

Microfinance India Awards 2009



Preface

The microfinance Sector in India has significantly grown and evolved since NABARD initiated the linkage banking programme in 1992. The first phase was marked by slow and sluggish growth, high scepticism, dominated by public sector banks and pushed by priority sector lending obligations. Linking SHGs to bank branches was the sole model. The second phase, which started around in the early years of this decade was characterised by entry of market savvy microfinance institutions, entry of private and multinational banks, new interest of private / social equity players and large donor funded programmes. Surplus liquidity in the financial system led to aggressive growth enabling a significant widening of the microfinance market. The sector is perhaps now entering its third phase of evolution which is likely to take a very market oriented approach. This phase is characterised by new pro-activity among public sector banks, growth and transformation of several smaller NGO-MFIs, commercialization of larger MFIs, greater flow of private equity... The growth of the sector has been an incredible phenomenon, but the poverty challenge is far from being fully addressed.

The microfinance Sector in India could not have reached the current levels of maturity and growth without significant contributions from diverse institutions and individuals. From the highest levels of policy making to very small breakthroughs on the ground, several institutions and individuals fully committed themselves in their Individual / institutional capacities to reach the unbanked. Diverse stakeholders including policy makers, apex institutions, banks, microfinance institutions, self-help promoting institutions, donor agencies, resource agencies, and indeed personal commitment of individuals have contributed to this growth story.

Appropriately, to recognise institutions and individuals who have contributed to this phenomenal accomplishment, ACCESS proposed to institute the Microfinance India Awards, as a small gesture to recognise the incredible contribution of several thought leaders, practitioners, policy makers, promoters, researchers. This initiative has been supported by HSBC India. In its first year, given the short turnaround time at hand, two awards have been instituted. While one award will focus on an individual who has made a lifetime contribution to the growth of the sector-influencing policy and global thought, innovating solutions, creating strong institutions, with high levels of commitment. The other award recognises an institution which has demonstrated the ability to significantly scale up, remain sustainable but retains its social mission. Given the fact that diverse stakeholders have contributed to this growth, HSBC and ACCESS may consider adding a few more categories of awards from next year.

With a strong support from HSBC, we were able to set up the full process, quite quickly. An enlightened Jury helped in the selection process. With several individuals and institutions – all having made significant contribution to the sector, the choice was difficult indeed. At the end, we're very happy that Vijay Mahajan, easily among the tallest thought leader within the Sector was recognised for his contribution to the Sector and Bandhan, among the best examples of the new generation institutions was picked as the Institution of the Year.

I'd like to acknowledge my sincere thanks to the HSBC team led by Malini. Unmesh, Vandana, Pramod, Balaji and Sakshi provided huge support to the process. Endorsement of the initiative by Naina was critical to the success of this initiative. I'd also like to thank the Jury members with Naina and Malcolm as co-chairs and Brij Mohan ji, Vijaylaxmi Das and Swamy as other members for providing insightful inputs and sparing the time to help complete the process. Most of all, I'd like to acknowledge the incredible efforts of my colleague Swati, who anchored the process at ACCESS. This was an overwhelming assignment which she accomplished with aplomb.

Vipin Sharma

CEO
ACCESS Development Services
New Delhi

Contribution to the Sector Award

Vijay Mahajan *Chairman and Managing Director, BASIX Group*



Even though Vijay Mahajan (VM) is well-known as a professional, we knew little else about him, so the Awards Secretariat decided to interview him rather than get a resumé.

Tell us something about your early life and how it has shaped you?

I was born in 1954 in Pune, in a Punjabi family. My father worked as a Civilian Ordnance Officer in the Indian Army. I am the fourth among four brothers, all three elder ones joined the defence services. My father took early retirement and settled down in Jaipur and put me in the St Xavier's School. My first encounter with poverty and helplessness took place when the school sent us to visit a government hospital. An old man asked me to write a post card to his family, to let them know that he was in hospital for the previous month. This experience shook me – that someone had to wait for a month to have a post card sent to his family.

