Conference Report

Doing Good and Doing Well:

The Need for Balance

October 26 to 28, 2009

Taj Palace Hotel, New Delhi


INDIA
SUMMIT
WOMEN LEADERS IN MICROFINANCE
A ROUNDTABLE

"Doing good and doing well: The need for balance"

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INTRODUCTION

Over time, the Microfinance India Summit has carved a niche for itself within the sector, emerging as one of the most awaited annual events of the sector. This year's Summit, the sixth in the series, organised by ACCESS brought the sector together to deliberate on current and emerging issues. It brought together diverse and invaluable insights and experiences of those associated with the sector including the policy makers, academicians, researchers, practitioners, private sector and financial institutions. The summit was well attended by over 800 delegates both from within and outside India along with eminent resource persons.

Despite the global slowdown, the Indian microfinance sector has remained largely unaffected and has continued to grow. In the last few years, the sector has largely focused on growth and sustainability, on building strong institutions and on increasing outreach along with harnessing new sources of funds. However in a bid to do so, there is an increasing concern whether the focus of the sector on the poor has got diluted along the way. Hence the 2009 Summit was aptly focussed on 'DOING GOOD AND DOING WELL: THE NEED FOR BALANCE'. It provided a much needed dais to ponder and act on emerging issues pertaining to social vs. financial objectives, mission vs. scale, poverty vs. profitability and client vs commerce.

The Summit's highlight included the release of the fourth 'Microfinance India: State of the Sector Report 2009', which has become an inherent and much anticipated feature associated with the event held each year. This report has come to become one of the most comprehensive, credible and sought after reference document regarding the status of the microfinance sector in India.

The third day of the Summit was dedicated to issues ralating to sustainable livelihoods of poor. The Livelihood's Day, as part of the Summit was an effort to integrate the larger issues of livelihood with microfinance. It amply highlighted microfinance being a means towards providing better livelihood and not an end in itself. The inclusion of livelihoods debate in the conference broadened its scope and purview. Issues related to making markets work for the poor and at the same time to highlight the issue of skilling the poor to harness emerging opportunities. The Livelihood's Day also witnessed the release of the 2nd edition of 'State of India's Livelihoods : The 4P Report'

The Summit had a new addition this year with the institution of the Microfinance India Awards by ACCESS, supported by HSBC bank. The Awards intend to recognize and applaud institutions and individuals who have made significant contribution towards establishing and up-scaling the microfinance sector in India. The Awards had two sub-categories this year i.e. Institution of the Year to recognize pioneering initiatives and/or best practices of an institution and Contribution to the Sector to honour significant contribution of an individual to the microfinance sector. The Awards were presented by Dr Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, Government of India, Mrs Cherie Blair, QC (wife of former British Prime Minister Tony Blair) and Ms Naina Lal Kidwai, Group General Manager & Country Head, HSBC India to Vijay Mahajan, Chairman, Basix for his contribution to the sector and to Bandhan as the Institution of the Year. The jury also gave a special award to Late Mr Sitaram Rao for his exemplary contribution to the sector.

The Social Performance Reporting Awards launched by CGAP along with its partners, the Michael & Susan Dell Foundation, the Ford

Foundation and powered by MIX were also presented during the Summit. The awards are designed to promote greater transparency in the Microfinance Institution's social performance. The Certificates of Appreciation were presented to ten selected MFIs at Silver and Gold levels.

This year, the Summit also included the launch of Sitaram Rao Livelihoods' India Case Study Competition in memory of Late Sitaram Rao, the visionary and leader of Indian Microfinance and Livelihoods movement. The competition had been initiated by ACCESS Development Services in close coordination with the Management Development Institute (MDI), Gurgaon. The current year's theme was the " Poor and the Private sector". The selected ten best cases were presented with cash awards and citations and a compendium of the case studies was also released during the Valedictory Session of the Livelihoods Day.

A Knowledge Fair which attracted participation by various stakeholders interested in showcasing their products and services in offering was also organised at the Summit.

Other value adds to this year's Summit were the several Round Table meetings on dedicated themes. It was an attempt to provide platform to focused groups to discuss pertinent issues and share their experiences. The Round Table Conference on Community Owned Microfinance Institutions was chaired by HRH Princess Maxima. Other round tables were conducted on themes including 'Access to Safe Drinking Water through microfinance and SHG route', 'Client Protection: The Smart Campaign' and 'Women Leadership in Microfinance'.

Key takeaways of each day of the Summit were circulated among the participants to facilitate them with highlights of the previous day. Besides the new feature incorporated in the Summit was a live blog in association with Microfinance Focus, which provided a virtual platform for dialogue, discussions and communication on the Summit among interested participants from all across the globe.

The organisers are extremely grateful for the continued and overwhelming support by the various sector stakeholders in different capacities contributing to the phenomenal success of the Summit. This year's Summit yet again had the constant support of its core sponsors, the Ford Foundation, the UNDP and the Citibank along with co-sponsors including BNP Paribas, FWWB, Hindustan Unilever (Pure it), HSBC, IFC, IFMR Trust, InfrasoftTech, Indian School of Microfinance for Women, NABARD, SBI, Oikocredit, SIDBI and FINO. ACCESS Development Services was well supported by its esteemed partners for the Summit including CARE, GTZ, Microfinance focus, The Livelihood School, M2i Consulting, Rabobank and CGAP.

access
Development Services

Vipin Sharma,
CEO
ACCESS Development Services

DAY I, OCTOBER 26, 2009

INAUGURAL SESSION

The Summit began with offering of floral tributes to Late Sh Sitaram Rao, a legendary figure, a visionary and former CEO of one of the largest MFIs in the country, who passed away recently leaving an irreplaceable vaccum, followed by traditional lighting of the lamp

Welcome address

- Brij Mohan, Chairman, ACCESS Development Services

Special Address

- HRH Princess Maxima of the Netherlands, Special Advocate for Inclusive Finance for Development of UN, Secretary General Ban Ki-moon
- U C Sarangi, Chairman, NABARD
- Mark T Robinson, CEO, Citi South Asia
- Naina Lal Kidwai, Group General Manager & Country Head, HSBC India.

Brij Mohan, Chairman, ACCESS Development Services, emphasized on the growing scale and magnitude of the microfinance sector in India. The sector has shown great resilience even in the wake of global financial meltdown. The SHG-Bank Linkage Programme had a remarkable growth with approximately 1.7 million new SHGs added to it this year. With respect to Microfinance Institutions (MFIs), about 8.5 million new clients have been added which represents 60% increase in client outreach and 97% increase in loan outstanding. Indian microfinance is also becoming increasingly efficient with Operating Expense Ratio coming down consistently. Although, the sector has been growing, the emerging issue has been that of financial inclusion and the debate on whether microfinance is an end in itself or means to an end. He expressed hope that this year's summit will take this debate forward.

Naina Lal Kidwai, Group General Manager & Country Head, HSBC India, reiterated that microfinance sector in India is on a high growth trajectory. She drew attention towards the enormous potential that capital markets could offer for the growth of the sector. At the same time, she was concerned on the need for caution as capital markets can also pull the MFIs away from their mission, hence there is a need for balance. She held the view that Banks have not been able to do much about financial inclusion. About sixty per cent of the population in the country does not have a bank account. It is the MFIs which have filled this large gap. She further emphasized that issue of livelihood creation is critical for achieving sustainable growth. Collaborative models with meaningful partnerships among various stakeholders including MFIs, private sector, NGOs and others need to be evolved for addressing larger issues concerning livelihoods and empowerment of women.

From (l to r) U C Sarangi, Chairman, NABARD, Naina Lal Kidwai, Group General Manager and Country Head, HSBC India and Her Royal Highness Princess Máxima of the Netherlands, Special Advocate for Inclusive Finance for Development of UN Secretary-General Ban Ki-moon

Mark T. Robinson, CEO, Citi South Asia

Mark Robinson, CEO, Citi South Asia, too emphasized on the dramatic growth of the microfinance sector with compounded annual growth rate of 50% in the last five years. Microfinance customers, he said, prove to be more creditworthy than the usual clients of the formal financial system. He held that microfinance should be used to build assets, to improve quality of life, to build capacities, to facilitate innovation and to create jobs. Societies can be made inclusive by providing services for the poor. He spoke of Citibank's contribution and commitment to the microfinance sector in India. He focused on the role of innovation and appropriate technology like biometrics, ATMs acting as a catalyst in empowering the poor and achieving the goal of financial inclusion.

U C Sarangi, Chairman, NABARD

U C Sarangi, Chairman, NABARD, began by saying that the decades old myths associated with the poor i.e. poor can't save, poor are not creditworthy and poor have no skill have effectively been demolished by success of microfinance. The SHG-Bank Linkage Programme has about 4.2 million groups and aims to grow to 10 million by 2015. Since the southern India has now almost saturated, there is a scope of expansion in other areas. NABARD intends to concentrate on 13 priority states. Some of the challenges ahead included expansion beyond the southern states, moving from microfinance to micro-enterprises, evolving better internal control systems, cost to the clients, use of technology for financial inclusion, and exploring meaningful collaborations. He also stressed on the need for client protection, which may be achieved through better code of conduct established by the sector and through financial literacy.

> *"As an MFI is able to establish itself and able to expand its activities both horizontally and vertically, gradually they should be able to bring down the interest rates. The growth and development of client should be of paramount importance and not the growth of MFI alone. "*
>
> ***U C Sarangi,***
> ***Chairman, NABARD***

Her Royal Highness Princess Maxima of the Netherlands, Special Advocate for Inclusive

Her Royal Highness Princess Máxima of the Netherlands, Special Advocate for Inclusive Finance for Development of UN Secretary-General Ban Ki-moon

Finance for Development of UN, Secretary General Ban Ki-moon, applauded the growth of microfinance in India, stating that the world is fascinated by it. She held that India has been a pioneer in the growth of microfinance and SHGs. She emphasized on financial inclusion with focus on universal access to a range of financial services at reasonable costs for those who need it. Strong financial inclusion would promote growth that is pro-poor. She also talked about the need for enabling legal framework for offering diversified financial products especially savings, which act as a buffer and help build assets and attract new opportunities. She held that provision of health services, water and sanitation, safe housing etc. need to be linked to provision of microfinance. She urged on the necessity of staying focused on client needs, avoiding over-indebtedness and ensuring transparency. She voiced hope that the just-launched SMART Campaign will help create norms and practical tools for providers and regulators.

"MFIs in India have made significant headway in offering insurance services to micro-clients. The expansion in life insurance, many experiments in health and asset insurance is likely to lead to very positive results in the future. On Deposit services however, there is still much work to be done. I am very hopeful that with so many other successes underway, India will develop enabling legal framework for saving systems."

HRH Princess Maxima of the Netherlands, Special Advocate for Inclusive Finance for Development of UN Secretary General Ban Ki-moon

PLENARY SESSION I – IN RETROSPECT: LOSSES AND GAINS

The State of the Sector Report by ACCESS Development Services has become a prominent and a much awaited feature of the Summit. The SOS Report has become one of the most comprehensive, credible and sought after reference and benchmark document on Microfinance Sector in India.

Moderator

- Y. C. Nanda, Chairman, Microfinance India Advisory Group

Lead Presenter

- N. Srinivasan, Author, State of the Sector Report

Panelists

- Swaminathan Aiyar, Consulting Editor, Economic Times
- Vijaylakshmi Das, CEO, FWWB
- Alok Prasad, Country Director, Microfinance Group, Citi India

The session was opened with the author, N. Srinivasan presenting the key highlights from the report:

- Even though the microfinance sector

From (l to r) N Srinivasan, Author, State of the Sector Report, Brij Mohan, Chairman, ACCESS Development Services, Naina Lal Kidwai, Group General Manager and Country Head, HSBC India, Her Royal Highness Princess Máxima of the Netherlands, Special Advocate for Inclusive Finance for Development of UN Secretary-General Ban Ki-moon, U C Sarangi, Chairman, NABARD and Mark T. Robinson, CEO, Citi South Asia

experienced the effect of the economic meltdown, the sector's performance in South Asia and particularly in India was largely undeterred owing to high dependence on domestic sources of funding.

- South-Asia was rated among one of the least risky markets for investments by the investors whereas Eastern Europe, Central and Sub-Saharan Africa were rated to be high risk markets.
- The high growth rates in the microfinance sector in India continued both in terms of number of clients (25%) and loan outstanding (56%).
- Microfinance Institution stream continues to grow at scorching pace (60% in outreach and 90% in loans outstanding) even on a large base.
- In 2008-09, for the first time, the MFIs added more clients than the SHG-Bank Linkage Programme
- Some states outside the Southern zone witnessed growth both in microfinance institutions and SHG-Bank Linkage Programme segment including Bihar, Rajasthan, Uttar Pradesh, Madhya Pradesh, West Bengal, Orissa, some states in North-East besides others.
- Financial inclusion is gathering pace with deepening of the SHG-Bank Linkage Programme coupled with the MFIs penetrating into 234 out of 331 poor districts. Also about 33 million no frill accounts have been opened in the last three years. The emergence of 85 Business Correspondents appointed by Banks has led to opening of approximately 8 million accounts in the last year itself.
- More than 50% of low income households are covered by some form of microfinance product.
- The global meltdown has impacted small and new MFIs. Approximately 122 MFIs have increased their outreach while 53 have contracted.
- Approximately 11.5% of all the studied MFIs had 88% of the total loan outstanding in the sector while 60% of MFIs had only 1% of the share, showing a skewed growth in the distribution of loans in the sector.
- There has been an increase in average loan size; it's approximately Rs. 5,200 in MFIs and about Rs. 4,500 in SHGs.

