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Project Evaluation of South Asia Resource Team (SART)

Submitted to
CARE India, Chennai

By
Sampark, Bangalore

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The production of the written report has been done by the Study team at Sampark in Bangalore, and for any errors and omissions in the report, we continue to be responsible.

Abbreviations

AP	-	Andhra Pradesh
AVVAI	-	Avval Village Welfare Society
BWDC	-	Bharathi Women Development Centre
BDP	-	Business Development Plan
CAMP	-	Christian Association for Medical Mission and People Development
CAMEL	-	Camel Mahila Mutually Aided Co-operative Thrift Society Ltd
CASHE	-	Credit and savings for Household Enterprises
CEO	-	Chief Executive Officer
CFH	-	Centre for Hope
CDE	-	Centre for Development and Education
CJWS	-	Chaithanya Jyothi Welfare Society
CREED	-	Centre for Rural Education and Economic Development
CCFID	-	Community Collective Society for Integrated Development
DRDA	-	District Rural Development Agency
FGDs	-	Focus Group Discussions
HDFC	-	Housing Development Finance Corporation Limited
IOB	-	Indian Overseas Bank
ICICI	-	Industrial Credit and Investment Corporation of India
IWB	-	Institution for Women's Banking
JLGs	-	Joint Liability Groups
MACTS	-	Mutually Aided Co-operative Thrift Society
MBT	-	Mutual Benefit Trusts
MFI	-	Micro Finance Institution
NBFC	-	Non- Banking Financial Company
NABARD	-	National Agriculture Bank and Rural Development
NGOs	-	Non-Government Organization
NREGA	-	National Rural Employment Guarantee Act
PACT	-	Partners Capacity Assessment Tool
PPSS	-	Praja Pragathi Seva Sangham
RMK	-	Rashtriya Mahila Kosh
REAL	-	Rural Education and Action for Liberation
SARDS	-	Social Activities of Rural Development Society

SBI	-	State Bank of India
SHGs	-	Self Help Groups
SATMIF	-	South Asia Tsunami Microfinance Investment Fund
SIDBI	-	Small Industries Development Bank of India
SKS	-	Swayam Krishi Sangam
SART	-	South Asia Resource Team
SMVP	-	Sree Madhava Vidya Peetham
T N	-	Tamil Nadu
T V	-	Television

Executive Summary

This study is about the processes, outcomes and impacts of the SART Project, a post Tsunami intervention by CARE, to strengthen the nascent MFIs in order to build up their institutional capacities to deliver effective MF services to the affected and needy communities in the Tsunami affected and disaster prone locations in India and its neighbourhoods.

The study primarily comprised of field visits to four partner organizations/communities and desk reviews of the available project documents.

The project, through an intensive institutional assessment process over a period of four and a half of years, has identified fifteen organizations in Andhra Pradesh and Tamil Nadu, two southern States of India, has entered into partnerships with them and has provided a series of services to build the institutional capacities of the MFIs. Under this project, each partner organization was provided with a grant support for the first year and technical support for the remaining years. Each of the partner organizations was also exclusively allocated an experienced SART staff member to ensure the technical support, on the site and on line.

Development of business plan, development and establishment of policies, internal systems and procedures for efficient MF operations were the key components of the technical support. A series of customised training programmes, participatory exercises and mentoring to build the capacities of the officers and board members of the partner organizations were also part of the technical support.

A few of the partner organizations which were facing liquidity crunch and difficulties in defraying the cost of expansion were identified and provided with a short term loan support through SA-TMIF. Also, livelihood incubation services were offered to two partners on pilot basis.

The technical incubation services to the partner NGOs have been instrumental in "transforming" the emerging MFIs into organisations with profit orientation and distinct institutional identities. It has also equipped the CEOs of NGOs /MFIs to think ahead, set a vision for the MFI and to work for the linkages and thereby gain and consolidate the requisite technical expertise to not only strengthen the MFIs but also to reorient them by fine tuning the MF operations to suit the needs of the clients affected by Tsunami and the subsequent floods. The inputs and the resultant increased/improved capacities of the partner MFIs in terms of governance, overall management, introduction of policies systems and procedures, linkages and monitoring has helped them in establishing and widening the bank linkages and thereby maintaining the liquidity to meet the on-going needs of the community.

The financial management inputs have helped the partner organizations to seriously consider the factors of operational costs and financial sustainability and as a consequence, measures are in place to gradually reduce the cost of operations and to increase the financial and operational self-sufficiency of the respective MFIs. Some of the measures employed by the successful partners are: pruning of staff to maintain a healthy ratio of portfolio per credit officer and restructuring branch operations. Four of the twelve MFIs are financially sustainable.

With the increased confidence, partners have expanded their operations in terms of branches and introduction of insurance products. There is a marked increase in the outreach. The clientele base has gone up to 279701 from 119678.

For the clients, access to credit and insurance services has been substantially improved. The average loan size has gone up to Rs11682/- per client, and it has almost doubled in the last financial year. The loans have helped the clients to invest in small businesses, traditional livelihoods like agriculture and allied activities, children's education and in assets, both productive and household. The introduction of insurance services combined with disaster orientation/training has reduced the disaster related vulnerability of the affected communities. The insurance coverage has increased from 19% to 39% during the last financial year.

The SART inputs have resulted in some of the best practices among the partner MFIs, like inclusion of board members in NBFC(CREED) from the community, board members retiring by rotation, mobilisation of share capital from clients that gives a legal ownership and a say in the overall policy making, collection of loan security deposits (BWDC),bundling of insurance with credit, recruitment of frontline staff from the community and building capacities of the staff members on their own to improve the service delivery capacity of the team.

Partner organizations have also experienced a few difficulties in the transformation process, like overcoming the hangover of charity mode and delays in adopting a thorough business approach. High turnover of key staff members, difficulty in accessing funds for enlarging loan demands, designing of new products and services, multiple borrowing by clients and deterioration of SHG structure are all issues that are still haunting them.

The gains of the SART project could be enhanced with the continued support for capacity building of the field level staff and board members of the partner MFIs, and long term credit fund to meet the growing needs of the clientele.

The specific recommendations for CARE'S future MF programmes are:

- *Provision of technical inputs at least for five years*
- *CARE to establish a legal structure to provide long term revolving loan capital for partner MFIs or to make appropriate linkages/steps to provide venture capital like tapping social investors*
- *Lobbying and sensitizing lead banks about the current status of SART initiatives and the funding needs of emerging MFIs*
- *Adequate attention to the creation of baseline relating to poverty, gender and women's' empowerment parameters in order to get a comprehensive data base to measure the corresponding impacts during the course and at the end of the project. of poverty targeting, women's empowerment and gender aspects*

On the whole, during the currency of the project the partnership with CARE SART has helped all its partners to increase their capacities to offer community oriented financial services that reduce vulnerabilities in disaster prone areas. The SART project has not only contributed to the institutional strengthening of nascent MFIs of chosen partner organizations but also brought out substantial good practices which could be adopted by the MFIs operating in disaster context. It has been decisively proved that the charity oriented NGOs could transform themselves towards providing sustainable financial services with meticulous technical inputs and carefully designed financial supports. The early gains of the project could be sustained and consolidated only with further internalization of inputs at all

levels in the MFIs and the successful mobilization of the much required loan fund, which CARE India needs to play key role in this regard in their future MF programmes.

Study Team

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1 Introduction

South Asian Resource Team (SART) is CARE International's Tsunami related project. CARE conceived this project and established the SART team in Chennai to strengthen the microfinance institutions (MFIs) and microfinance (MF) programmes in Tsunami affected regions with the objective of providing improved and sustained access to financial services to the affected communities. SART's mandate was to accomplish the above objective in four and a half years resulting in restoration of livelihoods for the Tsunami affected people, by building local partnerships with NGOs and providing technical inputs and small grant support to them. CARE-India, Chennai had invited Sampark to undertake an evaluation of the above project in order to document its outcome, immediate impacts, potential best practices and lessons from the Indian experience.

2 Background of the SART Project

2.1. Microfinance in Tsunami Context in SART

Microfinance approaches aim to raise income levels and improve living standards of the poor by providing thrift, credit and other financial services and products at small levels. There is increasing acceptance on the ability and utility of microfinance in helping poor households meet basic needs, increasing their protection against risk, stabilizing existing livelihoods, promoting new enterprises, supporting women's economic participation, promoting gender-equity, and improving household well-being.

Though it is believed that disasters indiscriminately affect all people, the social reality reveals that certain groups of people are more vulnerable to natural and man-made disasters than others. Disasters thereby reinforce and further aggravate the poverty and vulnerability of the poor, and render several other victims poor and vulnerable, increasing the spread of poverty in the disaster affected population.

Microfinance, through its long term impact of reducing poverty and supporting sustainable development, has immense potential to reduce the vulnerability of the poor to disasters. Microfinance contributes to disaster preparedness by creating the possibility of poor households having higher net worth, more savings, and with access to loans for consumption and reconstruction expenditure, which significantly reduces the impact of disasters on poor households.

Disasters have a distinct effect on the MFIs which deliver the MF service for the disaster affected poor households. Disasters tend to result in the loss of the MFIs' portfolio and render liquidity crisis a distinct possibility within MFIs. It is critical for the very existence of any MFI to meet this challenge as it would otherwise lead to imprudent financial practices and loss of clients' confidence in MFIs in the changed ground rules with a large inflow of grants and with changed expectations of the clients. It is a challenge for MFIs to meet these demands and retain the clients' confidence and simultaneously maintain the quality of their portfolio. In the post-disaster context, most MFIs find it difficult to cope with the loss of clientele and portfolio,

cater to their demands, and offer appropriate savings, loan and insurance products. In such situations, MFIs need to have preparedness to cater to the urgent needs of their disaster affected clientele.

Institutions in the nascent and emerging stages of development find it a daunting task to address such a situation. Also, these institutions usually do not have the requisite technical expertise to make sufficient adjustments in their savings and loan portfolios to ease the burden on their clientele in the aftermath of disasters even while retaining the efficiency of their programme and avoid any full-fledged liquidity crisis. Specialized technical assistance to MFIs is required for meeting such situations arising out of disasters.

The Indian Ocean Tsunami which struck Andhra Pradesh and Tamil Nadu on 26 December, 2004 resulted in large-scale loss of lives and livelihoods. It is in such contexts that microfinance for livelihoods enables communities to diversify their livelihoods, create new sources of income and expand their asset base, thereby enabling them to spread risk, reduce vulnerability and dependency, while enhancing their capacity to rebuild their lives.

Temporary shelters of migrant fishermen which are prone to disaster

To meet this objective and the immediate relief needs of the affected population, large amounts of funds have been channelized to the NGO-MFIs which have been operating in this region. This has also been accompanied by the formation of new SHGs, a proven mechanism for self-help and collective action. With the expansion of the number of groups, the promoter NGO-MFIs faces the daunting task of building the capacities of these groups and maintaining their quality. Furthermore, some of these NGOs themselves lack the required capacities and technical expertise.

Though the SHG model has been widely employed in the aftermath of the tsunami as an effective means of credit, the possible downside is that the proliferation of SHGs could dilute the quality of groups. To ensure quality and best practices, capacity building would be required at two levels. First at the MFI level, to cater to the expansion of the clientele and the portfolio, and second, at the group level, so that quality of groups is maintained.

There is also a need to strengthen the institution and programme in the context of the current disaster and to prepare them for future disasters. The institution could have inbuilt tools to enhance the capacity of the poor and vulnerable to overcome effects of future disasters.

Institutional development, including building the quality and capacity of the governance and management of MFIs, is seen as critical for a vibrant microfinance sector. The necessity of institutional development is reinforced by many factors, such as meeting the prudential and regulatory requirements, especially if the MFIs goals include capitalization and scaling up of operations, which would require their legal metamorphosis into a bank; enabling growth in client outreach, achieving scale of operations and ensuring financial sustainability; and finally, there must be institutional maturity to attract capital investment from external sources.

In this context, CARE has started the South Asia Tsunami Microfinance Investment Fund (SA-TMIF) and South Asia Resource Team (SART) project to respond to both short and long-term needs of MFIs serving the affected communities.

2.2. The SART Project

CARE's SART project was launched immediately after the close of the Credit and Savings for Household Enterprise (CASHE) project and many of the experiences of CASHE project have been instrumental in SART project design. SART planned to provide grants and technical assistance to strengthen the MFIs. Through SA-TMIF, SART planned to extend concessional loans to MFIs in order to bridge liquidity crunches and defray the cost of MFI expansion to affected regions.

The project period was from May 2006 to September, 2010. SART intended to operate in three of the South Asian countries most damaged by the tsunami (India, Indonesia, and Sri Lanka). SART was launched successfully both in India and Indonesia, but met with difficulties in Sri Lanka due to political turmoil.

In India, SART entered into partnerships with fifteen non-governmental organizations (NGOs), of which three were recent entrants. There were seven partners from Tamil Nadu and eight from Andhra Pradesh. The SART team developed and applied a score based Partner's Capacity Assessment Tool (PACT) to identify potential partner organizations in Tamil Nadu (TN) and Andhra Pradesh (AP). The "PACT" tool, has also served as a baseline to determine the nature and extent of technical services needed to motivate and equip the partner NGOs to increase the access to the credit services for the needy community. Preference was given to small and nascent organizations which had a weighted score in the range of 2-3, to enter into the SART partnership.

2.3. CARE's Strategy and Inputs Provided in SART

The SART project was implemented with the following **strategies**:

- Offering specialized and quality technical services in Microfinance and Livelihoods
- Working through direct partnership with CBOs/MFIs/NGOs for capacity building, trainings, consultations and assessment/research
- Focusing on new and nascent organizations
- Emphasising on Institutional strengthening to enhance internal capacities of institutions
- Offering innovative approaches, institutional forms, delivery mechanisms and products to enhance quality of services to the community
- Building strategic partnerships for the development of communities and healthy sectoral growth
- Facilitating greater participation of domain experts to tap available pool of resources and
- Focusing specifically on marginalized communities and women.

Board and staff members of Chaitanya Mahila Masts, discuss with the study team.

SART adopted the proven CARE-CASHE (Credit and Savings for Household Enterprises) incubation model for start-up MFIs, with three distinct phases spread over a period of four and a half years, so that the supported organizations will graduate to an on-going growth phase by the end of the technical incubation process.

First Phase
Internal capacity of the NGOs/CBOs was assessed through an Institutional Assessment Tool called PACT. Following the identification of institutional gaps, SART designed the intervention strategies for the respective institutions. Further, a participatory exercise was conducted with each of the partners to conceive a Business Development Plan (BDP) for a period of 4-5 years. Revision of BDP was also undertaken with the Partners in a workshop process.

Second Phase
Technical assistance and mentoring support was rolled out during this phase to implement the plan, which includes the establishment and development of internal systems, procedures, policies, and operational manuals for human resources and finance management. Thereafter, the capacity of the personnel involved in microfinance

activities was built with special focus on SHG formation and management, accountancy, financial management, portfolio and delinquency management, new product design and development, capital structuring and transformation processes. It was during this phase that SART provided resource support towards operational and automation processes. The assigned SART team members worked closely with the selected partners and provided onsite technical services through a well-structured mentoring process. Intensive monitoring of the progress of BDP was also undertaken by the SART team to ensure optimal performance.

Third Phase

During this phase, the partner institutions are expected to achieve maturity and gain the confidence of institutional investors by attaining investment grade ratings from an accredited rating agency. This will enable the partner institutions to develop long term business plans and diversify funding resources.

In addition to the above specific technical inputs and grant support, CARE has established the South Asia Tsunami Microfinance Investment Fund (SA-TMIF) to bridge liquidity crunches and defray the cost of MFI expansion to the affected regions.

While CARE has been extending the technical incubation services as evinced in the original proposal, it was not able to respond adequately to the grant component due to the low materialisation of commitment made by the donors. The legal constraints faced by CARE have limited the extension of SA-TMIF services beyond the pilot level.

In consonance with the above strategies and phased technical incubation services, CARE India provided grants support (for the first year) and technical assistance to strengthen institutional capacities of the partner NGOs/MFIs so that they can build the existing organizations; effectively use the available resources in the affected areas and develop disaster preparedness plans to mitigate the effects of future disasters on MFI operations. In a few cases, the SA-TMIF loan was also offered. The entire process was led by the SART regional team consisting of high profile experts.

In addition to the above services and support, SART has developed a livelihood incubation process on a pilot basis with two partner institutions; CDE in Kanayakumari and ASSIST in Chirala. Under this initiative, sustainable livelihood opportunities were pursued with a market based approach along with the institutionalization perspective, to support the Tsunami affected communities. Banana sub sector was the focus in CDE, while the Handloom sub-sector for the communities covered by ASSIST. Market Assessment, Enterprise and Skill Development, Social Intermediation, Institutionalisation of Producer Company, Production and Productivity Enhancement, Facilitation of External Linkages, Development of MIS and Monitoring and Learning are the key components of the initiative.

During the second half of the year 2009, pre-rating exercises were conducted for the partner organizations interested in going for rating by professional MF rating agencies. Efforts were also taken to translate the governance related training modules in vernacular. Documentation of case studies was also taken up during this period by the SART team.

Livelihood Incubation Services

A study (Desk Research) was carried out in Banana Sub Sector. 690 households of banana cultivators were surveyed and the preliminary market study is also over. All these studies have been consolidated as a diagnostic report. A cluster development workshop was also conducted in September, 2009 with the banana cultivators, wherein the findings of the above study were shared and their feedback was obtained. The exercise has led to a decision to undertake a full-fledged study of the Banana-Chips Value Chain. Subsequently, during the first quarter of this year, three rounds of discussions were held with the stakeholders. Besides, about 50 chips manufacturers/exporters were also contacted across the country. Discussions were also held with officials of institutions like Food Technological Research Institute, Veritas BVQI and National Research Centre for Banana to explore the technology and markets for the product. Based on these exercises, a cluster development plan was prepared.

Likewise, a study of the handloom sub sector was undertaken in Chirala to gain an insight into the problems faced by the weavers in this area. This study was also a desk research. A household survey of 492 weaver families was conducted. A market assessment study was also taken up. As in the other case, a diagnostic report was prepared with these baselines, and shared with the weavers in a workshop held in February, 2010. After a series of interactions, the partner NGO said that they could work with the varied players in the value chain of the handloom sub-sector, to facilitate appropriate linkages for the weavers. As a follow-up, a one day workshop was conducted with the stakeholders, like master weavers and designers to gather additional information. Discussions were also held with the officials of the Textile Committee, Chennai; and Aruna Industries, Hindpur to secure more information on market trends. The elaborate discussions have led to the modification of the diagnostic study.

3 Objectives and Scope of the Study

The **objectives** of the evaluation are:

1- To evaluate the SART project with respect to its stated objectives.

2- To document best practices and lessons learnt in terms of project implementation.

The **scope** of the evaluation is limited to the implementation of the Project in India. It has been reviewed broadly at two levels: institutional and community. The following criteria have been reviewed at the institutional (MFI) level:

Institution Level

- Governance
- Management
- Policies and systems (accounting, MIS, FM)
- Planning
- Program monitoring
- External financial linkages
- Outreach effectiveness
- Portfolio monitoring
- Products and services
- Sustainability
- Gender and vulnerability sensitiveness
- Capacities and skills of Human Resources (Efficiency of service delivery, disaster preparedness, risk management, transformation and growth management)

Community Level:

- Access to financial services
- Assets - productive and household durables
- Community governance
- Resilience with insurance coverage
- Spending on basic needs
- Capacity to address vulnerability issues

The review also commented on:

- How the changes effected by the SART initiative contribute to CARE's overall goals of poverty reduction and sustainable development.
- The extent of gender sensitiveness and women's empowerment both at institution level and community levels.
- The key challenges faced by MFIs (viz., staff turnover, mobilizing resources, transformational, etc.).
- The good practices arising from the project.

The review has also provided recommendations for guiding CARE's future microfinance policies and initiatives.

The detailed study parameters studied under each of the above evaluation aspects are given in Table 2 in section 4.2.

4 The Methodology

The study involved both quantitative and qualitative methods. Greater emphasis was given on qualitative methods like focus group discussions (FGDs), interviews, case studies, and before-after exercises. The sample size and detailed work plan are outlined in the following sections.