Is this what brought you into rural development work?

No. That's a much longer journey. One of my brothers, Ashok, had a huge formative influence on me. Among other things, he made me read about Dr Albert Schweitzer, who dedicated his life to providing medical care to Africans. I was selected to join the Indian Institute of Technology, Delhi (IIT-D) in 1970. It was here that I first went to a village, as part of the National Service Scheme. I read about the work of Bunker Roy in Tilonia and was very impressed. Being in Delhi, I had a chance to interact as a student activist with a lot of Members of Parliament, media people and thinkers. India in the first half of 1970s saw a lot of turmoil – the Bangladesh War, the Nav Nirman student movement in Gujarat, the JP Movement and finally the Emergency. I was very eager to do something but struggled to find the right channel.

“I used to read voraciously. Two books that affected me a lot were Schumacher's “Small is Beautiful” and “A Guide to the Perplexed”. I was restless and wanting to do something about the palpable poverty I saw in rural Eastern India and in urban Calcutta.”

So, what did you do?

Upon finishing B.Tech, I was selected as a Management Trainee in Philips India, part of the Dutch electronics multinational. I was assigned to a marketing job and was posted as a sales executive for northeast in Guwahati for two years. It was here that I developed a love for rural areas, touring extensively. Later I became a marketing executive based in Calcutta Regional Office of Philips. From here, I travelled extensively in Bihar and Orissa and saw poverty in the hinterland. It was a lot like Satyajit Ray's

film Pather Panchali. I started visiting some NGOs who were working in development.

I used to read voraciously. Two books that affected me a lot were Schumacher's "Small is Beautiful" and "A Guide to the Perplexed". I was restless and wanting to do something about the palpable poverty I saw in rural Eastern India and in urban Calcutta. I came to know about Prof Ravi Mathhai, the founder Director of the Indian Institute of Management, Ahmedabad (IIM-A). Ravi had stepped down after successfully launching the Institute and set up the Jawaja Project for rural development in southern Rajasthan. I decided to apply to the IIMA and was selected in its post-graduate program, starting mid 1979.

That is certainly an unusual way to move into rural development! In what way did IIMA help you?

Well, there was no IRMA (Institute for Rural Management, Anand) then, else I would have gone to IRMA. The two years at IIMA changed my life. From Prof Ravi Matthai and his colleague, Prof Ranjit Gupta, I not only learnt to think about rural development in a holistic micro-to-macro framework, but also I picked up much needed concepts of economics from Prof C Rangarajan, who later became Governor of the Reserve Bank of India. From Prof Khandwalla, I learnt rigorous analysis and design of organisations, from Prof Ganesh, change agency. The one person who was not on campus, and indeed was not even alive, but from whom I learnt a lot was Vikram Sarabhai, the great institution builder and co-founder of IIM-A.

We heard you got the Gold Medal for academic achievement at IIMA and got married to a batchmate?

Well, both are true. I was so much into academics that I did well enough to share the Gold Medal with two others, one of whom is in the IAS and the other is the Treasurer of the biggest company in India. On the second point – yes, I proposed to my classmate Savita at the end of my summer job in Jawaja, telling her that I was likely to work

in rural development the rest of my life. Despite the warning, she accepted, and we came back engaged, in the second year.

What did you do after graduating from IIM-A in 1981?

I joined IIMA visiting Prof NCB Nath to work on rural development issues and was introduced to Deep Joshi, then a Program Officer with the Ford Foundation, New Delhi. Deep articulated what I believed in – that well-educated professionals should work in development roles at the cutting edge, close to poor communities. Deep had worked in the Sukhomajri project near Chandigarh, for soil conservation to prevent the Sukhna Lake from silting up. But he learnt that more than engineering, the equitable norm of water sharing worked to make the project a success. Deep introduced me to Shri Loganathan, co-founder of a Gandhain NGO called Association for Sarva Seva Farms (ASSEFA), which was promoting livelihoods for landless poor who got donated land under the Bhoodan movement of Acharya Vinoba Bhave.

