



From the Editorial Desk

This is the second issue of the Microfinance Impact Newsletter a quarterly Newsletter. The newsletter is brought out at a time when the Q4 data for 2022-23 is available with us. It is very heartening to see how the industry has turned around with 21% annual growth resulting in ₹3.52 lakh crore outstanding and PAR value reaching a pre-covid level position of nearly 1.06% for PAR 90+. The sector is poised for a bigger growth in the current year.

While reviewing the various factors in the microfinance sector, it was observed with surprise that while 99% of the microfinance borrowers are women, out of the total workforce employed with MFIs around 2 lakhs only 13% are women employees. There is a need for a conscious effort on improving gender diversity and inclusion in all MFIs and to that extent concrete and focused approaches efforts should be taken to redesign the work culture, and organisational policies and make deliberate leadership-driven efforts to bridge the diversity gaps in human resources.

In the last International Women's Day, Sa-Dhan organised a Webinar where eminent Speakers from different levels participated and discussed the existing challenges and various strategies for moving towards better gender diversity and inclusion at different levels. One of the suggestions was to encourage and motivate the organisations to move to reduce gender gap in workforce.

Accordingly, Sa-Dhan is all set to introduce an Inclusive Employer Award that aims to promote inclusive hiring and provides meaningful opportunities for women employees. The award will also consider all institutions that follow Best Practices for women at different levels.

In this issue of the Newsletter, we are sharing some of the voices in the industry which talks about the developmental role of MFIs apart from its financial inclusion goal. Some other developments in the sector is also highlighted. We look forward for the response and view of our readers in making this newsletter more useful for the industry.

A glimpse of the webinar on 'Paving the Path of Inclusivity - Women Participation in MFI Workplace'. We thank Sudha Kothari, Kranti Sety, Bindu Anand, Praseeda Kunam and Shobha Roy who participated in the webinar shared their views.



Business Highlights of microfinance sector

(as on 31st March 2023)

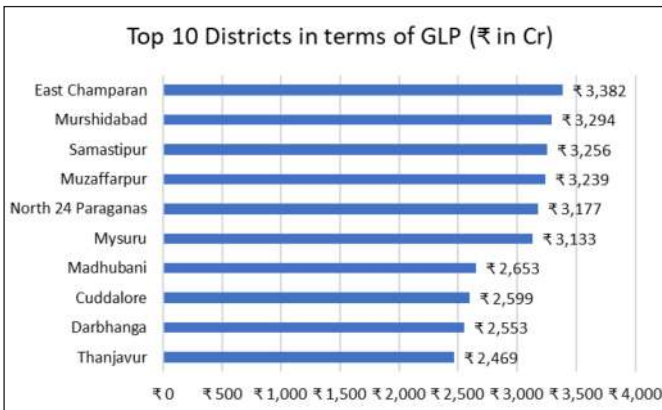
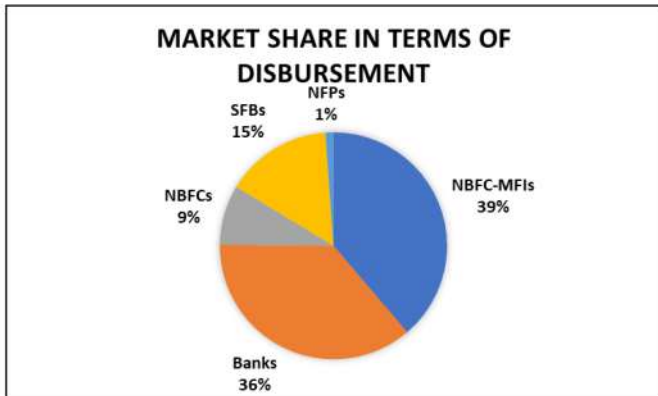
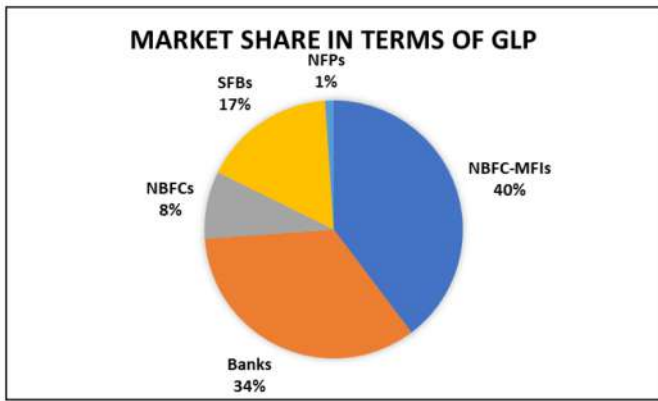
₹3,19,948 crore disbursement and ₹3,51,521 crores Gross Loan Portfolio outstanding

Serving nearly 10 Cr borrowers across 36 States/UTs, with over 7 crore active accounts

2.16% Portfolio at Risk 30+ dpd and 1.06% PAR 90 + dpd

Bihar Top state in terms of Portfolio, holding 14% of Industry Portfolio

7 districts out of top 10 are from Bihar and West Bengal in terms of Portfolio



infrastructure. However, we've since started hiring women Relationship Officers, Branch Managers, and Area Managers, and I'm happy to say that they're doing an excellent job.

