



From the Editorial Desk

As we look back at the financial year which has just ended, one feels happy and satisfied with various developments in the microfinance sector. The Covid 19 which impacted the sector badly in the previous two years has become a thing of the past. The sector has been doing well since 2022 and has recorded good growth in the previous two years with almost all parameters looking positive. Offlate, there has been a red flag raised by the RBI on the continuing higher interest rate since the introduction of new regulatory norms. Many MFIs have taken note of the concern the sector is facing regarding HR matters, especially the higher attrition level and variation in assessment of household income and debt liability. Sa-Dhan has taken some initiatives such as organising webinars and conclaves to discuss these issues and find plausible solutions. Accordingly, we have constituted a Working Group on Household Income Assessment and also launched a study on HR related issues to get deeper understanding of the issues.

The third quarter numbers look impressive with the outstanding credit in the microfinance (MFI) sector reaching ₹4 lakh crore with more than 20% growth, overall. The NBFC-MFIs continued to occupy the largest share in the pie of 40 per cent and is followed by banks at 32 per cent and small finance banks (SFBs) at 18 per cent. The recovery has also bounced back near pre-covid level. On the whole the sector looks to be doing very well.

As far as Sa-Dhan is concerned, the year was with a lot of actions, in all different spheres of its activities, be it on member development and sectoral development, or SRO function or Social and Financial Impact areas. Several projects were executed or commenced during the year. The most important one was the completion of 2250 workshops on Deposit Awareness Education, supported by RBI. I would like to place our sincere gratitude to our member institutions, the Board of Governance, Committees including the SRO Committee, the stakeholders, supporters and well-wishers, for a productive and meaningful year for Sa-Dhan. This Newsletter has a few activities from the last quarter. The focus of this edition is on the celebration of the World Water Day. Sa-Dhan started working on Water in 2017 and since then with partners Water.org and FINISH Mondial Society to scale up Water and Sanitation Financing among underprivileged communities to live hygienic lives through Microfinance Institutions. The programme's overarching goal is to enhance WASH infrastructure, elevate health and hygiene standards, and mitigate healthcare costs associated with water and sanitation-related illnesses. We hope these initiatives will enhance the health of the people in the country.

We wish everyone a great financial year ahead.



Industry Highlights

Source: Credit Bureau

Gross Loan Portfolio
₹3,93,165 cr.

No. of Loan Accounts:
14.08 cr.

Loan amount Disbursed during third quarter of FY (23-24)
₹96,754 cr.

The top 5 states in terms of portfolio are Bihar (₹58,706 Cr.), Tamil Nadu (₹53,304), Uttar Pradesh (₹40,770 Cr.), Karnataka (₹37,427 Cr.) and West Bengal (₹35,431 Cr.), these top 5 states account for approximately 57% of the industry portfolio and Bihar alone holds 15% of the industry portfolio

The top 10 districts in terms of portfolio are Murshidabad, East Champaran, Samastipur, Muzaffarpur, Mysuru, North 24 Parganas, Madhubani, Darbhanga, Cuddalore and Belagavi respectively.



VOICE of the Industry

Criticality of safe water in sustaining livelihoods



This year's World Water Day theme is 'Water for Peace', focusing on the pivotal role water plays in fostering peace and stability. To quote Bhagvad Gita - 'raso aham apsu kaunteya'- Krishna says, 'I am the taste of Water'. The right to water entitles everyone to have access to

sufficient, safe, acceptable and affordable water for personal and domestic use. The human right to safe drinking water was first recognized by the UN General Assembly and the Human Rights Council as part of binding international law in 2010. Access to Safe Water, Sanitation and Hygiene (WASH) is critical to ensure sustainable livelihoods for India's bottom of the pyramid population who are the target segment of Microfinance Institutions (MFIs). To support upscaling of this segment, MFI sector needs to invest in their health and wellness which is supported by access to safe water and sanitation. World Health Organisation and UN studies have flagged that unsafe water supply and sanitation cause an estimated 1.6 million deaths per year worldwide while water related diseases are found to be responsible for 80% of diseases and deaths in developing countries.

We are all aware that health directly impacts productivity and net disposable income, as it ensures a greater number of workdays and lower health costs. WASH lending is one segment which prima facie appears as a non-income generating loan but quite the contrary it supports income generation, both in the short and long run, translating to upscaling of the business of the financial sector as well. One can cite the example of two rural women MFI borrowers who are in the business of weaving charpoys. They had availed WASH loan for installing piped water solution in their homes which saved them approximately two hours of time daily from fetching water, resulting in increase in monthly income by ₹3000 by sparing time for weaving more charpoys.