Like the character Mathieu in Jean-Paul Sartre's trilogy "Roads to Freedom", I decided to overcome my existential confusion, and build my commitment by plunging into action. I left my recently wedded wife working in Delhi and moved into a village in Gaya district of Bihar, to run ASSEFA project there. Using donor funds and bank loans, we began sinking borewells and installing irrigation pumps and pipelines for Bhoodan farmers. That is when I first learnt to form groups and use them for a number of development purposes, like management of pumpsets and sharing of water equitably. Loganathanji, Deep and Mr Mathew of ASSEFA would visit me once in a while, as I expanded the work to three districts.

What is the story of PRADAN? The 2009 Magsaysay Award to Deep Joshi does not mention you, although he was cited as the co-founder.

The idea of PRADAN was embodied in the long form of its name - Professional Assistance for Development Action. As I said ear-

lier, Deep and I had a meeting of minds on the issue that “professionals should engage in development action” in early 1982 and I started “proving that concept: by working in ASSEFA. Then, Deep, Lognanathanji and Mr Mathew (now with Deepalaya) helped me establish PRADAN in late 1983. The first Chairman of PRADAN was Mr Aloysius Fernandez, a former Jesuit who had just joined MYRADA. Initially, like I was working with ASSEFA, most PRADAN colleagues were placed with various NGOs to work on grassroots projects. Later we started some of our own projects to work directly with rural communities. Deep Joshi quit the Ford Foundation and joined PRADAN in 1986.

What did you do after that?

Deep’s joining enabled me to continue working creatively in the field, while we both built the organisation. Deep’s Ford Foundation colleague Ravi Narain (now ED of NSE) introduced us to Mr Brij Mohan, then a Manager in the Industrial Development Bank of India. He used to manage the rural industrialisation program of IDBI. Under this program, and the leadership of a first batch IRMA graduate, Sankar Datta, we started a rural enterprises project in Kesla block of Hoshangabad, MP. Guru Charan Naik from IIMA joined to run the mushroom project, while Dr Pradeep Bose and Dr Rakesh Kaushik, both veterinarians and IRMA graduates, joined to run the poultry project. One of the summer trainees from IIM Ahmedabad who worked with us in 1986 was Nachiket Mor.

Biswajit Sen, another IIMA 1978 graduate joined us and we together started work with dalit carcass flayers in Barabanki UP and tribal tasar silk rearers in Santhal Parganas, in what is now Jharkhand. Then, Inderjit Khanna, Joint Secretary in Ministry of Rural Development, who was also involved earlier with the Jawaja project of IIMA, asked us to come up with a methodology to improve the planning, implementation and monitoring of the Integrated Rural Development Program, and we started doing this in the Kishangarh Bas block in Alwar district of Rajasthan, full of Meo Muslims.

When and why did you leave in PRADAN? Did you have differences with Deep?

Since 1981, I had done intensive field work for about seven years in Bihar, Madhya Pradesh and Rajasthan. I lived and worked in villages, coming to Delhi only a few days every few weeks. Savita continued to work in Maruti Udyog in Delhi. By 1988, things were beginning to get frayed, and when Savita got a fellowship to go to the US, I decided to join her as well. Dr Kamla Chowdhry, former Professor at IIMA, who had got to know Savita and me well, was instrumental in this decision, which Deep also supported. So I took sabbatical leave from PRADAN for a year and went to the Woodrow Wilson School of Public and International Affairs at the Princeton University, USA, as a mid-career fellow. The Ford Foundation supported me financially for this. After a year in the US, during which Savita and I were blessed with a son, Chirag, we decided to return to India, to our respective jobs.