In fact, our team has noticed that having even one female staff member at a branch has a positive impact on team dynamics. The language used between team members becomes more courteous, and the branch's overall hygiene is better maintained. This has resulted in improved productivity, and women staff members are often better equipped to handle women members. At NOCPL, we strongly believe in creating an inclusive workplace where everyone has an equal opportunity to grow and thrive.

Meenakshi Rao
HR HEAD - NOCPL



VOICE of the Industry

NOCPL-An Inclusive Workplace

At NOCPL, we're proud to report that we have a strong representation of women in our lower and middle management back office positions. As the Head of HR, I believe in promoting equal opportunities and ensuring diversity within our organization.



In the past, we had a policy to hire women in our field force only when we could provide them with a safe, respectful work environment, and proper

SHG Federations - A Journey Towards Empowerment Learnings from Maharashtra and Madhya Pradesh

Over the last five years, the Self - Help Group (SHG) program is witnessing two contradictory schools of thought - one is celebrating the success of the program in ensuring access to finance in interior villages, and the other mourning the demise of the SHG program and the search for alternatives, to the erstwhile largest micro finance program in the world.



The first stream of thought emanates from the stupendous success of National Rural Livelihood Mission (NRLM) in building capacities of women in

remotest of villages. This is not only limited to managing savings and credit, but also the fact that there are thousands of women trained to work as community resource persons across the country's even most remote district. The fact that these women travel across different villages and districts to receive and sometimes give training, for which they also earn an income, is one of the most successful gender transformative interventions of the government of India. I have personally witnessed the amazing feat of these community leaders in the Bihaan Program of Chhattisgarh.

The detractors of this success, coming from micro finance institutions, talk about how the self-help has been transformed into government help, resulting in continued dependency on subsidy and support. There are questions on poor repayment, erratic savings of SHGs in higher order institutions, and limited focus on self-reliance and sustainability, as the focus is more on delivery of government programs across various departments. The SHG federations will perform poorly on financial standards of a credit rating agencies and that is the reason banks are reticent to give credit without government guarantee.

Chaitanya is an institution that understands the context from where these two divergent perspectives emanate and follows the middle path. We have an approach that focuses beyond the primary agencies promoting the SHG program to ask and listen to what works for women. The only school of thought is how to make the program more effective in making a difference in the lives of women.

What does it mean?

Chaitanya has promoted a model of financial self-sustainable SHG federations and demonstrated its scalability with growth from 1 federation to 45 federations covering 1.10 lakh members in 18 districts of Maharashtra and Madhya Pradesh. These numbers are significant, because the governance and management of all these federations are with women from rural remote areas. 95% of the staff of these federations are also women and two thirds are from the same community.



Today, 90% of these federations are operationally self-sufficient and profitable. The ownership and commitment of women leaders to their respective federation is only because Chaitanya has organically developed the art of listening for change.

The thrust for expansion has been supported first by CSR of a corporate agency Suzlon, and also Maharashtra's Women and Child Department's MAVIM followed by interest free revolving fund from The Rotary International.

With the strong inputs received from Friends of Women's World Banking, EDA Rural Systems and Microsave, the federations are strongly grounded in sound financial practices. SIDBI and subsequently NABARD did give loans to the federation, but not before getting the institution rated by CRISIL and MCRIL. The process of undergoing rating ensured that the federations understood meaning of financial prudence and are compliant with financial norms. Chaitanya promoted resource organisation WISE has also developed a comprehensive technology solution to track all financial transactions of SHG - Bank and federation called Microlekha, which will also be implemented by MAVIM across 250 federations in Maharashtra.

Chaitanya's model is recognized for its contribution to developing women leaders with strong knowledge of financial systems. These leaders are now part of the Saarathi Mahasangha - a confederation of SHG federations promoted by Chaitanya that is responsible for providing technical and financial services to the federations. The board of Saarathi has representatives from each federation as well as advisors from Chaitanya.

