

Knowledge Corner

Social performance rating for MFIs

Most microfinance institutions (MFIs) and those who support them (investors, bankers, policy-makers, and donors) have a social mission. Social rating can contribute to greater transparency about what MFIs are achieving. When placed alongside a credit rating, the social rating complements the financial analysis with analysis of the social performance of MFIs, providing an assessment of its mission objectives. It aims to assist investors and donors in making effective use of microfinance resources to achieve social/ethical as well as financial goals. It will also assist MFIs to report on and improve their social performance, just as the credit rating has had a positive impact on the sustainability performance of MFIs.

Savings for the Poor: Opportunities and Opportunity Costs

Ms. Komal Parmar Rana, Manager (Research), ISMW, Ahmedabad.

Microfinance has proved to be an effective tool to reduce poverty and through its interventions it has shown that not only are the poor bankable, return credit that they take, but also have the will and capacity to save. On one hand there exist opportunities for microfinance service providers to tap the savings and add value to the provision of their services by designing appropriate products. On the other hand there is the issue of the opportunity costs of the savings of the poor. Opportunity costs are tied to several factors like incomes, life cycle of the individual, of the household, of the micro enterprise or livelihood activity, risk pockets, socio-cultural relationships etc. Opportunity costs can be a variable to work with while designing savings products that prove meaningful both to service providers and clients.

There is a growing focus on savings and appreciation for it along with other financial services as there is robust demand for it which exists. Savings are deferred consumption and in the case of poor households since income is low and surpluses non-existent, the opportunity costs of savings are high. Insecurity of employment and livelihoods increases the opportunity costs of the savings of the poor.

The outcomes of savings should be poverty alleviation and or increase in wellbeing. Profitability of service providers is absolutely essential but so is their presence in the lives of the poor. Savings products should work towards reducing the opportunity costs to the client, link with the credit plans of the client and necessarily have a positive well being outcome that takes the household forward in their moving out of poverty. Training programs should have complete information sets that allow a client and the household to take an informed decision about their savings plans. These products should be sensitive towards the needs of the clients and especially women, since the services are largely routed through them. Service providers are justified in their attempts to protect their sustainability. On the other hand, the money of the poor is precious not only to them, but to the socio-political economy at large and hence, care and sensitivity in designing products and services is imperative.

Events

Events during the quarter

AmFA Annual Meet held on 12 November 2008 in Hotel Ashok, New Delhi

Orissa Business Meet: Second Business Meet organized by ACCESS in Bhubaneswar

Investors Fair held on November 10-11th, 2008 in New Delhi.

Annual Microfinance India Conference organized from 11th November 2008 to 13th November 2008 in New Delhi

Want to know more or include your contributions? Please write to us at newsletter@accessdev.org

ACCESS Development Services
28 Hauz Khaz Village, New Delhi-16, India
Ph: +91 11 2651 0915
Fax: +91 11 2685 0821



AmFAline



Volume 1, Edition 3

December 2008



Welcome to the third edition of the AmFA Line!

The third edition of AmFA Line carries information on achievements, developments of AmFA partners. A dedicated team manages the AmFA functions at Head office and in State offices. As of date, 125 partners registered with AmFA across twelve states of India.

The Vision of AmFA is to enable the poor to access diverse financial and non-financial products and services through strong institutional channels that are able to organize and aggregate the demand.

Over the next three years, AmFA envisages to reach out to

- 200 MFIs through technical services
- 5 million clients
- Rs.20 billion outstanding portfolio of partners
- Rs.50 billion financial linkages established
- 50% of client coverage under insurance products

In this edition:

- **Achievements:**
- **Nirantara wins National Level Microfinance Process Excellence Award**
- **Village Financial Services receives CII-EXIM Bank Business Excellence Award**
- **SIDBI Partnership**
- **Linkages/ Investment update with Financial Institutions**
- **ASIA Invest Project Update**
- **Beyond Credit: ACCESS Partnerships with HUL, MNYL and FINO**
- **Knowledge Corner**
- **Social Performance Rating for MFIs**
- **Savings for the Poor; Opportunities and Costs**
- **Events concluded**

AmFA At a Glance

- 125 partners 3.7 million clients
- 12 States portfolio - Rs. 9.7 billion

Achievements

Nirantara wins National level Microfinance Process Excellence Award

Nirantara Community Services, Bidar, Karnataka was adjudged National winner in the recently concluded **Microfinance Process Excellence Awards (MPEA) 2008**. Microfinance Process Excellence Awards (MPEA) is a reputed award platform where best practices are recognized.

The RBS / ABN Amro Bank and Planet Finance have been organizing the MPEA events since 4 years with an objective of inculcating transparent and efficient mF processes and recognizing process-oriented microfinance institutions. Nirantara was declared National Winner **in Flint Category**. Total 3 national awards and 9 regional awards were given in three categories (Flint-Startup MFIs, Flame-Midsized MFIs and Fire-Big MFIs). This award is a precious recognition for Nirantara's best processes and enormous inspiration.