I continued in PRADAN another two years. By 1991, PRADAN’s work was beginning to be regarded by other NGOs, donors and the government. But my year in the USA had made me think differently. I wanted to try to work on an approach which would be large scale, either through changing policies or building large project like Dr Kurien’s National Dairy Development Board and its Operation Flood. However, the country had plunged into chaos – first Rajiv Gandhi was assassinated, then the Mandal Commission related agitations. I decided to move out of PRADAN in 1991 and join as an assistant to the Planning Commission member Shri LC Jain. At that time Smt Ela Bhatt was also a member, and I was beginning to do some work for her as well. But this did not last long as the VP Singh government fell. Deep was dismayed but let me go. We had no differences, and indeed he became a BASIX co-promoter.

Q11. So what did you do after leaving PRADAN?

I just became a self-employed consultant and started doing assignments related to rural livelihoods. The first big one was for

the Swiss SDC and NABARD – a nation-wide study on the rural non-farm sector. This became very large in scope and I co-authored a book called *The Forgotten Sector: Non-Farm Employment and Enterprises in Rural India* (London: ITDG, 1996), with Thomas Fisher.

In the meanwhile, Elaben had asked me to look at SEWA Bank and see why it was not able to increase its credit to the level of its deposits. Also, I got a study from the World Bank on Financial Services for the Rural Poor and Women, which I decided to do jointly with Bharti Gupta Ramola, an IIMA batchmate, working in Price Waterhouse.

“BASIX goes well beyond micro-credit to offer a “triad” of livelihood promotion services including savings and insurance services, agricultural, livestock and enterprise development services and institutional development services to rural producers and their groups.”

Based on these studies, which included an exposure visit to Shorebank USA, Grameen Bank and BRAC in Bangladesh and Bank Rakyat Indonesia in 1995, I conceptualised BASIX as a “new generation livelihood promotion institution” and it was set up in mid 1996. Bharti, Anoop Seth, Joe Madiath, Nagarajan, Ashok Singha and Partha were deeply involved with the early stage conceptualization of BASIX and even came with me to some of these trips.

I was also involved in developing a strategic plan for the Sir Ratan Tata Trust and they later helped me with start up funding during the first year of BASIX. This was a loan of Rs 1 crore, which I repaid in a year.

What was different about BASIX as compared to PRADAN, ASSEFA or MYRADA, all of which used credit to promote livelihoods?

First, BASIX was to achieve scale and run on commercial funding and not on grants. This meant it would have to borrow and to underpin that we need equity capital. That would be possible only in a corporate structure and not as a non-profit Society. Second, though we knew even then that credit is a necessary but not sufficient condition for promoting livelihoods, and decided we would provide the other services as well. Third, we were conscious that at no conceivable scale could we address India's poverty and livelihoods problem by ourselves and so we will have to have “a 1000 BASIX” and we will have to contribute to building the sector, by building institutions and influencing policy to make it more supportive.

How do you think you have done on these three objectives?

I think we have done very well. Till Sep 30, 2009 BASIX had helped support the livelihoods of over a million poor households in the agriculture, allied and non-farm sectors by extending micro-credit worth over Rs 2000 crore (USD450 million). All except about Rs 20 crore out of this is commercial funding, in terms of bank loans, underpinned by equity of about Rs 60 crore. On the second point - BASIX goes well beyond micro-credit to offer a “triad” of livelihood promotion services including savings and insurance services, agricultural, livestock and enterprise development services and institutional development services to rural producers and their groups. It has over half a million fee-based customers for these services. We have a company in energy, environment and climate change and harvesting micro carbon credits. Now we are setting up an academy for vocational training.

What's your personal contribution to the third dimension – sector building?

I have helped build the sector by both policy work as well building institutions. In policy, I served on the 1995 RBI Working Group on Credit through SHGs, which drew the roadmap and created the enablers for the dramatic growth of SHGs from 5000 in 1995

to nearly 5 million now. Al Fernandez and Yashwant Thorat were with me.

