

ASSESSING THE IMPACT

*A Study of Annapurna's Microfinance
plus
Social Intervention*



Sujata Bhat

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With Contributions by
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- Sujata Bhat

Foreword

Micro Finance is a field which was once upon a time “Not Known” to many in the society, then it became more and more known, later at one point of time it became one of the most glamorous fields and today eventually most people look at it with suspicion.

I have been in the micro finance field for the last 20 years. After having worked in a nationalized bank for 12 years it was a conscious decision to enter into this field and take the financial services to the very poor women.

New acquaintances used to ask me in the nineties, “Oh, you are in Micro finance! Do the poor people ever repay?” Then they started asking me “Oh, you are into Micro finance! You must be making a lot of profit. How much interest do you charge? Can we invest with you?”

Recent acquaintances have started ignoring me when they understand that I am in Micro finance field. Some bold ones ask, “Oh, you are in Micro finance field! How much interest do you charge? Have you taken a money lending license?”

During last 20 years Annapurna had to borrow money from many banks and financial institutions for lending out to the members. I had to beg, borrow, steal (steal from husband’s pockets initially) to raise money to be able to give loans to our members. My experience in banking has helped me in writing proposals to banks, in convincing and negotiating with bankers for best rates and terms, yet I had to give personal guarantee to the bankers for small loans of a few lakhs.

In the nineties the bankers used to lend to a charitable trust, at least on taking personal guarantee of the Chief Functionary just for a loan of a few lakhs for Micro lending.

Then they started lending to only Section 25 – Not for profit companies or Non Banking Financial Companies (NBFCs) without any collateral security / personal guarantee. They used to lend in thousands of crores to some NBFCs and label these loans as

Priority Sector lending.

After the Andhra crisis in 2010, once again the bankers have started asking for personal guarantee of the Chief Functionary / Board members. They are very skeptical when it comes to lending to a Micro Finance Institution.

I am an active participant and witness of all these transitions. Thankfully our bankers - Indian Overseas Bank (IOB), Small Industries & Development Bank of India (SIDBI), and social financial institutions like Dia Vikas Capital Pvt. Ltd. have backed us. With the savings of our members, which we deploy for the micro finance activity, thankfully we are not borrowing too much.

Many of my old friends in this field are affected by this crisis and feel very much upset with the recent treatment received from banks and financial institutions and the society at large.

Many of them rightly feel that a few individuals took the whole MF field for a ride; they made money and vanished, while the Reserve Bank of India (RBI) remained a silent spectator to this and banks were riding the wild tiger of MF. The MF Bill which was to be discussed and passed in the Parliament at least 5 years ago is still waiting to be discussed.

Today the bankers are shutting their umbrella to the genuine micro finance institutions (MFIs) who are in this field for more than a decade or two. The poor women / men borrowers are again at the mercy of money lenders.

On the background of these happenings, we at Dada Puro Research and Training Institute took up this Impact study of Annapurna members two years ago. We wanted to tell everyone around us that everyone in this field is not working for own profit but for the betterment of this society.

We wanted to reassure ourselves and understand whether we are really helping our members fight poverty to move towards a better quality of life. We wanted to understand whether all the services of Annapurna Pariwar have created a positive impact on the members and their standard of living or not.

With these feelings we took this study up. Sujata and the students who have collected the data, analyzed it have really worked hard and deserve appreciation.

The Field teams of Annapurna who relentlessly work in the slums to help the members deserve a salute.

I feel this book can convey the right message of what impact an MFI can create on its members if it has other than commercial motives.

All those who have contributed to this book deserve thanks.

I feel happy to present this book to the readers on behalf of Dada Purao Research and Training Institute.

The MF service which was a need of the poor is still very much the need. In fact it is a matter of national priority that a proper law is passed for regulating this field, and a spread of micro finance in all the parts of urban as well as rural India is taken up by the policy makers, bankers, researchers and the society.

If India aspires to become a global power it cannot leave behind the poor who still form 30% of its population. Micro Finance is a tool which if used without commercial motives can really help the poor to fight poverty and move up in the society.

It will be our success if we arouse serious interest among the readers of this book in Micro Finance.

Dr. Medha Purao Samant

Chapter 1

Introduction

Brief History and Profile of Annapurna Pariwar

Annapurna Pariwar, today is a group of five organizations and has long track record of three decades in social development, women empowerment and microfinance activities.

Leaving aside a comfortable bank job of 12 years and the secure environs of her home, Dr. Medha Purao-Samant decided to devote her life to the uplift of the poor and downtrodden slum women. In 1993, she made up her mind to follow in the footsteps of her mother, Padmashree Prematai Purao who had founded the Annapurna Mahila Mandal way back in 1975 with the main objective of making available loans to the inn-workers. Her father Com. Dada Purao, a leader and founder member of the All India Bank Employees' Association (AIBEA) along with Prematai who was a freedom fighter from Goa and a women's rights activist worked relentlessly to establish a fruitful linkage between poor women and the nationalized banks. Their life and work had tremendous influence on young Medha who eventually took upon herself the task of liberating poor women from the vicious clutches of local money lenders.

With this inspiration, Medhatai as she is affectionately known, (in the local language Marathi, the title 'Tai' is used to address an elder sister) established Annapurna Mahila Mandal, a Trust in Pune and attempted to begin offering small micro loans to poor vegetable vendors. Her first group of nine women to whom she loaned Rs.9,000/- in the year 1993, repaid their dues on time and also generated some savings. These women were convinced that Medhatai had magical powers to save their money!

Medhatai however, soon realized that this organizational structure had certain intrinsic drawbacks. After having begun small micro credit operations under Annapurna Mahila

Mandal she felt that the structure should be such that it should be self-sustainable in order to ensure continuity. After a lot of reflection and study and experimenting with a Section 25 company model, she zeroed in on the Cooperative model and ultimately transferred the operations to the Cooperative Credit Society which was registered earlier by Padmashree Prematai in Mumbai in 1986.

Today, with her hard work and perseverance, Medhatai has been instrumental in building Annapurna Pariwar, which works in almost 650 slum pockets of Pune and Mumbai. Annapurna Pariwar's main objective is to empower the poor women and their families by providing a comprehensive solution to poverty – resulting in an all-round development in terms of finance, health and education.

Annapurna Pariwar, a non-profit NGO, besides being involved in the microfinance activity for the last 38 years, firmly believes that low-income households need more than just credit. It is, today a group of 5 sister organizations working for the uplift of the poor. In addition to microfinance, Annapurna renders savings, micro insurance, pension and other non-financial support services like day care centers for slum children and educational sponsorships to children of poor single mothers. A research center by name Dada Purao Research & Training Institute was formed for training and dissemination of information on micro finance and micro insurance. Annapurna also runs a Working Women's Hostel in Navi Mumbai which offers young working women a safe and homely stay at an affordable price in a metro city like Mumbai.