4.1. Sample Size

CARE supported 15 partner MFIs from Andhra Pradesh and Tamil Nadu. The study has covered all the 15 organizations (see the accompanying box) to analyse the overall outreach and some of the financial performances based on the available secondary data at the CARE Chennai office and at the partners' offices. Identical periods in two successive financial years (Oct2008-Mar2009 and Oct2009-Mar2010) have been chosen for the comparative analysis of MF performance. Three organizations entered the partnership in February 2010 and were not reckoned for the comparative analysis.

CARE Partner Organizations

1. Camel Mahila Mutually Aided Co-operative Thrift Society Ltd (CAMEL)
2. Christian Association for Medical mission and Peoples development (CAMP)
3. Sree Madhava Vidya Peetham (SMVP)
4. Chaithanya Jyothi Welfare Society (CJWS)
5. Institution for Women's Banking (IWB)
6. Praja Pragathi Seva Sangham (PPSS)
7. Centre for Development and Education (CDE)
8. Centre for Rural Education and Economic Development (CREED)
9. Bharathi Women Development Centre (BWDC)
10. Centre for Hope (CFH)
11. Community Collective Society for Integrated Development
12. Avvai Village Welfare Society (AVVAI)
13. ASSIST – A society for Integrated Rural Development
14. Social Activities of Rural Development Society (SARDS)
15. Rural Education and Action for Liberation (REAL)

For an in-depth assessment of the project, the study covered 4 partner organizations out of the 15. The number of partners to be covered for the study was collectively determined by the SART and evaluation team members during the preliminary meeting held at Chennai. The availability of time for the study, geographical coverage, representation of MFI models, provision of SATMIF loans, and performance of the MFIs based on PACT-initial scores, willingness of the partner organizations, distance and remoteness of the location were some of the criteria that were deemed essential for the sampling process.

Table 1: Sample Size covered for the Field Study

State	District	Partner MFIs	No. of Branches
Tamil Nadu	Cuddalore, Thiruvarur	CREED BWDC	2 2
Andhra Pradesh	Nellore	CAMEL CJWS	2 2
Total	**4**	**4**	**8**

It was agreed that for the field visit, the evaluation team would visit two partner organizations in Andhra Pradesh and two in TamilNadu so as to give equal geographical representation. It was also decided to see at least two different models of MFIs. A minimum of two years old partnership was selected in order to assess the internalisation of SART's inputs and services and to capture the impact it has had on the community. It was further decided that the evaluation team would spend three days in each of the selected organizations for field study. However, it was agreed to get and incorporate the opinions, feedbacks and suggestions of all partners.

4.2. Detailed Work Plan

The process of implementation of the study involved the following steps:

Step 1: Preparatory Work for Development of Detailed Study Design

Sampark made a preliminary visit to CARE India, Chennai for a meeting with the SART team to get an orientation of the project and to finalise the methodology and schedule for the evaluation. The team also collected the all the basic documents needed from CARE India and prepared a detailed methodology including the tools of data collection for the field visits.

Step 2: Preparing the Team and Conducting Data Collection

A team of 4 people including a leader, lead consultant, senior researcher, and a field investigator was involved in carrying out the data collection activities in the field. The team spent 3 days in each state to collect primary and secondary data from the partners and from their field of activities. The team used both quantitative (in the form secondary data) and qualitative methods (interviews, FGDs, case studies) to collect data from institutional and community levels. The details of the data collected are given in Table 2.

Group discussion with board members of Chaitanya Mahila MACTS by the study team member

Interview with CEO and Operation Manger of CREED by the study team member

Table 2: Details of Methodology

Aspects to be studied	Methods and Process
<u>Institutional level</u> 1. External financial linkages: • Sources and size of credit accessed by MFIs • % of external credit lent out 2. Outreach effectiveness: • No. of families covered • % of very poor covered 3. Portfolio monitoring • Total outstanding loan portfolio • % of portfolio yield • % of portfolio at risk • Current repayment rate • Average credit portfolio per credit officer 4. Sustainability • Operational self sufficiency • Financial self sufficiency • Portfolio parameters covered above	All the quantitative data will be collected from secondary sources: from the respective MFIs and at CARE office level in both the states.
5. Governance • Adherence to principles of good governance 6. Management • Technically qualified and experienced HR in place • Strong second tier staff structure in place • Grade rating of the MFI	Interviews FGDs with senior and project staff of the MFI

7. Policies and systems: • Accounting, MIS, FM 8. Planning • Level of disaster preparedness plan • Level of risk mitigation mechanism in place 9. Programme monitoring • The level of monitoring systems in place 10. Gender and vulnerability sensitiveness • Women and leadership issues	
<u>Community level</u> 1. Access to financial services • Members' savings and their use • No. and size of loan accessed by members • Purpose for which loans were accessed • Financial products and their analysis 2. Insurance coverage • No. of families accessed micro insurance services	Secondary source: project reports, earlier review reports, Interviews and FGDs with project team members
3. Community governance • No. of women who participate in household and group level decisions • No. of women who participate in Panchayat 4. Spending on basic needs • Consumption level on: food, clothes, education, health, shelter, assets creation 5. Capacity to address vulnerability issues • Effect on food security, grain bank or similar interventions	FGDs with community

The categories of people covered under different methods for collecting the data stated above are given in Table 3.

Table 3: Categories and Number of People Covered in the Study

Category of People Covered	FGD		Interviews		Cast -Study	
	No. of FGDs	No. People covered	No. of interviews	No. of people covered	No. of cases	No. of people Covered

CAMEL						
Head office, (CEO, Operations Manager)	1	3	1	1		
MIS – team	1	3				
SHG	2	13				
Boards Member	1	5				
Branch team, (Branch Manager ,Field Office, Accounts , MIS – Staff	2	11				
SHG – Members					2	2
SBI - Bank - Chief Manager			1	1		
Sub- Total	**7**	**35**	**2**	**2**	**2**	**2**
CJWS						
NGO - Head			1	1		
Project- team (CEO, Branch Manager, Field Office	1	5				
SHG	4	23				
Field Office			1	1		
Boards Member	1	5				
SHG – Members					2	4
Accounts , MIS - Staff Accounts , MIS – Staff			1	1		
Sub- Total	**6**	**33**	**3**	**3**	**2**	**4**
CREED						
NGO - (CEO, Operations Manager,)	1	2				
Branch team	2	13				
SHG	6	49				
SHG Members					2	2
SHG training, & Ex- Field Office			1	2		
Micro insurance coordinator			1	1		
Operations Manager,			1	1		
Mutual Benefit Trust	1	3				
Panchayat level federation Leaders	1	2				
Sub- Total	**11**	**69**	**3**	**4**	**2**	**2**
BWDC						
Chief Executive Officer,			1	1		
Real Meeting Observation						
Branch Manager	2	13				

Branch team	1	7				
SHG / JLG	4	38				
MIS Manager			1	1		
Operations Manager,			1	1		
Sub- Total	**7**	**58**	**4**	**4**		
Total	**31**	**195**	**11**	**12**	**6**	**8**

Step 3: Data Entry and Data Analysis

The collected data was entered and comparative analysis on the major parameters was done. Based on the data analysis, a draft result was prepared covering the major review themes.

Step 4: Presentation of Preliminary Findings

Sampark shared the preliminary findings relating to the qualitative aspects of the SART project by making a presentation to the CARE staff and partner MFIs. This allowed the participants to contribute by way of their comments and inputs to improve the quality of the analysis and the report.

Group discussion with branch staff at Vedaranyam, TN

Step 5: Finalisation and Submission of Final Report

The comments from the partners were incorporated in the final draft report and submitted to CARE India and the final version submitted adhered to the feedback of the CARE India team.

5 Findings

The findings are presented on three main parameters: profiles of the NGOs studied and then institutional and community level assessments.

5.1. Background Profile of the Organizations Studied

A brief profile of the four MFIs covered for detailed analysis is given in Table 4.

Table 4: Profile of the Organizations Studied

Parent NGO	Name of	Legal	Year	No. of.	MFI	Loan

	MFI	Status of MFI	of Regn.	Branches/ Clients	Staff	turnover in INRs
CAMEL, Sulurpet, A.P.	CAMEL Mahila MACTS	1995 MACTS ACT	2001	4 Branches covering 12 Mandals/8490 Clients	29 M:24;F:5	11.55 crores
CJWS, Nellore, A.P	Chaitanya Mahila MACTS	1995 MACTS ACT	2006	4 Branches covering 7 Mandals and 1 Municipality/7125 clients	20 M:4;F:16	2.74 crores
CREED, Chidambaram, Kuddalore T.N.	Attractive Capital Private Limited	NBFC	Acquired in 2010	3 Blocks , 1 Municipality and 1 Town Panchayat 10 Branches/41680 clients	20	4.65 crores
BWDC, Tiruvarur, T.N.	Mahasakthi Microcredit Services Limited	NBFC	Acquired in 2010	6 Branches/28970 clients	68 M:30;F:38	12.18 crores

Table 5: Key Features of Sampled Partners' MF Programme

	CAMEL	CJWS	CREED	BWDC
Membership fees for MFI	y	y	y	Y
Share capital by members for MFI	y	y	y	N
Pooling of savings at MACTS	Y	Y	N	N
Internal loans in SHGs	Y	Y	Y	Y
Bank linkages to SHGs	y	y	Y	N
Loans through' MFI	y	y	Y	Y
Interest on deposits	y	y	Plan to give	N/A
Autonomy for branches(Partial)	Y	y	N	N

The partners' MFIs, irrespective of the model chosen have a set of common features like collection of membership fees during the enrolment and mobilisation of share capital towards MFIs. Savings mobilisation takes place in CAMEL, CAMP, CDE, SMVP, CJWS, CFH and PPSS. They provide relatively larger loans through MFIs and offer insurance services for the clients. SHGs in partner areas continue to maintain internal lending among the members and direct bank linkages. The combination of modus operandi suggests the co-existence of two popular models of MF in the target areas.

Table 6: MFI Competition in the Study Area

Andhra Pradesh	• Government Sponsored "Velugu" Programme; an off shoot of State DRDA Programme. • Direct /NABARD -SHG Linkages programmes supported by SBI, IOB and Syndicate Bank. • Professional MFIs: SKS, SHARE and Spandana.
Tamil Nadu	• State Sponsored "Vazhndhu Kattuvom" project; an off shoot of DRDA programme. • Direct linkages for SHGs through Nationalised Banks like SBI, Indian Bank and local co-operative banks. • NGO sponsored MFIs: ASSEFA; KRDS, NAMCO, SEVALAYA.

The MFI sector in South India is characterised by stiff competition not only within the NGO sector but also spearheaded by other financial institutions as well as Government programmes in the two states.

5.2. Institutional Level Assessment

The institutional level assessment and observations are based on the scrutiny of the available documents, interaction with the partner NGOs team, availability and use of physical infrastructure and business operations in the visited MFIs. The assessments are presented under various functional heads for easy conceptualisation and understanding.

5.2.1 Outreach

The outreach targets stems from the BDP. Scrutiny of the documents of SART has revealed that the programme has been instrumental in strengthening MFIs in terms of expansion in the two southern states of Andhra Pradesh and Tamil Nadu. The MFIs operates in seventeen districts covering 132 development blocks/mandals, providing MF services to 279701 members representing 2163 villages, by promoting and nurturing community level organizations like SHGs and JLGs and integrating them into MFIs.

SHG members of the CAMEL MACTS, AP

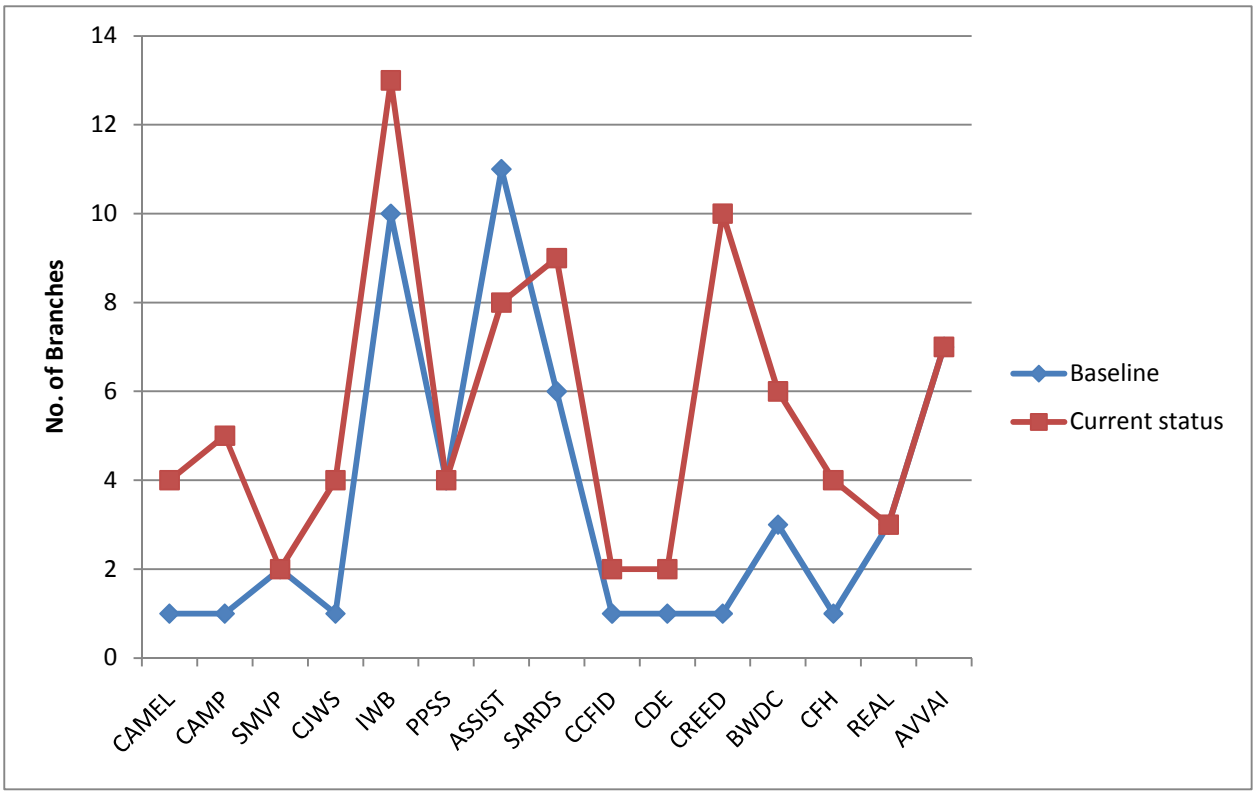
Table 7: Number of Groups and Members in Partner MFIs

	Groups		Members	
NGO	**Baseline**	**As of Mar,2010**	**Baseline**	**As of Mar,2010**
CAMEL	147	844	2684	8490
CAMP	95	157	8157	5662
CCFID	102	752	1920	11401
CDE	209	524	4162	8941
CREED	95	2778	8157	41680
SMVP	42	390	420	4470
CJWS	374	703	4862	7125
IWB	1750	4200	1900	46495
BWDC	1635	1599	24525	28970
CFH	263	340	4734	6515
PPSS	608	1155	6171	13925
ASSIST	NA	1066	7563	11085
REAL	1458	1278	21870	21970
AVVAI	1318	4042	18452	56588
SARDS	273	532	4101	6384
	8369	**20360**	**119678**	**279701**

(Source: SART-CARE India, 2010)

The above data reveals that the number of groups have increased by nearly 2.5 times.

Figure 1: Growth of MFI Branches

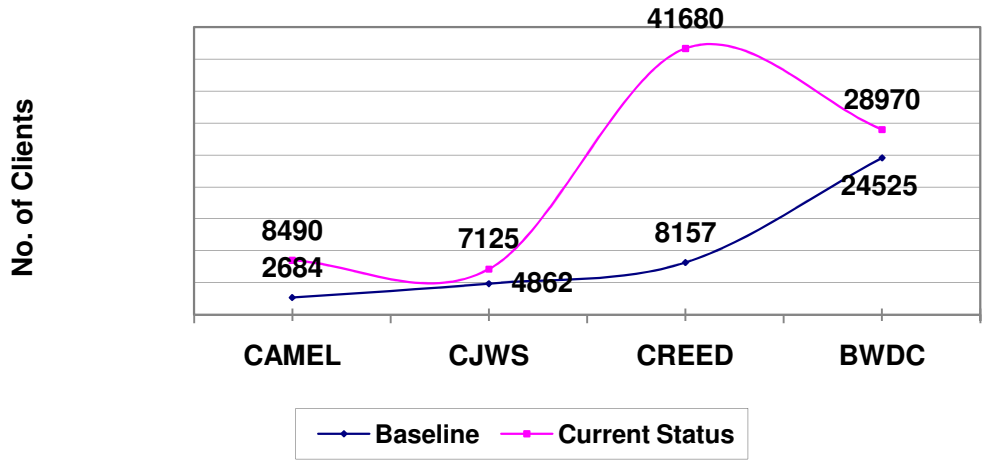


(Source: SART-CARE India, 2010)

The above graphical presentation further captures the accomplishments of partner organizations in terms of branch expansion as a consequence of SART initiatives. Twelve of the fifteen organizations have been successful in branch expansion. The total clientele of the partner MFIs has gone up 1.3 times, from 1, 19,678 (baseline) to 279701, due to the branch expansion and intensified membership drive as of 31st March, 2010. While the promotion of new branches is even in both the states, the membership increase in Andhra Pradesh is 57%, which is relatively high. However, in terms of actual numbers, the clientele is higher in Tamil Nadu with a share of 61%.

The overall outreach target is commendable. It's progress in the sampled organizations is quite good in comparison to the baseline enumerated at the time of the SART partnership and this is highlighted in the following graphic presentation.

Figure 2: Clients in the Sampled



(Source: SART CARE – India, 2010)

The social grouping of the MFI clients in partner organizations is varied and it included members from socially marginalised and economically deprived communities like Yanadis, Scheduled Castes, Most Backward Communities and Fisher folk. Women are the major clients cutting across the caste background.

Further, the partner MFIs is following the three major income groups to segment their clients. They are:

- Below $1/ a day;
- $1.5/ a day and
- Above $2/ a day.

The majority of the clients (52%) in CAMEL fall within the first category (below $1/ a day). In CJWS, the primary segment (45%) is below $1.5/ a day and in BWDC, below $1/ a day segment, tops (40%) in the clientele base. Though the targets were initially the poor and potential entrepreneurs in rural segments, now the focus is shifting towards the existing entrepreneurs and self-employed in semi-urban centres and emerging towns. The extreme membership growth in CREED is due to the massive promotion of SHGs in collaboration with the State Government's Women Development Corporation in the neighbourhood areas. The analysis of the year-wise figures specifies that there was a dent in the clientele base of all the four MFIs in 2009. Partners attribute it to the non-availability of sufficient funds for issuing loans. However, since the last six months the trend is reversing in CAMEL and is largely contained in BWDC.

5.2.2 MF Performance

MF performance is analyzed on three aspects: MF products and services, loan portfolio and efficiency.

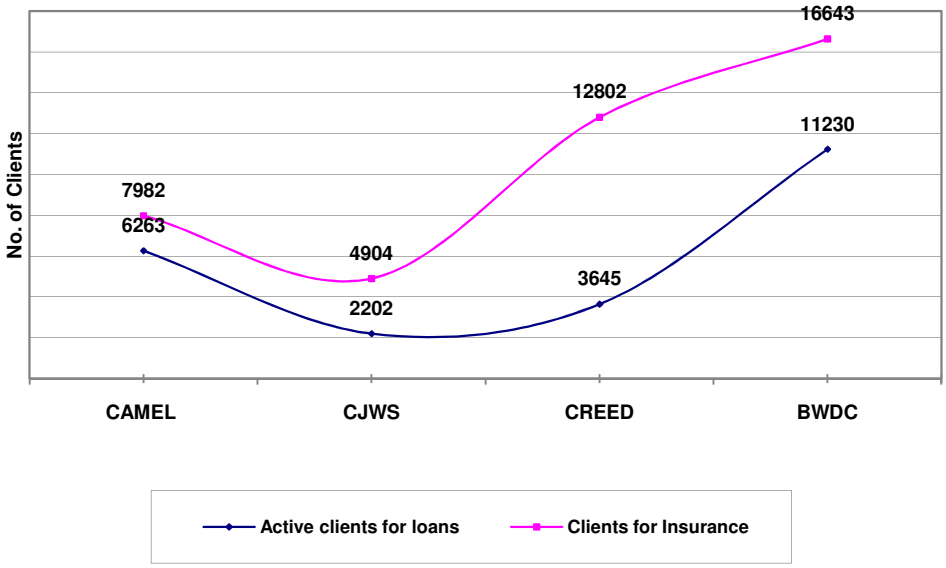
MF-Products and Services

Provision of credit and micro insurance services are the predominant MF Products and Services across the partner Organizations. Even though the Savings is also a formidable component of MF Products and Services, the provision for the related services depends on the legal structure of the partners' MFIs. The organizations registered under the MACTS Act in Andhra Pradesh are allowed to take thrift deposits from the members. Accordingly, CAMEL, CAMP, SMVP, CJWS and PPSS accept thrift deposits from its members. In Tamil Nadu, there is no uniform Act under which the MFIs can be registered and as a result the partners have registered the MFIs either as a Society under the Tamil Nadu Societies Registration Act 1975, or as a Trust under the Indian Trust Act. A few organizations have opted to get registered u/s 25 of the Indian Companies Act or as a Non-Banking Finance Company. The organizations registered either as Society or Trust and u/s 25 of Companies Act are prohibited from accepting savings or thrift deposits. In the case of NBFCs, only those rated by approved credit rating agencies are permitted to accept deposits. Hence, the savings deposit services is available only in CDE.