In 1999, I served on the National Micro-finance Task Force headed by Mr Nanda and we opened the door for bank lending to MFIs and for a supportive regulatory framework for microfinance. Viji Das of FWWB, Jayshree Vyas of SEWA, and Vasimalai of PRADAN and later DHAN were with me on this. Since 2005, I serve on the Insurance Regulatory and Development Authority (IRDA) of India. Elaben and I share this forum. In 2007 I was a member of the Dr C. Rangarajan Committee on Financial Inclusion, and in 2008 of the Committee on Financial Sector Reforms, chaired by Prof Raghuram Rajan. Each of these have created a supportive policy environment. For example, the whole thrust on financial inclusion has come from the Rangarajan Committee, while several ideas, including the UID, have come from the Raghuram Rajan Committee

At the state level, I helped conceive and establish the Andhra Pradesh Mahila Abhivruddhi Society (APMAS) for capacity building of self-help groups and their federations. I served as its Vice-Chairman for five year, with Dr. Kotaiah, former NABARD Chairman as APMAS Chair. In Rajasthan, I helped build and operate the Mission on Livelihoods (RMOL), whose Vice-Chair was Mr ML Mehta. Thus I have been lucky to have the most wonderful people to work with.

At the national level I helped establish and co-chaired for four years with Elaben, Sa-dhan, the association of community microfinance institutions. More recently, I co-lead with Vasudevan of Equitas, the Alpha initiative for credit information sharing among MFIs.

Have you been active at the international level?

At the international level, I was a founder member since 1999 of the Development Finance Forum, which articulated the Capital Plus strategy. Since 2006, I serve on the Executive Committee of the Consultative Group to Assist the Poor (CGAP), a

global microfinance body with 40 donors as members and hosted by the World Bank. Currently I also co-chair, along with Prof Greg Dees, the Global Council for Social Entrepreneurship.

With all these impressive achievement, have you ever got any honours?

As a principle, I don't believe any award or honour should be applied for. So when in 2002, I was selected as one of the 60 "Outstanding Social Entrepreneurs" of the world, by the Schwab Foundation, set up by the founder of the World Economic Forum (WEF), Davos, I was pleasantly surprised. In 2004, I was conferred the Distinguished Alumnus Award by the IIT, Delhi.

Do you have any regrets or any failures that others can learn from?

Failures I have plenty, but regrets are few. I am very prone to trying new ideas, many of which fail or succeed only marginally. For example, I consider the fact that BASIX is regularly compared to MFIs doing only micro-credit, as a failure of communication or positioning. Another major failure was our inability to persuade the current Rajasthan Government to complete the implementation of the Bhamashah Women's Empowerment Scheme, for which we had opened bank accounts for 42 lakh women in 45 days, jointly with PNB and ILFS.

My main regret is that I have not spent enough time with my immediate family – my wife Savita, my son Chirag and my daughter Chandni and my 90 year old mother who lives with us. I spend 15 days a month or more travelling and this militates against family life and even personal health care. I had to have a cardiac bypass surgery when I was 50.

Another regret I capture in the quote "BASIX nay Ghalib nikamma kar diya, Varna aadmi thay hum bhi kaam kay" (BASIX has made be useless Ghalib, otherwise I was a useful fellow once)

I get little time to indulge my hobbies – travelling for leisure, although Savita manages to get us out as a family at least twice a year for a few days each. I also loved to

read literature, particularly poetry, but now am too tired at the end of most days to do so. The same is true of listening to classical music, both Indian and western, although I am not an expert in either.

What are the things that make you the happiest when you look back?

Well, many things. I am delighted that I have had a chance to build a sector which now provides support to at least 70 million poor households. While many things can be improved and several negatives exist, we should look at the scale of the achievement in just 15 years.

I am also happy that between PRADAN, BASIX and the other organisations that I have helped set up, I have brought in at least a couple of thousand young professionals into the development sector. Many of them now occupy senior positions in government, banks, insurance companies, funding agencies and NGOs.

We heard that you recently inducted an international banker as CEO of BASIX? What would you like to do now? We heard you may join politics.