'Overall, the sector in loan volumes has grown by about 30%, if you bulk up all the microfinance clients together. This kind of growth unlike the previous two years comes on the top of a fairly large base, which is a very significant thing. It is always easy to achieve 200-300% growth rates on small narrower bases, which both segments of microfinance did in the initial years, but continuing to post high growth rates on large base calls for tremendous organisation in terms of manpower, in terms of technology and even in terms of business model.'

N Srinivasan,
Author, State of the Sector Report

N Srinivasan, Author, State of the Sector Report

- Larger MFIs are aiming for higher yields, but increase in their profitability has not brought down interest rates for clients.
- Women clients have decreased in SHGs due to shift in focus towards farmers and activity based groups. There has been a decline in number of women SHGs from 82% in March 2007 to 80.4% in March 2008. However, Around 93 percent of MFI clients consist of women.
- Micro-insurance, though a tiny part of the sector presently is also showing signs of expansion. In the last year, 11 different insurers have introduced 19 micro-insurance products.
- There has also been little headway in product diversification with 90% of the sector offering only one product.
- Some parts in Karnataka faced entrenched default, constituting a portfolio share of less than 0.5%.
- Bank loans to SHGs increased by Rs. 74 billion. But microfinance sector still received only 1.3% of total bank lending.
- Multiple lending and increased competition has impacted on the quality and discipline of the program.
- Introduction of lenders liability code and customer protection measures is imperative along with fair practices code for competition and stringent internal control systems.
- The impending Microfinance Bill has kept mobilisation of small deposits by MFIs outside its ambit, thereby limiting the future of the microfinance sector in India.
- The policy makers are yet to recognise the role of MFIs, SHGs, Cooperatives, Post Offices etc. in financial inclusion, which is still largely bank driven.

From (l to r) N Srinivasan, Author, State of the Sector Report, Y C Nanda, Chairman, Microfinance India Advisory Group, Alok Prasad, Country Director, Microfinance Group, Citi India , Swaminathan Aiyar, Consulting Editor, Economic Times and Vijaylakshmi Das, CEO, FWWB India

Swaminathan Aiyar, Consulting Editor, Economic Times, commented that the report should also explore universal possibility and increased competition across and beyond the two models of microfinance. He pressed that multiple loans need not be seen only in negative light. Increased competition and risk of over-indebtedness will bring along new opportunities and better service for clients. He emphasised that in any evolving sector, turbulent times

> *'From the micro-loans, you need to rise to mini-loan after that one can enter SME. But there is a huge gap for going from micro to mini and I think that is one major challenge that has to be faced.'*
>
> ***Swaminathan Aiyar,***
> ***Consulting Editor, Economic Times***

are bound to come. Bad practices are part of any sector and they help policy makers to identify weaknesses and strengthen the sector by implementing stronger policies.

Mr Aiyar expressed concerns at the reluctance of Indian investment funds and high net worth Indian individuals in investing in Indian microfinance while many foreign funds were doing so. He also stressed the need for moving from micro-loans to mini-loans and expressed faith that the sector is evolving fast and by the time of the next year's Summit, the face of the sector would be very different.

Vijaylakshmi Das, CEO, FWWB, detailed that MFIs have not been able to cover some segments which require microfinance services the most. She emphasised that equal attention should be paid on ensuring sustainability of households

Vijaylakshmi Das, CEO, FWWB India

availing microfinance services along with dedicated focus on institutional sustainability. She raised concern over excessive focus on profit making, which may cause mission drift with time. She called for dedicated refinance activities especially for start-ups where NABARD and SIDBI need to take a lead in setting up of an Indian fund for NBFCs as also non-profit organisations.

Alok Prasad, Country Director, Microfinance Group, Citi India, suggested that the report should also cover detailed aspects relating to outreach including that of MFI branches. He raised concerns on the performance of the southern states and urged to look beyond the top MFIs to capture the finer nuances pertaining to the sector's growth. He also pointed out that there is a need to look beyond high dependency on bank funding.

Y. C. Nanda, Chairman, Microfinance India Advisory Group, chair of the Session, concluded the enriching discussion by highlighting that there is a lack of quality training resources. He stressed that accessing debt market may become increasingly difficult as the size of the sector increases; therefore the need of the hour is to build on equity. He also attracted attention to the fact that interest rate should be viewed in entirety. It should not be viewed in isolation as a single rate but in conjunction with the number of times the money is utilized or revolved by the client.

BREAKAWAY SESSION 1 – A SAFE PLACE TO SAVE: WHAT ARE THE OPTIONS?

It has been long felt that savings is a priority for the poor, even more than credit. However there has been lack of avenues to provide safe and secure options to save. The session was dedicated to tackling issues pertaining to savings and to find the way ahead to encourage mobilisation of savings in the near future.

Moderator

- Dr. Y.S.P. Thorat, Regional Associate, Alliance for Financial Inclusion

Panelists

- Marie Luise Haberberger, Programme Director, GTZ
- Robert Christen, Director, Bill and Melinda Gates Foundation
- Robert Annibale, Global Director, Citi Microfinance Group
- S. Mukhopadhyay, General Manager, State Bank of India

Marie Luise Haberberger, Programme Director, GTZ, pointed out assiduously that by sidelining micro-savings, almost half of India's rural and micro-finance has been left untapped. Some of the key highlights of her presentation were:

- The provision of financial services should not only include credit and savings but also insurance and remittances.
- The ability to save regularly is the single best indicator of ability to repay regularly.
- The savings should not be the usual remaining balance of income and consumption but it should be encouraged that consumption is the remaining balance of income after requisite savings.
- The main concerns regarding savings comprise of convenience, safety and liquidity.
- The SHG-Bank linkage programme has not proved to be the right answer as savings as a percentage to average loan outstanding has declined alarmingly over the years. The overall savings to loan ratio is 15 percent, wherein it is the highest for MACS, being 84%.
- Initiation of savings calls for some of the important institutional preconditions including:
    - o Apt prudential regulatory framework to protect country's financial system as well as depositors and balance the safety and access of saving products.
    - o Presence of proper liquidity management.
    - o Varied product offerings with features of convenience, safety, liquidity, return and low transaction costs.
- Some of the successful endeavors to mobilise micro-savings were discussed. These included BAAC in Thailand, BRI in Indonesia and LAB in India.

'Appropriate pricing of loan products can lead to an accelerated micro-savings mobilization.'

Marie Luise Haberberger, Programme Director, GTZ

- It was concluded that
    - o There should be a focus on attracting micro-savings.
    - o The potentials of Business Correspondents model for tapping small savings needs to be explored.
    - o There is need to ensure deposit safety in PACS and MFIs.
    - o There should be appropriate pricing of loan products to encourage micro-savings.

S. Mukhopadhyay, General Manager, State Bank of India, remarked that as high as 80% of

Robert Annibale, Global Director, Citi Microfinance Group

the savings are deposited with the public sector Banks in India. He also stated that poor should be encouraged to adjust their consumption as per their savings needs. The savings agency, be it an MFI or a Bank, needs to match its instruments of savings to suit the needs of the savers. The convenience to save, types of varied products and guarantee of returns are of paramount importance to the poor. There is a need to increase financial literacy regarding savings and to build trust and confidence among poor to catalyse savings.

Robert Annibale, Global Director, Citi Microfinance Group, felt that while mobilising savings is achievable, it is much more difficult than provision of credit. He said that people save all the time either with self or lend it to others but there is a need to devise appropriate tools to garner such savings. It is important to devise products suitable to clients' needs and to reach out to a maximum number with minimum process requirements.

(l) Robert Christen, Director, Bill and Melinda Gates Foundation and (r) S Mukhopadhyay, General Manager- Rural Banking, State Bank of India

Robert Christen, Director, Bill and Melinda Gates Foundation, underlined that provision of quick loan may be a short term solution and there is a need to work on harder and long-term solutions by mobilizing savings. He said the challenge lies in capturing the available savings in the most cost effective manner and it cannot be done without collaborative efforts of various key stakeholders.

'We need to worry a lot more about savings. It's hard. It's not the forgotten half, it's the forgotten three quarters and it's the hardest three quarters because it is so difficult to figure out how to capture deposits from people, when they have money available in the amounts on a commercially viable basis.'

Robert Christen,
Director, Bill and Melinda Gates Foundation

It was further discussed among the participants that insurance needs be promoted too, as it is another form of long term savings. Also, MFIs could be engaged in the role of Business Correspondents. The use of technological advancements could be explored to increment savings, but it has its associated costs. It was felt that improper costing of loan products could adversely affect mobilisation of savings.

BREAKAWAY SESSION 2 – INTEGRATING SOCIAL PERFORMANCE MANAGEMENT (SPM): STORIES FROM THE FIELD

Social Performance and its measurement are being increasingly acknowledged by microfinance practitioners as well as investors. It has been accepted that MFIs have focused a lot on financial performance measurement while social performance measurement has generally been neglected. However, there is now increasing appreciation that social performance measurement is equally important not just for regular decision making but also for achieving the overall mission.

Moderator

- Nigel Biggar, Director of Social Performance Management, Grameen Foundation

Panelists

- Suresh Krishna, CEO, Grameen Koota
- Gomby Maramba, Research Director, NWTF
- Ben Simmes, Deputy Managing Director, Oikocredit

'The core business of microfinance institutions is a social one. There has been a lack of matrix for measuring social performance while the focus on financials has been the strong one.'

Nigel Biggar,
Director of SPM, Grameen Foundation

Nigel Biggar, Director of Social Performance Management, Grameen Foundation, opened the discussion by raising issues such as how SPM data can help institutions in making decisions. Value that social performance can provide to institutions, the cost of integrating SPM into the operating systems and processes of an MFI were discussed.

Gomby Maramba, Research Director, NWTF Philippines stated that earlier they focused only on the financial data. However, a drop in repayments in their organisation in 2002 actually forced them to see the client data in greater detail. There was need to analyse the finance provided by the MFI with its proper utilisation. They started using Progressive Performance Index (PPI) from 2005 and it helped them remarkably in seeing their performance in its entirety. It helped them in proper client targeting, movement of clients across poverty scales and in providing more customised services. Integrating PPI, helped in building the inventory of the clients' skills, which is important for deciding the proper loan sizes.

From (l to r) Ben Simmes, Deputy Managing Director , Oikocredit, Suresh Krishna, CEO, Grameen Koota, Nigel Biggar, Director of Social Performance Management ,Grameen Foundation and Gomby Maramba, Research Director, NWTF

Ben Simmes, Deputy Managing Director, Oikocredit, informed that SPM is core to their business. Many investors are fascinated by microfinance and the fact that they are helping the poorest. However, in the last few years there has been a fear of mission drift making the investors more sensitive about measuring social performance of the MFIs. SPM data helps Oikocredit in identifying the institutions which have high focus on their mission. It also helps in maintaining greater transparency with the investors. He admitted that though measuring social performance is much harder than measuring financial performance, it cannot be sidelined. He also felt that the money spent in researching upon and implementing social performance tools should be seen as an investment instead of cost expenditure.

From (l to r) Robin Ratcliffe, Director, The Smart Campaign, Center for Financial Inclusion at ACCION, Elias Ghosalkar, Head, Microfinance Development Initiative, BNP Paribas India, Eric Savage, Managing Director, Unitus Capital and Kate Mckee, Senior Advisor on Policy, Poverty Outreach and Aid Effectiveness, Consultative Group to Assist the Poor (CGAP)

> *'The biggest challenge is to see it (social performance measurement) as an investment. To be professional and to balance indeed the two worlds -the financial sustainability and social sustainability.'*
>
> ***Ben Simmes,***
> ***Deputy Managing Director, Oikocredit***

Suresh Krishna, CEO, Grameen Koota, said that the main purpose of provision of microfinance is to alleviate poverty. However, for achieving the same, it is necessary to identify the poor clients and then to monitor their true progress. He informed that Grameen Koota has been integrating the PPI data in its MIS and has been generating various useful reports.

The session concluded by highlighting the fact that measurement of social performance does add value to the MFIs. Money spent on SPM is actually an investment and not a cost. Additionally, SPM has to be integrated with the other core functions of the organisations and should not be seen as an isolated function.

BREAKAWAY SESSION 1 – PROTECTING OUR CLIENTS; AVOIDING (AND SOLVING) OVER – INDEBTEDNESS

There has been a growing concern that with the increasing commercialisation of the microfinance sector, the incidence of multiple lending has led to over indebtedness among clients. The panel discussed the causes of over indebtedness and felt that it was time for the microfinance sector to take a re-look at its operating business models.