Financial Services of Annapurna Pariwar **Annapurna Mahila Multi State Cooperative Credit Society Ltd.**

The core organization in the Pariwar, the Annapurna Mahila Multi State Cooperative Credit Society Ltd. (AMCCSL) gives small repetitive loans to the entrepreneurial poor without any security or guarantee and yet it enjoys 100 % recovery rate. The microfinance activity which started from a humble beginning of 9 borrowers today caters to over 40,000 clients in 650 slum pockets of Pune and Mumbai. The percentage of women borrowers is 90% whereas there

are 10% men borrowers. Annapurna has brought in its fold, three fledgling NGOs who operate in the backward districts of Marathwada and has now reached out to almost 6,000 borrowers in Beed and Ichalkaranji.

The growth during the last 5 years of micro credit operations has been laid out here under:

Table 1 – Growth in Micro Finance Operations – Last 5 years

Table 1 – Growth in Micro Finance Operations – Last 5 years

Year	2009	2010	2011	2012	2013	2014
Total Branches	13	13	13	14	15	16
Total Groups	5,922	7,135	6,665	8,723	7,970	11,747
Total Clients	29,609	35,680	33,323	43,613	39,852	58,735
Total Loan Clients	15,800	20,100	23,000	30,300	32,422	45,081
Total	1.63	2.24	3.22	4.43	5.27	6.71
Loans Outstanding	733.89	1,076.49	1,418.30	2,212.63	2,897.20	4,026.72
USD	103	112	140	146	162	149
Rupees	4,645	5,356	6,167	7,302	8,936	8,932
Portfolio-At-Risk > 30 Days (%)	4	5	4	1	0	0
Total Savings	0.53	0.82	1.33	1.74	1.93	2.34
USD Millions	240.30	393.72	585.38	871.46	1,064.16	1,405.88
USD	18	23	39	39	47	40
Rupees	798	1,090	1,735	1,946	2,590	2,394
Operating Self-Sufficiency (OSS)	106%	107%	109%	112%	115%	110%
Clients per field Staff	470	595	476	545	613	653

Annapurna offers a comprehensive Micro loan plus Savings program to poor women and men. Loans are given for business purposes, education, asset creation, housing and a one-time loan usually the first loan is given for repayment of old debt. Loan sizes start from as small as Rs.10,000/- and go up to Rs.50,000/- under micro finance facility. Entrepreneurs who wish to expand their businesses are given loans up to Rs.100,000/- under the SME loan facility.

No assets or guarantee or collateral of any sort is asked for against the loans. The only requirement is the formation of Joint Liability Groups of 5 compatible persons living in close proximity and ready to avail and repay loans together. The borrowers are encouraged to save 10% of each loan amount upfront as well as along with the repayment of each installment. Annapurna pays them interest on such savings.

The unique feature of the Co-operative model is that these micro borrowers are also the Credit Society's shareholders. They elect their Community Representatives (CRs) on the Managing Committee of which two representatives are nominated on the Board of AMCCSL. So in AMCCSL, the ultimate authority vests in its General Body consisting of all its members who are also its clients. They share the profits earned by the Cooperative by way of dividend. Any individual including the Managing Committee members are not permitted to own more than shares worth Rs.10,000/- and are entitled to only one vote just like any ordinary members.

The Board of AMCCSL comprises of Medhatai as the Chairperson and other Directors who are experts in Banking and Micro finance as well as representatives of Members and Staff. All important decisions concerning members and operations are discussed at various levels beginning from Community Meetings at Branches, Monthly CR meetings, Monthly Staff meetings, Quarterly Board Meetings and finally at the Annual General Meeting. Major policy changes are implemented only after receiving the consent of members in the AGM. Annapurna's AGMs are a splendid example of community participation at its best.

Annapurna Pariwar Vikas Samvardhan

Annapurna Pariwar Vikas Samvardhan (APVS) is a Not-for Profit company incorporated under Section 25 of the Companies Act, 1956 in its group which is owned and run by the members of AMCCSL themselves giving the Insurance services to the members and their families. The members form the Managing Committee, a tier just under the Board of Directors.

It is a complete Community Based Insurance Program. When AMCCSL gives micro loans to members, APVS does the enrolment of community based insurance members from the families of the borrowers. The contributions are collected at the time of loans and kept in separate bank accounts. There are 4 signatories to the bank accounts, which include members' representatives as well as staff working for this program.

The services offered by APVS are:

(i) Health Mutual Fund (HMF): All the borrowers of Annapurna Mahila Co op Credit Society and their families are members of this. For a contribution of Rs.120 per head per year, they get up to Rs.15,000 per head per year financial help for hospitalization plus Health advice, Health check-up, Referral service to Health Care Providers and concessions in Health costs.

(ii) Life Mutual Fund (LMF): All the borrowers are members of this Fund. For an average contribution of Rs.350 per loan, they can get up to Rs. 15,000 financial help in case of death plus refund of savings to the member's nominee and the entire loan outstanding is written off.

(iii) Family Security Fund (FSF): All the borrowers are members of this Fund. For a contribution ranging from Rs.60 to Rs.80 per head per year, they get up to Rs.3,000 financial help for death of spouse and Rs.1,500 in case of death of a family member. Also, food grains, utensils and clothes are given in case of accident or a

calamity in the house/community.

Medical officers at Annapurna Pariwar run free Guidance Centers at branch offices, connect with hospitals and private practitioners for health services at low costs and are available 24*7. They sign MOUs (Memorandum of Understanding) with good hospitals which form a Network of Health Care Providers and Medical practitioners as well as Diagnostic Centers and chemist shops for giving low cost services to Annapurna’s Members. So, in addition to giving financial assistance for medical expenses, APVS also arranges regular guidance to members, and awareness programs.

There are specially appointed and trained Health Service staff at Annapurna Pariwar who guide and help the members to take the right medical treatment at the Network hospitals. They conduct the awareness programs for the members too.

Annapurna has developed customized software in-house for management of claims from the insured members and for their medical validation. Health cards are provided to each member, with the family photograph and information on it. This is used at the time of hospital admissions, to get appropriate concession.

Elected Community Representatives pass / reject claims in a meeting religiously held every month. So there is a complete ownership of the community leading to complete transparency and thus very high client satisfaction.

The claim ratio has never crossed 90 % in last 10 years – since 2003 when the company was formed.

Table 2 -
Micro Insurance - Financial Help Given in 2012-13 Rs. Lakhs

	Members	HMF	FSF	LMF	Fund Balance
Pune	58,434	42.43	2.00	4.31	62.50
Mumbai	52,263	41.65	1.38	4.48	46.78
Total	110,697	84.08	3.38	8.79	109.38

Annapurna believes that low income groups need more than just credit that the poor in fact need a more comprehensive solution to poverty. It is a myth that credit is the only financial service needed by the poor. They actually need savings and insurance.