Chaitanya's mandate is not just limited to access to finance - it continuously delved into the question of access to finance for what? The goal is gender

transformation - a change in the lives of women to be able to do what they want to do without any fear, restrictions or limitations. Federations are a platform for women to help them achieve their dreams.

It is this mandate converted into systems and processes that has ensured that the model of self-reliant sustainable institution of women has thrived for over thirty years and continue to receive support from various financial Institutions - Bank of Maharashtra, Bank of India, ICICI Bank and IDBI.

Becoming a Business Correspondent for Bank to lend to Self - Help Promoting Institutions (SHPIs) in Madhya Pradesh by Chaitanya promoted section 8 not for profit institution WISE highlighted the limitations of following a cookie cutter approach in SHG program. As a Corporate Business Correspondent of Syndicate Bank (now merged with Canara Bank), working in urban areas of Indore and Ujjain, there was little affiliation and allegiance to other women in the neighborhood. Women also did not have time for participatory meetings or events that would help build that trust. Greater gender barriers and deeper alienation that comes with people not rooted in one place were some of the challenges that made collectivizing women to promote SHG federations difficult.

The approach of mobilizing women in rural areas is different and needed to change when working with urban poor women. Chaitanya adopted a model of promoting Women Entrepreneurial Network (WEN) as a means to promote women in Indore Ujjain and Maheshwar in Khargone. It provides a platform for women to demonstrate their skills, and take it to the market, thereby earning income and in the process gain self-confidence, decision making abilities, as well as enhanced capacity to take risks and make investments of their choice.

Each of the three districts have WEN for garments, WEN for food and WEN also for hand embroidery and artificial jewelry. Recently SP Jain students as part of their DOCC program have created a structure and strategy for Pottery WEN.

This model of collectives for individual enterprises is an innovation in the sector as it combines the strength of women's collectives that help women overcome gender barriers and builds social capital, along with individual entrepreneurial ambitions of women with different capabilities, time and resources. This model was piloted with the support of Capri Global

Foundation and further expanded in Maharashtra with the support of Forbes Marshall.

Chaitanya strongly advocates an approach of women led collectives for gender transformation for which access to finance is one of the triggers but only when complemented with a mandate that puts women's interests beyond any other. That would definitely lead towards a more integrated and comprehensive approach to change that views women not just as recipients or clients but as drivers of the change that they are seeking.

Kalpana Pant
Managing Director at Chaitanya & WISE

How can the microfinance industry support vulnerable communities in the fight against climate change?



Recently, we've witnessed widespread destruction and devastation caused by extreme weather events across the globe because of climate change. From raging forest fires in Spain and extreme drought in the United States to punishing heat waves in China and extreme floods in Pakistan, it seems like no one, and no country has been spared.

As people around the world try to rebuild their lives after suffering from the unrelenting consequences of climate change, the one question everyone seems to be asking is 'how can we help them in this struggle?'. This is where the microfinance industry plays a crucial role. Our industry is uniquely positioned to help the most vulnerable sections of our society meaningfully and at scale. Climate change is no exception. There is a myriad of innovative ways through which we can not only mitigate, but also build resilience in these communities against the impact of climate change. The tragic irony is that not only are those who contribute the least to climate change in terms of carbon emissions, are the most vulnerable to its impact.

However, this is where the microfinance industry can leverage its position and networks in these areas to help create awareness on the subject. **MFIs operate at a grassroots level and are directly in contact with the members of relevant communities.** The pre-existing relationships and trust in addition to the factors mentioned before making it easier for MFIs to educate people on climate change through various awareness programmes. Some of the ways in which MFI's can contribute towards the cause are-



1. Offering non-financial services as it can help increase both the preparedness and resilience to the impact of global warming.

Educate & Encourage people to use construction materials and practices to create housing and infrastructure that can withstand extreme weather conditions.

Educate & Encourage farmers to adopt innovative agricultural techniques and materials that are more resistant to the effects of climate change.

2. Creating products that specifically attempt to alleviate the impact of climate change.

MFIs can also develop offerings that extend beyond the traditional microcredit historically provided by the industry. We can create financial products/services that are meant to help beneficiaries mitigate or fight against the consequences of global warming.