Moderator

- Robin Ratcliffe, Director, The Smart Campaign, Centre for Financial Inclusion, Accion

Panelists

- Samit Ghosh, CEO, Ujjivan
- Mathew Titus, Executive Director, Sa-Dhan
- Eric Savage, Managing Director, Unitus Capital
- Katerine Mckee, Senior Advisor on Policy, Poverty Outreach and Aid Effectiveness, CGAP
- Elias Ghosalkar, Head, Microfinance Development Initiative, BNP Paribas India

Samit Ghosh, CEO, Ujjivan, felt that simple models in microfinance may not work in the long run with increasing competition. The customer-needs should be understood better in order to design appropriate products for various customer segments. He also felt that lending and collection processes need to be thoroughly assessed and revamped.

Mathew Titus, Executive Director, Sa-Dhan, emphasised on the need for MFIs to identify and focus on new under served areas as part of their business development plans rather than crowding in areas having many existing players. He also felt that the right incentives may be instrumental in leading to robust growth, and evolution of a code of conduct for MFIs could be of great help in ensuring client protection.

Kate Mackee, Senior Advisor on Policy, Poverty Outreach and Aid Effectiveness, CGAP, pointed out that more questions on the long term viability of the business models would be raised in the coming times. She said that ensuring client loyalty is critical, which highlights the importance of proper customer service as well as impeccable reputation in the community served.

Eric Savage, Managing Director, Unitus Capital felt that the focus on individual loans is likely to increase as against the focus on group loans. He also felt that there would be an increase of scrutiny on the microfinance sector. He expressed that MFIs should maintain privacy of client data and have adequate mechanisms for redressing grievances, if any.

Elias Ghosalkar, Head, Microfinance Development Initiative, BNP Paribas India, discussed that there was a need to return to basics. MFIs need to pay attention on getting the right kind of clientele. MFIs also need to pay attention on appropriate employee incentive structures, transparent pricing, appropriate collection practices, ethical staff behaviour and financial literacy of clients to be better equipped to avoid agency problems besides other problems arising out of information asymmetry.

Robin Ratcliffe, Director, The Smart Campaign, Centre for Financial Inclusion, Accion, while concluding the session stressed upon the importance of factoring in the costs to clients in the decision making framework of the MFIs. She also emphasized on understanding client needs and their cash flow patterns for appropriate product planning.

BREAKAWAY SESSION 2 – WOMEN'S LEADERSHIP IN MICROFINANCE

It is very well known that majority of the microfinance clients comprise of women. Yet there are emerging issues and challenges inhibiting the growth of women leadership within the sector at all levels from top to bottom. The session was dedicated to various aspects related to women leadership including the need to nurture women leadership in the efficient and effective provision of microfinance initiatives.

The panel was well represented by some of the prominent women leaders and practitioners in the Microfinance Sector.

Moderator

- Mary Ellen Iskenderian, President & CEO, Women's World Banking

Lead Presenter

- Joy Deshmukh, Director, Indian School of Microfinance for Women

Panelists

- Smita Premchander, Founder, Sampark


Dr Joy Deshmukh- Ranadive, Director, Indian School of Microfinance for Women

- Praseeda Kunam, CEO, Samhita Microfinance
- Kalpana Pant, Programme Coordinator, Chaitanya
- Madhuri Narayanan, Project Director, Intra Health International Inc

Some of the key highlights presented by Joy Deshmukh, Director, Indian School of Microfinance for Women, on women leadership were:

- Women's leadership both on the supply as well as demand side is of critical importance if the impact of microfinance is to be seen with respect to improving quality of lives and empowerment of women.
- Women have an indispensable role in directing, governing, managing and influencing the sector at large including their organisations and communities.
- In order to encourage women leadership on the supply side there is a need to develop second tier of leadership. Developing leadership among managers is important in young organisations while rotation of leadership is more pertinent for established organisations.
- There is a need for adequate training and mentoring to encourage women to take up more meaningful roles in the sector. This requires prioritising investment in their capacity building.
- Lack of appropriate leadership positions, low literacy levels and communication skills, security and safety concerns, social and family pressures are some of the factors inhibiting women leadership on the demand side.
- Encouraging women leadership is indispensable in better understanding the lives of women clients.

Mary Ellen, President & CEO, Women's World Banking, underlined that even though there has been phenomenal growth in the sector, there are still very few women leaders. Further, in percentage terms, women in Boards and in top management positions of MFIs have gone down. She further pointed out that gender diversity is needed as it brings in diverse perspective resulting in stronger decision-making and emergence of vibrant institutions. Also women's voices in decision-making on design and delivery of products are important when majority of clients are women. Successful women representation also impacts clients who often seek inspiration from such role-models.

'With the development of the industry, there is a serious decline in the number of women in senior management as well as in the Board level within WWB network itself.'

Mary Ellen Iskenderian,
President & CEO,
Women's World Banking

Smita Premchander, Founder, Sampark, brought out that Women's Cooperative is the most promising organisation structure to nurture women leadership where the ownership and decision-making lies in the hands of women solely and it is the women who are engaged in creating social as well as financial capital. Women are reduced to being mere credit recipients in the other service delivery models. So far there has been negligible support for promoting women cooperatives even when there are many successful cooperatives. There has been insufficient evidence of cooperatives as an empowering means for delivering microfinance.

> *'Women save the money, they borrow, they take the responsibility to return, yet they are credit recipients, not leaders. When women themselves lead, they manage, they monitor, and they control, that is when they create social and financial capital and therefore empowerment'*
>
> ***Smita Premchander, Founder, Sampark***

Praseeda Kunam, CEO, Samhita Microfinance, one of the successful women practitioners pointed out that there is little women representation especially at the Board level and there is a need to develop such level of women leadership in the future. She further highlighted that there are safety concerns with respect to women leadership at the managerial level along with greater sophistication in the microfinance sector limiting women participation.

Kalpana Pant, Programme Coordinator, Chaitanya, cited that there is a perceived separation between microfinance and development and women are often associated with softer development issues rather than microfinance, which has an image that it requires highly technical professionals from the banking sector. She said women leadership in microfinance will also encourage clients to take up leadership roles. Direct intervention and strategies are necessary to focus attention on leadership for which microfinance is a tool.

Madhuri Narayanan, Project Director, Intra Health International Inc, stressed that strong commitment from top leadership along with strong learning environment and extended sensitivity are of vital importance for promoting women leadership. She advocated for investment in women capacities through training and capacity building along with proactive HR policies as stepping stones. There is a need of dealing with gender inclusion as a core issue.

During the discussions, the panel and the delegates pressed that gender perspective should be included in the State of the Sector Report. Also MIS generated reports should include gender disaggregated data on various aspects related to women.

PLENARY SESSION II – RESPONSIBLE LENDING

Responsible lending is a critical concern as the microfinance sector grows and evolves. The emphasis in recent years has been on growth and numbers without much focus on the client. The unprecedented growth of the sector has led to organisations indulging in aggressive selling of loans with little analysis of clients' repayment capacities resulting in over indebtedness of clients. Even though the outreach has significantly increased, the manner in which this is being accomplished has become a concern, the quality of outreach is also an important concern.

Moderator

- Vijay Mahajan, Chairman, Basix

Panelists

- Katherine Mckee, Senior Advisor on Policy, Poverty Outreach and Aid Effectiveness, CGAP
- Moumita Sen Sarma, Vice President, Head-Microfinance India, ABN AMRO Bank
- N. K. Maini, Executive Director, SIDBI
- Suresh Gurumani, CEO and MD, SKS Microfinance Limited
- Shubhankar Sengupta, MD, Arohan Financial Services Limited
- Donald Peck, Co-founder, Lok Capital.

Shubhankar Sengupta, MD, Arohan Financial Services Limited, started the discussions stating that indulging in responsible lending is not an option but a necessity as the sector grows. He emphasized that there should be a focus on increasing transparency on product pricing. Customer feedback is critical and standards need to be evolved with regard to customer satisfaction. More innovation is required in product offerings and there is a need to explore beyond the Grameen methodology, while still maintaining the critical standardised processes. He remarked that when products cannot be tailored to a client's actual repayment ability and preferences, tendencies towards over-lending, lack of transparency, and aggressive collection practices are not surprising. He also challenged the sector's fascination for very high repayment rates, which was responsible for some of the undesired practices that had crept in the sector.

'It is perfectly o.k. not to have a ninety-nine percent plus repayment rate.'

Shubhankar Sengupta,
MD, Arohan Financial Services Limited

N. K. Maini, Executive Director, SIDBI, aptly highlighted that since large amounts of public funds are let out for the benefit of poor and disadvantaged, it involves enormous responsibility. He detailed on the role of SIDBI especially in the areas of investing in technology, good governance and transparency.

'Responsible lending implies responsible pricing, responsible professionals being inducted into the organization, into the board and a lot of responsibility towards training both the staff and more importantly the beneficiaries at the other end. '

NK Maini,
Executive Director, SIDBI

Moumita Sen Sarma, Vice President, Head-Microfinance India, ABN AMRO Bank, cited that ABN AMRO Bank acknowledges that microfinance is a different sector and requires different set of standards. She mentioned that her bank adapted its policies according to the sector needs, and it gave collateral free loans and loans without personal guarantee of MFI promoters. However, she also expressed her concern that MFIs have still not been able to reach the real poor of the country and that high rates of interest are being charged by the MFIs.

Suresh Gurumani, CEO and MD, SKS Microfinance Limited, held the view that there is an urgent need to bring in best practices in lending. He emphasized that the relation with the client goes beyond mere lending. MFIs need to refrain from offering products which may be profitable but not relevant, he cautioned.

There is a need to monitor quality of services rendered through customer contact. The onus of responsible lending is on all stakeholders and not just on the MFIs.

'At the strategic level, how do we identify the right kinds of products and services? In other words. If it's not suitable for the customers, it doesn't matter if it's profitable for us. We shouldn't, in the first place, be offering those products.'

Suresh Gurumani,
CEO & MD, SKS Microfinance

Donald Peck, Co-founder, Lok Capital, felt that little has been done to deal with the levels of risks involved in financing. There is a need for a long term view towards sustainable lending. He mentioned that the concern of social vs. financial good is a concern for the entire sector and PE funds also need to share this concern. He also mentioned that PE funds need to be patient; and should not look at short term gains.

Kate McKee, Senior Advisor on Policy, Poverty Outreach and Aid Effectiveness, CGAP, elaborated that responsible lending means most equitable and social investments which may require microfinance to be seen as a social good.

However there is always a temptation to move towards profitability, growth and gaining market share. There is a need to resist such temptations, she emphasized.

For ensuring long term sustainability, financial literacy, client education and transparency will become necessary.

"Regulation around reckless lending is pretty hard to do in the absence of a credit bureau that institutions can use to check other loans."

Katherine Mckee,
Senior Advisor on Policy,
Poverty Outreach and Aid Effectiveness,
CGAP

During the discussions, it became evident that for enabling responsible lending there is now a need for evolution of a credit bureau and code of conduct along with client education and training. Also, better governance and transparency with clients regarding terms and conditions, pricing and the increased responsibility of the group members should be high on priority.

DAY 2: OCTOBER 27, 2009

PLENARY SESSION III – REASSESSING THE BUSINESS CORRESPONDENT MODEL

With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, RBI in 2006 enabled banks to use the services of Non-Governmental Organisations/ Self Help Groups (NGOs/ SHGs), Micro Finance Institutions (MFIs) and other Civil Society Organisations (CSOs) as Business Facilitator and Correspondents in providing financial and banking services. The session reviewed the strengths and constraints of this model.

Moderator

- Gregory Chen, Regional Coordinator, CGAP

Panelists

- S G Anil, CEO, IFMR Trust Holding Co
- Manohar Raj, Head Microfinance, HDFC Bank
- Manmath Dalai, Managing Director, KBS LAB-Basix
- Vikram Akula, Chairman, SKS Microfinance
- Pallab Mitra, Head Commerce, Airtel

Gregory Chen, Regional Coordinator, CGAP, opened the discussion by showing a slide on various phases that an organisation undergoes while adopting technology.

He then proceeded to provide a backdrop of the Business Correspondent model. He highlighted some of the issues and the possible review of policy on involving for-profit-organisations to act as BCs.

Manmath Dalai, Managing Director, KBS LAB-Basix, mentioned that KBS has also adopted the business correspondent model. Basix has a separate section-25 not-for-profit company which acts a Business Correspondent for KBS. The BC Company is involved in selling all the products of KBS LAB. It maintains contact with clients and takes regular feedback. In order to avoid conflict, KBS LAB has maintained parity in salary of both the KBS LAB staff and that of BC Company.

Mr Dalai said that the model has so far worked very well for them. He said that banks need to see it as another business line with good revenue potential. He was of the view that banks could meet the cost of BCs through their own margins. Although there may be losses in the beginning but the model has the capacity to generate enough revenue in the long run. Banks have to invest in this model for reaping long-term gains.

S G Anil, CEO, IFMR Trust Holding Co, expressed a lot of hope in the BC model. Given the vast geography of India, there is need for such models as normal branch banking may not be suitable. BC model have the potential to really extend the outreach of banks. However, he expressed concern that BCs are increasingly getting restricted to just mobilising of savings. He further stated that IFMR has found the model to

(l) S G Anil, CEO, IFMR Trust Holding Co and (r) Gregory Chen, Regional Coordinator, CGAP

> *'There is no fundamental problem in the (BC) model per se. The problem lies in operationalizing it, implementing it. The crux of the problem is- banks not viewing this as a business proposition, but view it as CSR'*
>
> *S G Anil, CEO, IFMR Trust Holding Co*

be perfectly viable and regulations surrounding it are also not a big constraint but Banks are not yet acknowledging BC model's potential. Banks still consider it a part of Corporate Social Responsibility, although BC model has the potential to be a viable business line. He urged that banks have to see that there is reasonable profit built-in for BCs as well. He said profit for BCs could be enhanced by using the model for delivery of multiple services, such as mutual funds, pensions, insurance etc.