Women are central to microfinance because of the group dynamics and their strong repayment ethics. But the health, safety, dignity, income and empowerment of women depend on sustained access to safe water and sanitation. By providing last mile finance for WASH to rural women, the Micro Finance

sector has been playing a significant role. These efforts need to be sustained and upscaled to ensure higher coverage. RBI's revised Microfinance regulations whereby income generating activities are not mandatory to qualify as microfinance loans has helped to move the needle to a large extent.

NABSAMRUDDHI, an NBFC subsidiary of NABARD with an ESG focus, has been championing the cause of WASH financing by supporting MFIs with concessional blended finance. Sa-Dhan, along with other stakeholders, had taken up with NABARD for establishing a Special concessional refinance fund for WASH in 2020. Today, NABSAMRUDDHI is leveraging this fund to promote WASH as a leader in this space.

The very small sized and lower rated/unrated MFIs, section 8 companies, trusts and societies, who are making a significant contribution to the WASH ecosystem in the remotest rural areas, are being supported by NABSAMRUDDHI, that too with flexible terms blended with pro bono technical support. NABSAMRUDDHI has created a strong image as an ecosystem builder in this direction by covering the entire risk rating spectra in its portfolio, being the only entity in NABARD's framework to support such last mile MFIs.

Sa-Dhan has played a key role by connecting NABSAMRUDDHI with potential MFIs to take forward their mandate through dedicated collaborative meetings, coverage of their initiatives in Sa-dhan's publications as well as providing networking opportunities as a Sa-Dhan member.

The company could disburse ~45 million dollars of WASH finance through term loans and securitisation, through 32 partners, witnessing 100% YOY growth this fiscal. Today, NABSAMRUDDHI has emerged as the largest wholesale WASH lender among homegrown NBFCs, largest provider of WASH loans across all sectors and risk spectra and the largest NBFC providing wholesale debt for last mile WASH.

Sa-Dhan recognized these efforts by presenting the Sa-dhan Water.org top capital Providers award to NABSAMRUDDHI two years in a row in 2022 and 2023. It is worth mentioning that, Sa-Dhan, along with Water.org, recognizes the efforts of FIs that support WASH sector through such awards every year.

Further, in the wake of adverse impact of climate change, sustaining access to safe water and sanitation is proving to be a challenge as a climate crisis manifests primarily as a water crisis through extreme weather events such as droughts, floods, ground water

depletion, melting glaciers and water salinity induced by rising sea levels. A recent KPMG study commissioned by Water.org in India brought out that 46% of representative sample MFI borrower respondents reported adverse impact of climate change on their water supply and water quality.

In fact, COP27 at Sharm El Sheikh was a turning point in conversations on water and climate as the Action on Water Adaptation and Resilience Initiative (AWARE) was launched. The initiative helped to put water front and centre of climate adaptation action. However, funding for the purpose needs to be upscaled. In 2020, the total global climate finance from state actors was \$575 billion, of which only US \$403 million went to Water. The financial sector, especially microfinance, needs to step in here as non-state actors, recognizing both the challenge and opportunity the segment provides. Also, women are found to be more susceptible to climate risk as they are responsible for food, water, care giving, hence all WASH related efforts of the microfinance sector need to bring in the climate risk perspective.

To address these challenges, NABSAMRUDDHI pioneered the Climate Ready WASH programme, which was launched at the Sa-Dhan National Conference on Financial Inclusion on 08 November 2023. The nation-wide campaign to create awareness on such solutions among microfinance borrowers, in association with Trust of People under the FINISH Mondial, was kickstarted under the Programme on World Water Day 22 March 2024. Rainwater harvesting for borewell recharge and for water storage, solarization of water pumps, flood resilient and water saving sanitation, ecological sanitation, are some of

the household level solutions which are being explored for financing through MFIs in climate vulnerable areas.

Low cost WASH funds are the need of the hour to provide a further boost to the sector. Carbon credit mechanism, Social Stock Exchange and Outcomes Based financing are innovative platforms that can be leveraged by MFIs. Going forward, NABSAMRUDDHI is considering Co-lending and digitised platforms/marketplaces to boost Climate smart WASH financing. However, lenders need to be alert to 'WASH WASHING' as there is always a scope for diversion of subsidised finance. MFI sector needs to ensure stringent end use monitoring to combat the same.