- Wide-ranging insurance policies- Health, Medical, Agriculture, Cattle insurance etc.
- Loans for businesses that help fight global warming such as renewable energy, waste management solutions, green infrastructure technology etc.
- Make investments in environmentally sustainable or adaptive solutions such as better irrigation, drought-resistant seeds, farm-productivity enhancing technologies (includes farm management software), etc.
- Loans for affordable housing.
- Financial services designed to help climate refugees & others impacted by extreme weather disasters.
- Healthcare support such as medical services, infrastructure, and insurance

3. Enter meaningful partnerships with other public as well as private sector enterprises.

All the initiatives mentioned above can be further amplified through partnerships with the

government, banking and insurance companies, research institutions, fintech, health tech and other service providers with expertise in mitigating the impact of climate change. **MFIs can leverage their grassroots networks to ensure that the products/services provided by these companies reach the vulnerable sections most in need.**

Widespread disease outbreaks are one of the inevitable consequences of climate disasters be it floods, drought, fires or more. And the gaps in our country's health infrastructure were laid bare by the COVID pandemic. MFIs can support in this regard by leveraging their existing grassroots network and relationships.

For example, at Pahal Finance, we've recently launched several e-clinics in rural areas. These clinics require little infrastructure and help connect our clients to relevant doctors/medical professionals using simple telemedicine and tablet solutions during their visits.

4. Restructure our microfinance institutions to become resilient to climate change ourselves!

While helping our clients adapt to climate change is crucial, it is equally integral for us to increase our resilience to its impact as an industry. MFIs will have to ensure operational continuity in the face of the ever-increasing frequency of climate change-induced disasters.

This means that we'll have to build credit models that account for climate vulnerability while determining risk as well as create rapid response systems that can assess the debt-repayment capacity of our clients in the aftermath of a climate disaster.

The extreme weather scenarios climate change experts had predicted to occur years into the future are happening today.

Therefore, we can no longer pretend that the threat climate change poses to the very survival of humans is not immediate. It's our moral obligation as an industry to **act now** to help those who'll be disproportionately affected by it.

And if that wasn't reason enough, it's also an extremely lucrative business opportunity – a chance to contribute towards the development of a massive, sustainable financing service.

Purvi Bhavsar
Co-Founder & Managing Director
(Pahal Financial Services Pvt. Ltd.)



Client Stories

A Road to Success

Sumitra Barman is a 54 years old lady who belongs to a household of Falakata from Alipurduar district, West Bengal. Her household comprises of husband, one son, and three daughters. She got associated with WeGrow Financial Services Pvt. Ltd. in 2020 to become financially independent, better education for her children, and to lead her family in a dignified manner. She took her first loan from WeGrow for an amount of ₹50,000/- (Rupees fifty thousand only) to improve the condition of her livelihood.



With this loan, she started her own grocery cum cosmetic shop adjacent to her house. Running a business independently in a competitive market is not easy but Sumitra with sheer zeal and hard work made herself a successful businesswoman. Now she is a financially independent and well-established lady. She has settled her 3 daughters with marriage. Now they are leading happy married lives. She helped her son to get quality teaching from private tutors to become a Graduate of Arts.

She is still continuing with WeGrow Financial Services Pvt. Ltd. with her next cycle loan of ₹60,000/- (Rupees sixty thousand only) to expand her business in a new vertical. With the expansion of her business, she is optimistic to take her income to next level.

Financial Impact

Income level: Her monthly income was ₹8,000/- per month in 2020, now she earns ₹12,000/- per month. Her husband's income was ₹16,000/- per month now he is earning ₹30,000/- per month.

Daily transaction of her business: Daily business transaction is ₹4,000/- and her daily profit is ₹400/- per day from her shop.

House and household items: She made the condition of her house better which was not fully pucca initially but converted into a well-constructed and fully furnished 4 BHK house.

Bank balance and Savings: She is saving money to secure her future in old age to get medical and other facilities.

Cutting the Edges of Misfortune - Client of SEWA Bank

Amitaben is a resident of Maninagar society, Mehsana district in Gujarat. She and her husband were daily wage labourers as a sopari (betel nut) cutter in others shop. Although they both were working, yet their meagre income of ₹200-300 per day was not sufficient to sustain their family especially after birth of children. So, they both decided to open a business in which they have some hands-on experience. Hence, they came up with idea of betel nut cutting business in 2010, since they had the advantage of not having any competitors in Mehsana district who were involved in this business.

2 years ago, she got impressed from the idea of women being self-dependent and opened her saving bank account with Sewa bank from her savings of ₹200 which now has reached to ₹15,000. In 2015, she availed loan of ₹50,000 from Sewa bank for additional business alternative and started a grocery shop named as "Chamunda Sopari Sales" and successfully completed the repayment without any default. She has also invested in National Pension System (NPS) of ₹10,000. In 2017, she again took loan of ₹50,000 from Sewa bank to increase the sales by purchasing higher stock of betel nuts. She maintains records of her daily sales and purchase including vendor and quantity. Apart from Sewa bank she also has her account in Bank of Baroda with current savings of ₹1,100.