Manohara Raj, Head Microfinance, HDFC Bank, shared his bank's experience with the BC model. He stated that the model is perfectly viable. HDFC started BC model in 2006 by using NGOs as BCs while SHGs were the ultimate clients. Within three years HDFC has 210 BCs in 13 districts. He said that HDFC has also pushed non-financial services such as access to safe drinking water through its BCs. He however acknowledged that the agency risk is high in BC model. However, he also explained that risks can be successfully controlled through various mechanisms such as:

- Careful selection of BCs with proper due diligence,
- Imparting relevant training to BCs,
- Use of appropriate technology,
- Maintaining relationship with clients and not alienating them.

He added that BC is a virtuous model and even though there are inherent risks, commercial banks would need to take the lead in its adoption and also to ensure that BCs are appropriately compensated. Only then the model can be retained and sustained.

Pallab Mitra, Head Commerce, Airtel, said that it was time that profit making companies such as telecom companies were allowed to act as BCs. He said that telecom companies have the potential to play a significant role in financial inclusion. He informed that there are 450 million mobile users in the country of which 50% do not have bank account yet. He further explained that there are certain inherent strengths of the telecom companies due to which they can significantly contribute towards the goal of financial inclusion. These strengths include their extensive coverage. Also the telecom companies have high network of trained human resource. They have trained a large number of people and have developed them as entrepreneurs to service clients. So there is a great potential in using mobile technology in financial services. He expressed hope that RBI will soon allow telecom companies to act as BCs.

Vikram Akula, Chairman, SKS Microfinance, responded by saying that although BC is a good model, the current regulations do not allow its full potential to be realised. Unfavourable policies are resulting in financial apartheid as a large majority of citizens are still excluded from the financial services fold and many who have bank accounts, do not use them. He expressed his doubts on whether the entities who are allowed to act BC and BF presently can actually deliver these services at the scale at which they are required to in this country. NGOs, retired teachers and other such entities may not be the right choice for achieving such scale. Instead, Vikram strongly argued the case for NBFCs-MFIs to be allowed as BCs. He said NBFC-

Vikram Akula, Chairperson, SKS Microfinance

MFIs are best suited to do this job as they can achieve scale, they have outreach, they can go to poorest districts and they have the required understanding of finance. Hence, if financial apartheid is to end, then these are the right entities which need to be involved and policy makers should ensure policies for enabling their greater involvement.

The panel concluded that while the Business Correspondent model is a viable model there is a need for banks to take lead in it and to accept it more openly. It has to be seen as revenue generating activity rather than CSR. The panel accepted that there are risks involved in the model but if proper measures such as proper client relations, training of BC and clients and due diligence on BCs is undertaken, such risks can be minimized. The panel also agreed that the model could be made more attractive for BCs by delivery of multiple services through them. There is also need for modifications in current regulations and it is hoped that RBI's current review of policy will allow greater involvement of NBFC-MFIs and other for-profit entities in the BC model.

PLENARY SESSION IV – NEED FOR ANOTHER INSTITUTION TO SERVE THE POOR?

While India already have multiplicity of financial institutions all having direct/indirect mandate to serve the poor, there are now increasing recommendations for a new type of the institution. The Raghuram Rajan Committee has recommended the setting up of "Small Finance Banks". In this context, this session deliberated whether there is a need for new institution or the need is to revitalize some of the already existing institutions serving the poor.

Moderator

- Dr. Nachiket Mor, President, ICICI Foundation

Panelists

- Dr. Prakash Bakshi, Executive Director, NABARD
- P N Vasudevan, Managing Director, Equitas Microfinance
- M R Venkiteswaran, Sr Vice President (Advances), AXIS Bank
- N Srinivasan, Author, State of the Sector Report

(l) Dr Nachiket Mor, President, ICICI Foundation and (r) Dr Prakash Bakshi, Executive Director, NABARD

Dr. Prakash Bakshi, Executive Director, NABARD, started the discussion stating that we need to consider whether there is a need for new types of institutions or we need to examine the processes systems and products in existing institutions. He talked about large network of cooperatives in the country. He gave the example of the Rural Co-operative Credit Structure in India which is undergoing a transformation under the Vaidyanathan Committee Recommendations. He expressed hope in these reforms. Almost 25 states have accepted Vaidyanathan Committee recomendations and 14 states have already amended their Cooperative Acts.

'Is it the institution or is it the products that the institution is offering, the work processes, the systems and procedures that the institution is offering- whether they need to be changed or are we talking of a new institutions? A new institution will have to do something new. Can the old institutions do something new? '

Dr. Prakash Bakshi
Executive Director, NABARD

P N Vasudevan, Managing Director, Equitas Microfinance, stated that if there is no single regulatory body for financial inclusion, it may not be possible for the existing or the new institutions to achieve the target of financial inclusion. Institutions are already there but we need a separate regulatory authority. He advocated formation of a regulatory authority with specific mandate of financial inclusion which could be named Financial Inclusion Regulation and Development Authority (FIRDA).

M R Venkiteswaran, Sr Vice President (Advances), AXIS Bank, said that the infrastructure in the form of bank branches was already there but there is an anxiety that they may not be able to deliver on the goal of financial inclusion. This may be because of pressure on them on performance and profitability. Therefore, some new form of institutions may be required.

N Srinivasan elaborated that although there is a need for improvement in policies, they are no longer a prime constraint. The current policy environment provides enough freedom to the existing institutions to come out with innovative means and products to serve the poor.

Dr. Nachiket Mor, President, ICICI Foundation, concluded the discussion by making the point that each organisation has its own culture and it may be difficult to change. We would, therefore, need a new set of institutions with the right culture to achieve financial inclusion.

'Indeed to face the customer on the ground, you do need a new institution- whether it's a cooperative or PACS which is already there and can be reactivated or some form of an aggregator whether BC or an MFI, it is certainly needed '

Dr. Nachiket Mor,
President, ICICI Foundation

BREAKAWAY SESSION 1- URBAN LOW INCOME HOUSING FINANCE

With the entry of players like Jerry Rao and TMC, supply of flats in the Rs. 3 lakh to 7 lakh range will take off but the key challenge will be finance. MFIs are very well suited to participate in serving the target customers with household income in the range of 7-12 thousand per month and the opportunity is large- over 8,000 billion. There are some innovative initiatives underway that highlight the potential to both meet key customer needs (thereby deepening the MFI relationship) and be financially rewarding. The session intended to expose MFIs to this opportunity, explore how MFIs could benefit from it and identify potential issues and ways to address them.

'The potential to provide housing for low income households is over 20 million. It has a potential share of Rs11000 billion.'

Ashish Karamchandani
Partner, Monitor Group

Moderator

- Ashish Karamchandani, Partner, Monitor Group

Discussants

- Joe Silva, Chairman & CEO, Matheran Realty
- Jayesh Shah, Director Credit, MHFC
- Rajiv Sabharwal, Executive Director, Seqouia Capital
- Radhakrishnan V.S., CEO, Janalakshmi Financial Services

Ashish Karamchandani, Partner, Monitor Group, began by saying that it is everybody's dream to have their own house including the low income households especially when they are living in poorly constructed dwellings, paying high and ever increasing rentals coupled with lack of proper facilities. Many new players have entered on the supply side and thereby increasing the construction of low income housing projects. However access to home financing for low income customers is a major impediment. He stressed that MFIs may be well placed to serve as the conduits for housing finance. They may even set up dedicated housing finance companies because of their access and understanding of low income informal sector customers and the unique processes required to serve them.

Joe Silva, Chairman & CEO, Matheran Realty, one of the pioneers in constructing houses for low income groups spoke on his company's work to provide houses in the range of Rs. 2,00,000 to Rs. 7,00,000. He elaborated that they rely on the cross-subsidy model as they sell these houses at more or less the cost and the profits comes from the commercial areas of a project. Also only the structure of the house is sold and the lease rights remain with the association of owners. Despite overwhelming responses from the low income buyers, there are constraints due to unavailability of housing finance. He said that within the formal housing finance sector, the ticket size of housing finance for this segment is largely unattractive for the private sector banks while the public sector banks are ineffective due to their inefficiencies. The MFIs could explore entering this gap area and could even charge higher rates of interest but only if they are able to provide efficiencies of delivery. In absence of availability of formal

From (l to r) Ashish Karamchandani, Partner, Monitor Group, Radhakrishnan V.S., CEO, Janalakshmi Financial Services, Rajiv Sabharwal, Executive Director ,Seqouia Capital and Joe Silva , CEO, Matheran Realty or informal means of housing finance to the real buyers, speculative investors may dominate this market. The over regulation of housing finance is also limiting the growth potential of the sector.

Radhakrishnan V.S., CEO, Janalakshmi Financial Services, said that since his organisation wanted to be a total financial solutions company for the urban poor, they entered into mortgage finance. He said that the emerging attention on the microfinance sector has been to evolve itself. It is important that as the customers move up the value and income chains, the MFIs should not lose such customers. They should focus on fulfilling and addressing the new and more complex needs of the customer base to be able to maintain and further nurture the relationship that has been established.

Rajiv Sabharwal, Executive Director, Seqouia Capital, detailed that the large players have still not entered low ticket housing finance mainly owing to the more lucrative opportunities that exist in India across other segments of housing finance. Since the ticket size is quite small, the operating costs are much higher than the high ticket size loans for the large housing finance companies and banks. He said that the relevant model for housing finance for low ticket size should be like that of MFIs- the one that can foray deep into the market, build client franchise at low operating costs. He said that an ideal model for such housing finance company could be one which gets resources from large institutions but has a suitable and appropriate credit model of its own and with low operating costs. Their portfolios could later be securitised by banks. The role of all the players would be crucial including that of the developers, lenders, government for developing the relevant infrastructure.

'This (housing) is a large sector, probably much bigger that even microfinance, which has been unexplored and we need committed entrepreneurs to get into this space.'

Rajiv Sabharwal
Executive Director, Seqouia Capital

Jayesh Shah, Director Credit, MHFC, tried to break away the myth that banks shy away from entering this segment owing to perceived high risks. He mentioned that in housing finance, the two main risks include the project risk, which is universal across all segments and the credit risk. He said that the credit risk is the underlying factor and this is in fact lower for low income households as their desire to own a home is stronger and most of them are first time buyers. However, MFIs are better equipped to deal with the sector and the attempt is to fine-tune the microfinance customer interaction processes with the processing capabilities of the housing finance company.

BREAKAWAY SESSION 2 – EFFICIENT WAYS OF DELIVERING GOVERNMENT BENEFITS TO POOR

In the fiscal year 2008-09, over Rs. 400 billion were spent on Government programs which involved direct cash payments to beneficiaries in India. A major challenge in implementing these programs is the physical delivery of cash to beneficiaries. Beneficiaries often do not have bank accounts and live far away from the nearest bank branch. While alternate payment channels such as Gram Panchayat offices and post offices exist, they are prone to corruption. In this session, the panelists discussed how best to overcome challenges in delivering government payments to beneficiaries, the opportunities and limitations of technologies that enable these, and how payment systems

From (l to r) Prakash Prabhu, CEO, ATYATI Technologies, Anoop Kaul, Head, Financial Inclusion, BASIX, Justin Oliver, Executive Director, Centre for Microfinance, IFMR, Chennai, Gregory Chen, Regional Coordinator, CGAP and Manish Khera, CEO, FINO

can be designed so that they increase the long term financial inclusion of beneficiaries.

Moderator

- Justin Oliver, Executive Director, Centre for Microfinance, IFMR, Chennai

Panelists

- Gregory Chen, Regional Coordinator, CGAP
- Anoop Kaul, Head, Financial Inclusion, BASIX
- Manish Khera, CEO, FINO
- Prakash Prabhu, CEO, ATYATI

Gregory Chen, Regional Coordinator, CGAP, provided the audience with information about similar programs being implemented in other countries and how bank transfers have resulted in reduced leakages of fund, increased consumption and savings of the beneficiaries. He informed that although transfer of funds to the bank accounts of the beneficiaries involve higher cost in the beginning but in the longer run it is a cheaper alternative to direct cash payments.

Anoop Kaul, Head, Financial Inclusion, Basix, cited the example of Bhama Shah project for financial inclusion by developing identity cards for the beneficiaries in Rajasthan where BASIX was involved in the implementation. He was of the view that if the Government has the political will, the financial inclusion of the poor is possible.

'Globally, administrative costs of government to provide beneficiary payments electronically are significantly lower as compared to cash transactions.'

Gregory Chen,
Regional Coordinator, CGAP

Manish Khera explained the role of FINO in the financial inclusion of beneficiaries. He presented the details of FINO intervention with the AP Government in NREGA where FINO has provided beneficiaries with the biometric cards, which has smoothened the flow of funds to the beneficiaries.