Medhatai believes that money or credit is their ‘felt’ need whereas ‘insurance’ is their ‘strategic’ need. Since all the claims are settled by the representatives of members who form the Managing Committee of APVS, this reinforces the community spirit as the groups are tied down to the community.

The motto of the Program is “Our Health in our hands”. In the oath that is taken by all the members at every meeting, a pledge is taken that it will be everybody’s duty to maintain the health and hygiene of their families and the community by increasing their knowledge about health and avoiding sickness.

The journey during last 5 years of micro insurance operations has been laid out here under:

Table 3 –
Growth in Micro Insurance Operations – Last 5 years

Name of the Product	2009	2010	2011	2012	2013 (Upto Dec)	2014
Health Mutual Fund	63,022 members	82,141 members	109, 245 members	112,382 members	110,697 members	161,023 members
Family Security Fund	18,878 members	23,967 members	27, 644 members	27, 024 members	27, 016 members	39, 627 members
Life Mutual Fund	18,878 members	23,967 members	23,967 members	27,024 members	27,016 members	39,627 members

Pension

In addition to micro insurance, APVS now operates a Pension Program in partnership with the Life Insurance Corporation of India (LIC) under the NPS-Lite Swavalamban Scheme of the Government of India – meant for the un-organized sector.

Under this, pension contribution is collected from the borrowers by Annapurna and forwarded to the Pension Fund Regulatory Development Authority (PFRDA) via LIC. LIC enjoys the status of an Aggregator under the PFRDA and has chosen Annapurna as the nodal agency for collection of pension contribution on behalf of its borrowers.

This program offers a complete Social Security Blanket to the poor. It is the final feather in the cap of the services offered on the Social Security front by Annapurna Pariwar – beginning from credit and savings, health, life and family insurance, child care, education and finally old age pension.

The Pension program launched in July 2012 now has around 2,000 members already enrolled and the number is increasing every day.

Our Service Executives on the field go to the members' door step to fill their forms and take the necessary KYC documents which are later submitted to LIC for enrollment. The PRAN (Permanent Registration Account Number) cards received from LIC are then passed on to the members for safe-keeping until the time when they would begin to avail the pension.

Monthly contributions towards the pension accounts are collected from the members by the Loan and Savings Officers. Bank accounts of members by the Loan and Savings Officers. Bank, so that pension can be credited into those accounts.

Non-Financial Services as a Social Support System for Micro borrowers

Since the main aim of micro finance is bringing the poor out of the vicious circle of poverty and economically empowering them, achieving this in isolation without making available support services far from achieves the objective. A single incident of sickness or accident in the family and the concern for child care is enough to push back the poor back into the debt trap. So in order to achieve the objectives of micro finance, Annapurna deemed it necessary to offer not just credit but credit-plus services.

In a way, Medhatai's holistic view of micro finance operations and a study of all factors affecting loan repayment have resulted in the creation of support services now enjoyed by Annapurna's members. A client's family has always remained the focal point of all Annapurna's programs and the following need-based programs were thought of.

Day Care Centers for Slum Children

Annapurna runs Day Care Centers for slum children under the Vatsalyapurna program for looking after the children of poor working couples and single mothers. These parents can concentrate better and work harder to earn a decent living in order to ensure a better future for their children when and if their children are in safe hands while they are away at work. Children aged 1 year to 6 years are provided with a clean, safe and caring environment in these crèches. These centers prevent young children from becoming victims of exploitation, abuse and violence.

Annapurna has 16 crèches in Pune and 2 crèches in the Mumbai slums. This program was started in 2003 after a despicable incident of rape took place on a six year old girl child in the Karve Nagar locality where Annapurna's members resided.

Each crèche is managed by one Crèche conductor and a helper. The crèche conductor and helper are selected from Annapurna's members who are educated only up to the 10th grade

of school. They are trained at S.N.D.T. a renowned Women's University every month on topics like Child Psychology, Hygiene, Group Games and Child Development. In the crèches, the children are exposed to scientifically developed games and developmental activities that lead to their overall growth and formation of creative ideas.

A separate Co-operative Society called Vatsalyapurna Society is registered with the crèche conductors. They take responsibility of the governance of this society.

At present there are 450 children taking benefit of these centers. A Monthly fee of Rs.375 to Rs.400 is charged for a month for 8 hours daily crèche facility per child. The crèches which have completed 3 to 4 years are 70 % financially sustainable. In an earlier survey it was observed that 40 % of the women started earning more after they accessed this facility.

Annapurna has secured support from the corporate world in Pune under their Corporate Social Responsibility (CSR) programs. Organizations like Barclays Bank, R-Systems, Garware Group, Thermax and Infosys have come forward for this. A recent development has been a significant grant secured from Germany's Opportunity International Deutschland (OID) in support of the Day Care Center program.

An earlier impact study conducted by a French researcher, Ms Julie gave out noteworthy pointers to the fact that all mothers were happy and satisfied that their wards were being looked after in Annapurna's crèches. In addition to the safe environment and less worries, the main fact that came to the fore was the improved behavior of children by learning of good habits, through proper usage of good language and an improved sense of autonomy and positive social interactions.

Educational Sponsorship Program

A survey conducted by Annapurna in the early years showed that nearly 10 to 15 percent of their members were single – either widowed or destitute mothers – deserted by their husbands and family members. One of the direct consequences in such a family was the withdrawal of children from schools. A high school

drop-out rate was noticed among such households.

To resolve this, Annapurna decided to lend a helping hand to these women and launched a program in 2003 for seeking educational sponsorships from independent external donors especially for the children of single mothers. Corporate houses like Persistent Foundation and Bank Employees' Unions of Bank of India and Bank of Maharashtra have also been supporting this cause. Annapurna Mahila Mandal, a registered Trust is registered under Section 80 G of the Income Tax Act, whereby all tax-paying donors can avail tax exemption benefits to the extent of their donation.

An amount of Rs.1,500 per year per child is given to school going children and Rs.2,500 per year per child are given to college going students. Donors are welcome to sponsor one or more children if they so desire. The beneficiaries are selected by Annapurna's Loan and Savings Officers with the help of standardized parameters with the help of which such help reaches the most deserving and deprived children.

In June, 2012 this assistance could reach out to 265 children when a total of Rs.5,75,000/- was distributed amongst them. This year and the next (2013 and 2014), Annapurna has set targets of reaching out to at least 1,500 children thanks to the grant support from M/s Opportunity International Deutschland, Germany. Access to education is every child's right and it is Annapurna's small but significant endeavor to build a literate and resourceful India.