We have inducted Sajeew Viswanathan, from Citibank, London as CEO of BSFL, which is the flagship, but one of the seven companies/entities in the BASIX Group. All other companies/entities had CEOs already and I was acting as CEO of BSFL only for the last 15 months.

I was and continue to be the Chairman and Group CEO of BASIX. My plan is to retire when I reach 60, in October 2014, and by then reach the goal of providing 10 million poor households with a full suite of livelihood services, in a sustainable way.

As for joining politics, I am happy that two of my former colleagues are already Members of Parliament - Sandeep Dikshit and PD Rai. I am not keen on elective office. However, I am very happy to give advice on issues of my competence to politicians, particularly upcoming ones who will be the future leaders of India. I see that as a legitimate way of spreading my work on promoting livelihoods for the poor.



Institution of the Year

Bandhan Financial Services Pvt Ltd



Post the announcement of the winners, the Awards Secretariat interviewed Mr. C.S. Ghosh, Chairman and Managing Director, Bandhan. Following are the excerpts from the interview.

Please tell us something about your childhood.

I was born in a lower middle class family in Tripura. Our family had a small sweet shop. I did my higher studies in Dhaka. Just when I completed my Masters in Statistics, I lost my father. Since I was the eldest among 6 of my siblings, I felt my shoulder so heavy all of a sudden. Without much thought, I joined a NGO (today the institution is recognized as the World' largest NGO i.e. BRAC). I worked there for many years and needless to say I learnt some valuable lessons during that time. But destiny brought me back

to the country. I worked for some years in different MFIs / development organizations in West Bengal. But I yearned to do something on my own. In 2000, Bandhan was set up as a Capacity Building Institution; we started implementing direct microfinance services in July 2001.

As a child, I have seen days of struggle – I can recall selling milk door-to-door for the sustenance of our family. There were days when the shop didn't do good sales and our mother used to put us to bed without meals. Also I have seen poverty very closely while I was growing up.

What inspired you to get into the microfinance sector?

Well, I guess I have seen poverty so closely ever since my childhood, that this landed me into the microfinance space. While I was working in BRAC, I had certain incidents that totally moved me. One day while on my routine field visit, I happened to catch a family sleeping during the peak working hours (including the man of the family). On enquiring I learnt that during that season they did not have work, therefore would not even eat for 2-3 days at a stretch. I then realized how important was credit / finance to every individual. Even though I took some money out from my pocket and handed it over to the family, but for many days would that sustain them - was the question in my mind. First of all, the credit needs of the family have to be met. And let me tell you that these credit needs are quite small – only thing we need to emphasize is it reaches them easily and on time. The other issues viz. education, health and the like will follow credit. There is large scale poverty in a big country like ours. Hence, Bandhan was set up to address the dual objective of poverty alleviation and women empowerment.

What factors helped you in making

Bandhan successful?

The commitment and hard work displayed by the value driven work force of Bandhan is my biggest asset. That apart, I owe the success of my organization to many – starting from my experienced and diversified board, to all my lenders for their constant support, to my family for coping with my crazy / hectic schedule and for being on my side irrespective of the circumstances, to all my friends for their guidance, good wishes and prayers. A big salute to all our beneficiaries who have demonstrated high spirits in changing their lives. Without them all, I or Bandhan would not have been able to travel this far.

“Over and above 67% (majority of them being poor) of the Indian population has remained untouched. Today we are talking of 9.1 % growth rate and its common knowledge that such growth cannot be facilitated without financial inclusion of these poor segment.”

Eastern India (one of the underserved areas) was an underserved territory, almost untouched by microfinance for various risk factors. So when Bandhan ventured into these poorer pockets, we got acceptance from the community. This further strengthened our foothold in the region. Bandhan's simplified structures, processes, products and system have greatly contributed to the success of the organization. Participatory decisions are taken at all levels – this is another key to our success. Last but not the least, even though we were growing at a rapid pace, but it is important to mention is that we always maintained a close connection with our field. I guess, that primarily defines the mantra behind Bandhan's success.