Prakash Prabhu, CEO, ATYATI, said that doing a pilot involving the use of IT is not a problem, but replicating these pilots to provide services at large scale is the challenge. To ensure smooth implementations we need to involve all the stakeholders including elected representatives. Government should use IT to prevent leakages from the programs.

The panel agreed that funds flow to the beneficiaries from Government can be made efficient through the help of IT but it will need a strong political will and uniformity and standardisation of processes at every stage. According to the panel, UID cards should be included in the financial inclusion process. UID cards may help in preparing a national level database of the poor and will enable Government-to-Client (G2C) transfer of funds in a transparent and efficient manner. They reiterated that Post Offices and PACS should be made Banking Correspondents for increased financial inclusion of poor.

PLENARY SESSION V – ROLE OF APEX DEVELOPMENT INSTITUTIONS IN PROMOTING MICROFINANCE

The primary focus of this session was to assess the regional experiences of wholesale funds; to understand their development mandate as also their commercial mandate; their role in developing the microfinance sector in their respective countries, and the challenges faced in its up-scaling.

Moderator

- Malcolm Harper, Professor Emeritus, Cranfield Institute of Management

Panelists

- N K Maini, Executive Director, SIDBI
- Prof. M.S. Sriram, Director, MISFA
- Dr. Prakash Bakshi, Executive Director, NABARD
- Vijayalakshmi Das, CEO, FWWB India

Vijayalakshmi Das, CEO FWWB, presented the position of FWWB on the issue. She informed that FWWB has been able to achieve the objective for which it was established. They have been supporting small and growing institutions in making them sustainable. According to her, influencing an MFI is easier in the beginning but it gets difficult once it grows bigger and influential. She said that the microfinance sector would have benefited if it would have been able to access Government resources. She wanted networks like Sa-dhan to play an active role in facilitating access to Government resources and schemes. Commercial equity is still out of reach for start-up organisation and given the present scenario, she expected that FWWB would continue to exist although it would like to fade away if formal financial institutions are ready to play the role.

> *'Every year we kind of take up assessment of demand, which comes from 120-150 odd organizations. We are able to address only 30% of the demand. There is still a gap of 70%. Commercial equity goes only to top 5-6 organizations. The commercial equity hasn't reached the medium and the smaller start up organizations.'*
>
> ***Vijayalakshmi Das, CEO, FWWB India***

N K Maini, Executive Director, SIDBI, said that SIDBI has been a pioneer in supporting the microfinance sector. According to him, Government's influence has always been benign, SIDBI itself being a Government owned institution. SIDBI has been able to influence the MFIs to adopt transparency in their operations and to maintain ethical practices. He did not agree that apex institutions like SIDBI have been crowding out private sector investments; but stressed that it has shown the model of investments to them. He was not sure about how much saving mobilisation by the MFIs would result in reduction of pressure on them. He did not envisage a reduced role for SIDBI in near future; rather he thought that apex institutions would evolve with time and continue to play a

From (l to r) Vijaylakshmi Das, CEO, FWWB India, N K Maini, Executive Director, SIDBI, Malcolm Harper, Professor Emeritus, Cranfield Institute of Management, UK, Dr Prakash Bakshi, Executive Director, NABARD and Prof M S Sriram, Director, MISFA significant role. He visualised an Indian MIX market type of network for transparency.

According to Dr Prakash Bakshi, Executive Director, NABARD has played a pioneer role in microfinance through its SBLP programme. NABARD has been able to help more than 6 million groups besides providing capacity building support to SHPIs and banks. He said that NABARD has been evolving with time to provide better services to its clients. It is encouraging MFIs where SBLP program has not reached. It is also providing soft loans and capacity building support to small MFIs and providing sub-ordinate debts that help MFIs to access funds from other institutions as well. According to him, MFIs should be able to increase their efficiency and reduce the interest rate charged to their clients.

> *'NABARD must not be seen as a funding organization but as an organization which builds up capacities among people working in rural finance.'*
>
> ***Dr Prakash Bakshi, Executive Director, NABARD***

Prof. M.S. Sriram, Director, MISFA, presented the role of MISFA in Afghanistan. Microfinance in Afghanistan is in its preliminary stage. He said that MISFA's role could be judged only when microfinance in Afghanistan grows to a sustainable level. He spoke about the Government's influence on the organization and the sector in Afghanistan has been benign. Prof Sriram expressed that MISFA would like to close down after some years when it would have played its due role.

The panel agreed that the apex institutions are needed and shall gradually evolve further with time and Government influence has mostly been moderate. The panel felt that MFIs should improve their efficiency and transfer the benefits to the clients. The panel visualised that technology would soon drive the microfinance sector and it would also help reduce the cost and suggested that MFIs need to do a poverty assessment of their clients to ascertain the impact of microfinance on them.

> *'Microfinance, I hope is a short-term experience to get rid of this disgrace on the world which is poverty. Therefore, I suppose Apex Institutions which work in microfinance should look at their future in the same way.'*
>
> ***Malcolm Harper***
> ***Professor Emeritus, Cranfield Institute of Management***

SUMMING UP THE MICROFINANCE DEBATE

Panelists

- Malcolm Harper, Professor Emeritus, Cranfield Institute of Management
- Vijaylakshmi Das, CEO, FWWB
- Pierre Hedel, MD, RaboBank Foundation
- Vipin Sharma, CEO, ACCESS Development Services

Vipin Sharma, CEO, ACCESS Development Services, recalled the evolution of Microfinance India Summit since its beginning and the process of it getting institutionalised year after year. He was enthusiastic about the event for the next year. He talked about the efforts of sector experts, resource persons and others to make an event of this scale and magnitude such a success. He informed of the endeavours that ACCESS constantly tries to add value to this

From (l to r) Vipin Sharma, CEO, ACCESS Development Services, Malcolm Harper, Pierre Hedel, MD, RaboBank Foundation, Malcolm Harper, Professor Emeritus, Cranfield Institute of Management, UK and Vijaylakshmi Das, CEO, FWWB India

event. He informed of the various features that have gradually been added to this platform, including:

- State of the Sector Report as an annual publication,
- Knowledge Fair,
- Livelihood Day and SOIL Report,
- Focused discussions with round table Conferences alongside the main event,
- Addressing sectoral issues like regional skew, a microfinance vision document is prepared for an **underserved state**. Every year one state is being covered, so far states of Orissa, Bihar & Rajasthan have been covered. Reports on Bihar and Rajasthan are likely to be released by January 2010.

Vipin Sharma thanked all the eminent speakers, the sponsors, co-sponsors and various partners associated with the event. He thanked all the participants for their valuable and interactive participation all throughout.

Vijaylakshmi Das, CEO, FWWB, expressed her concern over dwindling women leadership in microfinance. She was also of the view that a forum like this should have representation from Cooperatives, RRB as well as RBI. She hoped that the next year would have greater representation from these.

Pierre Hedel, MD, RaboBank Foundation, started by remarking on the extremely high quality of presentations and discussions that took place during the summit. He was however dismayed by the fact that Indian microfinance still has credit as focus and the 'savings' are getting neglected. He said that the experience around the globe has shown that banking and finance starts with savings as it creates trust, loyalty and relationship. He showed his concern over high focus of MFIs on profits. He cautioned that this may repel the social investors. He highlighted the importance of prioritising relationship, trust and service to clients over profits. He said that such core values would ultimately lead to profits.

> *'The constant endeavor of the Microfinance Summit has been to see how we are able to respond to current issues, current challenges that the sector faces and with agility we try to bring together a panel that is going to look at those issues in some depth and try to see how as a sector we could address those issues.'*
>
> ***Vipin Sharma***
> ***CEO, ACCESS Development Services***

Malcolm Harper, Professor Emeritus, Cranfield Institute of Management, also expressed his concern over increasing profit orientation of MFIs. He said that MFIs growing faster than SBLP may be a cause of worry if MFIs continue to focus on profits. He also expressed concern over savings as proportion of loans decreasing with time. He underscored the need for cashless transactions, which offer tremendous potential in reducing costs and ensuring safe transactions. He also mentioned that housing finance is a much needed service and holds a lot of promise for the future and may be the net big frontier.

'This enormous increase in the proportion and in the absolute number of people receiving microfinance from the for-profit, who are serviced from the pro-profit institutions can be a cause of worry if the pendulum swings too far towards doing well and making profits'

Malcolm Harper,
Professor Emeritus,
Cranfield Institute of Management

DAY 3: OCTOBER 28, 2009

THE LIVELIHOODS DAY: INAUGURAL SESSION

The day three of the Summit was organized as the Livelihoods Day. It was the second year in a row that a day-long session was earmarked for discussions on diverse issues related to livelihoods. The day was specifically dedicated to focus on more complex issues pertaining to making livelihoods for the poor sustainable and to integrate overall aspects of development. The main theme for this year was 'making markets work for the poor' and the role of various stakeholders in facilitating their access to such opportunities.

The poor in the country especially in the rural areas face several limitations such as poor access to markets, finance and various business development services leading to their exclusion from value chains. Also the lack of capacities as well as opportunities to interact beneficially with external stakeholders and markets limit their ability to optimally benefit from the economic opportunities in the country. The primary objective was to deliberate upon the issues and limitations faced by the poor in accessing market opportunities and hence facilitate development of future strategies to productively integrate the poor in these value chains.

Welcome address

- Vipin Sharma, CEO, ACCESS Development Services

Chief Guest

- Agatha Sangma, Hon'ble Minister of State for Rural Development

Briefing of the SOIL Report

- Dr. Sankar Datta, Dean, The Livelihood School

Special Address

- N Rajashekaran, Country Business Manager, Global Consumer Group, Citi India
- Deirdre Boyd, Country Director (India), UNDP
- Dr. Nachiket Mor, President, ICICI Foundation

Vipin Sharma, CEO, ACCESS, welcomed the eminent panelists and the participants for their presence on the Livelihoods Day. He deliberated upon the need to move towards promotion of sustainable livelihoods for the poor which is a far more complex issue. This requires an integrated strategy within which microfinance is deemed to be a crucial sub-component. Microfinance Summit attempted to overcome an artificial divide between the livelihoods and microfinance and sees them as composite whole, he informed. He discussed on the main theme of the Livelihoods day revolving around 'making markets work for the poor' and the role of various stakeholders in facilitating their access to such opportunities. He also disclosed that besides the various detailed sessions, the main highlights of the day will include the release of the SOIL Report and the Compendium of the newly launched Sitaram Rao Livelihoods India Case Study Competition.

The panel discussed the need to progress towards interweaving livelihood generation with microfinance operations to be able to achieve overall development objectives. N Rajashekaran, Citi Bank, emphasised that promotion of entrepreneurship and skill development as crucial for achieving the goal of sustainable livelihood generation. He commented that often one tends to look at the supply end of solutions, thus ignoring the core issue of bringing up sustainable livelihoods, which so many lack. He opined that with

Deirdre Boyd, Country Head (India), UNDP

collective enthusiasm, all the obstacles can be overcome.

Deirdre Boyd, Country Director (India), UNDP, felt that there is a need to integrate the poor into the mainstream. However, this brings to the fore the need to provide them due protection from shocks such as natural disasters. So far, there is a tendency to see natural disasters as isolated events. However, these disasters often leave a deep and long lasting impact on the poor, also sending their livelihoods into a negative spiral. This calls for focus on evolving and designing strategies to be able to respond and cope well with challenges, especially relevant for the poor.

'Both livelihoods and vulnerability are closely intertwined. The challenge of the last few years has been to integrate the economic activities of the poor into the mainstream and at the same time to protect them from shocks that come from economic slowdown, natural disasters and basically day to day challenges of living on or below the poverty line.'

Deirdre Boyd
Country Director (India), UNDP

Some of the key aspects in reducing the vulnerability of the poor and providing them with secured livelihoods include:

- Promotion of stable jobs and income;
- Combined focus on creation of wage and self-employment;
- Creation of effective social protection schemes;
- Promotion of green jobs.

The overall success of the initiative is dependent on effective and long lasting coordination and collaboration between the Government, the civil society, the private sector and other relevant stakeholders to be able to achieve sustainable livelihoods for the poor. Additionally, the initiatives evolved should be able to reach the most disadvantaged and vulnerable groups.

Dr Nachiket Mor in his presentation spoke about the Network Enterprises approach enabling rural enterprises. He pointed out that for successful rural enterprises, three critical pre-requisites are:

1 Sustained competitive advantage.

2 Strong entrepreneurial capability with ability to manage idiosyncratic risk locally and adequately covered by equity.

3 Low levels of exposure to systemic risk.

The fulfillment of these conditions will result in adequate local debt finance. IFMR Ventures identified nine network enterprises which qualify on the abovementioned pre-requisites. He presented a case study on one of these nine identified network enterprises, Agriculture Terminal Markets. It highlighted that new technology driven initiatives hold a lot of promise in providing access to reliable markets and fair price to the poor and also overcome risks arising out of information asymmetry.

Agatha Sangma, Hon'ble Minister of State for Rural Development, Government of India

Agatha Sangma, Hon'ble Minister of State for Rural Development, in her address laid emphasis on sustainable progress in the rural sector and reiterated the necessity of access to markets and active participation of various stakeholders alongside the Government. The main issues of concern under NRGEA are the correct selection of activity and coverage. Even though NREGA has attracted criticism, efforts are underway to make it more effective and transparent. She expressed her sadness over the fact that while in western countries people value natural, handmade and organic products and pay premium for such products, people in India often treat such products with indifference. Instead of receiving premium, locally made products are often sold much cheaper here.