Objective of Impact Assessment

During the crisis faced by the microfinance industry in India after 2010, which resulted from a combination of factors including over-indebtedness among the poor households and mushrooming of microfinance institutions, Annapurna maintained a steady growth rate despite such challenging developments. In order to therefore assess and analyze the factors responsible for such growth and the ability to withstand the market uncertainties, as Annapurna's Research Coordinator, I took upon myself the task of presenting the results of a survey conducted by the research students of Karve Institute of Social Sciences and the Tata Institute of Social

Sciences in Pune and Mumbai respectively. An earlier impact study conducted by the EDA Rural Systems Pvt. Ltd. in 2012 has also been presented in this book. This study was conducted for reviewing policies and practices of Client protection principles with a sample size of 120 respondents drawn from Pune and Mumbai and has given encouraging results.

The rapid phase of development of the micro finance sector in the years just prior to 2010 was marked by a rise of a few MFIs whose principal aim was to generate profits out of the micro finance 'business'. In order to attract investors and thereby raise funds, these MFIs were established as NBFCs and lured investors by 'marketing' the idea of 'profit from financing the poor'!

This resulted in the strategic shift in focus from poor clients to profits and thereby the marginalization of the poor borrowers. This straying away from the main aim of micro finance led to competition amongst MFIs and over-borrowing by the poor resulting in the crisis in the industry. The repayment capacity of the very poor borrowers was stretched beyond their means and most institutions faced disloyalty from clients and non-cooperation as regards the repayment of loans.

Even though many for-profit NBFCs did develop financially sustainable models, a few of them drifted away from the mission of empowering the poor and were accused of coercive collection methods, multiple lending and charging of exorbitant rate of interest leading to suicides by poor borrowers. This crisis which began in late 2010 in the state of Andhra Pradesh culminated with an ordinance passed by the State Government that entirely halted all loan repayments by borrowers in India's largest micro finance market. This was followed by excessive criticism from the media, development practitioners and policy makers at various levels which effectively eclipsed the work of bona fide social organizations operating in the micro finance market. Equity and Debt financing which had once been very favourable to MFIs began facing the brunt of all this criticism and the supply of funds dried up. Banks became skeptical of lending to MFIs and viewed them with suspicion. Experts argued that these new generation MFIs that only provided credit were not pro-poor and did not concern themselves with issues like

women's empowerment, health and education. The need expressed was for institutions active at the grassroots level working in areas of education, health and gender.

These organizations mostly limited themselves to providing credit from funds received at subsidized rates from banks. The lack of a regulatory framework to check the exploitation of the poor turned out to be the main reason behind the fall out with the Andhra Pradesh State Government. The ordinance enacted in the State – the 'Mecca' of micro finance resulted in an almost complete shutdown of private MFIs there and all lending operations came to a grinding halt with about 9 million households losing access to credit. Eventually this led to the poor once again falling prey to local money lenders charging exorbitant interest rates (up to 200 %).

In contrast, Annapurna had realized in its early days that the poor do not seek charity – they rather like to be self-reliant and live with dignity. A poor woman with little financial help would provide for her family's well-being through small entrepreneurial ventures or by offering her services in the form of patient-care or house work and so on. However, helping the entrepreneurial poor by offering micro credit alone would only partially fulfill the objective that micro finance is meant for. Unless the poor families are supported by credit plus services, it is difficult to lift them completely from the mire of poverty and helplessness. The purpose was therefore to measure the impact of credit along with credit plus services rendered by Annapurna during the last 20 years – in other words, measure the impact of micro finance and social intervention of Annapurna.

In the backdrop of what followed after the crisis – the formation of the Malegam Committee by RBI to regulate the micro finance industry, the insistence of Code of Conduct with beneficiaries and measurement of impact, EDA's study of Annapurna's Client protection principles proved that Annapurna's poverty outreach was better than that of the State of Maharashtra. In a way it was this analysis that motivated Annapurna to independently conduct personal interviews of beneficiaries to substantiate EDA's conclusions.

Another purpose of the assessment of impact was to

apprise Annapurna's Board members of the need to review whether any changes were required in the product design processes or to improve the quality of services so as to improve the impact on women-borrowers. It has definitely led to better understanding of impact on individual clients and their households, businesses, their communities and the differing needs of different sections of the community.

In addition, the usefulness of presenting this impact assessment lies in the fact that it allows funders (especially Annapurna's supporters from the Corporate and social domain) to validate their investments and gives them quantitative information about the extent of the changes taking place. It has provided evidence of Annapurna having met its mission and objectives.

The purpose also was to demonstrate to the society at large and to financial institutions and micro finance rating agencies in particular, that few unscrupulous MFIs do not represent the whole micro finance industry.

Chapter 2

Methodology

Sample Profile

The study was conducted by using both quantitative and qualitative research methodology. The universe of the study comprised of clients who are member-borrowers of AMCCSL residing in the urban slums of Pune and Mumbai. Out of the over 30,000 active borrowers of the organization, those that were selected were those availing loans of minimum Rs.35,000 or those in the fifth loan cycle. The rationale behind selecting this figure was that it takes at least 5 loan cycles for a borrower to reach the Rs.35,000 loan cycle. It was assumed that a continuous association of five years of a borrower with an MFI is enough to assess the impact of intervention. A sample size of 200 members – 100 in Pune and 100 in Mumbai was taken for the quantitative research. A structured interview schedule with closed ended questions was devised. It was focused on understanding the members' savings pattern, sources and usage of micro credit, income status, house hold condition and possession of household assets and community relationships.

Stratified sampling method was used for data collection. The sample respondents were drawn from different branches of Annapurna – 5 out of 7 branches in Mumbai and from 7 out of 8 branches in Pune. The following Table 1 shows the details of the branch offices selected:

Table 4 – Branchwise Distribution of Respondents

No.	Mumbai Branch Name	Sample Size	Pune Branch Name	Sample Size
1.	Chembur	28	Aundh	6
2.	Kalwa	28	Karvenagar	55
3.	Mankhurd	27	Satara Road	4
4.	Sewn	15	Yerwada	21
5.	Turbhe	2	Hadapsar	2
6.			Pune City Area	3
7.			Dattawadi	9
	Total	100	Total	100

Questionnaire Design

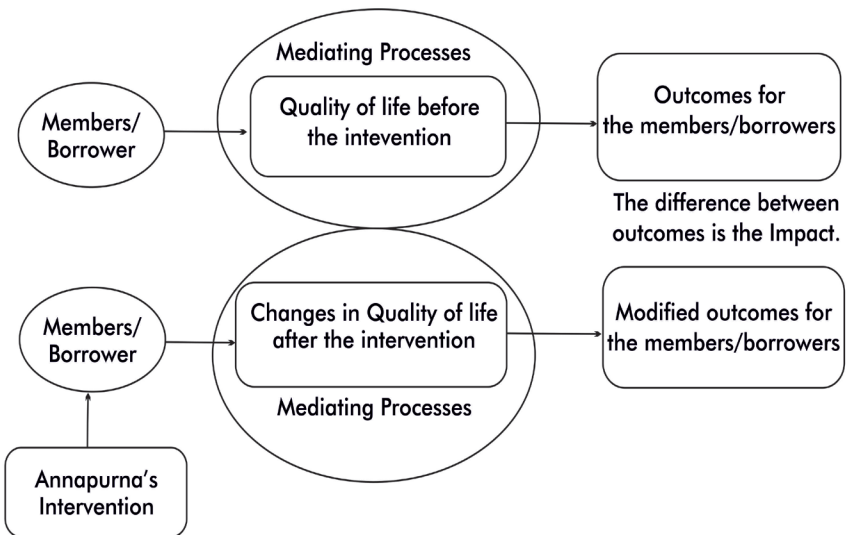
A structured interview schedule with closed ended questions was devised. The questionnaire focused on the understanding the borrowers’ personal profile along with savings and income pattern, sources and usage of micro credit, household condition, possession of household assets and the overall quality of life before accessing Annapurna’s services and after having availed its services. The questionnaire is annexed at the end of the book for reference. The interview schedule was pre-tested on a sample of 10 borrowers and the questions were subsequently modified based on the responses obtained.