Other products like optional savings, seasonal savings and fixed savings, which are outcomes of the MF Products and Services development training, are in the conceptual stage in the above partner organizations.

The client coverage by Products and Services (As of March, 2010) is given below.

Figure 3: Client Coverage by Product and Services (as of March, 2010)



(Source: SART CARE – India, 2010)

The above diagram shows that the insurance coverage which includes both new and renewals are picking up in the partner organizations. It also suggests that clients without loans are also opting insurance products. The comparison of overall clients for insurance products conveys

that is high in Tamil Nadu, on account of the special drive made by CARE with the partnership with insurance agencies like Bajaj Allianz.

The data relating to the purpose wise break-up of the loans from sampled MFIs show that a larger chunk of credit has gone to agriculture and allied sector and the remaining has been employed in small business and fishing sectors respectively. The use of credit for agriculture and allied activities is high (80%) in CREED, followed by BWDC (67%), CAMEL (66%) and CJWS (51%). The application of loan funds in fishing related livelihood activities is high in CJWS (31%), handy in CAMEL (20%) and least (7%) in CREED. One fifth of the loans are invested in small businesses in BWDC, near one fifth of the loan amounts are for petty business activities in CJWS and one eighth of the loan funds of CAMEL and CREED are lent to accelerate small business activities.

Active Clients, Loan Portfolio and Repayment

The following Table presents the active clients in all the partner MFIs of the project.

Table 8: Active Clients in Partner MFIs as of March, 2010

NGO	Active clients	% of Active Clients
CAMEL	6263	73.77%
CAMP	249	4.40%
CCFID	6011	52.72%
CDE	320	3.58%
CREED	3645	8.75%
SMVP	4410	98.66%
CJWS	2202	30.91%
IWB	9074	19.52%
BWDC	11230	38.76%
CFH	449	6.89%
PPSS	679	4.88%
ASSIST	17	0.15%
REAL	89	0.41%
AVVAI	2279	4.03%
SARDS	1293	20.25%
Overall	**48210**	**17.24%**

(Source: SART-CARE India, 2010)

The percentage of clients who are active borrowers is 17%.Further analysis shows that among the visited organizations, CAMEL MACTS is better placed with 74% of their clients as active borrowers, followed by BWDC's Mahasakthi Microcredit services Pvt. Ltd with 39% of their clients as active borrowers. CJWS' Chaitanya Mahila MACTS has 31% of its clients as active borrowers, while the CREED's Attractive Capital Pvt. Ltd has less than one tenth (9%) of their clients as active borrowers.

The following Tables present the loan portfolio, the repayment rate and the portfolio yield.

Table 9: Receivables and Arrears (Rupees in Lakhs)

NGO	Receivables As of Mar,2010	Receivables in Arrears	Arrears in %
CAMEL	384.63	41	10.66%
CAMP	20.88	260.47	1247.46%
CCFID	227	1	0.44%
CDE	12.12	1.65	13.61%
CREED	108.76	0	0.00%
SMVP	173.74	3.97	2.29%
CJWS	138.26	0	0.00%
IWB	616.95	0	0.00%
BWDC	546.1	0	0.00%
CFH	22.25	0	0.00%
PPSS	22.6	4.62	20.44%
ASSIST	63.2	28	44.30%
REAL	5.45	0.84	15.41%
AVVAI	60.07	1.88	3.13%
SARDS	85.7	0	0.00%
	2487.71	**343.43**	**13.81%**

(Source: SART-CARE India, 2010)

The above data discloses that the arrears in receivable accounts are on the higher side. Nearly one seventh of the loans issued are in danger and thus affect the cash flow for further rotation and also set a bad precedent for loan default by fellow clients. With regard to the sampled organizations, except for CAMEL all the other partners do not have any arrears. Their present loan repayment rate is very good and they are listed below:

Table 10: Details of Portfolio and Repayment

MFI	Receivables (Rupees in thousands) (As on March,2010)	Repayment Rate (%)
CAMEL	384.63	99.6
CJWS	138.26	98.0
CREED	108.76	98.0
BWDC	546.10	99.9

(Source: CAMEL, 2010; CJWS, 2010; CREED, 2010; BWDC, 2010)

Governance

Governance in an MFI, like in any other enterprise, is the responsibility of its governing body. The governance basically deals with the objectives, goals and policies of the MFI and the governing body has the responsibility to ensure that the management pursues the set objectives and policies. The legal structure, composition of the board, and the vision and mission of the partners' MFIs operating in the study area are described in this section.

Legal Structure

Most of the MFIs in Andhra Pradesh have been registered as MACTS, in order to take advantage of the existing MACTS ACT 1995, which allows both the community ownership and professional management to conduct financial business. Partner MFIs in Tamil Nadu have opted for entities like Societies, Trusts, Company u/s25 and or NBFC.

Table 11: Legal Structure of partner MFIs

Name Of NGO	Legal Structure of the MFI
CCFID, Karaikal, Pondicherry	Trust
CAMP, Guntur, A.P	CDF Model
CAMEL, Guntur, A.P	MACTS
CREED, Chidambaram, T.N	NBFC
CDE, Kanyakumari, T.N	Section25 Company
PPSS, Machilipatnam, A.P	MACTS
SMVP, Ongole, A.P	MACTS
IWB, Nellore, A.P	MACTS
CJWS, Nellore, A.P	MACTS
BWDC, Tiruvarur, T.N	NBFC
CFH, Kanyakumari, T.N	Not registered separately for MF programme
ASSIST, Guntur, A.P	MACTS
REAL, Pondicherry	TRUST
AVVAI, Nagapattinam, T.N	Sec25 Company
SARDS, Ongole, A.P	MACTS

Regarding the legal framework of the visited organizations, in Andhra Pradesh, CAMEL and CJWS adopted the MACTS as the institutional setup for MF services, whereas in Tamil Nadu, BWDC and CREED assumed NBFC as their MF institutional set up by purchasing existing entities.

Board

In both the modes, partner organizations have constituted the Board of Directors as the governing body of the MFIs. The size varies in accordance with the provisions of the Act under which MFI is registered. There are nine board members in MACTS and usually eight are drawn from the communities as the Secretary/CEO is drawn from the promoting NGO. In the case of Societies it is a minimum of seven members and in Trust and NBFCs it is varied as per the preference of the promoting NGO. For instance, in CREED, Chidambaram, the communities, the promoting NGO and the financial professionals find space in the board, whereas in BWDC, the president is from the community. A minimum of primary level education and two-three years of SHG experience has been witnessed among the board of directors representing the community. A handful of community level board members (CAMEL and CJWS) are familiarised with their roles and responsibilities as the board members of MFIs and as well as on the activities of the promoting NGOs. Recently, they have started inducting MF/banking professionals in to the board.

Vision/Mission

The discussions with the partner NGOs have shown that the MF activities crystallised with the SART initiatives are in conformity with the overall goals of the respective organizations: 'Enabling poor and the marginalised community members to raise their income and thereby improve the living standards". Based on the SART team inputs, there are well articulated and developed vision/mission for the MFIs. More specifically they are in alignment with the mission of economic development of MFIs. Almost all the senior team members of the MFIs are aware of the vision and mission statements. A few board members from the community even recounted them when they visited various organizations.

Stakeholders' Relationship

The primary stakeholders of MFIs are the clientele groups and members who used to avail the services. The clientele groups in Andhra Pradesh, particularly the board members are aware that they are accessing credit facilities through the MACTS and it is managed by the promoting NGO/CEO. As for as the SHG members in all the visited sites are concerned that they have a feeling that the entire services are either provided by the NGO or by the NGO head. Hence, there is a "WE-THEY" divide in the conceptualisation of MF operations.

Leadership

Leadership in the organization is the pivot that keeps the team together to achieve the best results. The quality and the effectiveness of the leadership are reflected in the growth of the MFIs along with the professional approach adopted in MF operations. The overall data relating to the growth suggests that almost all the partner organizations' leaders are pro-active and striving for excellence. A look at the sampled organizations reveals that CEOs in CAMEL and BWDC have a thorough knowledge of MF operations and have a clear vision and strategy on how to lead the institution. Both of them are adopting a "head on" approach to MF business. The other two CEOs, in CREED and CJWS are cautious and adopt a step by step approach. They have practical difficulties in balancing the developmental and profit making goals of MF.

CEO of CAMEL MACTS sharing details of their MF operations with the Study team member

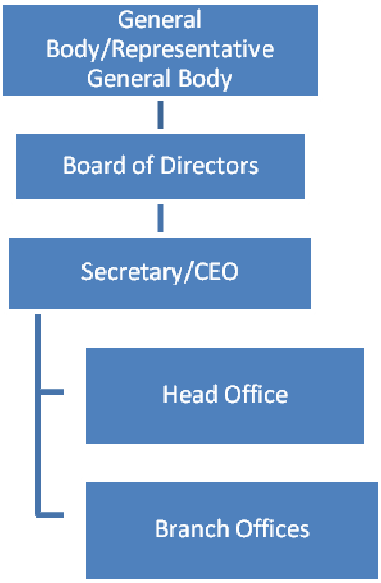
5.2.3 Management and HR Aspects

The management function in MFIs primarily deals with staffing as they are responsible for providing vital information on the ground realities and the spectrum of opportunities available for MF operations. They are the critical link in the implementation of agreed strategy and actions along with the administration of the necessary systems and procedures to accomplish MF goals. This section analyses the organizational structure of MFIs, systems and policies developed and followed, planning of the MFI programme, human resource systems, monitoring and MIS systems, and financial management practices of the MFIs.

Organization Structure

Almost all the partners have been instrumental in promoting SHGs under government programmes in the past. These SHGs continue to serve as the foundation for the present MF operations. Both the MACTS and NBFC models, irrespective of their distinct legal identities, evince direct membership for clientele and as such technically drift away from the SHG model and informality, and tend towards a formal structural identity. However, the original SHGs are functioning in the villages to tap government resources and schemes. Partners are using the SHGs, wherever active, to process loan applications and to ensure loan recoveries. With reference to the visited organizations, MACTS in CAMEL and CJWS have the following organizational structures:

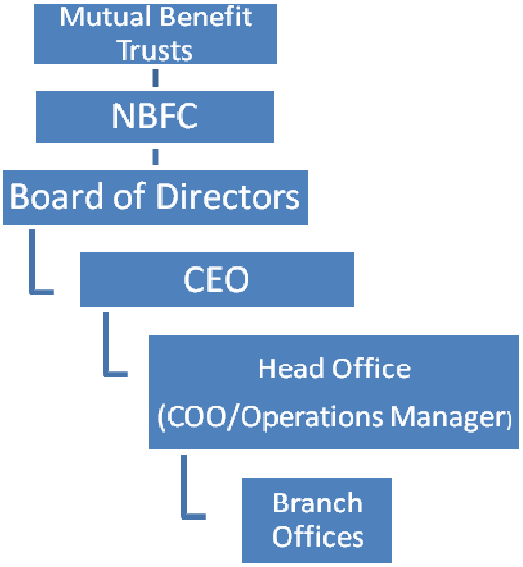
Figure 4: MACTS Structure in CAMEL and CJWS



By the virtue of the MACTS ACT 1995, the members have the control over the organization.

The organizational structure in CREED is depicted below:

Figure 5: Structure of NBFC in CREED



CREED has adopted a structure where ''Mutual Benefit Trust" (MBT) is the foundation for mobilising members and share capital from the block level. With pooled share capital, MBTs are the shareholders of the NBFC. As shareholders, MBTs can nominate board members to NBFC and technically they will have control in the NBFC.

The organizational structure in BWDC is the same except for the foundation structure of Mutual Benefit Trusts. In the BWDC model, the communities remain as clients.

In general, an NBFC is more of a centralised organization that is largely controlled by the CEO along with a senior level staff team.

Systems and Policies

There are established systems and policies to carry on the MF business in all the visited organizations. All the partner organizations have written policies in the form of operational manuals which contains policies related MF Operations, Human Resources and Financial Management. The difference lies in the level of implementation. The adoption of the written policies is visible in CAMEL and BWDC and is emerging in CJWS and CREED. However, the frequent staff turnover had its repercussions in CREED.

Planning

The BDP exercises led by the SART team seem to be the starting point for the MF-business planning for all the partners. The BDP document is referred to by the partners for outreach and portfolio targeting. The monthly review meetings are also serving as the monthly planning meeting. These planning cum review meetings are conducted at the head office by the CEO and or Operations Manager of the respective MFIs. The meetings are recorded for future references. They compare the current progress with the previous month's accomplishments and discuss follow-up measures.

Human Resources

After the SART intervention, there has been a marked improvement in the process of staff hiring. Positions are advertised, formal interviews are conducted, and appointment orders are issued. Service rules indicating the benefits and privileges are implemented. Specific allocation of human resource to MF operations is varied depending on the scale of operations and fund availability. Regarding the sampled organizations, CAMEL and BWDC have been fortunate to have separate staff teams for MF operations. Unfortunately, there is an overlapping of work allocation in CJWS and CREED due to the staff's time sharing with other projects. The overlapping is seen at the middle level staff in CJWS and at the field level in CREED. The following staffing pattern is witnessed in the sampled MFIs:

Table 12: Staff Details in the Organizations Studied

Name of MFI	Number of Senior Team members	Number of Field Team members	Total Staff
CAMEL	3	26	29
CJWS	4	16	20
CREED	4	16	20

BWDC	16	52	68

(Source: CAMEL, 2010; CJWS, 2010; CREED, 2010; BWDC, 2010)

The overall gender break-up of the staffing in the sampled MFIs portrays a slight advantage (53%) to women. However, the senior positions like operations manager; MIS officers and accountants are occupied by men. In branches it is a mixed scenario, wherein most of the branch managers are men and the field officers are predominantly women. The only exception is the CJWS Mahila MACTS, where all the officers including the branch managers are women.

All the visited partners have more than a decade of institutional experience in savings and credit programmes in the respective local areas. The CEOs of the MFIs have been constantly upgrading their knowledge in MF due to the SART training, field level technical inputs and due to attending special programmes on MF. The partners have also recruited experienced staff in MF, both in the second and third levels of the team.

The span of control of the field team members could be viewed in two different angles depending on the lending model of the MFIs. If the MFIs are adopting group lending, then the ratio would be based on the number of groups to be nurtured by the field personnel. In case of direct lending to the clients, then the number of borrowers matter. As of now, the sampled MFIs preferred group lending, either through the SHGs or JLGs.

Considering the above criterion the staff-group/clientele ratio is as follows:

Table 13: Staff Client Ratio in the Studied Organizations

MFIs	Staff-Group Ratio	Staff-Active borrower Ratio
CAMEL	32	608
CJWS	44	249
CREED	174	120
BWDC	31	519

(Source: CAMEL, 2010; CJWS, 2010; CREED, 2010; BWDC, 2010)

The above data indicates that the group based lending increases the span of control for the field staff to provide and track MF services. The staff-Group Ratio is high in CREED, in view of the scaling down of the overall field staff previously supported by TNWDC Project and the SART Project. Nevertheless, the field officers have to spend quality time in moulding the groups. Otherwise they have to chase individual borrowers in the group which will eventually lead to the span of control described under the staff-active borrower relationship. SART has been recommending 1:350 for group based lending (which works out to 1:29 groups with an average of 12 members for a group) and 1:150 for individual based lending as the standard for field staff-active borrower ratio. On the whole, the partners' average case load ratio is well within the stipulated figure. It is 323 active borrowers for a field officer. The case load figure for the sampled MFIs is above the SART standard in almost all the sampled MFIs.

Staff Capacity: It is evident from the interactions with the staff team of the visited organizations that the senior level officers have attended most of the formal training offered by SART and other MF institutions, while the field level staff members are equipped with in house and on the job training. The SART trained staff members have been training the field personnel on MIS, Micro insurance. In exceptional cases, the field staff members had formal and extensive training exposures in their previous employment. For instance, one of the branch managers of CREED-MFI had substantial training prior to the current appointment, and it has become handy to groom the branch activities. In addition, partner organizations have been providing training for the field staff in livelihood, supervision and monitoring and impact assessment of MF programmes.

Topics of learning provided by SART team through formal and on job training:

- Principles and Practices of Governance to MFIs
- Business development plan (BDP)
- PACT assessment
- MFI-Transformation process
- MF-Products design and development
- Financial Management and Accounting (Accounting for MFIs, Financial analysis, Studying Balance sheets, Internal Audit and Financial control)
- Portfolio quality analysis and Delinquency Management
- Financial management and interest rates setting for MFIs
- Management Information Systems and field level reporting formats
- Orientation on Disaster Management

Monitoring

The assigned team members from SART intensively monitor the progress of the partner organizations to ensure the performance correlates with the Business Development Plan. They resorted to quarterly, half-yearly and annual reviews with the partners to understand the status of the project and to provide further inputs for progress. The reviews used to take place both in the head office and in select branch offices.

Records for Review by SART

Head Office:

- Consolidated MIS (Portfolio, Outreach)
- MFI level cash flow
- BDP(Plan vs. Performance)
- Balance Sheet(Income-Expenditure and Ratio analysis)
- Progress Report

Branch Office:

- MIS
- BDP(Cluster wise Plan vs. Performance)
- Balance Sheet and other financial statements

As far as the partner MFIs are concerned, monitoring of the day to day operations is undertaken by the next level supervisors. For instance, field workers are monitored by the branch manager, branch managers by the operations manager and operation manager by CEO. The day to day monitoring is informal except the cash transactions. Daily cash collections are monitored through the day book/roaster. Monthly review meetings at the branches and the head office serve as the progress monitoring. The duly filled in MIS formats by the respective branch managers serve as the monitoring tool. The Operation Manager makes branch visits and reports it to the CEO. Both the CEO and Operation Manger take active part in the monthly review meetings. The monthly review is mainly focussed on the progress of

financial data on the outreach, portfolio and aging analysis. The review could also focus on some of the trend and comparative analysis of the financial performances.

MIS

Standard formats to monitor the MF performance have been developed for each of the partner organizations with the active support of SART team members after a long deliberations and trials. All the four sampling partners have been using spread sheets to maintain the MIS-data base. Trial of software is on in CAMEL and BWDC. Data are collected from the field level through branch staff members and entered at the branch office and forwarded to the head office for verification, collation and analysis. However, the MIS formats needs some improvement in order to capture the important details that would add more value to the review of the financial performances. Data like group information, detailed loan demand estimation of the groups, member wise details including basic household socio-economic details and loan details and impact of members are not captured by the MIS formats or in the computer.

Study team observing the branch manager level review meeting

Reporting: Branches report their financial details to the head office on daily basis. Other details are reported normally in the monthly meetings. Critical information such as cash deficits and problems in loan collections is reported then and there for information, guidance and solutions.

Financial Management

Financial systems: Standard financial systems are in place to ensure good financial management. There is a written financial manual for MF operations at the head office. The Head office accountants are aware of it. The operations mangers of CAMEL and BWDC are aware of the existence and use of manuals. The branch accountant/managers are conversant with their respective portions.

Accounting: The MFIs adopts double entry system of accounting at all levels. The branches adopt petty cash system to manage their expenditures. Branch managers or branch accountants keep the branch accounts. The accounts are consolidated at the head office by a designated accountant.

