can be challenging.

### Youth Inclusive Financial Services

This session was co-sponsored by the SEEP Network and Making Cents international and presented projects offering financial services to youth.

Lara Storm, the Director of Youth-Inclusive Financial Services at Making Cents, presented the findings of a study that looked at traditional worries of offering financial services to youth. While many financial institutions not working with youth were worried about their ability to repay loans, financial institutions working with youth found that it was not an issue at all.

One of the main reasons financial institutions work with youth is to create lifelong customers. Many projects are currently active in South America and Africa. One such project is Hatton National Bank in Sri Lanka. To date, more than 600,000 students have accessed services from HNB through the 200 student banking centers with a total of nearly \$40 million in savings deposits.

Making Cents and the SEEP Network are interested in partnering with financial institutions in India to provide financial services to youth. Throughout the session, notes were taken that outlined the challenges, possible solutions and further questions that would have to be addressed to expand to the Indian market.

### Responsible Pricing: The State of Practice

The session was organised by the SMART campaign, which seeks to create tools to bring about transparent and responsible pricing. Participants discussed the pros and cons of various tools to reach this end. Isabelle Barres, director of the SMART campaign, explained the different tools and then the participants broke up in to groups to talk about the important ones.

The first tool to help achieve transparent pricing that is affordable to clients and sustainable for MFIs was caps on interest rates. Barres said around 30 countries have this but that the caps are determined by the government and would not necessarily bring transparency.

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She also talked of the idea of capping margins. This idea has been put forward by Mohamed Yunus but Barres said it would look only at funding costs not operating expenses etc. And while it is simple, some research shows that 75% of all MFIs would be in the red if they follow this method.

She then talked of putting limits of Return on Equity. The advantages of this are that it allows for costs to be factored in and is sensitive to interest rates and its disadvantage is that it obscures inefficiency.

Micro Finance Transparency has developed the method of Comparative Transparency to look at responsible pricing. It looks at various factors including loans size, RoE etc to compare how MFIs fall on it. The advantages of a tool such as this are that it looks at a range of factors and its disadvantages are that it is labour intensive and that large amounts of data need to be updated on this.

The SMART Campaign is also developing a tool, known as Beyond Codes, which seeks to bring responsible lending practices. This assessment is made by looking at some of the same parameters as Comparative Transparency and also analyses yield, looks at operating expenditure, services offered, RoE and efficiency among other standards. Its cons are that it is also data intensive and there are no proper standards to adhere to in the industry.

Participants broke up in to three groups to talk about the pros and cons of the last three methods. Representatives from Micro Finance Transparency and SMART Campaign were present to incorporate some of these suggestions in to their tools.

### Reaching the Unreached: Client Education and Micro-insurance

Iddo Drar, of the Micro-Insurance Academy and session moderator, said that a product that clients understand and relate to would be the key for micro-insurance. Once the industry has such a product it will find buyers.

He also stressed on the need for client education. For instance, he said that there is a saturation of sales for general insurance products in Uganda because companies had come together to invest in client education. On the other hand, he said, in India, there is a mismatch between client needs and product offerings. Insurance companies, hospitals and accreditation centers should work on this.

A representative of CARE, made a presentation on their initiatives in this space. He talked about their efforts on client education, communication strategies, mass awareness programs etc. He said such programs could be made more cost effective by involving all the stakeholders.

Participants talked about insurance companies refusing claims after natural calamities. In such cases, they said, it is the NGO that loses credibility because

they face client anger. To fix this, they said, insurance companies need to educate NGOs on exclusions in the policy.

Drar said that insurance companies there is also a tendency among the consumers of such products to let a community elder decide which product to buy. This may or may not be suitable for the client. He said companies should try to ensure that people decide their policy themselves.

To start with, one of the participants said, there is a need to explain the term “insurance” to clients.

Participants said that since the sector is in a nascent stage there are no guidelines on client education. So, there is a need to develop appropriate tools, increase outreach etc. There is also a need for regulation and a code of conduct for insurance companies.



## Publications

### State of the Sector Report

One of the most awaited events of the Microfinance India Summit is the release of the State of the Sector Report. This year's report indicated that for the first time MFIs are growing faster than SHGs. While MFIs grew at 18% last year, SHGs grew at 16%.

Also while average loan sizes of SHGs have languished at Rs. 4450 average loans sizes for MFIs are now Rs. 6060.