Indicators

The significance of assessing the impact of micro finance lies in the conviction that micro finance coupled with social intervention does change the quality of life in ways that are in line with the objectives of the organization. The idea is to measure the difference in values of key variables between the outcomes on individuals who have experienced the intervention as against the values of those variables that would have occurred had there been no intervention.

The changes that occur can also be influenced by the mediating processes which are specific to each individual such as economic, social, physical and political environment. A conventional model of an impact chain is displayed below:

The Conventional Model of the Impact Chain



In the above Impact Chain, in Annapurna's context, a comprehensive development package of financial assistance offered along with support services was intended to change the quality of life of the beneficiaries. The idea was to offer need-based products or services to cater to the members' requirement. These services are expected to lead to the borrower modifying her/his micro-enterprise activities which in turn lead to increased or decreased incomes. The change in income would cause changes in household income leading to greater or lesser household economic security.

The credit plus services – the social interventions along with this modified level of household economic security can lead to changes in the emotional quotient of the household members and their mortality, in educational and skill levels and in future economic or social prospects. Ultimately these changes are expected to lead to modifications in social and political relations and structures. A study of the effect of intervention in this chain can help Annapurna form well informed decisions about which service to focus on and whether any service is lacking in quality of delivery irrespective of grant or financial support.

The responses recorded are with reference to two time periods – once before association with Annapurna and the second, after availing of Annapurna's services.

The indicators used to understand the impact of micro finance and social interventions on financially excluded communities are –

- ◆ Gender Distribution;
- ◆ Caste-wise outreach;
- ◆ Level of education;
- ◆ Depth of outreach – How poor are the clients?
- ◆ Saving patterns of clients;
- ◆ Sources of credit;
- ◆ Usage of credit;
- ◆ House hold conditions;
- ◆ House hold assets and income;
- ◆ Health seeking behavior of borrowers;
- ◆ Decision-making process;
- ◆ Community relationship amongst borrowers.

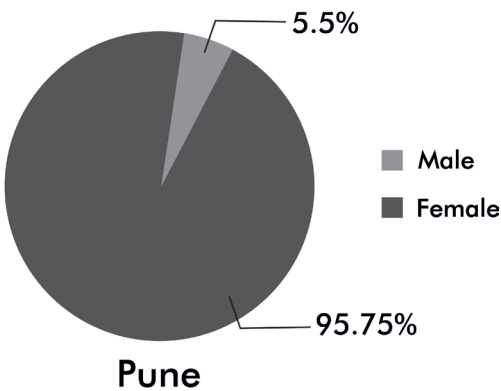
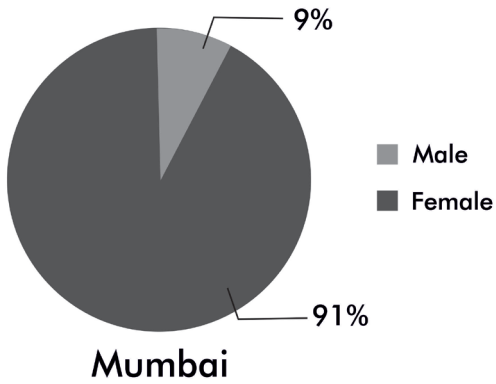
Data Analysis

1. Profile of Borrowers

(a) Gender Distribution

Annapurna's mission of reaching out to the poorest women was established with the finding that the majority of the borrowers were women.

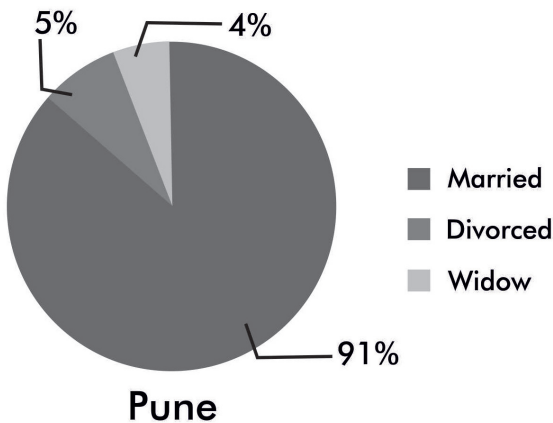
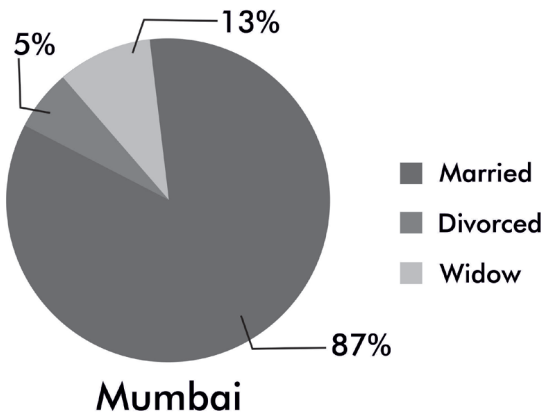
Figure 1 – Gender Distribution



(b) Marital Status

With the main intention of providing basic micro finance services of credit and savings being the uplift of poor families as a whole, the borrowers' marital status was also recorded. A significant fact to be noted was the percentage of single mothers having children which was 18% in Mumbai and 12% in Pune.