Village Financial Services wins the Business Excellence CII-EXIM Bank

Yet another colorful feather has been added to the cap of Village Financial Services Private Limited. VFS has received the most honorable and prestigious award of Commendation Certificate for strong *commitment to Excel on the journey towards Business Excellence for the year 2008 organized by CII EXIM Bank*.

EXIM Excellence Model is based on universally accepted standards and practices which encourage organizations to strengthen their management systems, practices and capabilities to enhance and sustain their competitiveness to become world-class organizations.

Beyond codes

Beyond Codes is a collaborative action research project initiated by ACCION that examines how microfinance institutions can best implement consumer protection practices within their operations. Beyond Codes will pilot the implementation of pro-consumer policies and practices in microfinance institutions, with a view towards creating the tools and experience that could underpin a pro-consumer certification process. The program will be carried out with participation by a wide range of actors in the microfinance industry to create consensus around pro-consumer best practices.

SIDBI Partnership

ACCESS Development Services has recently inked a strategic deal with SIDBI to provide on-lending support to emerging Tier II and Tier III AmFA partners. Through this tie up, SIDBI will be facilitated to provide upto Rs. 100 crores to these smaller institutions, and help them upscale their operations.

SIDBI Sanctions

Partner	Loan (Rs.)	Grant (Rs.)
SEBA	1 Crore	11 lakhs
Rajapur Seva Niketan	50 Lakhs	8.25 lakhs
HDC	1.5 Crore	8 lakhs
Gram Vikash	1 Crore	8 lakhs
Belghoria JKS	50 Lakhs	8 lakhs
Dhosa C.	1 Crore	8 lakhs
Sahara Utsarga	5 Crore	50 lakhs
Bandhan	100 Crore	
VFSPL	10 Crore	1 Crore
Sahayata	5 Crore	
VAMA	50 Lakhs	
LBT	50 Lakhs	
Mahasakthi F.	1 Crore	10 lakhs

Linkages with Banks

Partner	With	Loan (Rs.)
Sreema	SBI	5.25 crore
Barasat U.	SBI	50 lakhs
Sreepur Swami V	SBI	50 lakhs
Swayanshree	SBI	30 lakhs
Mahasakthi F.	Axis Bank	1 Crore
Gram Uthan	N Housing B	5 Crore
IWB	DCB	2 Crore

Asia Invest Project Update

Under ACTED's Financing Development project, five AmFA partners have been selected to receive intensive capacity building inputs. In November 2008, SAMN (South Asia Microfinance Network) partner MFIs from Pakistan, Sri Lanka and Afghanistan undertook a cross visit to India to visit the India MFI partners. Participants found that the cross visit was extremely useful in understanding the operations and functioning of Indian MFIs and served as an excellent opportunity to exchange experiences from various countries. The visit was

followed by a workshop on Investment Readiness, exclusively for SAMN partners, in which concepts of capital structuring, valuation and pitching to investors were explained. The visiting MFIs also participated in the Invest Asia Fair organised by ACCESS as part of the mF India Summit, which gave them an opportunity to present their pitchbooks and business plans to nearly 12 participating investors. The SAMN launch organised by ACTED was also planned to coincide with the visit of the project MFIs.

Invest Asia Fair

ACCESS and Intelicap, in conjunction with MIX Market and India Development Gateway, organized the Invest Asia Fair on November 10-11th, 2008 in New Delhi. The Invest Asia Fair 2008 brings together for the first time, South Asian MFIs from India, Afghanistan, Sri Lanka and Pakistan alongside global investors.

Beyond Credit: The Journey So Far

ACCESS Partnership with HUL:

A joint effort by ACCESS Development Services and Hindustan Unilever is providing water purifiers to poor families. HUL safe drinking water purifier, PureIt does not require any electricity or running water and provides a high quality purification process and so is perfect for rural use. HUL started its collaboration with AmFA partners in Andhra Pradesh and Tamil Nadu and has been able to protect at least 5,000 households already. This initiative not only serves the clients with purified water but also saves clients' expenditure on health care and reduces absenteeism from work and school due to water borne diseases. The demand for safe water purifier is enormous among the microfinance clients and a partnership agreement has been signed with 19 AmFA partners in AP, Orissa, WB and MP.

ACCESS Partnership with Max New York Life (MNYL)

Max New York Life (MNYL) has developed a new savings based insurance product (Max Vijay) and has collaborated with ACCESS with the aim to deepen and expand insurance services by leveraging the strength of the AmFA partners. This would help the NGOs / MFIs under AmFA to increase their provision of financial services in the form of insurance to their members / clients.

ACCESS Partnership with Financial Information Network and Operations Limited (FINO)

Financial Information Network and Operations Ltd. (FINO) a Mumbai based technology solutions provider, has announced its partnership with ACCESS Development Services, which helps Tier II and Tier III MFIs towards capacity building and adopting management information systems (MIS) to improve efficiency of their day-to-day microfinance operations. This would also help to streamline the reporting and monitoring mechanisms of the NGOs / MFIs.