The report also showed Andhra Pradesh is the most intensely indebted state in the country with 9.3 loans per poor family. This is much more than the 4.1 loans per household in Tamil Nadu, 2.3 Karnataka

and 2.1 in West Bengal. This maybe because MFIs have focused on reaching to more borrowers rather than deepening the services provided. There is now a growing concern to avoid multiple lending and excessive debt but this has percolated slowly to the level field officers. MFIs have also focused on increased profitability and sustainability. This has meant that operational costs have declined for a number of MFIs.

There has been a small but significant move towards increased lending outside the traditional MFI stronghold of south India, where the share of lending fell by 1.5%. Some of the non-traditional states where microfinance is growing rapidly include Madhya Pradesh, Rajasthan, Orissa, Uttar Pradesh, Jharkhand Assam and Gujarat. Tamil Nadu was the only southern state among fastest growing ones this year.

While participants talked of the slowdown in funding post the AP crisis, the months before that saw the successful SKS IPO as well as 20 equity deals and Rs. 42 billion worth of securitization and assignment deals. The report showed that US\$209 million worth of equity came in to the sector through private equity and venture capital funding this year. The SKS IPO took up a chunk of institutional funding for the year. But post the Andhra crisis the investment sentiment has turned negative.

One of the worrying trends in the report this year was the growth of ring leaders. They act as a liaison between the MFI and the client. Slowly, some of them have attained an extra constitutional power because they collect money, mark

attendance and register members. They use this to condone absenteeism, or even promise loans to new members from several MFIs. They sometimes pass on clients to new MFIs thereby encouraging multiple lending. There have been instances of MFIs having to withdraw from some areas because of this phenomenon.

There has been a move towards increased Social Performance Measurement (SPM), responsible lending practices, interest rate reduction and product diversification in the recent months.

Some of the challenges the sector is likely to face in the year ahead include increased regulation, over indebtedness among some borrowers, breakdown of credit discipline, rerating of risks by banks and the fear that other states could also look at new regulations to manage the sector.

### SHG Federations; Development Costs and Sustainability

Another study that was released at the conference was on community-based MFIs and how they can be made more sustainable. It was conducted by Ajay Tankha and Girija Srinivasan and supported by Rabo Bank and ACCESS.

The study found that such federations struggle to raise bank funding because banks do not have the confidence that they have the required governance to manage such large sums. This leads to a resource crunch among these federations. Promoters tend to have a significant role in these federations. The ones that are NGO promoted tend to be more process oriented.

The study also found that there is a need to build capacity in these organisations so that they can out in place the requisite governance structures. Also, promoters should play a longer term role in federations and help establish governance structures.



## FOUNDING PARTNERS

### CARE

CARE is a leading humanitarian agency, present in over 70 countries worldwide. In India since 1950, CARE currently works in eleven States. CARE partners with community, civil society and government organisations on long-term programmes that address the needs of the most vulnerable - particularly women and girls. We strive to that ensure that everyone benefits from socio-economic development without discrimination on the grounds of gender, race, caste or occupation.



Our microfinance projects focus on achieving economic sustainability by:

- fostering community-based collectives
- strengthening and diversifying livelihood opportunities, and
- developing the capacity of financial institutions to protect the poorest of the poor

CARE addresses the underlying causes of poverty. We tackle power inequalities, support inclusive policies, accountable governance, and facilitate links between small scale enterprise, financial services and profitable markets.

Women are at the heart of our interventions. Equipped with the proper resources, women have the power to help whole families and entire communities escape poverty. By developing the potential of women, CARE helps millions of people effect real, positive changes in their lives.

### Citi

Committed to India for over 108 years, Citi takes pride in being a premier locally-embedded financial institution backed by an unmatched international network. Citi's presence in India spans 42 Citibank branches across 30 cities and over 550 ATMs. With capital invested of over US\$3.8 billion, Citi is the single largest foreign direct investor in the financial services industry in India and offers consumers and institutions a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, and wealth management. Citi is an employer of choice to approximately



8000 employees in India. Citi's franchise in India includes businesses such as equity brokerage, equities distribution, private banking (Citi Private Bank) and alternate investments and private equity (CVCI). In line with our commitment to make a positive difference in the communities where we work, Citi India's citizenship programme targets its strategic efforts in the priority focus areas of Microfinance and Microenterprise, Small and Growing Businesses, Financial Capability and Asset Building and College and careers.

Working across Citi's businesses, product groups and geographies, Citi Microfinance serves more than 100 microfinance institutions (MFIs), networks and investors as clients in over 40 countries with products and services spanning the financial spectrum – from financing, access to capital markets, transaction services and hedging foreign exchange risk, to credit, savings, remittances and insurance products - to expand access to financial services for the underserved.

## Ford Foundation

The Ford Foundation works with visionary leaders and organizations worldwide to change social structures and institutions so that all people have the opportunity to reach their full potential, contribute to society, have a voice in decisions that affect them, and live and work in dignity.