She also wants to expand her business by increase in the trade of betel nut business. She is a true example of how with patience one can start small and achieve big dreams.





Financial Literacy Programme

Depositors Awareness workshops through RBI-DEA fund Sa-Dhan in partnership with the RBI under the Depositors Education Awareness (DEA) Scheme is organising 2,250 workshops to educate 1,35,000 clients on financial literacy in a span of one year. After several deliberations with the RBI and member MFIs Sa-Dhan has started the Financial Literacy Training from 01 May 2023. In the first month of Depositor's Education Programme in May 2023, Sa-Dhan along with the partner institutions were successful in completing 206 workshops (142 - Rural, 46 - Semi Urban and 18 - Urban). The workshops have been organized by 25 Partner Institutions in 17 States/UTs and 61 districts across the country. There is a high enthusiasm in the field and a positive response from the participants.



RBI-DEA financial literacy workshop at Limkhera rural Dahod district Gujarat.



RBI-DEA financial literacy workshop at Purnanagar, Nadia district West Bengal

We congratulate and thank our partners ASA, Asirvad, Aviral, BWDA, Grameen Shakti, Hindusthan, IDF Financial, Magalir, Midland, Muthoot, Navachetana, Nightingale, Pahal, Prayatna, REPCO, Sampark, Sarala, Satin, Satya, Sonata, South India Finvest, Valar Aditi, VFS Capital, Virutcham and Vivardhana.

The total number of workshops that will be organised in a span of one year in the rural areas is 1687, semi-urban -450 and urban 113. These workshops will have participants from 29 MFIs cross 20 states and 83 districts

Exposure visit to Bangladesh



Sa-Dhan was part of a delegation from India organised by AMFI Kolkata that visited Bangladesh to study the microfinance sector and make explore possibility of adopting some good practices. Shri Jiji Mammen, ED & CEO of Sa-Dhan was part of the team which visited ASA Bangladesh, BRAC, Grameen Bank, BURO Bangladesh, Microfinance Regulatory Authority (MRA), Palli Karma Sahayak Foundation (PKSF), CDF and Grameen Foundation. During the visit Mammen interacted with the Nobel Laureate Prof Muhammad Yunus regarding the future role of microfinance especially in the wake of changes happened post covid. A detailed report of the visit along with some recommendations were submitted to RBI for their consideration.



Sector News

- **Leading MFI VFS Capital plans to raise ₹1,500 crore in FY'24 to support growth plans**
<https://www.moneycontrol.com/news/business/economy/leading-mfi-vfs-capital-plans-to-raise-rs-1500-crore-in-fy24-to-support-growth-plans-10198731.html> (Money Control, 04 March, 2023)
- **Northern Arc Capital facilitates \$20 million ECB loan for CreditAccess Grameen**
<https://www.thehindubusinessline.com/money-and-banking/northern-arc-capital-facilitates-20-million-ecb-loan-for-creditaccess-grameen/article66732073.ece> (Hindu Business Line, 13 April, 2023)
- **ESAF Small Finance Bank FY23 net profit jumps over four-fold to ₹302 cr**
https://www.business-standard.com/companies/results/saf-small-finance-bank-fy23-net-profit-jumps-over-four-fold-to-rs-302-cr-123051001229_1.html (Business Standard, 10, May 2023)
- **Indian microfinance sector seeks a dedicated funding institution in line with Bangladesh model**
<https://economictimes.indiatimes.com/industry/banking/finance/indian-microfinance-sector-seeks-a-dedicated-funding-institution-in-line-with-bangladesh-model/articleshow/100187582.cms> (Economic Times, 12, May 2023)
- **Founder Padmaja Gangireddy plans to sell shares worth ₹100 crore in Spandana Sphoorty Financial, engages investment banker to explore block deal**
<https://m.economictimes.com/markets/stocks/news/founder-padmaja-gangireddy-plans-to-sell-shares-worth-rs-100-crore-in-spandana-sphoorty-financial-engages-investment-banker-to-explore-block-deal/articleshow/100654760.cms> (Economic Times, 29, May 2023)



Sa-Dhan Events Block your Dates

The North Indian Regional Conference on Financial Inclusion on 13 July 2023 at Chandigarh

Sa-Dhan National Conference on 8th & 9th November, 2023 at Delhi

We would love to hear your feedback for the Sa-Dhan Newsletter. Please feel free to share photographs and articles for our next issue. You can share your articles with rituparna@sa-dhan.org



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