What were the challenges / hurdles you faced on the road to success?

Oh, like all roads to success, even mine was full of hurdles. Beginning from con-

vincing the Board that microfinance can be successful, not just in Bangladesh but also in our country was quite a task. Then when we finally got to action on ground, the community thought we were chit funds and were of the view that we would run away with their money. It took sometime time for them to realize that Bandhan was a genuine institution working for the poor. Arranging for funds from financial institutions / banks was one major challenge. I have forgotten the no. of doors I must have knocked but no one was willing to lend. At that moment, SIDBI reposed trust and belief in us and decided to accept our proposal for financial assistance. Bandhan received its first loan of Rs. 20 lakhs from SIDBI in 2002-03. Going forward, as and when the organization established its entity the funding problem started being taken care of. It was difficult to attract educated professionals primarily because of low level of awareness about the sector. That apart, we did face certain political problems as far as our operations are concerned. But I must acknowledge that today we enjoy good support from local political parties / bodies. I have learnt so much from each problem that I faced during the course of my life. We should face every hurdle that comes our way – believe me, it will make you tough!

What are the opportunities you see today in the realm of mf for the development of the poor and the marginalized?

Today banking industry over a period of time after working for 200 years have got 35 million account holders and microfinance sector after working only for 10 years has been able to make 25 million people under financial service. That says it all! Over and above 67% (majority of them being poor) of the Indian population has remained untouched. Today we are talking of 9.1 % growth rate and its common knowledge that such growth cannot be facilitated without financial inclusion of these poor segment (outside the realm of institutional credit). Once we are able to get them within the ambit of microfinance, India can actually think of embarking and sustaining an inclusive growth path. So you can imagine the opportunities we have to reach the

unreached. Realizing the potentiality of microfinance, banks and other formal service providers (like reputed audit and research firms and the government) are now joining MF players in their concerted effort towards poverty alleviation. Skilled human resource is also willing to serve this sector.

What are some of the issues and the impediments in the microfinance sector today?

Firstly, Microfinance is yet to garner the recognition of mainstream microfinance by the regulatory authority, Reserve Bank of India. Getting the due recognition will help to frame policies in favour of the sector that will ultimately benefit the poor.

Secondly, building appropriate safety net of

Bandhan has intervened into various credit plus interventions like health, education, skill development initiatives for the unemployed, livelihoods and a program aimed exclusively for the poorest of the poor.

poor clients becomes a driving need. MFIS are prohibited from collecting saving deposits from the poor. This further complicates the situation as our poor clients end up spending their money for all unproductive reasons. Poor clients cannot even explore the banks as transaction costs for savings turn out to be high.

Thirdly, choosing the right kind of social / institutional investor is a tough call to make for the MFIs. As we are all aware this is the hottest topic in the microfinance space.

There are confusing concepts about microfinance everywhere – some perceive it as commercial, while others look at it as charity. This complicates the situation and

poses as one of the major deterrent to the development of the sector.

Can you please tell us about the financial indicators benchmark that you have set for the sector -in terms of efficiency indicators, profitability indicators and sustainability indicator?

What matters to us the most is sustainability. Once the sustainability of the organization is established, it will ensure profitability. We have unanimously agreed on the amount of profits that the organization wants to make. We want to settle down on a reasonable profit as too much of profit making motive might drift us from our core mission and values. For instance, in Bandhan's case, whatever profit is generated, a major chunk of it goes to support several development initiatives. Efficiency definitely is of prime importance as it will help to reduce costs and the benefit of it will ultimately trickle down to our poor clients. Let us all emphasize on quality rather than quantity. Friends please don't over burden them with unrealistic targets. Let us not forget that over burdening them beyond a certain limit will decrease their efficiency greatly.

What are your thoughts on ensuring microfinance to the bottom of the pyramid?