**FORDFOUNDATION**

This commitment to social justice is carried out through programs that strengthen democratic values, reduce poverty and injustice, and advance human knowledge, creativity and achievement.

## CORE SPONSORS

### HSBC

HSBC's sustainability strategy includes the development of sustainable business opportunities, management of its own environmental footprint, and its community investment. The bank has a long-term commitment to the communities in which it operates, and focuses on financial inclusion and environment programmes in India. It partners with several non-governmental organisations (NGOs) and institutions across the country to ensure that its investment is channelised into meaningful projects that create a lasting impact on communities.



## ICICI Bank

ICICI Bank, part of ICICI Group, is India's second largest bank, with over 50 years of financial experience and 14 million customers worldwide. Today, ICICI Bank is a global bank, with its presence in 18 countries across the globe. The ICICI Group has expertise in many financial services from banking to broking, mutual funds to insurance, home loans, venture funds and much more. The Group is the largest consumer credit provider and the largest private sector life and general insurer in India, with diverse products and varying expertise.



ICICI Bank endeavors to reach the large number of Indians in the category of rural and urban low income populations who do not have sufficient access to financial services. By focusing on three key enablers –partnerships, technology, and process and product innovation – ICICI Bank has built the foundation for providing financial services to the poor. ICICI Bank has already touched the lives of millions of low-income households across India, and is looking ahead to expand its services in the future.

## UNDP

UNDP is the UN's global development network working across 166 countries, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life.



UNDP's work is organized through the following five thematic areas:

- **Poverty Reduction** focuses on human development and access to livelihood and financial products.
- **Democratic Governance** enhances capabilities of government, locally-elected representatives, civil-society and communities.
- **Environment & Energy** strives to meet climate change challenges and support efforts to protect biodiversity and produce clean energy.
- **Crisis Prevention & Recovery** works for building resilience of communities and supports institutions in preparing and managing disasters.
- **HIV & Development** works to halt spread, put HIV/AIDS at the centre of national development strategies and protect the rights of the affected.

UNDP in partnership with NABARD is implementing a financial inclusion project which attempts to address the challenge of increasing the depth and breadth of financial services on the supply side by supporting appropriate financial products and services designed for disadvantaged groups and regions and strengthening financial literacy on the demand side. At a broader level of engagement UNDP supports policy advocacy for a more enabling environment for financial inclusion.

## SESSION PLAN

Day 1 • November 15th, 2010

<b>9:30 - 10:30 a.m.</b>		<b>Inaugural Session</b>
<b>Welcome Address</b>	<b>Brij Mohan</b> , Chairman, ACCESS Development Services	
<b>Special Addresses</b>	<b>Pieter Bult</b> , Deputy Country Director, UNDP India	
	<b>U. C. Sarangi</b> , Chairman, NABARD	
<b>Keynote Addresses</b>	<b>R. Gopalan</b> , Secretary, Department of Financial Services, Government of India	
	<b>Dr. C. Rangarajan</b> , Chairman, Economic Advisory Council to the Prime Minister	
	Release of the State of the Sector Report, 2010	
<b>10:50 - 12:20 p.m.</b>		<b>Plenary Session I - State of the Sector: The Crests and Troughs</b>
<b>Moderator</b>	<b>Indrajit Gupta</b> , Editor, Forbes India	
<b>Lead Presenter</b>	<b>N. Srinivasan</b> , Author, State of the Sector Report	
<b>Discussants</b>	<b>K. V. Eapen</b> , Joint Secretary, DFS, Government of India	
	<b>Shadab Rizvi</b> , In-charge, Microfinance Business Unit, Darashaw & Company	
	<b>Justin Oliver</b> , Executive Director, Centre for Microfinance at IFMR	
	<b>David Gibbons</b> , Founder and Chairman, CASHPOR Microcredit	
<b>12:20 - 1:40 p.m.</b>		<b>Plenary Session II - Re-thinking Development and Microfinance: Changing Paradigms</b>
<b>Moderator</b>	<b>Steve Rasmussen</b> , Head, Technology Program, CGAP	
<b>Lead Presenter</b>	<b>David Roodman</b> , Senior Fellow, Centre for Global Development	
<b>Discussants</b>	<b>Rajiv Lall</b> , Managing Director & Chief Executive Officer, Infrastructure Development Finance Company (IDFC) and Co-Founder, Lok Capital	
	<b>Vijay Mahajan</b> , Chairman, BASIX India & President, MFIN	
	Sam Daley Harris, Director, Microcredit Summit Campaign	