Budget and Forecasting: Budgeting in MFIs is in the initial stage. Many of the partners need further capacity building and follow up. As the outlook for formal finance is not very bright, this further detracts from the motivation to undertake budgeting and financial forecasting.

Internal auditing: Internal verification of loans issuance and recoveries are in place in the partner MFIs. Such verifications are undertaken by the assigned team members, either from the head office or by the other branch staff members. Formal internal auditing procedures and practices are yet to develop in partner MFIs.

Statutory auditing: The MFI accounts are audited every year, by a chartered accountant. The audited accounts are shared with the board of directors during the Annual General Meeting.

5.2.4 External Linkages

Funds mobilisation is seen as a critical indicator of the organizational capacity to ensure adequate resources for on lending. The need for funds has enlarged in view of the increase in outreach and the volume of loans. The partner MFIs are trying hard to raise the required funds from various quarters, including private institutions. Many of the partners' commenced fund channelization/mobilisation, under "Partnership Model" with HDFC (Partnership Model was mooted by ICICI, as an effort to ensure MFI's access to rural clients. Under this model, the MFI acts as a service agent on behalf of the bank for a commission and handle the loan portfolio, while the same is represented in the balance sheet of the bank). The partners' persistent efforts with bankers (SBI, SIDBI, AXIS, NABARD and Development Credit Bank) and financial institutions (Manaveeya Holdings, RMK) have been instrumental for further mobilisation of funds. The meetings facilitated by SART team with SBI, AXIS Bank as part of lobbying was also useful to the partners.

The head of CJWS and CEO of Chaitanya Mahila MACTS sharing the details of the external linkages

A comparison of fund flow for identical periods in the preceding two financial years is presented in the following table. It suggests that the fund in-flow is lesser during the period: Oct2009-Mar2010, while the outflow is higher. The figures also reveal that the partner organisations are able to recover loans and ensure adequate repayment.

Table 14: Loans Leveraged and Repaid under Partnership Model

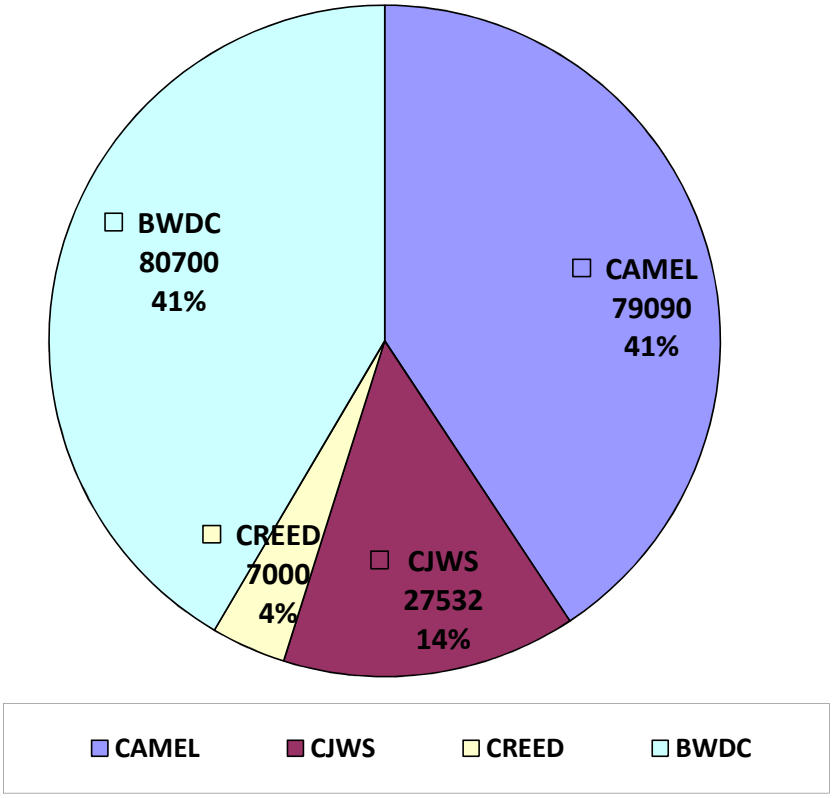
	Loans Leveraged (Rupees in Lakhs)		Loans Repaid (Rupees in Lakhs)	
NGO	**Oct2008-Mar2009**	**Oct2009-Mar2010**	**Oct2008-Mar2009**	**Oct2009-Mar2010**
CAMEL	73.05	11.45	91.12	54.02
CAMP	21.00	26.28	0	15.36
CCFID	30.00	0.00	28.79	11.5
CDE	52.05	38.00	38.97	24
CREED	113.00	0.00	115	142.51
SMVP	44.25	100.00	44.9	32.11
CJWS	12.82	86.90	17	17.67
IWB	341.73	0.00	495.17	232.32
BWDC	1224.00	0.00	998.01	133.61
CFH	0.00	0.00	0	0
PPSS	298.00	0.00	59	8.54
ASSIST			9	5.77
Overall	**2209.90**	**262.63**	**1896.96**	**677.41**

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

Regarding the sampled organization, the persistence of CAMEL and BWDC proved helpful to raise a good chunk of funds to meet the credit demands of the community. CAMEL MACTS has already accessed credit from HDFC, SBI, Manaveeya holdings. However, the efforts of CJWS and CREED are yielding limited results for the bankers demand for greater equity, more experience and formal rating of the MFI. CJWS has been able to link with HDFC on Partnership model but has second opinion on the commercial borrowings for MACTS. The opportunities for the partner MFIs to go in for lobbying to influence the bankers exist at individual level.

The following graph illustrates the fund mobilising capacity of the sampled partners from the day of entering in to the SART partnership.

Figure 6: External Funds Mobilized by the MFIs (Rupees in thousands)

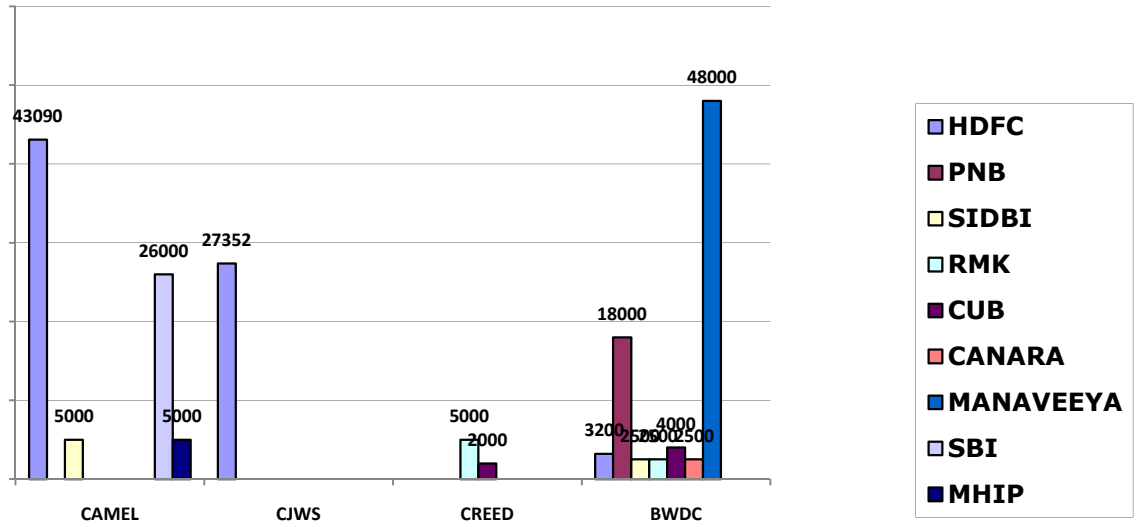


(Source: CAMEL, 2010; CJWS, 2010; CREED, 2010; BWDC, 2010)

Note: The Direct linkages for SHGs are not included in the above table

The total mobilisation of lendable funds by the four institutions studied as of March, 2010 is Rupees 1, 94,142 thousands, of which 55% is mobilised by Andhra Pradesh partners. It suggests that the external linkages seem to be better in Andhra Pradesh. Further analysis of figures specifies that HDFC is the dominant provider (38%) of funds. Manaveeya holdings follow it with the provision of ¼ of the total funds supply. The money supply from the Nationalised banks together works out to another 1/4th of the funds pumped in for MF services. Among the Nationalised banks, SBI accounts for major share (13%). The much touted RMK's share is just 4% of the total money supply, which is little above than the local co-operative bank (3%). The funds flow to MFIs from the Nationalised banks is dismal in Tamil Nadu.

Figure 7: Mobilisation of Funds According to Banks and other Financial Institutions (Rupees in thousands)



(Source: CAMEL, 2010; CJWS, 2010; CREED, 2010; BWDC, 2010)

The diagram also shows that CAMEL and BWDC, in spite of their different MF modelling have been highly successful in mobilising funds for on lending. It also highlights that they have been

able to tap funds from varied sources. This is because these two organisations have taken the inputs from SART team and put their systems and resource team in place to deliver the financial services. However, in terms of meeting the entire credit needs of the clientele is a struggle for all the organisations, particularly the other two organizations (CJWS and CREED). Due to less mobilisation of funds, many of their clients, particularly in CAMEL are started withdrawing their memberships and started accessing from other MFIs.

CAMEL has approached SBI to enhance the cash credit limit. The SBI branch office is in favour of it. But the head office needs to go in for a professional assessment to take a decision on the enhancement.

CJWS has approached both SBI and SIDBI for term loans to the tune of Rupees 1 crore and 2 crores respectively. They have submitted application to SBI in November, 2009 and it is still in process. They are also thinking of approaching RMK and Manaveeya holdings for loans.

CREED has approached IFMR and NABARD to secure start-up/equity capital (Rupees 1 crore) for the NBFC and a loan fund (Rupees 1 crore). They have also applied to SONA MFI and BWDA Finance for loan funds.

5.2.5 Disaster Preparedness, Address to Vulnerability

The MFIs work areas include both disaster and non-disaster prone areas. The government has played a major role in collaborating with local NGOs, in disaster preparation, management and mitigation where the disasters are recurrent. Hence, the disaster preparedness is viewed by SART as a means of meeting the economic challenges by the affected communities and as a consequence efforts were directed towards training the NGO-MFIs on disaster preparedness and how microfinance can respond to disasters, helping them to develop and incorporate policies around this. In response to the disaster preparedness the NGO-MFIs are providing micro credit and viable insurance options to the communities through the MFIs. As far as the MFIs are concerned, they are allowing loan re-phasing and rescheduling in disaster situations besides offering emergency loans (CAMEL). SART has played a major role to bring in major insurance providers like Royal Sundaram and Bajaj Allianz to design and roll out local specific products to face the disaster-related losses. The insurance products are ranging from simple life coverage to family health coverage for the MF clients. The life coverage for an annual premium is bundled with MF loans. NGOs like CJWS and CREED have distinct disaster preparedness and mitigation programmes with which they have equipped local youth members to liaise and co-operate with the government and other agencies to issue early warning communications, and engage in relief and rehabilitation measures.

People in the geographically vulnerable locations like sea-shore and river banks attach less importance to disaster risks as they conceive it part of their routine life. For instance, communities living on the banks of the rivers Kollidam and Amaravathi (CREED"s project area), in spite of the district administration's repeated attempts to resettle them away from the vulnerable locations, refused to move out as they felt that the location is highly conducive for livelihood and the "flood effect" is after all a month's problem. According to them, except for the loss of cattle and collapse of mud structures, so far, there has been no loss of human life even during heavy floods. When raised a question about the insurance coverage for such losses, they informed that it worked in the first year of the introduction of micro insurance by CREED, but the coverage of flood was withdrawn by the insurance agencies subsequently citing non viability of the product. Further interactions revealed that they are mentally prepared to face the situation as and when it comes. During the recent floods, they stayed on the top of concrete buildings and government infrastructures like schools and community halls. They are anticipating floods during the coming season and are saving food grains for emergency. They are aware of the district administration and NGO's disaster support initiatives. However, people from all the four NGO-MFI fields have acknowledged that access to credit facilities with less interest from the MFIs at the time of flood has helped them to recover quickly from whatever damage that happens to the crop, cattle and for repairing of the houses and whitewashing the walls.

Members of Vigneshwara Sangha from Krishnapatnam village, Muthukuru Mandal A.P, sharing their experiences on how they coped with flood situations

5.2.6 Institutional Transformation

It is evident from the interactions with the CEOs of partner organizations that they have convinced about having a separate legal entity to carry on MF business. Partners have seen the entire process as a series of steps to gain legitimacy of MF operations in the eyes of financial institutions, commercial lenders and government authorities. They agree that without undergoing the transformation process, could not have grown to this size, accessed this much of funds and served more needy clients. They recognized the mentoring support by SART team as valuable to build organizational capacities, systems and procedures. They have also clearly understood the need to generate profits, in order to survive in the long run and to ensure sustained financial services to their clientele and the ensuing need to apply business principles in MF operations. They are also recruiting qualified people to keep the board robust to meet the current and future challenges in terms of scaling up and diversifying MF business.

- The MFI team members got orientation training on disaster preparedness
- There is no follow-up plan prepared by the partner organizations
- Training to NGO-MFIs as to how MF can respond to disasters and to develop policies on the same.
- The organizations have insurance linkages with mainstream agencies
- CAMEL plan to provide emergency loans
- CJWS has programme supported by CARE India where they have trained local youth to handle disaster situations – early warning, relief and rehab.
- The MFIs constituency is a mixed one, in areas where frequent flood the governments takes care.

The CEOs felt that the transition from the project mode to a business mode was not all that easy as it necessitated intensive reflection at each and every stage. The transition has affected the entire organization from the field office to the board room. The transition has also put the partners in rough weather as they could not completely cut off from the development agenda, for it is the primary mandate of the NGO. Partners are reconciled to the fact that they should carry on both the activities, but with two different entities, preferably headed by two different persons. In the words of CAMEL CEO, ''Our NGO does the foundation in the villages by undertaking development activities for a year, by that time the communities are aware of the economic opportunities and the need for productive credit. It is at that time, the

The CEO, Secretary and board members of the CAMEL MACTS happily share details about their transformation processes

MFI steps in to provide financial services. Hence, we need both as our two hands. We can't say no to either." The above statement illustrates the ground reality. Hence the transformation process for the sampled partners is not simply converting the entire organization in to profit mode, but to have a separate, formal entity to carry on the MF operations systematically to earn profit to sustain the activity on its own.

Looking at the way the MF operations are being carried out, CAMEL and BWDC have almost been transformed as professional MFIs and CJWS and CREED are still striving.

Factors contributed for successful transformation into professional MFI (CAMEL, BWDS):

- Separate dedicated CEO and also separate physical office established to carry out the MF operations
- Taken straight decision of engaging mainly in MF in commercial term
- Fresh staff who are commerce or management background and have not worked in development projects been recruited to MF work. Their mind set is only commercial oriented and no development mixing of development thinking
- Good system establishment and focused credit work enabled to generate adequate income to cover salaries from the MFI and not depend on the development projects
- Qualified staff particularly the second level staff (next to the CEO) are in place to take care of the planning and execution of the work with the branch level and has dedicated staff for each of the role to move things faster.

Factors hindered for complete transformation (CJWS, CREED):

- CEO of the NGO or senior person worked in the NGO with development projects and taken up CEO position of the MF programme has been finding difficult to leave development agenda and look at people issues with empathy
- Staff are forced to work in development and MF commercial activity as the MF programme is unable to cover the salary of the staff. This is due to limited credit supply because of mobilization of credit fund has been restricted due to non-fulfillment of financial institution's requirement in terms of systems and equity capitals.
- Unable to make a clear path towards commercial MFI because of integrated activities of government programme (Mahalir Thittam structure) and NGO

5.2.7 Sustainability

The sustainability of an MFI is about its ability to cover all costs. It is professionally measured by three specific indicators: operating cost ratio, operating self-sufficiency and financial self-sufficiency. The operating self-sufficiency specifies the adequacy of revenue earned to cover the MFI's total costs (operational expenses, loan loss provisions and financial costs). Similarly,

financial self-sufficiency refers to the measure of sustainability of the lending operations. It is expected that the MFIs have to attain 100% self-sufficiency in both the respects to ensure unbroken and sustained credit services.

The percentage of the active borrowers is one of the factors that affects the profitability of the MFIs. The cost effectiveness in service delivery is the other critical factor to be considered.

Table 15: Cost per Loan Made (in Rupees)

NGO	Oct2008-Mar2009	Oct2009-Mar2010
CAMEL	2949.50	1167.76
CAMP	2162.50	848.95
CCFID	696.50	204.00
CDE	1951.00	22.00
CREED	824.50	841.80
SMVP	1382.00	376.73
CJWS	852.00	1421.90
IWB	334.00	807.60
BWDC	159.00	2772.45
CFH	4040.00	77.86
PPSS	0.00	2530.00
ASSIST	6968.50	0.00
Overall	1859.96	922.59

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

The average cost per loan, as per the March, 2010 figures, for the partner MFIs, as a whole stands at Rs923/-in the last half-year. It has come down when compared to the identical period in the previous financial year. The sampled partners' cost per loan indicates that it is lower in CREED (Rs 842/-), low in CAMEL (Rs1168/-), high in CJWS (Rs1422/-) and higher in BWDC (Rs 2772/-) for the same period.

Operating Cost Ratio

It represents the level of operating costs to the outstanding loans of the MFI. The following table highlights the operating costs of the partner organisations:

Table 16: Operating Cost Ratio (in Percent)

NGO	Oct2008-Mar2009	Oct2009-Mar2010
CAMEL	10.5	2.5
CAMP	14	6.5
CCFID	3	6

CDE	11.5	1
CREED	1.5	26.5
SMVP	4	5.5
CJWS	2	2
IWB	1	1
BWDC	0	2.5
CFH	14.5	15.5
PPSS	3	5
ASSIST	1.5	1.5

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

The above data suggests that the operating cost ratio was higher in CREED, high in CFH, while it is lower in CDE, IWB and ASSIST during the period Oct2009-March, 2010. The operating costs have gone up in CCFID, SMVP, BWDC, CFH and PPSS when compared to the corresponding period in the previous financial year.

Operating Self Sufficiency

It is the measure of financial efficiency equal to total operating revenues divided by the total administrative and financial expenses.

Table 17: FSS-Operating Self-Sufficiency (in Percent)

NGO	Oct2008-Mar2009	Oct2009-Mar2010
CAMEL	41.5	64
CAMP	37.5	28.5
CCFID	96.5	158
CDE	87	27
CREED	93.5	71.5
SMVP	58.5	101
CJWS	89.5	69.5
IWB	98	91
BWDC	138	116.5
CFH	55.5	131.5
PPSS	0	12
ASSIST	26.5	40

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

The MFI is considered to be operationally Self-Sufficient when the resulting figure is 100 and above. Using this criterion CCFID, SMVP, BWDC and CFH have attained operating self-sufficiency. Among the visited organizations, CAMEL, CJWS and CREED are yet to reach the Operating Self-Sufficiency.

Financial Self-Sufficiency

It refers to the MFI's realisation of sufficient revenue to pay for all administrative costs, loan losses, potential losses and funds. The exploitation of credit market, pumping of sufficient funds for lending, the excellent recovery of loans and prudent management are also contributing to the financial sustainability of the MFIs. By this criterion, four of twelve old partner organizations qualified as financially Self-Sufficient. Among the sampled organisations, BWDC alone passed this test. Nevertheless, CAMEL and CJWS are improving in comparison to the corresponding period in the previous financial year, while CREED is slipping. The positive factor for the visited organisations is the loan recovery rate, and it is 98%.in CJWS and CREED, while it is 99.6% in CAMEL and 99.9% in BWDC.

Table 18: Financial Self-Sufficiency (in Percent)

NGO	Oct2008-Mar2009	Oct2009-Mar2010
CAMEL	39	64
CAMP	27	28.5
CCFID	68.5	158
CDE	78.5	27
CREED	91	71.5
SMVP	48	101
CJWS	48.5	69.5
IWB	82	91
BWDC	79	116.5
CFH	48.5	131.5
PPSS	0	12
ASSIST	20.5	40

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

For the partner organizations, which have not yet reached the earmarked figure of 100 with regard to Operational Self-Sustainability and Financial Self-Sustainability, the provision of sustained credit services will be undermined.

Portfolio per Credit Officer

The amount of loan portfolio per field officer is another important indicator of financial viability of MFIs. As of March, 2010, the average portfolio per field officer is Rs11.38 lakhs. A

comparison of the sampled MFIs depict that the portfolio per field officer is above the average figure in CAMEL and BWDC, while it is less in CJWS and meagre in CREED.