Bonani Roychoudhury
Managing Director
NABSAMRUDDHI Finance Limited

Black Water Faecal Sludge Management - The Finish Way



Faecal Sludge Management is a sector where FINISH is at a much-advanced level. We are already working on models of circular economy and FINISH has been working extensively on FSM now. This has enabled me to learn many technicalities related to FSM and meet many people and organisations that are working in this field. Our work has been recognized by agencies like UNICEF, TBC, CSE, etc. As the sector is very new and evolving, there is need for many supporting guidelines, policies and infrastructure to make it a

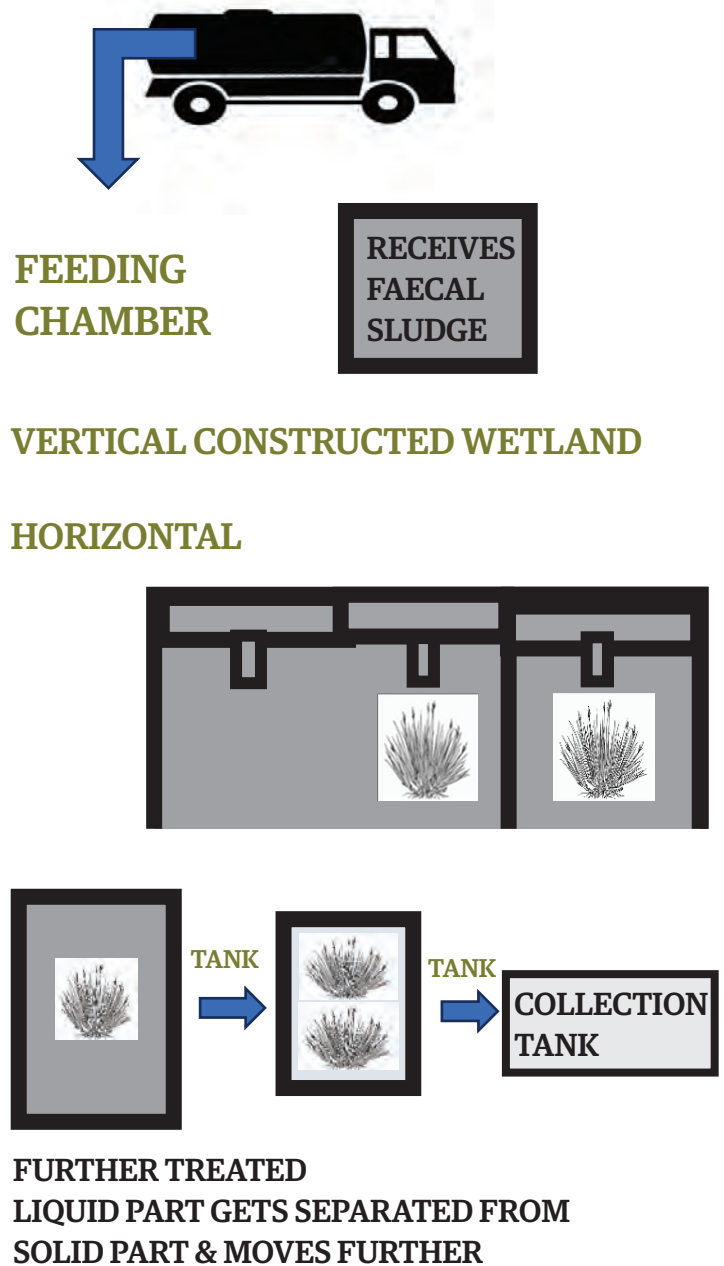
profitable and sustainable intervention. We have been able to create few models around FSM circular economy where FINISH can work in tandem with the Urban or Rural Local Bodies on a revenue sharing basis so that the treated/dried faecal sludge is not only reused but it can also generate some revenue out of the operations through Co-composting. Presently we have two models for urban where one is for municipalities that have FSTPs and another for those municipalities that don't have FSTPs. We also have a model for rural FSM. Even though we have models that are convincing, but we still have to struggle due to various external factors. We must address these issues on a priority basis to make FSM a success in India:

1. Advocacy with the Government to get quality standards for co-compost made with faecal sludge. This will give us some benchmark against which our products can be assessed.
2. Establishing that the product/co-compost made by us is safe as per the safety standards. This totally depends on the previous point but establishing the product means we have to do behaviour change of all those stakeholders who are linked to it like, government officials and related institutions/boards, farmers and their associations, dealers and retailers, donors and CSRs, consumers, etc.
3. Adequate funding from the government for related infrastructure like FSTPs (both big and small), pathological labs for product testing and quality monitoring boards/agencies.
4. We need to make everybody understand that the need of the hour is to get decentralized, nature-based, low-cost solutions that are more manual labour centric in nature rather than being highly mechanized ones. This is help in generating more employment at the local level. More and more SHGs can be linked to these initiatives.
5. We need to make the agriculturists and experts understand that the co-compost is a soil conditioner that is high in nutrients and carbon, which is more beneficial for the soil. It will save water in the long run due to its moisture holding nature and will ultimately nourish the soil. It will also enhance the yield of the farmers. This can be the most suitable substitute for chemical fertilizers.

We need to tell the world that our models are focused more on achieving circular economy, creating local employment, more gender inclusive, nature-based solutions, low capital investment, climate change, promoting chemical free agriculture. We need to say that our models not only address FSM but also skill development, livelihood, environment and agriculture.



FAECAL SLUDGE MANAGEMENT UNIT FLOW DIAGRAM



CO-COMPOSTING PROCESS



Abhishek Chaudhuri
Project Lead
FINISH Mondial India



Success Story- Water.org

Water.org is a global nonprofit organization working to bring water and sanitation to the world. With the support of financial partners, like Sa-Dhan, Water.org helps people get access to safe water and sanitation through affordable financing, such as small loans. In India, 35 million people lack access to safe water and 678 million people lack access to a safe toilet. Current challenges include extreme water stress, contaminated surface water and lack of access to piped water supply. The effects from climate change like droughts and rising sea levels also affect access to safe water and sanitation for families in India.

Investing in water is an investment in women

Investing in water is investing in potential. With access to safe water at home, Sunita and her family spend less time collecting water and can spend more time pursuing income generating activities like raising her cattle. Access to safe water at home has changed her life in south India. Sunita's small loan was made possible by Water.org and our local partner, DHAN (Tamil Nadu) in India. Within the communities we serve, women are the most affected by the water crisis, and women are finding value in financing a water connection or toilet. With water and toilets connected at home, women are able to do more than collect water, like work or care for family. Their repaid loans create a healthy lending system that makes loans possible for more households. This means more families like Sunita's can experience the time savings of access to safe water and sanitation at home. It's a



cycle that continues to reach more people, creating new opportunities for families around the world. Learn more about our affordable, smart financial approach to helping families end their water crises.

Happy Stories of WASH Financing



Ms. Reena Devi

Hajipur, Bihar

Client of Satya MicroCapital Limited

Ms. Reena Devi is a 35-year-old married woman who lives in a small village of Hajipur, Bihar. Reena and her husband have a small house. With their four children, 2 daughters and 2 sons, the family struggles not only for their living but also for a dignified lifestyle, with water and toilet facilities. The overall family of ₹75,000 annually, was barely enough to meet the family's basic needs for food, clothing, and shelter. Then how do they spend for the construction of a much-needed toilet. Reena longs for a toilet, knowing it can help prevent illness and safety issues that she and her daughters experience regularly. At this time, they heard about the micro loan facilities provided by SATYA through other clients, especially the local women., She joined one JLG and applied for the Water & Sanitation Loan provided by SATYA MicroCapital Ltd and received a loan of ₹45,000 for constructing a new toilet at her home. SATYA provided the loan for constructing a toilet and thereby in helping her family to lead a healthy life.

She and her husband are now paying off the loan through affordable monthly payments. Like Rina, SATYA has products to empower those in need with immediate access to life's most essential resources.



Thematic Events



Sa-Dhan had organised a Microfinance HR Conference on 28th February 2024 in Chennai. This conference is the first of its kind in the sector and was attended by HR Leaders, MDs, CEOs, Operation Heads of MFIs, SFBs, NBFCs from across the Country. The event saw participation of over 130 participants.



Sa-Dhan in partnership with AKMI organized a "Compliance Officers Conclave" in Bengaluru. The Conclave was attended by Chief Compliance Officers, Company Secretaries, MDs, CEOs, NBFC MFIs MFIs and technology institutions.