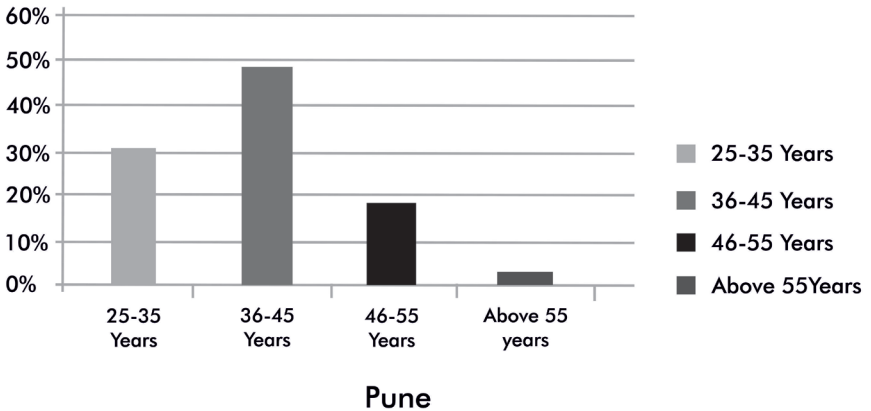
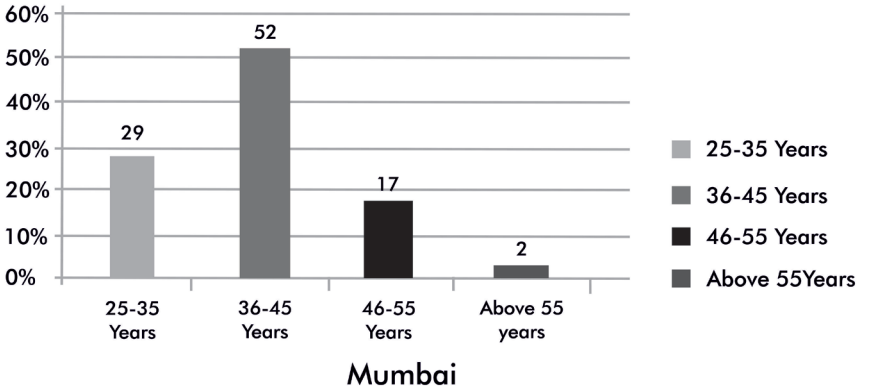
Figure 2 – Marital Status



(c) Age Distribution

The maximum age of the borrowers interviewed fell between ranges of 36 to 45 years.

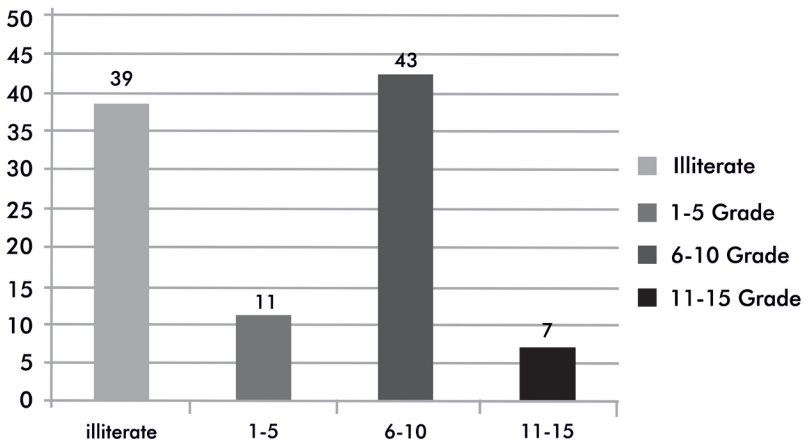
Figure 3 – Age Distribution



(d) Years of Education

Microfinance intervention becomes crucial in areas where the literacy levels are low, which is one the reasons behind inability of slum dwellers to access basic financial services from the mainstream financial system. 39 percent of the borrowers are illiterate, 43 percent have 6 to 10 years of education.

Figure 4 – Years of Education



2. Savings – Type of Savings and the Amount saved

In the following Mumbai tables, it is clear that 50% of the borrowers did not save before intervention by Annapurna. However, after the intervention, all of them had some or other type of savings with 53% saving with Annapurna itself.

A significant observation here was that as against 17% of members who had savings with a bank went up to 41% afterwards.

As regards the amount of savings, 53% now save amounts up to Rs.1,000 and 47% are saving more than that per month – with almost 10% saving more than Rs.3,000 per month.

Table 5 – Mumbai – Comparison of Type and Amount of Savings

Type of Savings

S. no.	Type of Savings	Before
1.	No savings	50%
2.	Savings at home	13%
3.	Savings at Kitty	19%
4.	Savings with Bank	17%
5.	Savings at home and bank	1%
Total		100%

S. no.	Type of Savings	After
1.	Savings with Kitty and Annapurna	2%
2.	Savings with Annapurna	53%
3.	With Bank and Annapurna	41%
4.	Savings at home and Annapurna	4%
Total		100%

Amount of Savings

S. No.	Savings per month	Before Annapurna Intervention
1.	No Savings	50%
2.	0-1000	25%
3.	1000-2000	17%
4.	2000-3000	5%
5.	3000-4000	1%
6.	4000-5000	2%
Total		100%

S. No.	Savings per month	After Annapurna Intervention
1.	0-1000	53%
2.	1000-2000	28%
3.	2000-3000	10%
4.	3000-4000	2%
5.	4000-5000	7%
Total		100%

Table 6 – Pune – Comparison of Type and Amount of Savings

Type of Savings

S. No.	Type of Savings	Before
1.	Home Saving	24%
2.	Kitty	53%
3.	Credit society	22%
4.	Bank	29%

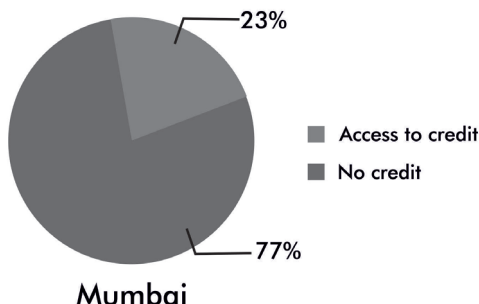
S. No.	Type of Savings	After
1.	Home Saving and Annapurna	29%
2.	Kitty and Annapurna	54%
3.	Credit society and Annapurna	97%
4.	Bank and Annapurna	57%

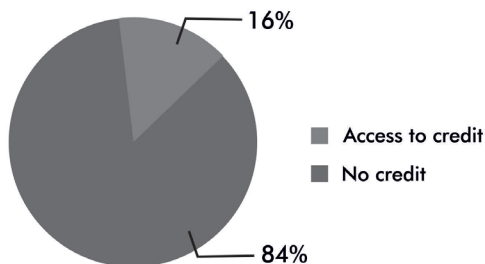
Saving range Per month (Rs)	Percentage of members (Before)	Percentage of members (After)
Up to 1000	46%	40%
1000-2000	30%	34%
2000-3000	15%	16%
Above-3000	9%	10%

Prior to Annapurna’s intervention, only 24% of the members used to save at home. Today 40% of them save on a monthly basis at least up to Rs.1,000/-. 30% who saved in the range of Rs.1,000-2,000 has now increased to 34%. 15% who saved in the range of Rs. 2,000-3,000 has gone up to 16% and 9% of the members who earlier saved above Rs.3,000/- on a monthly basis has now increased to 10%.