Table 19: Portfolio per Credit Officer

NGO	Oct2008-Mar2009	Oct2009-Mar2010
CAMEL	46.57	33.46
CAMP	2.97	1.53
CCFID	5.37	21.00
CDE	10.66	10.00
CREED	8.98	0.79
SMVP	11.16	20.48
CJWS	9.37	10.11
IWB	92.20	33.50
BWDC	60.14	26.95
CFH	38.89	4.52
PPSS	5.15	0.42
ASSIST	8.66	2.54

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

Further analysis of the portfolio by comparing data for the identical periods in two successive financial years indicates that the size of the portfolio is fluctuating in many organizations.

5.3. Community Level Assessment

Two key aspects were analyzed; access to financial services is followed by assessment of impact.

5.3.1 Access to Financial Services

The transformation of MFIs into professional mode and the subsequent fund mobilisation drive has resulted in increased credit access to the community, both for new and old clients. The new clients are swelling in number to get a sizeable first credit of Rs 5000/- from the MFI, which gradually goes up to Rs.20,000/-. The savings loan ratio is also rising depending on the number of years of membership. The ratio for the new client (members recruited after the formation of MFI) is 1:4 times while it is 1:10 times for the older clients (members who have been prior to the MFI). Members look for MFIs for bulk loans while they resort to SHGs for smaller loans.

Access to Credit

Table 20: Average Size of the Loan

Name of MFI	Average Loan Size per Client (In Rupees)
CAMEL Mahila MACTS	12656
Chaitanya Mahila MACTS	11816
CREED-Attractive Capital Private Limited	15554
BWDC-Mahasakthi Microcredit Services Private Limited	11739

(Source: CAMEL, 2010; CJWS, 2010; CREED, 2010; BWDC, 2010)

- In the new groups, members get bigger loans(Rs5000-24000/-)
- Savings-loan ratio: ranges from 1:4 to 10 times
- Women have accessed one or two loans through the MFI in 3 years.
- Accessed cheaper loan (helped to repay high cost credit , to create assets, to invest in business and agriculture activities)
- Women in SHGs have savings accumulation
- People also access loans from various sources; each woman have at least 3-5 loans taken from SHG, other MFI, bank, subsidy schemes, money

The analysis of all the Partner MFIs indicates that the average size of the loan per client, as of March, 2010 is Rs11, 682/-. The figures for the sampled partners affirm that the clients are getting slightly bigger loans through the MFIs.

Table 21: Loans Issued and Closed

	Number of Loans Issued		Number of Loans Closed	
NGO	Oct2008-Mar2009	Oct2009-Mar2010	Oct2008-Mar2009	Oct2009-Mar2010
CAMEL	1478	1324	832	985
CAMP	289	139	1054	274
CCFID	747	4824	432	1176
CDE	426	64	524	158
CREED	434	192	0	403

SMVP	3146	1428	0	235
CJWS	518	861	16	42
IWB	3321	2029	4470	3220
BWDC	688	1035	1240	456
CFH	281	174	147	37
PPSS	3448	4	2640	2012
ASSIST	158	0	220	0
	14934	**12074**	**11575**	**8998**

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

The above data reveals that on an average, 2012 loans were issued in a month during the year 2009-10. Even though the figures suggest that there is a slide in the number of loans issued, the amount of loans issued more than doubled when compared to the corresponding period in the previous financial year. It was Rs1281.56 lakhs in Oct2008-March2009, and Rs2652.78 in Oct2009-March2010. This suggests that the size of the loans per client is enlarging.

Resilience with Insurance Coverage

Insurance services in general, are less popular among the poor because they often do not perceive immediate benefits. However, CARE's innovative initiatives with a few leading insurance agencies have changed this normal perception. Partners have established insurance linkages with leading providers like Tata-AIG, Royal Sundaram, ICICI Lombard and Bajaj Allianz. Except the CAMEL MACTS, all other sampled MFIs are bundling insurance products with the loan products.

The Micro Insurance Coordinator of CREED, TN sharing the details of different insurance products offered to the clients

Table 22: Life Insurance Enrolment Rate in Percent

NGO	Oct 2008-Mar 2009	Oct 2009-Mar 2010
CAMEL	72.5	81.5
CAMP	16	9
CCFID	2.5	56

CDE	19	17
CREED	19	45
SMVP	35	53
CJWS	8	61
IWB	5	13.5
BWDC	19	58.5
CFH	12.5	23
PPSS	0	6
ASSIST	0	0
Overall	18.95	38.50

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

The above figures indicate that the insurance coverage is increasing in almost all the partner organizations. All the sampled organisations are faring well on this count. CAMEL tops the list with their strategy of insisting insurance coverage as a qualification criterion for the MACTS.

Table 23: Details of Active Micro insurance Clients

MFI	Total Clients	Active clients for Micro insurance		
		Accident	Health	General Life
CAMEL	8500			7982
CJWS	4973	1672	2348	884
CREED				
BWDC	27524			16643

(Source: CAMEL, 2010; CJWS, 2010; CREED, 2010; BWDC, 2010)

The insurance covers for flood prone areas have benefited a majority of the clientele population to recover crop and property losses in the year 2009 and this has changed their mind-set in favour of insurance coverage. Unfortunately, the insurance agencies have abandoned this flood coverage citing severe financial dent as the reason. The on-going successful insurance product is ''simple life cover" for a yearly premium, which takes care of accident related coverage. Household level ''health insurance" and wage compensation covers are the other products that make gains.

5.3.2 Impact

The impacts of the programme are presented at the individual, household and community levels.

Impact at Individual Level

The SART project through the partner NGOs have created several impacts at the individual women's level. These are highlighted below:

Knowledge and Increase of Confidence Level

Women have gained knowledge about group functioning, how to save money and take loans from the groups. Through their membership in the group, they now know about bank and how to apply for a bank loan. Women were able to talk confidently to external people including bankers, government officers and others. The study team has witnessed many women speak confidently about their group. The women also got more confidence while their house members give respects and value her the most when she brings loan for the household needs. She also feels proud that she could contribute to the household income. One of the women in Angamma Chatram village in AP expressed her proud moment: *"I bought a motor cycle for my husband from my dairy business income and enjoyed going with him proudly in that vehicle. He appreciated me for getting this for him and encouraged me to concentrate in my business which he will support me in any way that is needed. This encouragement boosted my confidence more to expand my business by taking more loans from the group."* In Kodiakarai village, the leader said, *"my husband support me a lot at household work when I am in the meetings and encourage me to spend time for the group".* In fact, he has provided the study team a nice tea after our discussion with the group members that showed what she means. The family member's encouragements have helped the women's confidence level to participate effectively in the group and outside when they travel.

The awareness level of women about the financial products offered by the NGO is high in Tamil Nadu, because of the level of education and exposure of the clientele groups. Women know how much interest they are paying and other charges to the MFI, and also they aware about the arrangements of the insurance products. The group members of Magara Jyothi in Kodiakarai village in Vedarniyam district, TN is one of the examples of how women

The members of Magara Jyothi Sangha in Kodiakarai village in Vedarnyam district, TN sharing their knowledge on the loan products offered by the NGO, BWDC

understand the loan products offered by the NGO-MFI. The women explain that they took a loan of Rs. 1 lakh of which they got Rs.90,000 for their group which they provided loan to 5 members. When asked why they got Rs.10,000/- less, they said, that is the policy of the MFI about which they can't do anything because they need the loan. Asked further why they are not given that amount, the women said, "*It is for security reasons that they have retained that amount, which they will adjust to our loan repayment on the last instalment*". When asked about the interest rate, they said that it was 6%. When told that they will not be given any benefits, they said, "*Yes it has some benefit but very little from what we pay to them. We are paying 18% to them and they give 6 and they will get 12 from us for the money which was not used by us. They are gaining from our payment and also taking this Rs.10,000 and add it to the money got from the other 9 groups and give loan of Rs. 1 lakh to other groups like they gave to us, and get 18%. Now you calculate how much they get and what they are giving to us. We all know all these background details but we agreed to take this loan because it is still worth for us, as our members take loan for higher interest (5%/month) of loan from money lenders".* When we asked how you know all these calculation, they said "*the staff told us that they need it for security reasons and we also visited their office when we went to collect the loan, and understood how their system works*". They appreciated that the NGO did not hide anything from them unlike other agencies. This helped them to have good knowledge about the product that offered by them. The MFI was very transparent and also educated the members about what the loan product is about.

Increase of self confidence, development of leadership skills and able to motivate others

Boina Poleru is a 45 year old woman living in Vetapalem village (Vetapalem mandal, Prakasam district, Andhra Pradesh). She was a native of Bapatla town (about 90 kms away) and shifted to Vetapalem village when she was fifteen years old, after her marriage with Subramanyam. They worked together in cultivating leased lands; grew vegetables and sold them for a living.

However, a few years later her husband started having an extra marital affair with another woman and started to live with the other woman. He stopped taking any responsibility for the house and even began to harass Poleru. She informed that the domestic violence went to such an extent that he used to come home drunk and even used to drag her out of the house and beat her up on the streets. Moreover, he stopped contributing any finances at home and even took whatever little savings that they had at home for his vices. Unable to bear the harassment and humiliation any longer, Poleru asked her husband to formally divorce her, to which he reluctantly accepted and left her alone to fend for herself and her their three daughters, the eldest of them being 12 years old, the second one being 10 years old and the third one about 8 years old at the time of her divorce. However, as a divorce agreement he allowed her to stay in the small land (of two cents) that they owned, and gave a written unregistered note to this effect.

At this juncture, being illiterate, with no finances of her own and unable to cultivate land single handedly; she was totally distraught at her condition. Recalling her agony of those days, she said, "This was about 12 years ago. At that stage, I thought of committing suicide thinking that everything was over for me, I have only lived through just because I had three daughters to look after". Moreover, as she was left with no land vegetable cultivation could not be continued

and she shifted to seasonal fruit vending. Life for Poleru was very hard; she used to earn hardly enough to feed her three daughters and herself by selling seasonal fruits by head loads in a basket. She used to borrow from local money lenders at high interest rates, often above 60% pa, for both her business and consumption needs. Due to the high interest rates, there was hardly anything left at the end of the day. Such a life of penury carried on for about five to six years; and the big task of getting her daughters married in the future was a thought that haunted her every day.

It was at this stage, she joined the Ushodaya MACS promoted by ASSIST. Initially she availed a loan of Rs.5,000 with a repayment period of 10 months and at an interest rate of 24%, which she invested for buying fruits. She began working very hard to make her business successful; she informs that she usually starts her day at 4.00 am by going to the wholesale market to buy fruits and sells them in the local market from 6.00 am to about 9.45 pm every day. Based on seasonal availability, she sells all fruits such as apples, mangoes, grapes, banana, orange, etc. Due to her hard working nature and disciplined life, she was able to repay her installments without any defaults and since then has availed about four more loans at an interval of approximately one year. Her second loan was Rs.7,000, third loan was Rs.10,000, fourth loan was Rs.15,000 and fifth loan was Rs.15,000. She has used the loans for mostly working capital requirements and also for purchasing a cart.

She says, "Availing loans is not the only benefit that I got by being a member of the MACS, regular interaction with other women on a regular basis enabled me to develop my business acumen to such an extent now I sometimes go all the way to the wholesale market at Vijayawada, which is about 100 kms away, to purchase fruits". Even though she is illiterate and her literary skills are limited to only being able to sign her name; she has however developed skills in financial calculations due to regular group meetings. With her developed business acumen and financial discipline, she totally overcame her dependence on local money lenders. She proudly says that today she trades about eight baskets of fruit per day, which would be worth Rs.5000, leaving her with about Rs.200 to Rs.300 to save per day (after deducting all expenses) depending on market trends

Her slow but steady success in her business helped her manage to get all three of her daughters till 10th standard. Furthermore, in the last few years, she has also got her three daughters married. Being a single parent, this was her biggest worry over the years which she was able to overcome. She says with pride, "I have not only married my daughters to good sons-in-law, but also have given each of my daughters a marriage gift". The unassuming Poleru has not kept her success to herself, she has motivated about 33 women to join the MACS in the last few years. Now she is the group leader of her Self Help Group and also an executive committee member in the Ushodaya MACS.

The real test of leadership skills and self-confidence came to her about 2-3 years back; her former husband sold off the house in which she was living as she did not have a registered document proving her ownership. Being an NGO-MFI, ASSIST also has a strong social inclination towards its clients; so on hearing her plight, the organization supported her and based on this support, she approached the State Human Rights Commission in Hyderabad and also met some top politicians of the state to get justice to herself. She says with pride, "From a small village, I went all the way to Hyderabad and expressed myself to top officials and politicians of the state; all this could happen because I learnt to talk with strangers and to

groups only because of group meetings". Bowing to the pressure, Poleru's former husband backed out from selling the house and registered the house in her name. Now she is respected to such an extent that almost all the women in the whole neighbourhood take her advice on all important matters.

Since she stays alone, she now takes care of her granddaughter and plans to get her educated, which she feels she couldn't provide to her children. Asked about her future plans, she says, "Now I have a good relationship with several fruit vendors and understand the nuances of fruit selling to a very good extent, so I plan to have my own wholesale shop and get fruit by truck loads". Poleru has come a long way from being a depressed woman with the thought of suicide, to being a guide and role model to several other women to changes their lives.

Source: Progress Report: Jan- March 2010, CARE India, Chennai

A proud father says:
"My daughter has acquired skills to handle finance very efficiently through SHG and hence, now a days all the important matters at home and business are looked after by her. We take her word as final".

Father of Patibala Ganeshwari, member of Siva Parvathi Self Help Group Nadendla village, Prakasam district, Andhra Pradesh.
(Source: CARE India Progress report: Jan-March 2010)

At least 2-3 board of directors of the MACTS in AP and federation leaders of the mutual benefit trust in TN have full knowledge of their organisations, and shared their vision/ mission, their financial operations, profit and member's problems. By taking various training programmes organised by the SART team and the NGO-MFIs, women's knowledge has increased in running their organisation.

Decision Making at the Household level for both Economic and Social Life

After becoming members of group, some women got engaged in economic activities, and now play an important role in decision making at the household level. They have started taking more decisions related to businesses (taking loan for buying cattle, business expansion, and purchase of raw materials), purchase of gold, vehicle, cloths, children's education and household expenses. Men acknowledge that now more joint decisions are taken including those on big expenses of the household like purchase of cattle. Women have a say as they are now aware of monetary issues.

Increase of Mobility

In general women's mobility has increased after they joined the SHG. Many women said that they travelled out of their houses and villages for the first time after joining the group. They frequently travelled to the bank which is away from their village, to taluk and district towns for meetings of MACTS, federations and some have even travelled to nearby markets (Chennai, Nellur, etc) to buy raw materials or stock for their business activities, to sell their products and to get business orders.

Access and Control over Credit and Income

Women now, exercise control over the credit money that they take and the income that they earn. They now decide how the money should be utilized. Women generally keep and spend the loan amount taken from the group if it is taken for household consumption, their business activities or children's education. If the loan is taken for agriculture then they give it to the men to use it. There are quite a number of women who said that they took loan for setting up a business or expanding her husband's business, such as, buying an auto for running a share auto business, improving the rice selling business, fishing activity, etc.

Credit-confidence-co-investment: A reflection from the ground

Varalakshmi (50) is a four years old member of the Parvathi Sangha, in Basavaiah Palayam, located in Sri Kalakasthi. Her family of five, spouse and four daughters, was dependent on her husband's retailing in rice, which fetched them about Rs.5000 per month. She took a loan of Rs10000/- from the group, added Rs2000/- by pledging her gold ornament and with that purchased a cow for Rs12000/-. She sells milk locally and gets an average monthly income of Rs4000/-. She reinvests Rs2000/- from this income to meet the feeding and heath requirements of the cow, repays Rs700/- a month towards the loan, and thus generates a surplus every month. The surplus has helped her to redeem jewels, purchase new gold ornaments for her daughters and clothes for the children. She is proud that she took the decision of taking a loan for purchasing the cow on her won which has been adding income to the family. Now, she even decides on how she should use the income. The experience of handling money and the related decision making experience has helped her a lot in managing the household after the demise of her mother in law, who used to handle the entire finances and other decisions for the family. Now, the calf of the cow has also grown and is ready to yield milk, and Varalakshmi foresees additional income. With her increased confidence and sense of empowerment, she is looking for a bigger loan of Rs 50000/- to expand her spouse's rice business.

Ownership of Business and Assets

It was noticed that the businesses are owned by the women and men provide support to them in purchasing raw materials. Not many women have created bigger assets in her name. Only

one of the women interviewed has mentioned that two out of three acres of land was registered in her name, and that she had taken a loan through the group to buy them. However, informally women own gold, furniture, etc which are mostly purchased out of their business income and cattle which is purchased from the group loans.

The important asset women were proud of is their savings. Some of the women have savings of over Rs.5000/- and feel that they have created this asset and can buy gold for themselves or use it for any household emergency.

Involvement in Politics

There was not much evidence on participation of women in politics and panchayats after they joined the group. However, women in CAMEL and CJWS have participated in the election process of their MACTS for the director's post.

Impact at Household Level

The impacts at the household level have been presented through a few case studies which convey that the extended credit facilities through MFIs have considerably contributed to the welfare of the concerned households in terms of asset creation, asset redemption, creation of new businesses, supporting and expanding the existing activities, prudent investment in education and increased investment for household improvements.

Access to Cheaper Credit

After being part of the group, women and their family can now access cheaper credit compared to times when, in emergencies, they could only get credit at interest rates of more than 5% per month from money lenders. This has helped the poor families immensely. The below case study is an example of how the loans have helped the families to progress in life.

Small loan but significant progress

Malleswari's family in their new house, which she has constructed recently with the earnings from her business and her in laws support.

Malleswari, 26, is a member of the Lakshmi Saraswathi group in Gopalapuram village, Muthkur Mandal. She studied up to 5th class and was married to Mani when she was 14 years old. She has two daughters; one is studying in class 7 and another in class 3 class in government school. She lives in a joint family with her in- laws, too live in the same house. A few years ago, the entire family was engaged in salt forming in their own land, which was taken over by the authorities for construction of a new port. They were paid compensation. Now, her husband is a daily wager in the port and her father in- law works as an agricultural coolie. He also works in the port during off season as a casual labour.

During her frequent visits carrying food to her husband, Malleswari noticed that labourers walked a distance to have tea as there was no tea stall. She has also noticed that many trucks were moving in and out of the port to load and unload materials. The truck drivers too went out for tea and food. On seeing the situation, she thought of supplying tea from her house. So she purchased a flask and materials for tea-making with her own money. With this minuscule investment she started supplying tea to 40 customers and out of this activity she earned an income of about a hundred rupees a day.

In 2008, she joined the group promoted by CJWS and took a loan of Rs5000/- and used a part of the money to expand the tea business and the remaining for household consumption. With

the new loan amount, she purchased one more flask and added beedis, cigarettes, pan, sweets and cakes. With the addition of new products, she reached more customers, but with an additional daily expense of rupees 40-50/- towards auto hire to carry the materials to the site. The expanded business has had increased her income to Rs300-400/- day depending on the movement of trucks. She repaid the loan in fifteen months. Over a period of time, she has accumulated money from profits and with that purchased a gold ring worth rupees three thousand and anklets for her daughters, worth about three thousand rupees.

On seeing the regular and increased movement of trucks as a consequence of full-fledged activities in the port, she thought of taking another loan, slightly bigger to start an eatery on the main road to cater to the needs of the drivers and migrant labourers.

Malleswari is happy that the loan for expanding the tea business has led to increased income, not only to meet the household needs but also to generate small assets like jewels.

There are many more examples of how the group money has helped people to access cheap credit for their household and livelihood needs.

Increase of Household Income; Income Generating Activities

Though there are several sources for women to access credit for their livelihood needs, the credit accessed from the MFI service has contributed significantly to increase the income of the family. For example women invested their loan in dairying business gained profit of Rs.4500/- per month, got Rs.10,000 from fishing activity, Rs. 20,000 from paddy cultivation apart from keeping rice for their home and Rs.9-10,000 from passenger auto rickshaw business. The women feel that they are contributing 50% of money towards the household income.