Sector Events

NABARD Chairman launches NABSAMRUDDHI's Climate Ready WASH awareness campaign on World Water Day on 22nd March 2024



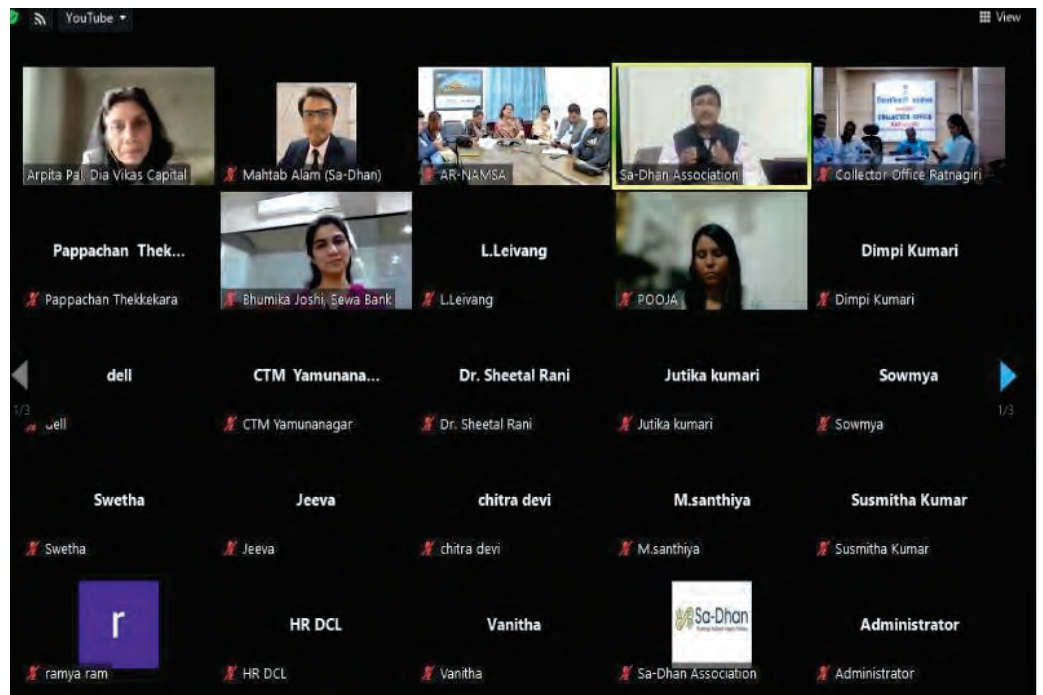
Esaf Celebrating its 7th anniversary as a Small Finance Bank

*Congratulations Annapurna
Best Organisation for
Women in 2024*





Women's Day Celebration



Celebrating Womens' Day : (Top to bottom -Satin Creditcare Network Team in a fun mood, Sa-Dhan organised a Webinar themed: The power of purse in women empowerment which was addressed by Ms. Arpita Agarwal, Ms. Leivang, Ms. Bhumika and Save Microfinance Private limited distributing gifts to women employees.



Sector Activities

Digi Di, a Tool for Women Empowerment

Asa International India Microfinance Ltd and PayNearby have partnered to introduce Digi-Di. An intervention to empower women at the base of income pyramid. The term Digi-Di signifies Digital Di (Didi stands for elder sister, a mark of respect). The initiative provides banking, financial and non-financial servicing skills, developing the Didi's to provide such services in the underserved areas. Besides, providing them income opportunities thereby improving the quality of life for their family. A comprehensive service platform aimed at simplifying high-end technology for everyday tasks and financial transactions.



CSR Activities of Sarala Development Microfinance Private Limited

From Sarala's 'Go Green Initiatives' through planting trees to 'Sarala's Clean Energy programme' by motivating its borrowers to use environment friendly products has made a tremendous impact by reducing the monthly expenses of our borrowers, improving their quality of life and contributing to environmental protection. Additionally, Sarala had been actively engaged in serving the underserved population of the society through its social developmental activities like 'Vocational Skill Development Training Programme', 'Education Support Programme', 'Health & Hygiene Awareness Programme' and 'Senior Home Project' for senior citizens. The Tailoring project initiated under 'Vocational Skill Development Training Programme' by Sarala Welfare Trust helps to empower underserved women of the society and build skills in stitching ladies' garments of daily use.



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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