3. Sources of Loan before and after becoming Annapurna’s member

Figure 5 – Loan Availing Status

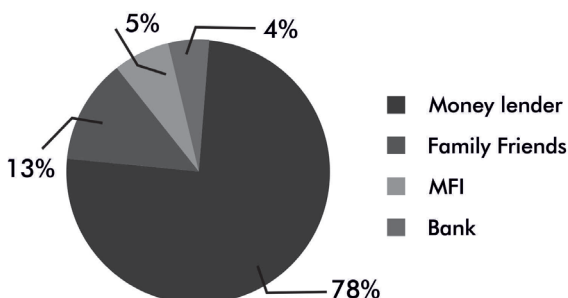




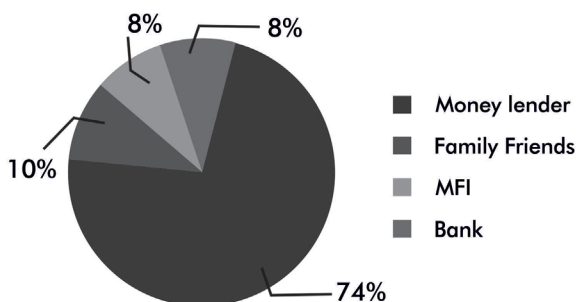
Pune

Before borrowing from Annapurna, 77% of borrowers in Mumbai and 84% of the borrowers in Pune had no access to any kind of credit facility. Out of the 23% in Mumbai and 16% in Pune who did access credit facilities, those that were availing loans from money lenders are 78% and 74% respectively as shown in the charts below.

Figure 6 – Sources of Loan Before Intervention



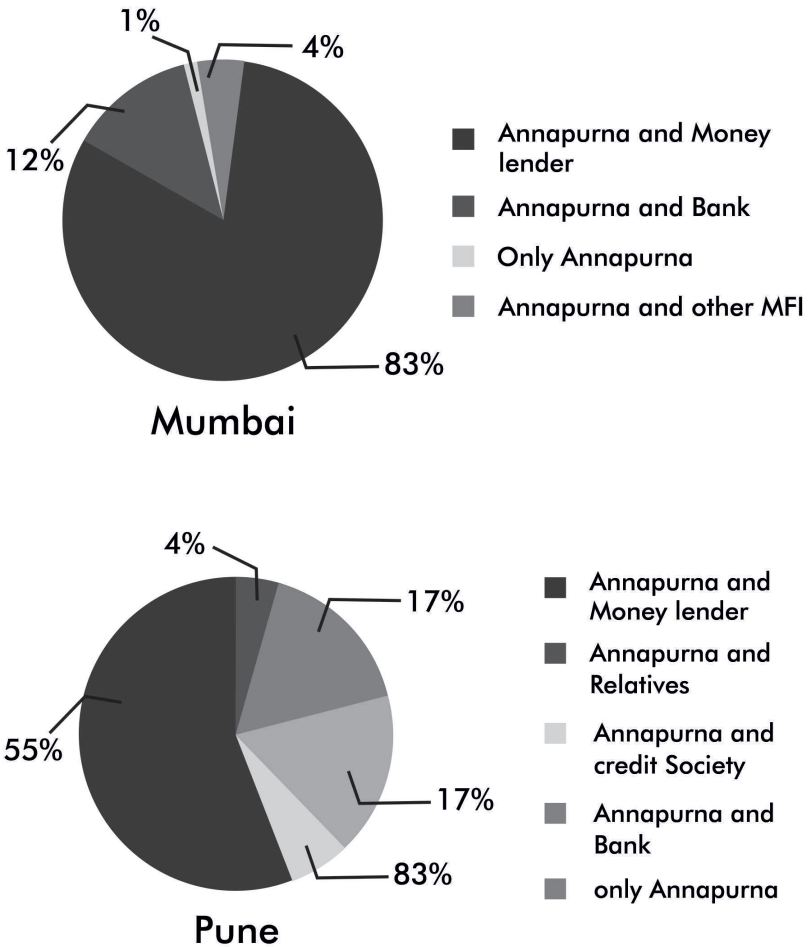
Mumbai



Pune

However, after having become a member of Annapurna, 100% of the members in both Mumbai and Pune accessed cheap credit and their dependency on the local money lender reduced to 1% and 4% respectively.

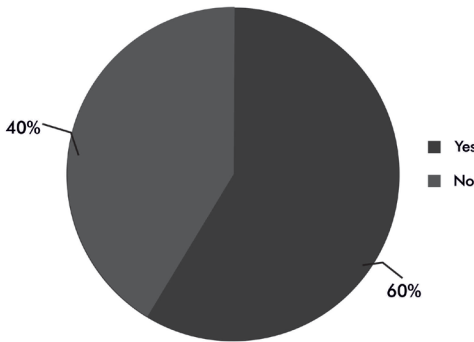
Figure 7 – Sources of Loan After Intervention



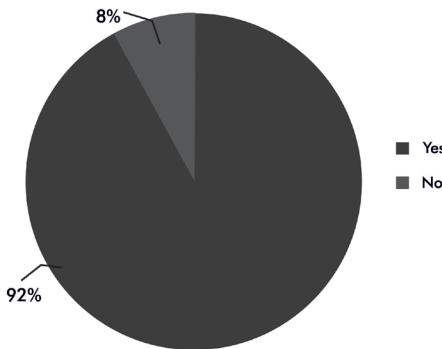
4. Comparison of gold in possession before and after becoming Annapurna's member

Before Annapurna's intervention, 40% of the borrowers in Mumbai and 56% in Pune were not possessing gold. However, after borrowing from Annapurna, 92% in Mumbai and 62% in Pune possess gold. This indicates that borrowers who are mostly women have been able to save and buy gold – which is also considered to be an investment to meet any unforeseen situations in future.

Figure 8 – Mumbai - Possession of Gold

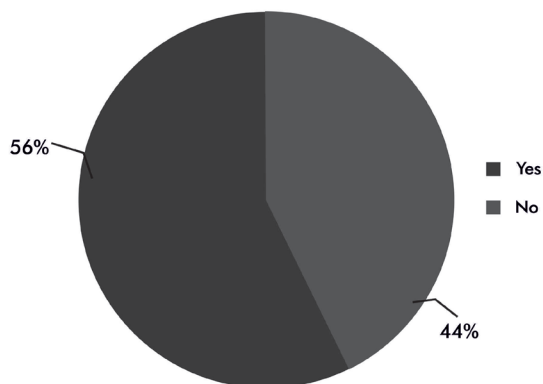


Before availing loan

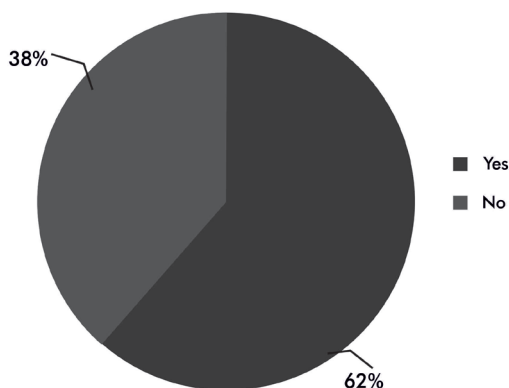


After availing loan

Figure 9 – Pune - Possession of Gold



Before%



After%

5. Condition of House – Before and After Intervention

The information on physical condition of the house prior to and post Annapurna's intervention was sought with appropriate questions asking for details on quality of walls, the flooring and roof. Based on the responses, we can definitely opine that there has been a substantial improvement in the living conditions of the borrowers.