Petty shop, an income generating activity started by a member of Kalesha group based on the loan taken from the Chaitanya Mahila MACTS, AP

Increased household income through multiple business activities

Patibala Ganeshwari is a woman of 35 years married to Patibala Purna Chandra Rao, who is 38 years old. Both of them have studied up to 10th standard. They have two children; one son who is 15 years and studying 9th standard and a daughter who is 10 years old and studying 5th standard. They live along with Ganeshwari's father and mother in a small rented house paying a rent of Rs.200 per month in Nadendla village (Nadendla Mandal, Prakasam district, Andhra Pradesh).

Ganeswari says, "We used to live in extremely poor conditions. My husband works as an agricultural laborer and earns about Rs.100 per day, so if all goes well her husband earns up to Rs.2000 to Rs.2500 per month. But, this is not guaranteed for all days in a year. Considering that only my husband's income was not enough, I used to do embroidery work as home and started earning about Rs.2,500 per month from this work. To earn this amount I used to work for long hours every day stretching late into the night; sitting in a dimly lit room and getting very few hours of sleep in a day. The amount earned thus was used to feed the whole family of six people and also used for educational needs of my children. However, due to the extremely stressful conditions in which I worked, my eye sight got affected and I was advised by doctors not to do this kind of work anymore. However, I continued to do this work at a much lesser scale even though I wanted to stop as I had no other option and also to keep the family moving. With reduced income, the family was struggling to make ends meet, and children's education was major worry".

At this stage, she was approached by the field officer of ASSIST who apprised her of the opportunities that existed by joining a Self Help Group. After giving thought to this, she joined the Siva Parvathi Self Help Group promoted by ASSIST in November 2005 and has taken a loan of Rs.10,000 at a declining interest rate of 24% pa with repayment tenure of ten months. With this loan, she bought a sewing machine and started doing small time tailoring works based on orders. Even though this was less straining on her eyes and health; the income earned from this was less barely enough to make ends meet and repay the loan without any default. Being a member of a self help group she attended all the meetings on a regular basis. These interactions have developed her confidence and she began to look for further opportunities to increase her income.

She observed that there are a few tobacco processing factories in the area which employ a large Number of people, and there was no Tiffin shop located in the area. Identifying this opportunity, Ganeshwari took another loan for Rs.10, 000 in February 2007 with the same terms and conditions and she used this amount for capital investment requirements like purchasing a gas stove and utensils and working capital requirements like taking a small make shift shop for rent and raw materials (food ingredients). Thus she started her Tiffin centre in a very small way. She started cooking at home making tiffin items and started selling in her shop, which is located just outside her house. She works very hard to run her business and her day starts at 4.00 am and end at 11.00 pm. She runs her tiffin centre from 6.00 am to 10.00 am and 1.00 pm to 8.00 pm. But, she feels that this business is less Stressful than her previous work as she would be able to sleep for a few hours during the afternoon as her father assists her in running her business.

Her tiffin centre has started to get popular with her tasty idlis and puris in the morning; wadas and bondas in the evening; and tea and coffee at all times. With this small tiffin centre she started to taste success and she was well disciplined to replay all loan installments on time. With her good repayment track record to back her, she availed anther loan of Rs.15,000 in April 2008 from ASSIST under the same terms and conditions. With this loan, she bought a wet grinder; due to which she was able to make batter for idlis and wadas at home. She has also included other small items in her small tiffin centre like toffees, sweet meats, etc to also attract school children to her shop. Now she earns about Rs.3500 to Rs.4500 per month from this tiffin centre after deducting all expenses including the rent of Rs.250 towards her shop.

In addition, Ganeshwari saves about Rs.30 per month through her group and recently has increased that to Rs.50 per month. This was she has accumulated about Rs.2500 in her account. Interestingly, she has even developed the habit of saving small change from her hotel and she gleefully displays these coins, which she estimated would be about Rs.1000, which she thinks would be useful in case of any emergency. Moreover, members of the household also hold her high esteem that no important decision at home is taken without her consent. Moreover, the family now use the gas stove for cooking and discontinued the use of firewood as a source for cooking, so this has resulted in a healthier atmosphere as people in the household are not subjected to smoke inhalation anymore.

Ganeshwari says, "In spite of all the hard work that I put in, I feel happy that I am able to send her children to a reputed school in the neighbouring town. In addition, we could also take up construction of a small house of our own in our ancestral land which is about 2 cents". When asked about her future plans, she says, "I plan to have my own shop and buy a refrigerator for our tiffin centre so that I could include cool drinks to increase our income". Ganeshwari has not put up any name board for her tiffin centre, but she proudly says "Because of my small business, now I have gained an identity of my own in the locality as my tiffin centre is popularly called as 'Ganeshwari tiffin kottu'

Source: Progress Report: Jan- March 2010, CARE India, Chennai

Increase in Consumptions

As the loans have helped the women to contribute towards household income, the consumption of food and health expenses has improved. They are also able to invest the loan directly or earning through the business on children's education mainly noticed in Tamil Nadu despite the significant government's support. Women who earn from business activities stated that there is no tension in the house about meeting household requirements such as food, children's education and medical expenses.

Ability to Address Economic Shocks and other Vulnerability

The main intention of the project is to support the poor families who are affected by the Tsunami and also prepare themselves from the future disaster like flood. The project have some impact towards people affected by the flood by ways of cheaper credit to the affected families compared to money lender's rate, and insurance coverage in the Tamil Nadu region for

crops, house damage, health problems and wage compensations. People felt that it helped to recover quickly from the flood. In CREED project region alone Rs.45 lakhs insurance settlement made to 1300 people affected by the NISA flood. People felt that it helped to rebuild their livelihood with this support but the insurance agency has withdrawn the flood coverage from its package due to loss incurred. However, still there are other schemes like mutual health insurance has coverage of wage compensation due to illness and admitted in the hospital which helps them to meet the basic needs at the time of unable to earn to meet the livelihood needs of the household.

Creation of Assets

Through group discussions and individual household interview the study team found that some people have created assets like milch cattle, gold, furniture, camera, machineries and home appliances like refrigerator, TV, etc. The following case study is an example of how she able to create assets that helped to provide regular income for the family:

A proud Subaratnamma a member from Parvathi Sangha in Basvaiya Palayam, Kalahasti, shows her assets created in the form of 8 grams gold chain

Credit for education and asset creation crystallizing regular income for family: Life story of a lady from a rural village

Mookayee (55), is a member of Annai Therasa SHG in Adari village. With her education stalled at the primary level, she got married early. Both she and her husband work as agricultural labourers. She has six children; one girl and five boys. She wanted to provide education to all her children.

She has been in the group for more than 10 years and has taken several loans (at least 10 times, cumulatively about Rs 2 lakhs) for educating the children, purchasing land and to repaying other loans. Every loan, she recalls, has helped her to progress in life. But the most important one was to pay the fees for second son's engineering education. This loan had come handy at a critical stage of his higher education, when she had exhausted all other sources of funds for his fees. She had struggled to repay the loans until her engineer son secured a job. She considered the loan as an investment for the family's future. Her hope turned right when

the educated son gave money, not only to settle the loans, but also contributed to his sibling's education, marriages and family assets.

After five years of this loan, she got a loan of Rs.1.2 lakhs with a subsidy of Rs.40, 000, as the group was part of the Government's programme. With this money she purchased 3 acres of dry land. She registered 2 acres of land in her name and one acre in her spouse's name. They went in for two cropping in a year, and cultivated millets, sesame, coriander and paddy, which yield regular income for the family. She has managed her money well and have three of her children married off with incomes from land and the money given by her engineer son from his earnings.

A few years later she went for two major loans (Rs1.2 lakhs and Rs1 lakh) from outside the group to send her third son to Dubai for a job and for supporting the first son's business. Unfortunately both turned out a burden as they were not successful. Yet she is able to survive because of the wise investment of the group loan in agricultural assets, and the intermittent loans from groups to tide over the financial crisis.

Community Governance in MFI

Communities (Clientele of MFI) have a role in the governance of MFIs with the representation in the Board of Directors by the virtue of the MACTS ACT, 1995 in Andhra Pradesh. The MACTS setup formalises the community ownership of the institution. The NGOs are non-owners but could play the role of CEO/Secretary and thereby exercise control over the transformed institution. The MACTS can access credit linkages with mainstream financial institutions, both public and private.

In Tamil Nadu, the partners have adopted Societies, Trusts, u/s 25 Company and or NBFC model for MFI. The models provide little control to the communities. In such a scenario, commitment to the MFI mission drives the board. The NBFC model thrives on Client-Service provider relationship. Even the community (Clientele) representation in the Board is optional. Nevertheless, partners like CREED are contemplating about providing community ownership in NBFC by allocating shares to ''Mutual Benefit Trusts", formed by the target community.

The existing opportunities for community governance have also been handicapped by the low-literacy and low-involvement of the members and show-case commitment of the promoting agencies. The fact that the loan size, terms and repayment schedules are determined by the senior level teams of the visited MFIs upholds the above observation

5.4. Challenges Faced

During the field level interactions the partners indicated the following as challenges to further growth. The same was echoed by the other partner MFIs during the consultative meeting organized at Chennai.

- **Delays in adapting to business model**: Many of the partners agreed that the inputs by the SART team have enabled the NGO board members to accept the creation of a separate entity for MF. Nevertheless it took a fair amount of time to change the mind-set of the entire organization, from the non-profit mode of operation to the profit making mode.
- **Hangover of Charity**: The hangover of charity and the continued dilemma of the NGO head towards the profit centric MFI plays a vital role in the shaping up of the MFIs in CJWS and CREED.
- **Ambitious targets**: Setting ambitious, time bound targets for outreach and portfolio was also mindboggling in the initial stage. They stressed that the retention and addition of poor clients, has compounded the task.
- **Fear of risks:** The fear of loan defaults by the clientele group also looms large in their minds of organizations like CJWS when they think of bank linkages, where they are personally held accountable.

- **Staffing:** Too much emphasis on the loyalty factor in choosing the number two has resulted in either over bearing or unassuming staffing and the consequent delays in organizational adaptation and transformation in a few organizations. The staff turnover is the other factor that has derailed the process, has been reported both at the field level and the middle level (number two) in a few partner organizations. Better employment and wages is the reason behind the staff turnover. The absence of personal growth within the organization is also the other factor for the staff turnover. The turning over of trained staff has been responsible for communication gap between the clients and the MFIs, slowing down of the transformation process and crisis in data management. The lack of systematic induction training and knowledge transfer mechanisms also affects the MF operations.

- **Difficulty in getting start-up capital**: Almost all the partner organizations have expressed difficulties in obtaining the start-up capital for the MFIs. The mainstream financial institutions do not want to be the first lenders for the new MFIs. Mobilisation of funds from private financial agencies/foundations is costlier than the nationalised banks, and partners have been sparingly approach them.

- **Insufficient cash flow:** The repayment of loans secured from mainstream financial agencies and the lack of SA-TMIF start-up capital has been affecting the cash flow to maintain the same level of credit to clients in three of the four organizations visited. The expansion spree of the partner MFIs with the promise of a loan to clients on the seventh month of their enrolment necessitates the additional funds to on lend. The efforts for further linkages are yet to be materialised for want of technical clearance by the bankers. The cash flow gaps have led to the withdrawal of membership in CAMEL and CREED. The CJWS MACTS is struggling to retain clients. One should also not underestimate the real motive for good repayment is the idea of getting another loan and in most cases bigger one. Hence the good repayment has a direct correlation with the funds available for future loans. The funds for next loans are already a taxing burden for almost all the partners. Again, the lendable funds are closely linked to the amounts of profits. Hence, the central issue is funds for further lending. As of now, all the partners are pursuing bankers to get additional funds and hope that it will come through. Any delay or negative response may become a stumbling block to achieve sustainability.

The following challenges have been observed and inferred by the evaluation team during the field visit as a result of interaction with the MFI clients, board members of MFI, staff team of partner organizations, and the CEO of the respective MFIs:

- **Designing new products and services**: Designing of new products and services assumes significance in a highly competitive sector like Microfinance. So far, the partner MFIs are successful with the traditional small savings, micro credit and new found micro insurance products. The launching of products like fixed and recurring savings has not clicked yet. The stiff competition by other financial players will eat in to the existing MF market of the partner MFIs unless they undertake research to capture both the current and the emerging financial and non-financial needs, wants and preferences of the customers and prospects. The designing of innovative financial products will not only help to retain the customers but also able to attract funds from mainstream agencies. The BWDC's ''Water and Sanitation'' loans are the best example to quote as it has helped 7000 low-income group families to build household toilets. Products and services are different in many ways. Unlike products/manufactured goods, services are intangible and cannot be stored, transported or resold. The services marketing function go beyond traditional marketing, requiring close co-operation between the frontline staff and those managers responsible for operations and human resources, in order to ensure unique services to retain customers. By introducing door delivery of ''credit'' to clients, the other MFIs in the partner areas have already put them in a tight spot.

- **Highly ambitious targets for outreach and portfolio**: CAMEL and BWDC has future vision for their MFIs. CAMEL would like to reach a portfolio of Rs.25 crores in ten years time (i.e. 2020, which is double folded to the present portfolio. BWDC aims for Rs.100 crores portfolio by 2015 and it is eight times of the current portfolio size. A look at the following table indicates that the SHG promotion is taking a beat with almost all the partners during the second half of the previous financial year, which affirms the challenge. The extremely competitive environment in Tamil Nadu and legally constraint and clouded MFI environment in Andhra Pradesh, the partners' targets for outreach and portfolio seems to be highly ambitious. The targeting is further handicapped by the tight funding for on-lending.

Table 24: SHG Formation Growth Rate in Percent

NGO	Oct2008-Mar2009	Oct2008-Mar2009
CAMEL	18	1
CAMP	-25	-5
CCFID	3	-4
CDE	0	2
CREED	27	6
SMVP	16	-2
CJWS	7	3
IWB	7	0

BWDC	4	-3
CFH	6	4
PPSS	3	0
ASSIST	1	0
Overall	**67**	**2**

(Source: SART-CARE India, 2008b, 2009b, 2009c, 2009d, 2010)

- **Retention and reaching out to poor**: The concept of financial inclusion encourages MFIs to include the neo- poor (not poor, but low income groups) to expand their client base. Partner MFIs are not averse to this concept. In the absence of a well-defined bench marking for poor, they have already started recruiting clients from the not so absolute poor category from the semi-urban areas. This adjustment helps them on two counts: The first is the outreach target and the second is the sound loan recovery rate, which is an essential parameter for MF- survival and sustainability. The ever increasing size of the loan (from Rs5000/- to Rs50,000/- except for housing)and the restrictive loan repayment schedule(50 weeks to 24 months as determined by the MFI) will be a constraining factor for very poor($1 a day income).

- **Deterioration of the SHG structure and gradual erosion of savings for the clients**: As of now, the government sponsored SHGs and partner MFIs function parallel in the target areas. The MFIs focuses on micro credit and micro insurance activities. However, in order to create a separate identity, particularly in Tamil Nadu, MFIs are promoting JLGs. In such a scenario, many of the members of SHGs are getting enrolled in MFIs as JLG members. In the upcoming JLG model, savings product is not insisted and as such clients loose the habit of savings. The gradual erosion of this critical habit will not only affect the savings at the individual level but also in the loan repayment as they will refrain from setting aside money for repayment.

- **Multiple borrowings by the clients**: It has been observed in the target areas that most of the clients resort to multiple borrowing and they use one loan to settle other. Partners do not have a mechanism to assess the overall indebtedness of the clients. Ignoring this critical issue will amount to abandoning of responsibility (Prudent lending) and it may lead to MFI-Governance problems. The clients' mounting overall outstanding dues will be a death blow for the MFIs if they recourse to en-mass default on their own or with the support of a legislation.

- **Constraints in the partnership model of channeling funds for MFIs:** It is interesting to note that almost all the partners did not want to continue the linkages with HDFC under the partnership model in spite of the fact that for many of them, it was the first major credit linkage programme. The reluctance was for three reasons: first, the high volume of paper work which consumes more labour; second, the increasing interest on loans (now20%) and third, the client shift (from NGOs to HDFC, as HDFC is opening their own branches in NGOs operational areas once the customer base is stabilized) which will hinder the partner promoted MFIs.

- **Constraints in Insurance Coverage:** The insurance agencies showed little interest in products leading to recurring compensation for disaster oriented losses is affecting the renewals of premium and loss of confidence about the service.

- **Limitation to achieve women's empowerment**: The MFI structure that opted for NBFC or Section 25 Company act has no scope for much empowerment of women other than certain level of economic empowerment through having control over their income generated from their business activity. However, there is scope for women's empowerment through the SHG and MACTs structure but the pure MFI approach with commercial financial actions it provides little space for women's empowerment, particularly social and political empowerment. The staff or the board of directors are forced to relate to the women members of MACT or SHGs only related to loan disbursement and recovery. There is no additional capacity building of the members in other social and political aspects of their livelihood.

- **Constraint in measuring the impact of the poverty targeting and women's empowerment**: As there is no adequate baseline data indicators established and monitored for the poverty targeting of the clients and women's empowerment through the regular monitoring system by the MFI, it has been difficult to arrive at how much the project has covered the poor families and achieved in terms of empowerment of women.

The study team has shared these concerns with the partners so that they can take corrective measures.

6 Good Practices from the Project

CARE SART has contributed several lessons and good practices for NGOs on provision of financial services especially for disaster prone areas. Some of the key practices are highlighted below:

- **Selection of SART partners by PACT tool**: Deriving from the experience and lessons of its CASHE programme, CARE has developed and applied a wetting tool to select the partner organizations for the SART project. The PACT (Partners' Capacity Assessment Tool) is a score based tool dealing with eight key parameters relating to the MFI; like Governance, Management, Human Resources, Financial Management, Microfinance Services, MF Programme Performance, External Linkages and Disaster Risk Management. It is not only the tool but also the manner in which it was applied makes it to consider a good practice.

The scores of PACT was categorized in to three segments: Low score, moderate and High scores based on the assessment of the proposed partner NGOs existing capacities and gaps. The organizations with moderate scores are selected for the SART collaboration keeping mind the narrow time line and scant resources for the completion of the project. The other reason was the moderate score suggests that the organization has considerable experience in MF, prospects for scaling up but lacks in professionalism to go further. By this good decision, SART has not wasted time and resources in grooming the organizations from the scratch on the one hand, and invested the precious resources to build the matured and opportunity abound organizations on the other.

The methodology of conducting the PACT assessment was participatory in nature where the SART team involved the MFI staff in the assessment and also reflecting the assessment by feedback process. Such processes enabled the staff to internalize the areas of strength and weakness to improve by themselves. It is more of a learning oriented assessment for the team to acquire internal strength to analyze about their organization.

- **Flexibility for partners to choose appropriate model of MFI**: SART has provided professional inputs and sectoral insights to the partners both to strengthen the existing MF structures and to choose appropriate new structures to suit to local needs has helped the partners in MF institutional building. Those who had MACTS model in Andhra Pradesh have continued to operate but with a professional approach, and where as in Tamil Nadu, partners whose MF operations were structured as Societies, Trusts, u/s 25 Companies continued in the similar mode but with more professional approach. The organizations that were functioning with informal set up like SHG federations have been encouraged to opt for appropriate institutional structure. Accordingly CREED and BWDC has opted for NBFCs. The fact that SART has not insisted a particular model suggests their democratic and local specific approach of project management. Equally the local freedom has instilled the much required motivation and freedom for the partners to decide appropriate legal structure for MFIs. SART has provided further capacity and institutional inputs according to the partners' model and in concurrence with the pace of the progress.

  - SART followed participatory and learning oriented process
  - SART allowed partners to choose the appropriate MFI model
  - Share capital by community (CAMEL, CJWS)
  - 10% as loan security that supporting fund flow of the org (BWDC)
  - Partners attempted own links for training(CAMEL and CJWS with RASS)
  - Frontline MFI staff from among the members(CJWS)
  - Package of insurance with credit
  - Inclusion of board members and infusion of capital from community (CREED) in NBFC.

- **Mobilization of share capital from the community**: MACTS has a legal provision for mobilizing share capital and thrift from its members and as such share capital is mobilized during the enrolment of members. No such legal requirement is there for other forms of MFIs. Yet partner organizations like CREED have attempted mobilization of share capital (Rs102 lakhs from 18500 members) from members to

ensure community ownership, but through an intermediary structure of Mutual Benefit Trust (federation of SHGs), which will be the legal shareholders of the NBFC.