The session witnessed the Hon'ble Minister releasing the 'State of India's Livelihoods Report-2009' (SOIL) along with other panel members. The report is an initiative of ACCESS Development Services in collaboration with The Livelihood School.

Some of the prominent highlights of the 2009 SOIL Report, presented by Dr Sankar Datta, included the following:

- Livelihoods generation is a very complex and diverse subject.
- The report tries to capture the year long development occurring in the field of livelihoods for the poor.
- Last year had been a mixed year in terms of livelihoods, with some positive and some negative developments. The occurrence of the global financial crisis coupled with severe drought and floods in the country and inflation had an adverse affect.

> *'The Government of India through Ministry of Rural Development is working very hard for ensuring that the rural poor in India get maximum benefits, get infrastructure, get access to livelihoods and there are various schemes that deal with ensuring that such a platform is given to the rural people.'*
>
> ***Agatha Sangma***
> ***Hon'ble Minister for State for Rural Development***

- Some of the major contents of this year's SOIL Report include:

From (l to r) Vipin Sharma, CEO, ACCESS Development Services, N. Rajashekaran, Country Business Manager, Global Consumer Group, Citi India, Agatha Sangma, Hon'ble Minister of State for Rural Development, Government of India, Deirdre Boyd, Country Head (India), UNDP, Dr Nachiket Mor, President, ICICI Foundation and Dr Sankar Datta, Dean, The Livelihood School

- the impact of the global meltdown,
- the advent of the 11th Five Year Plan,
- the implementation experience of NREGS,
- the focus on skill building efforts,
- the experiences of producer companies,
- the importance of livelihood finance,
- the emergence of public-private partnerships,
- the increasing multilateral donor support for livelihood generation.

- The report discloses that NREGA with sufficient cash inflow has been successful in capping migration of the rural population but nonetheless, it has been beset with reports of corruption and transparency during its implementation.
- There has been special focus on skilling up of the poor especially targeting the youth with market led potential. The major challenges in this regard comprise of gainful utilisation of multi-agency collaborations and garnering of adequate funding for such initiatives.
- There is need to facilitate collectives for the poor by promoting Cooperatives, MACS and Producer Companies. However, there is limited access to capital and return to investors is minimal.
- Many new initiatives have been taken by the Government but the results are yet to be realized.

PLENARY SESSION VI – PRODUCER COLLECTIVES: WHAT WORKS AND WHAT DOES NOT?

One of the primary challenges faced by the poor is the small surpluses available as well as lack of ability to effectively engage with the markets. With the passage of time, various models have evolved like the cooperatives as well as the producers collectives model that have been practiced to address this issues through aggregation of produce as well as producers, all having their sets of lessons and limitations. The session tried to capture aspects related to such models and intended to deliberate on various learnings on these models and provide feedback to practitioners for better model selection.

Moderator

- Prof. M S Sriram, ICICI Bank Lalita D Gupte Chair Professor in Microfinance and the Chairperson of Finance and Accounting Area, IIM Ahmedabad

Panelists

- Dr. N V Belavadi, Senior General Manager, NDDB
- Ujjal Ganguly, Manager, ITC
- Deepthi Reddy, Head, IFMR Ventures
- Adarsh Kumar, CEO, AIACA

Prof Sriram opened the session by remarking on the fact that lately there has been substantial development in the sector with the advent of private sector initiatives coupled with greater usage of information technology. Additionally, emergence of varied legal options has further opened up new avenues. Unlike in the past, when cooperatives were the only legal form available for producer collectives, now there are other options such as MACS and producer companies too. This has also led to a need for maintaining a balance between the interests of the investors as well as that of the producers.

Adarsh Kumar, CEO, AIACA, explained that livelihood generation has withstood three important phases. The first one has been the Government and State led phase, which was characterised by public investments for

> *'The biggest challenge with producer companies is basically how do you design these organizations in a manner that you maintain a balance between the interests of the investors and the interests of the producers.'*
>
> ***Prof.M S Sriram,***
> ***ICICI Bank Lalita D Gupte Chair professor in Microfinance, IIM Ahmedabad***

livelihood generation. This was followed by a phase were the Government was willing to initiate reforms through the active participation of the development sector and civil societies. However, this phase witnessed lack of commercially viable models along with insignificant change or evolution in the value chains. It is now the third phase which is witnessing an active and evolving public-private sector participation. He explained the normal business model and showed how they typically grow.

However, he felt that livelihood interventions are different from normal business models. That is why innovative livelihood promotion models and integration of various models will have to be experimented with, as they can show the way forward. He talked about some of the ongoing innovative models such as contract farming, the Fab India model and the Tata Tea model.

Dr. N V Belavadi, Senior General Manager, NDDB, elaborated that the cooperatives were saddled mainly due to the following flaws

- Free-riding: due to existence of open and free membership, anyone can become a member of the cooperative, irrespective of his/her extent of participation in its business.
- Governance: The prevalence of head-count democracy - i.e. one-member one-vote irrespective of a member's participation in business - results in a weak governance structure. This is also aggravated by the absence of an independent assessment of the financial health of the cooperative.

> *'Unless the fundamental weaknesses are corrected irrespective of the law, I think the producer companies or the cooperatives will not be able to emerge with any reasonable success.'*
>
> ***Dr. N V Belavadi,***
> ***Senior General Manager, NDDB***

- Capital formation: There is lack of any incentive to build member equity and also lack of access to the capital market. This leads to over dependence on Government equity, leading to heightened and unnecessary Government interference. There are also heaps of retained earnings

From (l to r) Adarsh Kumar, CEO, AIACA, Ujjal Ganguly, ITC, Prof M S Sriram, ICICI Bank Lalita D Gupte Chairprofessor in Microfinance and the Chairperson of Finance and Accounting Area, IIM Ahmedabad,Dr N V Belavadi, Senior General Manager,NDDB and Deepthi Reddy, Head, IFMR Ventures leading to unallocated reserves within the cooperatives.

He discussed that even though there has been a spurt in the formation of producer companies, the main challenge is to provide flexibility for their growth and increase their access to the market.

Deepthi Reddy, Head, IFMR Ventures, made the point that innovative and unconventional financing models will be required. These models should depend less on collateral and more on credibility and reputation of the entrepreneurs. Financing and repayments should be structured according to the cash-flows and receivables. She went on to present some of the unconventional financing models based on these principles which IFMR Ventures has successfully used.

Ujjal Ganguly, Manager, ITC, highlighted that there is a need to clearly identify quality parameters within the organisation and set up systems to monitor it. He also said that adequate focus should be given to training of personnel. He mentioned that although there are models available, in order to scale them up, significant capital will be required. He urged development funding agencies to come together for providing the required capital.

The group concluded that the current regulatory environment offers more opportunities for producer collectives. However, there is a need for innovative implementation and financing models to be experimented with and that models based on public-private partnerships can play a critical role.

BREAKAWAY SESSION 1 – SKILLING INDIA

The surge in economic development and associated growth in various sectors has created large employment opportunities in the country, resulting in a continued demand for skilling up of potential workforce to enable their employability. This has led to the emergence of skilling as a major challenge among policy makers, the private sector and industry associations. The session focused on the challenges involved with skilling the youth, the emerging thrust areas, current Government policies and the way ahead.

Moderator

- D N Rao, Managing Trustee-Cum-Director, Centurion School of Rural Enterprize Management, Parlakhemundi and Director, JITM, Parlakhemundi

Lead Presenter

- Manish Sabharwal, CEO, Teamlease

Panelists

- Meera Shenoy, Executive Director, Employment Generation Mission, Rural Development, Government of Andhra Pradesh
- Nishant Saxena, CEO, Elements Akademia

Manish Sabharwal, CEO, Teamlease, presented the Indian labour market scenario which is witnessing a major transition from farm to non-farm, from rural to urban, from unorganized to organized, and from subsistent self employment to remunerative wage employment. Within this

Manish Sabharwal, CEO, Teamlease

transitions, there are numerous constraints in livelihood development, especially in case of the poor.

He stressed that the main drawbacks within the present system include poor education regime, poor employability regime and poor employment regime. He talked about several factors within each of these. This necessitates radical revamping of the 3 E's i.e. Education, Employability and Employment, to be able to build on the human capital of the country. This requires a much needed change in public policy and development of the requisite enabling framework. Despite these constraints, Mr Sabharwal said that this is a unique time for India, which offers immense potential. Although there are policy constraints, but still within the exiting framework, enough space exists for experimentation and growth.

Meera Shenoy, Executive Director, Employment Generation Mission, Rural Development, Government of Andhra Pradesh, presented the innovative initiative by the Andhra Pradesh Government on creating jobs for unemployed rural and tribal youth. The vision of the initiative has been that of creation of one job for each family. It has been highly successful and is an exemplary working model for the rest of the country. The discussion helped in identifying the important factors necessary for success of such endeavors. The factors discussed included:

- Generation of meaningful public-private partnerships is necessary for a sustained impact.
- Focus should be on generation of employment among the underprivileged and most deserving.
- Nurturing of active community involvement is crucial.
- Focusing on working on the development of the entire value chain is very important.
- Exploration of innovative and out of the box thinking along with flexible and market led models is the key to success.
- Usage of appropriate technology as a tool to monitor and ensuring transparency is beneficial.

There is a lot of potential that exists in the rural youth. If proper models are deployed, it can lead to huge employment generation resulting in a win-win situation for the employers as well as the unemployed youth.

The upcoming initiatives need to be flexible, market led and should be able to use technology to their benefit. The private sector and the development sector need to contribute in skilling up the potential workforce to meet the rising demands.

Nishant Saxena, CEO, Elements Akademia, related his experience and brought out that many times the mentality of the potential workforce is a bigger issue, which needs to be tackled for harnessing benefits from emerging opportunities. At the same time, the pay scales should be attractive enough to be a motivating factor.

D N Rao, Managing Trustee-Cum-Director, Centurion School of Rural Enterprise Management, Parlakhemundi and Director, JITM, Parlakhemundi, summed up that in the near future, skilling up of the potential workforce in India will emerge as big and substantial a sector as the microfinance sector

> *'Building "skills" is perhaps going to be as big as microfinance.'*
>
> ***D N Rao, Managing Trustee-Cum-Director, Centurion School of Rural Enterprise***

itself. This is owing to the fact that more than half of India's population is still out of the purview of the formal education set-up. This would bring along the biggest entrepreneurial and employment opportunity ever witnessed in the country in recent times.

BREAKAWAY SESSION 2 – PRO-POOR VALUE CHAINS

Value chain development has evolved as an effective poverty eradication tool, but practitioners do face challenges in applying it effectively in both rural as well as urban areas. In this session, panelists tried to understand how the value chain approach can be used to integrate the poor in the value chains and effectively lead to poverty alleviation, especially in developing countries.

Moderator

- Orlanda Ruthven, Independent Consultant

Panelists

- Rajiv Pradhan, Director, Industry & Rural Sectors Group, Katalyst
- Vanita Viswanath, CEO, Udyogini
- N N Sharma, Associate Professor, India Centre for Public Policy
- Suryamani Roul, VP, Livelihoods, ACCESS Development Services

Initiating the discussion, Orlanda Ruthven, Independent Consultant, stated that any attempt to integrate the poor in value chains depends on the concept of economic rent. Economic rent is the incremental return that one gets from being part of the chain. This association also has its marginal returns. In case the returns are below expectations, one is bound to exit from the value chain. Therefore, the main challenge lies in integrating the poor in value chains and at the same time making efforts to make this a sustained and rewarding participation. In the light of the above statement, she invited the views of panelists on how to ensure that the value chain developed is pro-poor.

'A pro-poor value chain is one which links poor players, in particular kinds of ways which ensure that the endowment with which they come to the market puts them in a relatively stronger position – It could be endowment of skills, endowment of finance or endowment of any other resource.'

Orlanda Ruthven, Independent Consultant

Rajiv Pradhan, Director, Industry & Rural Sectors Group, Katalyst, provided information on his efforts in developing a value chain in Bangladesh of linking fishermen with the fish processing industry. He agreed that the private sector has a crucial and indispensable role in developing pro-poor value chains. But developing a long term sustainable value chain involving the private sector is a complex job. Anyone who intends to engage corporates in

From (l to r) Suryamani Roul, VP, Livelihoods, ACCESS Development Services, Vanita Viswanath, CEO, Udyogini , Orlanda Ruthven, Independent Consultant, Rajiv Pradhan, Director, Industry & Rural Sectors Group, Katalyst and N N Sharma, Associate Professor, India Centre for Public Policy value chain development must have experience in engaging them with a range of different strategies. The private sector must understand that they stand to benefit with the improvement of their value chain. Successful value chain development involving corporates can have maximum impact on the poor when the mission and vision of these corporates is properly oriented towards social outcome. They should be willing to invest in building human and physical infrastructure with intent to share both risk and rewards with the poor.

Suryamani Roul, VP, Livelihoods, ACCESS Development Services, presented the ACCESS's experience in developing a value chain for the chili growers in Rajasthan. He was of the view that moving the poor up in the value chain can be ensured by shortening the value chain, providing them access to new or extended markets and bringing about improvements in their product characteristics. This calls for significant investment in capacity building and infrastructure development.