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2:30 - 4:00 p.m.		Breakout Session I - Social Performance Management: Seeking Double Bottom Line Impact
Moderator		<b>Micol Pistelli</b> , Manager, Social Performance Program, MIX
Discussants		<b>Aditya Bhandari</b> , Manager - India Investment Portfolio, IncoFin <b>Laura Foose</b> , Coordinator, Social Performance Task Force & Partner, Alternative Credit Technologies <b>Frances Sinha</b> , Director, EDA Rural Systems <b>Samit Ghosh</b> , Founder & Chief Executive Officer, Ujjivan Financial Services <b>Jeff Toohig</b> , Deputy Director, SPMC, Grameen Foundation
2:30 - 4:00 p.m.		Breakout Session II - Credit Bureau for Indian Microfinance: Value and Viability
Moderator		<b>Colin Raymond</b> , Principal Operations Officer, Global Financial Markets Department, IFC
Discussants		<b>Milton Cevallos</b> , Expert on Unit Development, Product Marketing Manager, Red Financiera Rural (RFR), Ecuador <b>Shubankar Sen Gupta</b> , Managing Director, Arohan <b>P. R. Viswanathan</b> , Sub-Consultant, ACCESS Development Services <b>Arun Thukral</b> , Managing Director, (CIBIL) <b>Jasjit Mangat</b> , Director - Investments, Omidyar Network India Advisors
2:30 - 4:00 p.m.		Breakout Session III - Risks in Microfinance: Current Environment and Mitigation Strategies
Moderator		<b>Prashant Thakker</b> , Director & Global Business Head, Microfinance, SCB
Lead Presenter		<b>Manoj Sharma</b> , Director - Asia, MicroSave
Discussants		<b>C. S. Ghosh</b> , Chairman & Managing Director, Bandhan <b>Ajay Verma</b> , Founding Member & CEO, Sahayata Microfinance <b>Alok Misra</b> , Director - Credit Ratings, MCRIL <b>Lakshmi Shyam-Sunder</b> , Director, Corporate Risk, IFC <b>Royston Braganza</b> , Chief Executive Officer, Grameen Capital India

## SESSION PLAN

Day 1 • November 15th, 2010

4:20 - 5:50 p.m.	Plenary Session III - The State and the Sector: Locating the Fault Lines
<b>Moderator</b>	<b>N. Srinivasan</b> , Author, State of the Sector Report
<b>Discussants</b>	<b>Brij Mohan</b> , Chairman, ACCESS Development Services <b>N. K. Maini</b> , Deputy Managing Director, SIDBI <b>Alok Prasad</b> , Chief Executive Officer, Microfinance Institutions Network (MFIN), India <b>Aloysius Fernandez</b> , Member Secretary, MYRADA, & Chairperson, NABFINS
5:50 - 6:10 p.m.	Introduction to Microcredit Summit Campaign
	<b>Sam Daley Harris</b> , Director, Microcredit Summit Campaign <b>D. S. K. Rao</b> , South Asia Regional Organizer, Microcredit Summit Campaign

Day 2 • November 16th, 2010

7:30 P.M. ONWARD	Microfinance India Awards (by invitation)
9:15 - 10:30 a.m.	Plenary Session I - Financial Inclusion: Plans and Perspectives of FFI's
<b>Moderator</b>	<b>Sandip Ghose</b> , Regional Director, Reserve Bank of India
<b>Presenter</b>	<b>Gobinda Banerjee</b> , General Manager, Punjab National Bank <b>S. C. Kalia</b> , Executive Director, Union Bank of India <b>Rakesh Sharma</b> , General Manager (Network III), State Bank of India
<b>Discussant</b>	<b>R. Bhaskaran</b> , Chief Executive Officer, Indian Institute of Banking and Finance
11:00 - 12:30 p.m.	Plenary Session II - Self Help Groups: Need for a New Surge?
<b>Chair</b>	<b>Y. C. Nanda</b> , Chairman, Agricultural Finance Corporation
<b>Presenters</b>	<b>C. S. Reddy</b> , Chief Executive Officer, APMAS <b>Shaheel Rafique</b> , Implementation Support Officer, IFAD India
<b>Discussants</b>	<b>S. L. Kumbhare</b> , Chief General Manager, NABARD <b>K R Mohanty</b> , General Manager, Network I, State Bank of India <b>Kalpana Sankar</b> , Chief Executive Officer, Hand in Hand