Table 25: Mobilization of Share Capital

NGO	Share Capital Collection in %
CAMEL	96.00
CAMP	60.00
CCFID	0.00
CDE	50.14
CREED	52.00
SMVP	80.57
CJWS	72.29
IWB	0.00
BWDC	17.86
CFH	53.00
PPSS	49.43
ASSIST	101.00
Overall	63.23

(Source: SART-CARE India, 2010)

Good mobilizations of local share capital provide the NGO/MFIs with increased capacities to leverage external funds.

- **Practices in the MFI Board**: A practice of members retiring by rotation is adopted in the MACTS board, which is good to ensure even control within the organization. The newly recruited board members learn from experienced colleagues are also a good practice. Inducting MF/banking professionals in to the Board for want of guidance and expert service is also good. Though it needs to be more systematized in the form of training of trainers in transferring the knowledge from the experienced board members to the new members.

- **Insistence of loan security deposit**: Though the very foundation of MFIs, particularly for those founded on the roots of SHGs, is against the principle of tangible securities, organizations like BWDC opts for it in view of the financial sustainability and the enrolment of unfamiliar clients resulting out of massive expansion. They resort to a security deposit of 10% of the loan amounts, which will be refunded on the settlement of loans to the member concerned. This is considered as a good practice as it increases the temporary cash flow for on lending and from people's point of view it enable them to be a disciplined in credit access.

- **Own capacity building initiatives**: Partner organizations have comprehended the MF capacity building at three levels: senior staff and board members of the MFIs, middle level staff members and thirdly the field level staff. Since the SART capacity building initiatives are focused on the senior staff and board members of the MFIs, partners have attempted to equip the secondary level and field team on their own.

They have sponsored the team members to training programmes organized by professional bodies and conducted in house training for the field level staff. In exceptional cases, they have deputed the senior staff to Certificate courses in MF. For instance, senior staff members from Camel Mahila MACTS and Chaitanya Mahila MACTS have undergone MF-specific training conducted by RASS is an example for this good practice.

- **Recruiting frontline staff from the community**: Almost all the frontline staff members (below branch managers) of partner MFIs are from local areas and it is helping the organizations in terms of proximity, client enrolment, client assessment, loan follow-up and loan recoveries. Local recruitment also increases the confidence on the MFIs. The local recruitment is a good practice wherever the SHG structure is weak or where only the JLG structure is operating to ensure community contact and rapport.

- **Establishment of All women MFI branches**: Microfinance operations are seen as a process of empowerment of women, especially with the SHG approach. With the emergence of more individual oriented microfinance services, avenues need to be built for the women's' participation in the new found MFIs. Establishing all-women branches is one such attempt in this direction. Chaitanya Mahila MACTS leads on this count as all of their branches are run by women staff members.

- **Packaging insurance product with credit:** The negative perception (benefits only after an unfortunate event) about the benefits of insurance products restricts its outreach among poor and it poses greater trial to the partner MFIs, in spite of the push given by CARE in mustering institutional support from some of the leading insurance agencies to design and provide simple and attractive products. After promoting stand-alone insurance products with less success, partner NGOs found it easy to introduce insurance services along with loan products. They are recommending policies with small premium (less than a rupee a day) and meant for a year as a strategy to inculcate the habit of insurance coverage.

- **Extensive Audit notes:** In CAMEL the auditor notes is exhaustive to include commentary on the MF performance. The information is useful to the board of directors and for external agencies like bankers and evaluation team.

- **Provision for loan losses:** The adherence to one of the Financial Self-Sustainability principles of providing for loan losses is the positive factor to counter the threat of loan arrears.

These positive changes described above related to institutional strengthening and provision of community oriented MFIs. These were possible because of constant high quality professional inputs from the staff of CARE SART project and constant supervision and direction with the partners. The openness and flexibility provided by the CARE project and SART team has both contributed immensely to achieve the significant and positive results in the project.

7 Conclusions

The study concludes the overall contribution of the SART initiative towards CARE's overall goal, achievements towards gender sensitiveness and women's empowerment, and achievements of the technical inputs to partner MFIs by the SART team.

It may be one of the very few Tsunami Projects, where processes (to build institutional Capacities of the Partner NGOs/MFIs) and targets (Outreach, Portfolio) are simultaneously pursued with vigour to reach the Project Goal.

It is proved by SART project that a small grant, for a short duration could make a huge difference in Institutional Strengthening and Service delivery, when there is clarity and commitment to project mission duly followed up by strategic and meticulous non-financial technical support by the donor agencies.

The opinion of Partners that the Non-financial technical services are unique as only a few donor agencies support building up of organizational capacities is quite valid.

7.1. Contribution of SART initiatives to CARE's Overall Goal

Based on the field observation and interaction with community members, the SART initiative has contributed to improve the poverty conditions of the families. Families have acknowledged that the loans obtained through the MF organistions have helped them to meet their regular household needs, improve their shelter, create assets like cattle and land that assures sustained income for the households. Women participated in the MF programme expressed that they are increasingly confident to take household and business decisions. The SART initiatives have contributed significantly to improve the economic condition of the families and some extent towards women's empowerment.

7.2. Gender Sensitiveness and Women Empowerment

The SART project design has seen gender equality and vulnerability reduction as cross cutting issues in MF operations and as such no specific focus was assigned to them. However, efforts have been encouraged at the partner NGOs level to incorporate gender sensitive components in the human resource policies of the partners, particularly in recruitment, equal opportunity in promotions, privileges and workplace safety. Many of the partners MFIs have gradually started implementing them.

7.3. Assessment of Technical Inputs

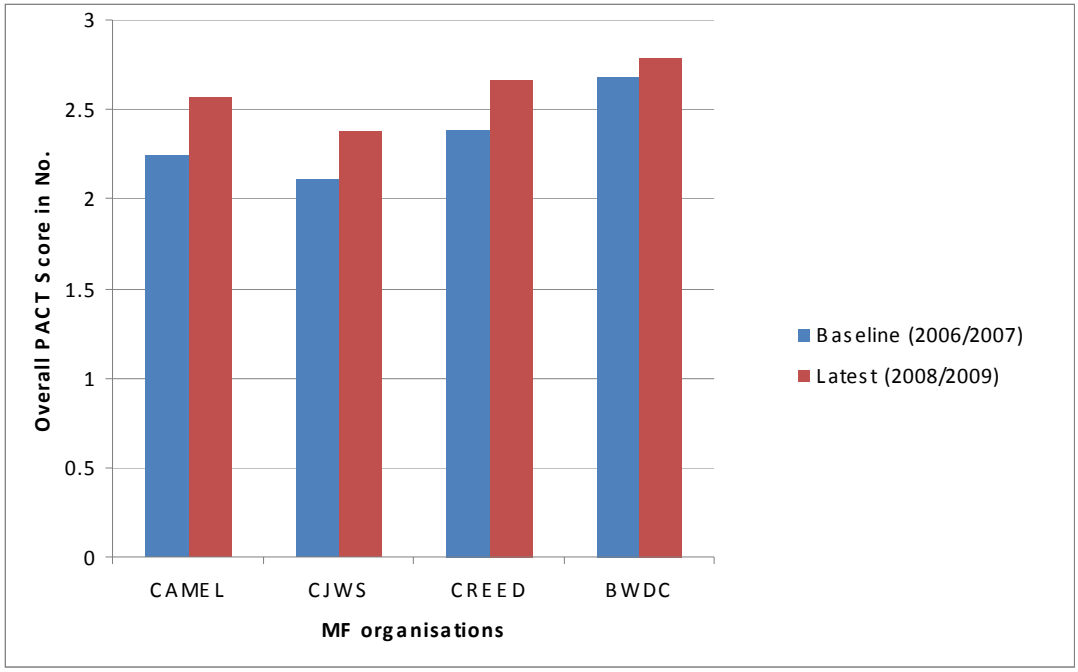
SART's training initiatives are directed towards building the institutional capacities for the MFIs promoted by the partner NGOs. They did not insist on a particular model of MFI. Rather they have enabled the partners to choose the model that suits the local conditions. This freedom has necessitated the customized technical inputs from the SART team, so that each partner could build the appropriate staff team and systems. The internalization process among the partners is varied depending on the quality and tenure of the staff members. The SART inputs have certainly equipped the CEOs of NGOs /MFIs to think ahead, set vision for the MFI and to work for the linkages. Likewise the training to the second line staff on MIS has been helpful to put the monitoring systems on track. The training for board members (largely community members) has been able to penetrate their mind about the need for MFI as a separate entity. The class room and on the site training have been supplemented with

the training materials drawn from MF global experiences so that partners could exposed to various best practices in the sector. Initially the partners were treating the SART project as a normal NGO project. With the SART team's inputs and persistence, the partner NGOs have been "transformed". The umbilical cord has been cut from the mother NGO, giving birth to a separate MFI with "profit-orientation" within the available legal framework. The partners have chosen an institutional set up, which is appropriate to the local, like Mutual Benefit Trust, MACTS or NBFC. Depending on the chosen legal entity, the promoting NGOs has the corresponding responsibilities to establish and settle "Ownership" issues, such as shareholding, capitalising, legitimacy of operations, stakes, roles and responsibilities of the newfound office bearers and other legal compliances for which the handholding by SART staff conceived.

- Technical incubation services have resulted in the creation of distinct MFIs with the partners
- Clear targets for outreach and portfolio
- Operational plans to secure and manage funds
- Provision of defined savings, increased volume of credit and insurance products
- Emergence and application of monitoring systems and tools
- A clear shift towards profit orientation
- Partners' confidence to carry on and scaling up of MFIs
- External Rating for MFI
- Preparedness for external rating

- The activities relating to institutional assessment (by PACT Tool), and the consequent technical incubation has resulted in the creation of distinct, and professionally oriented MFIs in the partner organizations. Figure 8 supplements this conclusion.

Figure 8: Comparison of PACT Score Results (Baseline to 2009)



(Source: SART-CARE India, 2008a, 2009a)

- The subsequent Business Development plan exercises with the emerging MFIs have contributed towards a clear cut vision for the MFI in terms of outreach, portfolio, and operational plans to secure and manage funds.

- Operations manuals that were developed as a result of the SART initiatives, relating to MF services, Human Resources and Financial Management became handy to partners to initiate streamlining process in the MF operations. However, the internalisation and implementation of the same differ partner to partner. For instance, partners like CAMEL and BWDC are relatively better, for the CEOs are pro-active and knowledge hunters. CJWS and CREED are lagging behind in its implementation. The lack of availability of these manuals in vernacular (now in process) further limits its comprehension and usage by a wider section of staff, especially by the penultimate front line staff. In such a scenario, the operational manuals would become superfluous over a period of time.

- The capacity building training programmes for the CEOs and board members of the MFIs, despite their higher level orientation considering the low level of literacy of board members, especially in MACTS, have been instrumental in sowing seeds for the transformation process.

- The middle level staffing is the vital link in an organization to carry on the CEO's/MFI vision and imbibe it to the next level. The quality of the middle level team which is critical for the implementation of MF services remains weak and trouble spot. The turnover is also very high among them. As of now, the training for intermediary staff has enabled them to internalise and implement MIS. However, due to the lack of mechanism for knowledge transfer to the new recruits, all the accumulated knowledge drains away with the resignation of the concerned staff.

- Partners have got inputs relating to the development of new ideas for designing savings and credit products, which has amplified the thinking in a few MFIs to launch optional and special savings products and aggressive insurance promotion. The absence of the systematic research to document and analyse the existing savings patterns by each client segment undermines fresh options. The low incentives offered for the additional savings is also contributing to the slow start up.

- The handholding support extended by SART by assigning a mentor for each partner has been beneficial to the partners in terms of quality time to firm up the training inputs and translate in to applied knowledge, particularly in MIS. Yet, the change of mentor has debilitated the transformation process in organizations like CREED.

- Strengthening of existing monitoring mechanisms and introduction of financial monitoring systems in partner MFIs, has led to the improved financial performance, particularly in loan recovery, and thereby a better credit history to access bank linkages in almost all the partner organizations. Mobilisation of funds from mainstream and private financial agencies for on lending has been the mainstay of the partner MFIs after SART initiatives, and it is evidenced by the inflow of Rs31, 11, 37,795 in the four sampled MFIs. These funds have certainly increased the accessibility of credit for more number of clients. However, the desertion of the clientele base towards other MFIs and traditional money lenders in the study areas in search of credit suggest that partner's inability to mobilise sufficient funds to meet the growing credit demands of the clients. The second opinion of some of the partners like CJWS in accessing larger bank loans due to the misapprehension of the loan recovery coupled with rigidity of the bankers (CREED) restricts the bank linkages.

- The technical inputs relating to financial management has helped ten MFIs to understand the concept and the importance of active clients, eight MFIs about the operating cost ratio, and three MFIs about the financial self-sufficiency. The inputs have helped them to generate and maintain data relating to the above critical performance parameters. However, these critical factors are still beyond the reach of field officers and the board members from the community.

- The successful implementation of the refined systems and procedures in MFI operations has helped partner organizations to go in for professional rating. To cite an instance, BWDC's external credit rating by SEMRA and the preparation for such ratings in CAMEL and CJWS. The improved organizational and management systems in CAMEL has elevated them as the 50th ranked among the 100 best MFIs, by MIX MARKET is another evidence for the effectiveness of SART project.

All of these activities together made the MFIs operational and strive for financial sustainability. Thus the objective of improving the technical capacity and the financial sustainability of the MFIs are nearing accomplishment. It is evident by the fact that one fourth of the twelve old partners' financial performance, especially with the achievement of breaking even. The indicators relating to case load, loan portfolio per loan officer and the good on time recovery rates in the above organizations affirm the above observation.

The provision of initial loan support (SA-TMIF Loans) to four organizations, of which two are object of the study, on a pilot basis has enabled them to commence lending process immediately. With this critical support, they are able to demonstrate to the community their commitment to extend credit services on the one hand and to establish the much required monitoring and tracking systems for fund and credit management on the other hand. SART was keen to have 90% recovery of the SA-TMIF loan. They were able to achieve 100% recovery without any difficulty. Nevertheless the withdrawal of the funds within a short duration has affected the fund flow of the respective MFIs.

The creation and firming up of the capital base for the MFIs with the community's share capital has been hastened after the SART initiatives in ten MFIs. The mobilisation of share capital has been good (100%) in three MFIs, moderate (Above 50%) in 4 MFIs and low in three MFIs. It is yet to be taken up in the remaining five MFIs due to legal limitations of the chosen MFI structure is a matter of concern with reference to the stake holding of the clientele group.

The inputs and the subsequent follow-up services provided by SART team have enabled the partner MFIs to introduce and renew insurance products for the targeted clients as a vulnerability protective mechanism. The introduction of Micro insurance component packed with credit provision has been well received by the community. The fact that the number of clients availing the insurance coverage has surpassed the credit services as of March, 2010 affirms the above conclusion. However, the figures will reveal a dismal picture if it take it into consideration of the total MF client base. CAMEL was awarded the Micro Insurance Award in 2007, by ING Vysya bank for having enrolled maximum number of clients in the target area is an encouraging factor and it reminds others to design appropriate strategy to enrol more clients. Nevertheless, the sudden withdrawal of flood related insurance products by insurance agencies thwart the consolidation of insurance services by partners.

The institutional capacity building for disaster preparedness has reflected in the implementation of preventive measures in MFIs with the insurance cover for assets, staff and cash on transit, data back-up arrangements and the installation of UPS in offices. On the client side insurance coverage for loan loss on account of accidental death, has been seen.

The partner organizations are located and serving in the coastal regions which are subjected to frequent floods gives a hope that it will lead to the accomplishment of overall goal in the coming years. As of now, given the limited time line of four and a half-years, the progress towards the accomplishment of the overall goal of the SART (Vulnerability to disaster has been reduced and income as well as economic security of Tsunami affected families has been recovered and or increased) has been shadowed by the meticulous focus on the realisation of the purpose i.e.; ''building up of a sustainable MFIs'. In the process the clientele base has been expanded to include other needy groups. The data and interactions with the Communities/clients revealed that the increased access to credit through the new MFIs has enabled them to settle high interest loans with other lenders, invest in agriculture and allied activities, children's education, and house repairs and to build/expand income earning activities.

8 Recommendations

The recommendations are presented based on the challenges and gaps in the present MFIs, and are based on discussions with partner MFIs as well as the evaluation teams assessments.

1. **Provide technical plus long term (5 years) revolving loan capital for MFI**.

Providing technical support to the MFIs helps in great deal to improve their systems and performances, and thus has scope to attract external credit. However, MFIs needs seed loan fund to meet the client's immediate needs as it takes more time for MFIs to access external credit. CARE needs to provide long term credit fund along with technical support to make the MFIs to achieve the goal of delivering effective financial services to the poor.

2. **Provide longer period of capacity building support to the MFIs in order to make them self-sustainable organization to deliver MF services.** Some of the supports need to provide further are:

- *Staff training support:* The level of the internalization of SART training is good at the CEO level and at the senior level staff members. Yet the turn over at the senior level undermines the process of internalization, leave alone the penetration to the branch level staff team. The internalization has to percolate even up to the level of field team. The partner organizations are struggling to provide and transfer the training inputs for want of qualified, efficient trainers and funds to organize training for the entire team. Almost all the partners insisted that the staff training opportunities have to be continued by SART for two more years, which is essential to consolidate the ground capacities of the MFIs, particularly in data analysis synthesis, inference and feeding to decision making. In depth training to design products and services is also a felt need of the partners.

- *Intensive hands on training for Board of Directors:* The level of knowledge, skills, experience and exposure needed to govern the MACTS and NBFC is phenomenally high. As of now, the CEOs of the MFIs have better knowledge about it with experts support. To prepare the board members hailing from the clientele community to that high level requires dedicated, persistent efforts by the CEO, including on the job training and exposure to similar setting. Alike, refresher training programmes for the continuing board of directors and induction training programme for the newly recruited board of directors have to be made compulsory. Barefoot legal education may also be necessary to enable the board members aware of role clarity and statutory responsibilities and thereby adhere to the related compliances. A simple practical training on fund management and financial analysis will add value to their roles.
- *Branch level autonomy*: The branch level autonomy has also to be maintained to ensure speedy loan processing and disbursement. The autonomy will also add to the decentralization of power and provide room for staff satisfaction. In the long run, the vibrant branches can fill the organizational affinity gap arising out of the disintegration of SHGs.

- *Making use of ICT in MF servicing*: Partner MFIs need to think ways to provide ''fast-track credit'' with the help of information communication technology (ICT), if they are keen to retain their clientele base in the given competitive scenario. They have to explore the possibilities of providing credit within twenty four hours by introducing on line loan processing and approval mechanisms

Due to the early close of the project some of these tasks could not be completed, and CARE would be well advised to consider how the project partner can access the necessary support needed at this stage of their development.

3. Set up a legal structure to facilitate provision of loan capital to MFIs

Through a legal structure CARE can facilitate to provide loan fund:

- *Provision or linkages for long term revolving fund for on lending*: Alike venture capital, the need for lendable funds are escalating as a direct outcome of scaling up operations. As of now, the bank linkages are inadequate to meet the growing demand. This inability, according to the partners is obstructing the outreach expansion, besides causing a dent in the existing clientele base and portfolio. Partners seek a revolving fund or a long term loan either from SART or through a linkage, to fill the gap which could be repaid after a period of moratorium.

- *Provision or linkage for venture capital for NBFC-MFI:* Partners feel that the linkage to obtain the venture capital shortfall (NBFC requires rupees two crores) have to be taken up by SART as part of their partnership responsibility. In case of difficulties, SART may have to explore the possibilities to provide the venture capital as a loan from their own sources.

- *Mobilize capitals from social investors to provide loan capital to MFIs:* CARE needs to create a website to mobilize capital from individual social investors who would like to give loans to rural poor. CARE can also partner with organizations like Rang-de to mobilize capitals from social investors to channel loan fund to MFIs (The process has already commenced at CARE level).

4. **Lobbying and sensitizing lead banks about SART initiatives and the funding needs of emerging MFIs:** Along with partner MFIs, CARE had meeting with Axis and SBI banks, and IFMR Capital to sensitize the institutions and encouraged to partner with MFIs through providing credit fund. Partners expect SART continue to play a lead role to highlight its initiatives to firm up the MF sector and the succeeding progress among the mainstream financial agencies. Partners opined that such efforts are crucial to motivate the lead bankers to understand the ensuing needs of the nascent MFIs, which often found the existing banking requirements like ''rupees two crore turn over'', ''personal security'' are beyond their means.