N N Sharma, Associate Professor, India Centre for Public Policy, cautioned that while inclusion of the poor in a value chain is easy, sustaining and upgrading them in the value chain is important and complex. To ensure sustainability of the poor in value chains, they should play a pro-active and not a passive role in them.

> *'Inclusion of the poor into value chains will no doubt impact their earnings and create livelihood options for them. But the difficult task is to upgrade them to higher value chains.'*
>
> ***N N Sharma,***
> ***Associate Professor,***
> ***India Centre for Public Policy***

Vanitha Viswanath, CEO, Udyogini, responded by stating that the main concern is about cost sharing of investments for ensuring that the value chain is sustainable. For this, core participation of the Government is necessary. The Government could also provide support services in developing partnership. Still, sustainability of such initiatives would be limited unless creation of pro-poor value chains is mainstreamed in its plans. Panelists were of the view that support services should be embedded in pro-poor value chains and that both the Government and the private sector have an important role in its existence.

The discussion helped in concluding that the active participation of the private sector in creation of pro-poor value chains is a pre-requisite, but at the same time it is quite challenging. The private sector, in order to involve the poor in their value chains, will necessarily have to evolve a social development oriented mission & vision along with willingness to invest in developing a robust value chain partnership. Inclusion of the poor in value chains is an easy task but making them progress higher in the chain is more difficult and critical, which calls for support from both the Government and the private sector. Successful value chain development is possible only when support services are embedded in it.

PLENARY SESSION VII – THE POOR AND THE PRIVATE SECTOR: WORKING HAND-IN-HAND

India has experienced rapid economic growth in the recent past, but the rural economy has, to a large extent, been left out of this progress. The private sector, especially corporates like ITC, Reliance and PepsiCo, have innovated to include the bottom of the pyramid in its B2B models. This session analysed these models of

From (l to r) Dr Neelu Bhullar, Associate Professor, MDI, Dr Ajit Kanitkar, Program Officer, Development Finance and Economic Security, Ford Foundation, Shiv Kumar, CEO- Agri Business, ITC, Malcolm Harper, Professor Emeritus, Cranfield Institute of Management, UK, Sanjeev Asthana, President & CE, Agri Business & Food Supply Chain of Reliance Retail and Prableen Sabhaney , Head of Communications - Fabindia Overseas

integrating the poor into the value chains, the challenges faced and the key learnings.

Moderator

- Malcolm Harper, Professor Emeritus, Cranfield University, UK

Panelists

- Sanjeev Asthana, President & CE, Agri Business & Food Supply Chain of Reliance Retail
- Shiv Kumar, CEO- Agri Business, ITC
- Prableen Sabhaney, Head of Communications- Fabindia Overseas
- Dr. Ajit Kantikar, Program Officer, Development Finance and Economic Security, Ford Foundation
- Dr. Neelu Bhullar, Associate Professor, MDI

The session opened up with Prof. Malcolm Harper's thought that private sector should focus on profit making alongside emphasis on sustainable livelihood creation.

The experiences of Reliance Retail, ITC and Fabindia were presented showcasing some of the business models which have been able to successfully involve locals in the value chain.

Sanjeev Asthana, President & CE, Agri Business & Food Supply Chain of Reliance Retail, held that there has been increasing saturation in the urban markets, encouraging the private sector to explore the rural markets. Earlier, this large segment comprising of almost 2/3rd of the population was considered to be the onus of the Government and the development sector. He further said that the private sector's participation was highly restrictive and that too was in the form of Corporate Social Responsibility (CSR). However, with time there has been a growing doubt on the sustainability and effectiveness of such CSR initiatives. This has mainly to do with the fact that the private sector has assign a minor share of their profit in CSR and it is not considered as a mainstream business proposition. The private sector has now woken up to realise the potential at the bottom of the pyramid and the fact that this segment provides a viable business proportion, thereby creating a win-win situation for the private sector as well as the rural areas. So they are now directing their efforts to integrate this segment in their core business activity.

'The corporate sector to a great extent is taking a lot more interest with the communities they are working with, especially after establishment of the fact that there are opportunities at the bottom of the pyramid. Livelihood creation and profits can exist side by side, a win-win solution.'

Sanjeev Asthana,
President & CE, Agri Business & Food Supply Chain of Reliance Retail

He opined that the private sector is moving away from doing charity and getting to appreciate that it makes sound business sense to engage the rural poor. This interaction among the private sector and the rural segments calls for more evolved business models. This is a tough task given the lack of social and physical infrastructure in the rural areas.

He further explained that while developing appropriate value chains, the private sector needs to build upon the relationships with the producers with a special emphasis on capacity building and ensuring transparency so that fair price is ensured. There is a need to devise strategies which benefit all the stakeholders in the value chain. This can be done through product development, increased productivity, reduced cost or mitigation of risk through information symmetry and improved logistics.

Shiv Kumar, CEO- Agri Business, ITC, reiterated that the objective of business is to maximize profit and that of producer is to maximize price. So an enlightened self-interest business model can be a mutually beneficial situation for all the relevant stakeholders.

'The objective of business is to maximize profit and the objective of primary producers is to maximize price. We have to create win-win propositions in this conflicting paradigm.'

Shiv Kumar,
CEO, Agri-Business, ITC

Prableen Sabhaney, Head of Communications-Fabindia Overseas, presented the Fabindia model. She held the view that there is need for resolving duality between the producers and the private sector, between profit and purpose, between rural and urban and between traditional and contemporary. It needs working towards nurturing of entrepreneurial opportunity along with mutuality of benefits and partnership in wealth creation. In a way, we need to move towards a people-oriented capitalism model. In the long run, it also requires building up of social infrastructure.

She reflected that the success of such initiatives depends on evolving innovative models which are closer to reality. Maintaining viability of such initiatives is critical in order to ensure sustainability and for enhancing private sector participation. Some of the challenges arising under such initiatives are:

- Undertaking huge investments in capacity building,
- Identification of entrepreneurial ability,
- Monitoring and supervision across far flung areas of operation,
- Safe carrying of inventory,
- Maintaining consistency and tackling quality issues,
- Creating sustainable jobs while maintaining profitability.

Dr Ajit Kantikar, Program Officer, Development Finance and Economic Security, Ford Foundation, thought that there is a need to replicate successful initiatives in livelihoods. He reiterated upon the need for building up social infrastructure to sustain participation of the private sector in the long run. Dr Kanitkar talked about the role that Ford Foundation has played in India. He explained that their role is of a catalyst to spur growth of the sector by taking the initial risk, experimenting with models and to provide capacity building.

Dr. Neelu Bhullar, Associate Professor, MDI, elaborated that even though so much attention is paid on poverty reduction, there is no clear path for making the poor step out of it. There is a need to identify their entrepreneurship.

She said that since the poor do not have adequate financial resources, they could be made to pay by usage rather than ownership of assets. The means of collective ownership should be encouraged. She also remarked that the implementation agencies in development sector need to bring in professionalism and efficiency as good intent cannot be a substitute for inefficiency.

The session concluded with a consensus that the private sector has a very important role to play in rural growth given their effectiveness and efficiency. For sustainable development of rural areas, there is a need of developing a relationship between the private sector and the producers on the concept of mutuality of benefits and wealth creation. This move needs to focus on relationships where capacity building and setting up an appropriate value chain along with development of physical and social infrastructure is critical. The panelists agreed that there is a need for enlightened self interest on the part of the private sector.

PLENARY SESSION VIII – REVITALISING THE RURAL ECONOMY

Various initiatives have been made to revitalise the rural economy. Different initiatives like NREGA and NABARD's rural infrastructure development fund have been successful, but with their own set of challenges. In this session, panelists deliberated on the challenges of these initiatives and drew lessons for future strategies.

Moderator

- Aloysius Fernandez, Director, MYRADA

Panelists

- Nisha Agarwal, CEO, Oxfam India
- Biswajit Sen, Rural Development Specialist, Agriculture and Rural Development Unit, South Asia Region, World Bank
- Dr. Prakash Bakshi, Executive Director, NABARD
- Neerja Raman, Senior Fellow, Distinguished Visiting Scholar, Media-X, Stanford University

From (l to r) Nisha Agarwal, CEO, Oxfam India, Aloysius Fernandez, Director, MYRADA Biswajit Sen, Rural Development Specialist, Agriculture and Rural Development Unit, South Asia Region, World Bank, Dr Prakash Bakshi, Executive Director, NABARD and Neerja Raman, Senior Fellow, Distinguished Visiting Scholar, Media-X, Stanford University

India has experienced rapid economic growth in the recent past, but the rural economy has to a large extent, been left out of this progress. Revitalizing the rural economy has become the need of the hour so that all sections of the society can benefit from economic growth of the country.

Al Fernandez, Director, MYRADA, opened the session with a question that have we done enough to revitalize the rural economy? He then welcomed the panel to deliberate upon the chosen theme.

Dr Prakash Bakshi, Executive Director, NABARD, viewed that the rural economy is primarily dependent upon agriculture which is plagued with the problem of low productivity. India is one of the top producers in some of the products, yet the productivity levels are dismal. The increased incidence of fragmentation of land has inhibited the productivity of Indian agriculture, a situation which cannot be overcome even with the use of latest technology and other advancements. If the issue of low productivity is not addressed, it may pose a serious threat to food security in the coming times. This calls for specific initiatives, but most programmes for the rural areas comprise of building infrastructure. However, improvement in indirect factors such as safe drinking water, infrastructure like roads, power and irrigation can also lead to enhancement of agricultural productivity. The rural economy is dependent on both economic and social services and there is a need to provide impetus to both.

Nisha Agarwal, CEO, Oxfam India, disclosed that one of the major achievements in the last few years has been the fact that the Government has acknowledged the basic needs of the citizens. The Government has now been increasingly following the rights based approach by enshrining such needs into Acts of Parliament such as the much acclaimed Right To Information act, Right To Education, Right To Employment guarantee, besides others. However, there are several issues that exist such as dependence on natural resources and wresting control of these resources from rich to poor; the issue of common property resource and minimum security net. Ms Nisha showed concern over the fact that social capital is not translating into political empowerment.

'The fact that the Government itself is now enshrining a lot of basic services in rights, is a very very big step.'

Nisha Agarwal, CEO, Oxfam India

Biswajit Sen, Rural Development Specialist, Agriculture and Rural Development Unit, South Asia Region, World Bank, opined that the issue is how to make the poor participate in the India Growth Story. The poor lack access to opportunities. Mr Sen suggested that aggregation of people in terms of voice and scale can get them these opportunities. He mentioned that there is a need to understand value chains better. He also highlighted the issue with the last mile service delivery. He was of the opinion that the supply side delivery system has to be improved. According to him, the solution for many of these issues lies in community based institutions, as they help in aggregating people and provide the poor with a powerful face through which they can negotiate for themselves.

'The power of aggregation is very critical to access markets.'

Biswajit Sen,
Rural Development Specialist,
The World Bank

Neerja Raman, Senior Fellow, Distinguished Visiting Scholar, Media-X, Stanford University, aptly remarked that it is not just about livelihoods but improving the overall quality of life. She raised the question that, we may be doing good and doing well, but are we doing enough? She expressed that India is such a large country that even if achievements in terms of numbers look good, in terms of percentage they are often dismal. Therefore, there is a need for a game changer and 'technology' could be that game changer.

The discussion summed up that the role of players in the value chain is also distorted with buyers being the dominant players leading to distress to producers. There is a need of aggregation of producers and produce, improvement of value chain and ensuring improved delivery process

Left From (l to r) Aloysius Fernandez, Director, MYRADA , Development Services, Prema Gera, Head, Poverty Unit, UNDP, Brij Mohan, Chairman, ACCESS Development Services, Prof B S Sahay, Director, MDI, Gurgaon and Prof Malcolm Harper, Professor Emeritus, Cranfield Institute of Management, UK

through use of technology. Active participation of the private sector, Government and civil society is of paramount importance in ensuring revitalisation of the rural economy. The focus should not only be on how to provide a source of livelihood, it should rather be on empowering people and protecting their rights as citizens. Power and markets emerged as two critical factors for improving the quality of life of the poor.

VALEDICTORY SESSION

The valedictory session marked the unveiling of the compendium of the Sitaram Rao Livelihoods India Case Study Competition. Overall, the Livelihoods day lived up to its objective by aptly addressing some of the emerging issues related to the sector.