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	<b>Aloysius Fernandez</b> , Member Secretary, MYRADA, & Chairperson, NABFINS
12:30 - 1:45 p.m.	Plenary Session III - Growth & Governance: Pulls & Pressures
<b>Moderator</b>	<b>Gregory Chen</b> , Regional Representative for South Asia, CGAP
<b>Discussants</b>	<b>Bharti Gupta Ramola</b> , Head, Deals Practice, PricewaterhouseCoopers India <b>Vineet Rai</b> , Managing Director, Aavishkaar Venture Management Services <b>P. N. Vasudevan</b> , Managing Director, Equitas Microfinance India Pvt. Ltd. <b>Joseph Silvanus</b> , Regional Head, Development Organizations, Standard Chartered Bank <b>Francois Debiesse</b> , Senior Consultant in Microfinance & Philanthropy, BNP Paribas <b>Vijayalakshmi Das</b> , Chief Executive Officer, Ananya Finance for Inclusive Growth
2:30 - 3:45 p.m.	Breakout Session I - Promotion of Community Owned MFIs: Costs and Sustainability
<b>Moderator</b>	<b>Sitaramachandra Machiraju</b> , Extended Term Consultant, World Bank
<b>Lead Presenters</b>	<b>Ajay Tankha</b> , Independent Consultant, Author of study <b>Girija Srinivasan</b> , Independent Consultant, Author of study
<b>Discussants</b>	<b>K. Muralidhar Rao</b> , Chief General Manager, Rajasthan, NABARD <b>C. S. Reddy</b> , Chief Executive Officer, APMAS <b>Arindom Datta</b> , Senior Director & Head, Rural & Development Banking / Advisory, Rabo India Finance <b>Kalpana Pant</b> , Joint Director, Chaitanya
2:30 - 3:45 P.M.	Breakout Session II - Financial Services for Migrant Workers: Availability and Affordability
<b>Moderator</b>	<b>Malcolm Harper</b> , Professor Emeritus, Cranfield University
<b>Lead Presentation</b>	<b>Justin Oliver</b> , Executive Director, Centre for Microfinance at IFMR
<b>Discussants</b>	<b>Rajiv Khandelwal</b> , Founder & Director, Aajeveeka Bureau <b>Abhishek Sinha</b> , Chief Executive Officer, EKO India Financial Services

## SESSION PLAN

Day 2 • November 16th, 2010

	<p><b>Therese Zak</b>, Technical Expert, Rural Financial Institutions Program, GTZ</p> <p><b>Anil Kaul</b>, General Manager, ICICI Bank</p>
<b>2:30 - 3:45 P.M.</b>	<b>Breakout Session III - Corporates as Business Correspondents: Value Propositions for Both Sides</b>
<b>Moderator</b>	<b>R. Bhaskaran</b> , Chief Executive Officer, Indian Institute of Banking and Finance
<b>Lead Presenter</b>	<b>Srinivasan Santhanam</b> , Consultant
<b>Discussants</b>	<p><b>S.V.S. Anjaneyulu</b>, Head, Business Excellence, Bayer CropScience Ltd.</p> <p><b>A. S. Sundaresan</b>, Head of Sales and Distribution - Mobile Services, Bharti Airtel</p> <p><b>A. Anoop Kumar</b>, Microfinance Division, HDFC Bank</p> <p><b>S. A. Deval</b>, Assistant General Manager, Union Bank of India</p>
<b>4:15 - 5:45 P.M.</b>	<b>Plenary Session IV - Responsible Finance: How Committed is the Sector?</b>
<b>Moderator</b>	<b>Rohini Nilekani</b> , Chairperson, Arghyam
<b>Discussants</b>	<p><b>Chuck Waterfield</b>, Chief Executive Officer, MF Transparency</p> <p><b>Jennifer Isern</b>, Regional Business Line Leader, Access to Finance Advisory, South Asia, International Finance Corporation</p> <p><b>Shubhashis Gangopadhyay</b>, Research Director, India Development Foundation</p> <p><b>Isabelle Barres</b>, Director, SMART Campaign, ACCION</p> <p><b>Moumita Sen Sarma</b>, Vice Chair, CASHPOR Microcredit</p> <p><b>Jayshree Vyas</b>, Managing Director, SEWA Bank, &amp; Chairperson, Sa-Dhan</p>
<b>5:45 - 6:30 P.M.</b>	<b>Valedictory Session</b>
	<p><b>Malcolm Harper</b>, Professor Emeritus, Cranfield University, UK</p> <p><b>Y. C. Nanda</b>, Chairman, Agricultural Finance Corporation</p> <p><b>Vijayalakshmi Das</b>, Chief Executive Officer, Ananya Finance for Inclusive Growth</p> <p><b>Vipin Sharma</b>, Chief Executive Officer, ACCESS Development Services</p>



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