5. **Adequate attention to baseline in the programme design to measure the impact of poverty targeting, women's empowerment:** The baseline indicators related to gender sensitiveness, social performance and women's empowerment is not designed in the project design of SART project. Without this it has been difficult to derive the impact on these aspects. In the future programmes of CARE it is important to include the baseline indicators as well as establishing a good monitoring system to track the impact as part of the regular monitoring processes of the project.

6. **Focus to promoting Community Based Microfinance Institutions**: Though NGO-MFI institutions have proved that they were able to provide effective financial services to the poor families to come out from vulnerable and disaster situations, it had certain limitations in empowering the local community to attain stronger and more sustainable benefits to the poor. As noticed from the SART project, the people led MFI has more

scope for women's empowerment. Not only a people led approach but it should also encourage people's regular savings, thus enabling them to have control over it.

In conclusion, the SART project has contributed to institutional strengthening as well as in terms of lessons which other development organization can replicate. It has been community oriented, and has supported the NGOs to move towards MF models that can lead to financial sustainability, along with keeping the cost affordable for the client. The early conclusion of the project has put the partners at the risk of losing the advantage we have already gained, as external funds mobilizations and some aspects of institutional strengthening could not be completed when the project ended in September 2010. During the currency of the project the partnership with CARE SART had helped all its partners to increase their capacities to offer community oriented financial services that reduce vulnerabilities in disaster prone areas. This is a significant achievement at a time when MF organizations have been found wanting in their community orientation, and are being criticized for increasing the vulnerability of the poor through increased indebtedness and high cost of lending.

Sampark, Bangalore
December 30, 2010

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Annexure 1:
Interview Schedules/ Checklist Followed for Data Collection

I. Interview with CEO

Approx. Time: 2 hours

1. Background of the NGO and MF Programme

- Year of inception, legal entity, vision, mission, activities, partners, major accomplishments
- Has the organisation made special efforts or paid special attention toward MF services to its target groups? What is the motive/inspiration to initiating MF?
- What are the steps taken to move towards that activity?
- What is the vision/mission/goal of the MF programme? Who are the target groups? How many of them are poor and very poor in that group?
- Which are the geographical areas covered for MF programme?
- What is the model and strategy followed in MF? Why has the organisation opted for this structure?

2. SART Intervention

- When did the organisation collaborate with the SART project?
- What are the supports provided by the SART project?
- What are the technical supports provided to the programme staff by the SART team, and what is the outcomes of these inputs?

	Technical training	Inputs received	Knowledge gained	Knowledge applied	Results for the applied knowledge	Difficulties faced in application of knowledge, reasons for non-application
1	Governance					
2	Management					
3						
4						
5						

- What are the financial or linkage support provided?

3. Effectiveness of SART at Institution level

3.1. Governance, Management

- What is organisational structure of the MF programme? Is there a separate entity for delivering this service? Is it registered under legal provisions? If so, under which Act?
- What are the good governance principles followed?
- Who are your board members, what is their background (education, experiences)?
- What are their roles? How often do they come to the office?

- What is the main contribution of the board members to the organisation over the years?
- How often board meetings are held? What are the key aspects discussed, and decisions made?
- Do the board members take any specific areas of work/ decision to follow up the action with the project team?

3.2. Systems and Policies (Accounting, MIS, Finance Management)

- What are the accounting, finance and MIS systems in the organisation?
- What are the policies the organisation follows? Are these in written form?
- What are the difficulties in following these policies?

3.3. Planning and Program monitoring

- Is the MF programme engaged in making any plan or do you made any business development plan?
- What are the planning components? For how many years the plan is prepared?
- How many days were spent in making this plan? What are the processes involved in making this plan? Who facilitate in making the plan? What are the learning aspects gained in involving in the processes?
- Who participates in these plans? Are there field staffs and board members of the community organisations participating in the planning? Do they bring any field level priorities into the discussions or are they made only based on assumptions?
- Is the duration reduced to prepare the plan? If yes, did that affect in making good plan or curtailed the learning?
- Do you see any value in making the BDP?
- How far has this plan helped to reach towards the organisation's vision, enabled to reach sustainability of the organisation?
- How well will this plan document be useful in bringing new funding to the organisation?
- Has the making a detailed plan helped to make a mind shift of looking at the MF as a business activity?
- What are the monitoring systems that are put in place?

- How often are review meetings held with the project team at the branch and at the head office level? What are the contents of review in each of the meetings? Whether the minutes of the meetings are recorded and followed up in the subsequent meetings?

3.4. Products and Services

- What are the financial products and services offered to the target groups? What are the different loan products offered? What are the savings and insurance products offered?
- What is the interest rate on different products?
- Are these products designed based on the consultation of people or what is the basis for offering these products?
- Are target groups happy about the products offered?
- What are the services offered to the target group members in accessing these products?

3.5. Performance of MF (portfolio, external linkages made)

- What is the total portfolio as on date?
- How are the loan amounts repaid by the clients? What is the repayment rate?
- What are the external linkages made for meeting the financial requirement of the clients and the organisation? Which are the agencies have extended financial support and how much from each of them?
- How easy or difficult is it to access finances from these organisations? What are the terms and conditions of these organisations?
- Is the organisation able to mobilise the required loan amount from the external agencies? If no, why?

3.6. Sustainability of the MF Programme

- Is the MF programme breaking even?
- What is level of organisational sustainability?

3.7. Gender and Vulnerability Sensitiveness

- What are strategies followed in addressing gender issues at the institutional and community level?
- How many female/male staffs are there in the organisation? What are the special policies existing and followed for female staff?

- How sensitive are the staffs when working with the women/ poor clients during the delivery of the products?

3.8 Disaster Preparedness and Management

- Has the organization prepared any disaster preparedness plan?
- If yes, what are the disaster situations taken into consideration?
- Is there any financial plan for addressing disaster situations? What are these plans?
- Are there any examples of addressing financial needs of disaster situations?

3.9 Institutional Transformation

- When did the organisation start thinking about MF role? Why?
- What kind of difficulties have you encountered in the transformation process?(from Charity to Profit Making)
- How long it will take to complete the process of transformation?
- What sort of support do you seek to aid this process?

4 SART impact

- What are insights gained from SART?
- Are there any demonstrable outputs by this SART project?
- What are the constraints faced in the SART project?
- Has the transformation process had any impact in the way the NGO is operating?
- How do you value this partnership with CARE?
- Suggestions/ opinions for future modification.

II. Focus Group Discussion with the Head office team (Operations Manager, MIS/Monitoring Officer and Finance Officer/Accountant)

Approx. Time: 4 hours

1. General

- Personal profile
- When did you join this organisation?
- How did you secure this appointment? (Open advertisement? referral? Personally approached?)
- Have you got appointment order?
- What for are you responsible?
- Has you appointment letter indicated this clearly?
- What was your previous experience to match this present job?
- Have you undergone any orientation training in this organisation?
- Who has given it? What was the outcome of such orientation?
- Who has helped you learn the current job?
- What is your salary? What are the other benefits?
- Is there any provision for salary increase? Or incentives?
- Is there any policy to deal with the salary, benefits, performance measurement, and disciplinary action?
- Are there any special policy/privileges to Women staff?
- From how long these policies exist? (Prior to your appointment? After your appointment? Or very recent?
- Who are all involved in designing these policies?
- Under what circumstances these policies will be reviewed or modified? When it will be done?
- Have you undergone any training after your appointment? What are they? Who has organised it? Is it relevant to your role?

- When your performance appraisal did take place? By whom?
- Whether it was oral? On based on a written check list?

2. Background of the NGO and MF Programme

- What do you know about the programmes of the NGO?
- What do you know about the MF Programme as a whole?

3. SART Intervention

- What is your knowledge and experience about the SART Programme?
- Do you aware of the various components of SART programme?
- From whom you have got the above information?
- Who is accompanying your SART project, from CARE? What do they do?
- What are the technical supports provided to the programme staff by the SART team, and what are the outcomes of these inputs?

4. Effectiveness of SART at Institution level

4.1 Governance, Management

- What is your working relationship with the board of directors of MACTS?
- Do you have any role in moulding the board of directors?
- Do you consult board of directors? For what?
- How often do you meet the board of directors? Where do you meet them? (In the Head Office; Branch Office? Or in the village?)
- Will you attend the board meeting of MFI? If yes, what will you do in the meeting? (sharing of information, taking notes of the discussions, provide solutions to problems)
- Whom do you report? (CEO of MFI? CEO of NGO?)
- What is the reporting mechanism? (Daily briefing? Written reporting?)
- How many people are working under you? What do they do?

- Do you recruit staff?

4.2 Systems and Policies (Accounting, MIS, Finance Management)

- Are you aware of any written organisational policy for MFI? (Like accounting policy? Finance policy? Human resource policy? Credit policy?)
- Are these policies are old? Or new?
- Who has helped you to design them?
- Whether any MIS system exits in the organisation?
- What are difficulties in following these policies/Systems? At what levels?

4.3Planning, Program Monitoring

- Is there any business development plan for MFI?
- Who are involved in the business development plan?
- What are processes involved in making this plan?
- What are the items covered in the business development plan?
- Could you please highlight its vision, mission… etc.?
- Do you see any usefulness for the BDP, in terms of planning and monitoring?
- How do you fix targets?
- What are major components of BDP that you used to monitor?
- What MIS formats do you use to measure the progress?
- How do you monitor the progress of the activities and outcomes described in the BDP?
- How often review meeting are held with the project team at branch and head office level? What are the contents of review in each of the meeting? Whether the meetings are recorded and followed up in the subsequent meetings?
- Do you monitor staff? Explain the process.

4.4Products and Services

- What are the financial products and services offered to the target groups? (Savings, loans, insurance)
- How do you design the new products?
- Are target groups happy about the products and services offered?
- By which mechanism, are you concluding that they are happy with your products and services?
- What you will monitor with regard to MF products and services? Why? And how often?

4.5 Performance of MF (portfolio, external linkages made)

- What is the total portfolio as on date? What is the trend?
- What is the current repayment rate? Is it increasing? Decreasing? Or maintained?
- Whether the funds mobilisation from external agencies is sufficient to meet the demands?
- What are the opportunities available to raise funds for on lending? (Banks, Federations, Deposits) additional finances from these organisations?

4.6 Sustainability of the MF programme and its organizations

- Whether the MF programme is breaking even?
- Whether all the branches are making profits?
- Why some branches are not able to generate profits?
- How long it will take to make profits in all the branches?

4.7 Gender and vulnerability sensitiveness

- How do you view gender sensitiveness in MF project?
- Do you have any Women specific products/services?
- What are the special policies exists and followed for female staff?
- How sensitive the staff in working with the women/ poor clients during the delivery of the products?

4.8 Disaster preparedness, management

- Whether the organization prepared any disaster preparedness plan?
- Whether any financial products / services to address disaster situation? What are these plans?
- Are there any examples of addressing financial needs of disaster situations?

4.9 Institutional Transformation

- What are the difficulties you are encountering during the Institutional Transformation process (from NGO to MFI)?
- How well are you prepared to motivate your team to cope up with the change?

5. Effectiveness of SART at Community Level

- What kind impact noticed at individual, household level changes based on the financial services offered to them?

6. SART impact

- What are the benefits of SART? (for the NGO, for the staff)
- What are the benefits of improved MIS and monitoring systems?
- What are the limitations/difficulties in implementing the changes?

III Group Discussion with Project Team Members (Branch Managers/ field officers)

Time: 3 Hours

1. **Personal profile**

- Name, Designation, Education, Experience in General , Experience in MF and Experience in MF programme in the Current Organisation

2. **SART Intervention**

- What do you know about the SART Project?
- How many of you have attended the SART training?
- What was the training? In what way it is useful to you?

3. **Branch Information**

- What is the structure of the Branch? How many Villages/ Federations/ SHGs are covered by each Branch?
- What are the roles and responsibilities of the Branch Manager?
- What are the roles and responsibilities of the Branch Accountant?
- What are the roles and responsibilities of the Field Officers?
- What are the operational manuals available in this branch?
- Who used to refer this manual? For what?
- Are the manuals available in vernacular?
- How many clients are assigned to each field officer?
- How many of them are active clients?
- What is the size of the portfolio for each field officer?
- What is the repayment rate of this branch?
- What is the amount of loans in arrears?
- What is the reason for arrears?
- What steps you take to recover loans and arrears?
- What is your loan collection methodology?

- What is your Branch Accounting System?
- Who maintains it?
- Who verifies the Branch Accounts? At what intervals?
- What kinds of records are kept in the Branch?
- How is the loan issued? (Cash/Cheque? From Branch/Head office?)
- Who monitors the Branch? How do they monitor?
- What are the criteria followed?
- What is your monitoring schedule?
- What MIS formats are you using?
- What kind of MF Products and Services are offered in your Branch?
- In what way these Products and Services are helpful to the borrowers?
- What are the challenges faced in the Branch? How did you overcome them?
- Are you providing any disaster related services?
- In your opinion what is the level of disaster preparedness among the community?
- What are the credit policies of your branch?
- What are the loan processing systems exist in your branch? (Loan application, endorsement, approval, issue etc.)
- How long it will take to get a loan?
- What is the interest for loans?
- What are the other charges?
- What is the level of participation of community in designing and implementing the system and procedure for MF services? (Who decides the purpose, size, repayment schedule, interest and penalties of loans?)
- Do you practice loan utilisation checking?
- What is your assessment about your Branch Performance? What criteria you look for?
- What kind of Gender specific policies and practices available in your Branch?

- How often do you have planning meeting? What are the things you discuss in the meeting? Whether you record these discussions? What follow-up work you used to take up?
- What are the good practices are adopted in your Branch?

IV Interview/ FGD with the Community Represented Board of Directors of MFI

Time: 3 hour

1. **Personal profile**
2. **About the MFI**

- What is the name of your MFI?
- Is it a Society? Trust? MACTS? NBFC?
- When was it started? By whom? Why?
- What are you in this MFI?
- How many members are there in the Board?
- Who has (s) elected you?
- Under what criteria they have selected you?
- What are your roles and responsibilities in the MFI?
- How did you know that these are your expected roles?
- Have you undergone any training to understand what a MFI is?
- Have you undergone any training to understand how you have to discharge your role as a board member?
- What are your legal obligations as a board member?
- How long you will continue in this position?
- Under what circumstances, the board members can be replaced?
- Who has more power- Board members? Secretary?
- How often the Board members used to meet? Where? Why?
- When was the recent meeting? What was discussed in that meeting? Has it been recorded?
- How many Board members used to attend the meeting?
- How many members are needed in a meeting to take a decision?
- Who writes the minutes?

- Did your MFI need to file any returns to the Government Authorities? To whom? When?
- What is your MFI's staff structure?
- How do you recruit staff? What do you expect from them?
- What is the working relationship of the Board with the staff?
- Whether there are any staff rules and policies for your MFI? What are they? Who has decided that?
- What is the role CEO and Operations Manager?
- What is the staff monitoring mechanisms follow?
- How many Branches are there in your MFI?
- How many members are there in your MFI?
- Who are all eligible to become members of your MFI?
- How many clients you want to reach? What are your strategies to reach this? Whom do you fall on to realise this?
- What are the total loans issued by your MFI?
- From where do you get money for this?
- Who manages this money in your MFI?
- So far, how many members/Groups got loans from your MFI?
- What is your MFI's credit policy? Who has designed it?
- What is your loan procedure?
- In how many days will you sanction a loan?
- How do you release money?
- Who is releasing money?
- What is the present size of the loan? (Per member/per group?)
- What is the rate of interest?
- Do you give a second loan, when the previous one is pending?
- In case of default of a loan, what you will do?

- What are the purposes for which you give loan?
- Do you verify loan utilisation by borrowers? What will you do in case of wrong utilisation?
- Who are all the signatories of the MFI Bank Account?
- What are the expenses incurred in the MFI? Who approves it?
- Do Board Members go to Banks? For What?
- Have you signed any loan documents on behalf of the MFI in the Bank? When? For What?
- Who maintain the Accounts of MFI?
- Whether the Accounts are audited?
- What does the Balance Sheet of the MFI convey?
- What are the things discussed in the Annual General Meeting of the MFI?
- Are you visiting any Groups? Why?
- Are your Groups are part of any Government Sponsored Groups?
- So far, what kind of benefits your members are getting from your MFI? And NGO?

3. SART Intervention

- Have you heard about SART? What is it?
- Has SART offered/conducted any training?
- How many of you attended the training offered by SART? What was it? Where it was conducted?
- What were the topics of the training? What did you learn? What is the new information you have got in the training?
- With whom you have shared the learning?
- What changes you have introduced in your MFI after the training? Why?
- Whether anybody from SART has visited their MFI? Who? For what?

- Whether the SART staff had any discussion with the Board members? What was the matter discussed?

V Focus Group Discussion with the members of SHG/JLG

Duration: 1-2 Hours

1. General

- Tell us about your village. Whether it is the main village? Or a sub-village? Or only a hamlet?
- Since how long you are living in the village? By Birth? Or by Marriage?
- How many of you have own lands? And how many of you have leased land?
- What kind of Livelihood/Occupation is available for you in the village? And in the neighbourhood?
- What is the wages? Is it daily? Weekly? Is it Cash or Kind?
- Is the employment is regular? Seasonal?
- What do you do in the off season?
- How many of you have NREGA card?
- How many days you get NREGA job?
- What is the mode of wages for NREGA? Cash? Bank Credit?
- How much you are getting for a day?
- Is there differential wage for Men and Women?
- Is there any Government Health Card system? How many of you got the Health Card?
- What are your major expenses?
- What will you do if you have a deficit in income?
- What kind of disasters strike in your area? How often? What are the effects of it?
- What kind of relief support you get from NGO? Government?

2. About SHG/JLG

- What is the Name of the Group?

- When was the SHG started? By whom?
- Why did you start this SHG?
- How many members are in your SHG?
- Is there any increase or decrease in members? Why?
- Who can become a member of the Group?
- How much do you save in the Group? Weekly? Monthly?
- Why do you save in the Group?
- Do you have any optional or special savings in your Group?
- How many Group meetings are conducted in a month? What is the purpose of these meetings?
- Do your Group have a Bank Account? Who are the signatories? How often they change?
- Do you take loans from Group?
- What type of loans do you take? Internal loan? Bank loan? Subsidy loan? MACTS loan?
- How many loans a member can take at a time?
- What is the Size of loan?
- Is the loan size uniform for all the members? Or differ according to the need?
- Who decides the loan Size? Repayment Schedule? Interest Rate?
- Suppose if you do not have money to give it to all members, what will you do?
- What are your Group rules for a loan?
- What is the rate of interest for loan?
- How do you dispose a loan? Cash? Cheque?
- What happens if a member could not repay the loan for certain reasons?
- From which sources your members repay loans? Own income? Spouse's income? Borrowing from other sources? Pledging jewels?
- Who writes and maintains Group records?
- Who taught you to write the books?

- Other than Savings and Credit what other activities are undertaken by your Group?
- Have any of you attended training programmes? What are they? Who has conducted them? For how many days?
- What is your Group's plan for disaster situations? Have you discussed these plans with your NGO? MFI?
- Did your group is rated? By NGO? Local Bank? Panchayat Officials?
- Is your SHG a member of any Federation?
- What is the name of the Federation?
- Since how long your Group has become of the Federation?
- What was the purpose of becoming member of the Federation?
- What are the conditions to become members of Federation? Age of the Group? Number of members in the Group? Total Savings of the Group? Rating of the Group? Entrance Fees?
- Who is attending the Panchayat Level/Block Level Federation meetings on your behalf?
- How often they attend meeting?
- What is the advantage of attending these meetings?
- Who is your NGO? What do they do for you?
- Do you attend Gram Sabha meeting? If yes, why? If not, what are the reasons?
- Have you become the member of MACTS? MFI?
- What were the conditions? Who has told you the conditions?
- When you are getting loans through your Group, why are you becoming members of Federation and MACTS/MFI?
- How many of you have benefitted by loans through Groups? MACTS/MFI? (Started new income generation activity, used money for rotating in the existing business/ agriculture/fishing, paid school/college fees, purchased assets like milch animal, redeemed assets etc.)
- How many new groups have you formed?
- For how long you want to continue the Group?
- Have you ever shared the interest income of the Group?

- What will be the maximum size of the loan are you comfortable with?