Let us not divert from our target clientele i.e. the poor community – that's most important. Let us be very focused that we are here to work for the poor only. We know that the poor community is a heterogeneous one where poor are classified into various strata. The lowest being the poorest of the poor who are generally not covered by mainstream microfinance.

The sector needs to think beyond credit intervention as credit alone cannot ensure a poverty free India. Keeping this in mind, Bandhan has intervened into various credit plus interventions like health, education, skill development initiatives for the unemployed, livelihoods and a program aimed exclusively for the poorest of the

poor(generally believed to be bypassed by microfinance).

Bandhan aims to reach out to 1 million poor families through its varied development initiatives by March 2014.

One last question- now what? What are your and Bandhan's Goal and future plans?

Bandhan has plans to further scale up its microfinance and development activities in a sustainable manner. Through its micro-

finance activities, it plans to reach out to 8 million poor families through a pan India presence by March 2014. Simultaneously, its various development activities will reach a new horizon by reaching out to 1 million poor families by March 2014. Our intervention will be further strengthened by deepening the services in each of the targeted poor families. Through this, we would be generating direct employment (at the staff level) for more than 25,000. And yes, the ultimate dream being to be a 'Bank for the Poor' by 2020.

Jury's Special Award

Late Mr. Sitaram Rao



A trained chartered accountant, Sitaram Rao had held several senior advisory positions with finance, microfinance and international marketing companies including Equitas, the DCL Group (India), Muscat Finance Company (Sultanate of Oman), Laila Group (India), and Paradigm InfoTech (USA). He had also served as a visiting faculty member at Management Development Institute (Delhi), Industrial Finance Corporation of India, Computer Maintenance Corporation, and the State Bank of India. He firmly believed that one of the effective ways to enhance the effectiveness of microfinance is to focus on value addition for microfinance borrowers through health, education and other services. He was widely acknowledged as the strong force behind SKS's evolution.

He received several awards like Microfinance Accelerator Award from Unitus, Excellence Award from Grameen Foundation, MIX GAAP Financial Transparency Award, ABN AMRO Planet Finance Award for Process Planning, Stockholm Challenge finalist and CGAP Pro-poor Innovation award. The microfinance community was grief-stricken on hearing the news of his demise, as we lost a devoted and longstanding campaigner for microfinance movement in India, a great man deeply committed and compassionate to the poor.

He was also a board member and treasurer of SADHAN, apex institution for MFIs in India, and chaired its ethics committee. Mr. Sitaram Rao was associated with ACCESS

Development Services as Director, CARE India, Unitus (India), Centre for British Teachers (India), Grameen Foundation, Washington, US, Microsave India, M-CRIL, Indian Institute of Management, Bangalore, International Labour Organisation, AP Rural Livelihood Programme, MIX-IFAD, DFID, Ankuram Sanghamam Poram Co-op Society, Roshan Vikas Co-op Society.

Mr. Sitaram Rao will be remembered for his great contribution to microfinance, being a guiding and motivational force for numerous institutions and many leaders of microfinance in India.

“We have lost our mentor and our guide. He was committed to the values and principles of microfinance and worked to promote the movement until the last minute.”

Mr. Suresh K.Krishna, MD, Grameen Koota

“Sitaram was amongst the most loved figures in the Indian and global microfinance fields. I distinctly remember the first time I met him outside the Microfinance India Summit 2007. He was by far the most energetic person at the event. While I was a relative newcomer to the Indian microfinance scene, he treated me like a close friend from the first moment we met. I had looked forward to meeting Sitaram and wondered what great insights into making microfinance more effective he might share. Instead, he immediately launched into a juicy story of confrontation between two CEOs of top Indian MFI's that he had just witnessed. His passion for the poor and microfinance was so all encompassing that he even enjoyed spreading the gossip in the sector.

Sitaram is definitely missed as a mentor, guide, creative spirit and life force. The world is definitely a much better place as a result of his incredible efforts.”

Eric Savage, MD, Unitus Capital



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