Discussants

- Brij Mohan, Chairman, ACCESS Development Services
- Malcolm Harper, Professor Emeritus, Cranfield Institute of Management
- Sankar Datta, Dean, The Livelihood School
- B S Sahay, Director, MDI, Gurgaon
- Prema Gera, Head, Poverty Unit, UNDP

Highlights of the session

The observations of the panel as well as other delegates on the overall Summit were:

- *Partnership of the private sector with the poor and other stakeholders is needed but it has to be done with caution and within appropriate regulatory framework.*
- *We are doing good and doing well but are we doing enough? This is the question we need to ask ourselves.*
- *There is a need for more Government representation at the Summit.*
- *Not enough good research is available in the field of livelihoods and microfinance.*
- *There is a lot of scope for building marketable livelihood skills.*
- *The poor should gain knowledge, skill and power.*
- *Within the PPP model, the poor will need protection in enforcing their contracts.*
- *Some cautions that need to be observed:*
  - *It should not be presumed that the poor will need finance, skills etc. It should be decided based on observation.*
  - *It should not be presumed that the poor always need to be put in groups and that the group is the best model. There could be alternative models as well which could work*

Other associated events

Left From (l to r) Aloysius Fernandez, Director, MYRADA, Prema Gera, Head, Poverty Unit, UNDP, Brij Mohan, Chairman, ACCESS Development Services, Prof B S Sahay, Director, MDI, Gurgaon, Malcolm Harper, Professor Emeritus, Cranfield Institute of Management, UK and Dr Sankar Datta, Dean, The Livelihoods School

Microfinance India awards

The Summit had a new initiative added with the institution of the Microfinance India Awards by ACCESS Development Services and supported by Hongkong and Shanghai Banking Corporation Limited.

The idea of instituting the Awards was an endeavour to recognise institutions and individuals who have made significant contribution towards up-scaling microfinance sector in India. The Awards had two sub-categories this year i.e. Institution of the Year to recognise pioneering initiatives and/or best practices of an institution and Contribution to the Sector to honour significant contribution of an individual to the microfinance sector.

The Awards were presented by Dr Montek Singh Ahluwalia, Deputy Chairman Planning Commission, Government of India, Mrs Cherie Blair, QC and Ms Naina Lal Kidwai, Group General Manager & Country Head, HSBC India. Mr Vijay Mahajan, Chairman, Basix was felicitated with the award for his Contribution to the Sector and Bandhan was presented the Institution of the Year Award. The jury also gave a special award to Late Mr Sitaram Rao for his significant contribution to the sector.

From (l to r) Mrs Cherie Blair, QC, Mrs C S Ghosh, C S Ghosh, Founder & CEO, Bandhan, Vijay Mahajan, Chairman, Basix, Mrs Vijay Mahajan and Dr Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, Government of India

Sitaram Rao Livelihoods Case Studies Competion

Launched in 2009 as a part of the Livelihoods Day, the competition was dedicated to the late Mr Sitaram Rao. Ten best case studies on livelihoods related themes were awarded. The theme of the year was "The Poor and the Private sector". This is an initiative of ACCESS Development Services along with the Management Development Institute, Gurgaon.

The esteemed Jury consisted of Mr Deep Joshi (Magsaysay Award Winner, 2009), Mr Biswajit Sen (Rural Development Specialist, Agriculture and Rural Development Unit, South Asia Region, World Bank), Dr. NCB Nath (Chairman, FAIR), Prof Pritam Singh (Professor of Eminence, MDI, Gurgaon) and Ms Bindu Ananth (President, IFMR Trust).

The authors of the selected ten best cases under the Sitaram Rao Livelihoods India Case Study Competition were presented with citations along with cash awards for the top 3 cases (see table). The compendium of these case studies was released by Prof Sahay, Director, MDI.

Roundtable on community owned Microfinance institutions (COMFIs)

Increasingly the microfinance sector has little appreciation for community owned financial institutions. They are generally associated with high promotion costs and inefficiency. The study initiated by ACCESS with the support of Rabobank helped bring out many facts about COMFIs and their significance.

Chair

- HRH Princess Maxima of the Netherlands, Special Advocate for Inclusive Finance for Development of UN Secretary General Ban Ki-moon

Moderator

- Sanjay Sinha, MD, M-CRIL

Lead Presenter

- Girija Srinivasan, Lead Researcher, COMFIs Study

Vipin Sharma provided the background of the study on Community Owned Microfinance Institutions (COMFIs). He explained the need and significance of COMFIs given the growing commercialization of the sector. The study was conducted by Ms Grijia Srinivasan along with Mr N Srinivasan.

Ms Girija presented the findings of her study based on six COMFIs. The study highlighted the following:

- Community-owned institutions have the potential to offer wider variety and better customized products to clients.
- Community-owned institutions have the capacity to govern and manage themselves but require sustained support for their capacity building.
- Key feature of the six COMFIs covered under the study included the following:
  - o Member rootedness,
  - o Group-based Governance,
  - o Greater variety of products and services (Loans, savings and insurance),
  - o Management distinct from Governance,
  - o Readiness to forgo returns for other social benefits,
  - o Credit plus activities and focus on mission.
- Key challenges with Community-owned MFIs include;
  - o Portfolio quality issues,
  - o Thin margins,
  - o Low profitability,
  - o Inability to attract equity,
  - o Longer time in establishment.
- Current industry environment is not conducive for their promotion and growth as:
  - o Rating scales are not geared for community models,
  - o Lenders are not sensitive to these models,
  - o There is an over-emphasis on growth and profitability.

Post-presentation, the forum was opened for discussion.

HRH Princess Maxima expressed her desire to understand the reasons behind the failure of cooperatives in India.

Mr Sarangi, Chairman NABARD, explained the origin of cooperatives and State's increased intervention in cooperatives which ultimately led to their failure as they could not evolve as independent community owned institutions.

Mr Fernandez reiterated his faith in community institutions. He also emphasised on the need for grading COMFIs but not on the regular rating scales.

Vipin Sharma reiterated the importance of COMFIs under the current scenario in which MFIs are getting increasingly commercialised.

It was agreed by the group that COMFIs are important and if guided properly they could evolve as strong institutions. There is a need for further study on Community-Owned MFIs to evolve it as a parallel model for provision of financial services having involvement of support agencies like NABARD.

Round table on access to safe drinking water through Microfinance and SHG Route

Lack of access to safe drinking water is one of the major cause of poor health conditions in developing countries. It is the biggest causes for death among children across the globe including in India. Approximately two million children around the world and 400,000 children in India alone, die every year due to drinking contaminated water. With this backdrop, ACCESS and HUL have made an effort to provide access to safe drinking water through the microfinance. ACCESS has helped HUL in linking it with its partner MFIs, who provide finance to clients for purchasing HUL's water purifier. The session discussed the issues relevant to utilizing microfinance for other such social needs.

Moderator

- Rahul Bist, Partner, M2i Consulting

Lead Presenter

- Vikram Surendran, GM, Water, Hindustan Unilever Limited

Panelists

- Uma Hemachandran, Portfolio Associate, Acumen Fund
- K Francis, CEO, Integrated Village Development Project
- Pon Ananth, India Water Credit Officer, water.org

Vikram highlighted in his presentation the gravity of contaminated drinking water. He informed the assembled audience that contaminated water is one of the biggest killer among children in developing countries. He emphasised upon the importance of safe drinking by mentioning that it is also one of the millennium development goal and that the provision of safe water alone could be instrumental in reducing diarrhoea & other enteric disease by up to fifty percent. He then detailed about HUL's water purifier which has provided a medium to bring safe drinking water to more than two million Indian homes already. He elaborated on HUL's partnership with MFIs to provide access to safe drinking water. HUL and MFIs have together spread awareness among people about safe drinking water habits. HUL has provided the product and servicing facility while the MFI has provided the required finance enabling its purchase. HUL has so far partnered with 40 AMFA partners (ACCESS's MFI partners). Also more than 4,000 NGO staffs have been trained, one million SHG members have been sensitised on safe drinking water habits and 450,000 people have been protected with HUL's product so far. Pure water has in turn reduced household's expenditure on medical costs. Mr Vikram expressed that the model is viable and there have been only negligible defaults on the loans provided by MFIs.

Mr Francis shared the experience of his organization in implementing this project in partnership with HUL. He informed that staffs of his MFI were first trained and they then spread awareness among the SHGs. The trainings of SHGs were mainly through demonstrative method. The SHG members were informed of health implications of drinking contaminated water and thereby uncalled for expenditure on medication later. He said gradually there was attitudinal change among the people and they have not only adopted the HUL product but also have found value in it.

The discussion then moved towards financing options available for such models. Ms Uma Hemachandran explained that there are funding options available such as Acumen fund. The financing is also adapted to suit the sector needs. She mentioned that funds like Acumen are concerned not just about the viability of the business idea but also more importantly the credibility of the promoter and his/her experience.

Mr Pon shared that water.org has a separate NBFC for financing people to avail means to access safe drinking water. Its financial product is called water credit. water.org is working towards providing safe drinking water and adequate sanitation facilities to rural and urban Indian communities in five states - Andhra Pradesh, Karnataka, Madhya Pradesh, Orissa, and Tamil Nadu.

The session concluded that there is still a lot of work to be done in utilising the potential of microfinance sector to meet other equally deserving social objectives. Safe drinking water is one such aspect that could significantly improve public health. The financing options are although available but need to be enhanced further and private sector-civil society partnership could play a vital role

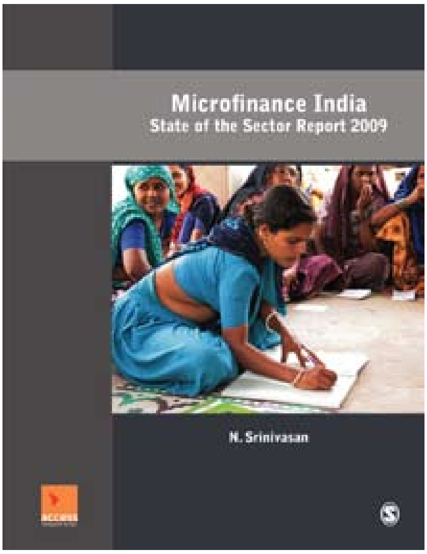
The Social Performance Reporting Awards

The Social Performance Reporting Awards have been launched by CGAP along with Michael & Susan Dell Foundation, the Ford Foundation and powered by MIX and designed to promote greater transparency in the MFI's social performance. The awards were launched as a response to the growing need to address issues related to social impact and follow through of missions of MFIs.

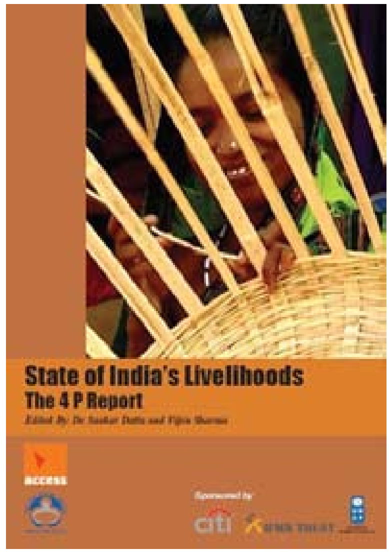
The awards are an endeavour to recognize microfinance organisations which provide reports on a set of social performance indicators developed by industry leaders and led by the Social Performance Task Force over a period of three years. The Social Performance Task force in its extensive work evolved twenty two indicators, and eleven MFIs from India worked upon to fill these.

Certificates of Appreciation were presented at two levels - the Silver and Gold Levels. The Certificates for Silver level were presented to Adhikaar, ISAF, Arohan, Sonata Financial Pvt. Ltd, SKS, SFPL, Mimo Finance, JFS and for the Gold level to Ujjivan and Basix.

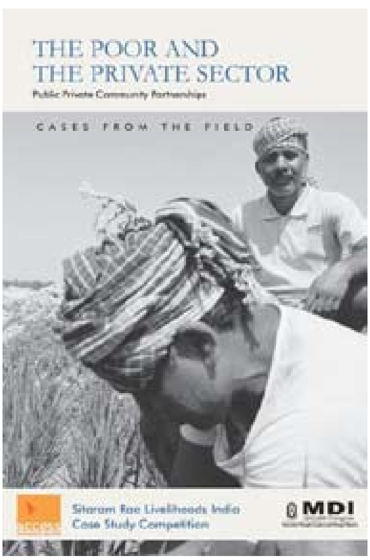
Documents Released During the Summit



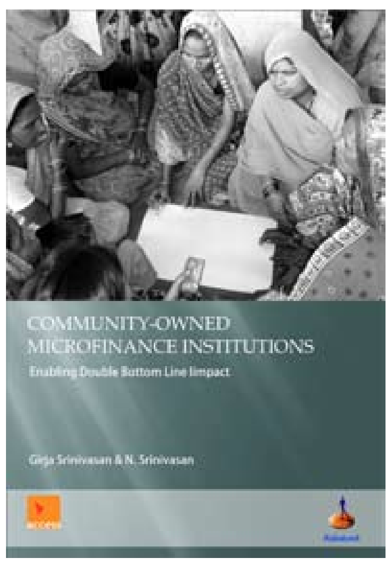
Microfinance India
State of the Sector Report



State of India's Livelihoods
A 4P Report



The Poor and The Private Sector
Case Studies



Case studies on Community
Owned Microfinance
Institutions

List of publications of ACCESS Development Services

Annual State of the Sector Report (2006, 2007, 2008, 2009)

State of India's Livelihoods: A 4P Report (2008, 2009)

Microscan (in-depth analysis of financial performance of ACCESS microfinance Alliance members)- 2007, 2008, 2009

Microfinance Vision document for the State of Madhya Pradesh

Microfinance Vision document for the State of Orissa

Microfinance Vision document for the state of Bihar

SHG Vision document for the State of

The Poor and the Private Sector, Public-Private Community Partnership - Cases from the field

Case studies on Community owned microfinance institutions

All these reports can be accessed at **www.accessdev.org**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