Table 7 - Type of Walls in Houses

S. No.	Type of Wall	Mumbai		Pune	
		%Before	%After	%Before	%After
1.	Cemented Sheet (patra)	40	8	38	24
2.	Bricks without plaster	15	7	18	14
3.	Bricks with plaster	45	85	43	62

Table 8 - Type of Roof in Houses

S. No.	Type of Roof	Mumbai		Pune	
		%Before	%After	%Before	%After
1.	Plastic Sheet	3	0	2	0
2.	Cemented Sheet	69	62	57	32
3.	Asbestos	17	13	20	25
4.	Concrete	11	25	21	43

Table 9 - Type of Floor in Houses

S. No.	Type of Floor	Mumbai		Pune	
		% Before	% After	% Before	% After
1.	Mud with cow dung coating	10	1	14	1
2.	Concrete (Koba)	44	17	28	17
3.	Pure Cemented	20	20	47	54
4.	Stone Slabs	12	18	-	-
5.	Ceramic Tiles	14	44	11	28

The above data indicates that post intervention, 85% houses in Mumbai and 62% in Pune have plastered brick walls as compared to 45% and 43% respectively before Annapurna's intervention. Proper concrete roof houses have increased from 11% to 25% and from 21% to 43% in both places. None of the borrowers today are using plastic sheets for roofs.

The increase in households having a concrete roof has increased by more than 50% in both Mumbai and Pune. Also, barring one house which has mud flooring, 44% of houses in Mumbai and 28% in Pune have ceramic tiles.

In order to corroborate the above, another question (not tabled) that was asked was whether or not there was cross-ventilation in houses. In case of houses having walls of cement sheets (patra) there is no scope for making windows and therefore there is no cross-ventilation.

As seen in the above data most of the borrowers now have plastered brick walls which help them have windows and increase the cross-ventilation.

It was found that almost 70% of the houses have cross-ventilation now. This also in a way indicates the level of cleanliness in the house.

6. Electricity Meter and Tap Connection

One of the questions asked was whether a meter for electric supply had been installed and whether a tap was available in or near the house.

It was heartening to note the positive changes that the figures below give.

In Mumbai 95% and in Pune 92% of the borrowers had electricity meters in their homes after the intervention. Also, the percentage of tap connections available near homes increased by more than 50% post Annapurna's intervention.

Table 10- Electricity Meter in Houses

S. No.	Electricity meter	Mumbai		Pune	
		%Before	%After	%Before	%After
1.	Electricity without meter	23	5	70	8
2.	Electricity with meter	77	95	30	92

Table 11- Tap Connection in Houses

S. No.	Tap connection type	Mumbai		Pune	
		%Before	%After	%Before	%After
1.	Tap not till home	68	32	68	12
2.	Tap till home	32	68	32	88

7. Housing Space before and after intervention

There has been an increase in the house space possessed (more than two rooms) for borrowers by 3% in Mumbai. However, in Pune this increase is to the extent of 17%. The high cost of housing space in Mumbai may be the reason for the small growth vis-à-vis Pune.

It was found that few borrowers who had open space available or had single storied houses, have build rooms in space available or double storied their houses.

Table 12- House Space Available

Status	Mumbai		Pune	
	%Before	%After	%Before	%After
Half Room	-	-	1	0
1 Room	81	78	44	26
2 Room	15	15	33	34
More than two rooms	4	7	22	39

8. Possession of Household Assets

The below Table clearly shows that there has been a significant change in the household assets possessed by the borrowers.

Around 90% of the members have basic household amenities like wall clock, tape recorder / radio, television, gas cylinder, mixer, cupboard and beds. These changes have taken place post intervention.

A major increase is seen in the percentage of borrowers having a refrigerator – from 19% to 47% in Mumbai and from 23% to 72% in Pune. Another remarkable increase is visible in the borrowers using a gas cylinder.

In the absence of cooking gas, the meager earnings have to be spent on kerosene which is available only in fair price shops. Post interventions, almost 90% of the borrowers have the facility of cooking gas cylinders.

Annapurna also gives loans for the purpose of asset creation and the results above are encouraging.

Table 13- House Assests Possessed by Borrowers

S. No.	Asset	Mumbai		Pune	
		% Before	% After	% Before	% After
1.	Wall Clock	84	99	87	99
2.	Fan	88	96	82	99
3.	Radio/Tape Recorder	20	42	60	69
4.	Television	63	95	69	94
5.	Gas Cylinder	47	88	70	95
6.	Cooker	82	99	88	98
7.	Mixer	72	96	70	95
8.	Cupboard	46	84	73	95
9.	Bed	46	58	79	90
10.	Bicycle	19	27	62	69
11.	Sewing Machine	21	16	42	72
12.	Refrigerator	19	47	23	72

9. Changes in behavior and ill habits

Post intervention, habit of tobacco chewing among the borrowers has decreased by 7% in Mumbai and by 18% in Pune. Overall, at present 72% of the borrowers in Mumbai and 92% in Pune do not have any ill habit.

Table 14- Bad or ill Habits

S. No.		Mumbai		Pune	
		% Before	% After	% Before	% After
1.	No ill habit	65	72	55	92
2.	Chewing tobacco	33	26	29	11
3.	Chewing tobacco and alcohol	1	1	4	1
4.	Alcohol	1	1	2	1

10. Level of Awareness

The idea of finding out this is to indirectly enquire whether the borrower is a little free from her daily grind of activities and finds time to spend for keeping herself up to date with the events and happenings in her locality / city.

The table below shows that the percentage of television viewers has more than doubled and so also newspaper reading.

Table 15 - Level of Awareness

Interest	Mumbai		Pune	
	%Before	%After	%Before	%After
Watching News on Television	17	41	27	62
Newspaper reading	8	23	62	75

11. Impact on Family Income post intervention

The table below indicates the effect of micro intervention on the income of the borrowers. We can see that post intervention, the percentage increases are seen in the segments where incomes have increased beyond Rs.6,000 per month.

Table 16 – Increase in Income of Borrowers

	Range	Mumbai	Pune
S. no.	Increase in monthly income of borrowers (in Rupees)	% of Borrowers	% of Borrowers
1.	No increase	6*	14*
2.	1-2000	29	11
3.	2001-4000	26	17
4.	4001-6000	16	10
5.	6001-8000	10	12
6.	8001-10000	5	10
7.	Above 10000	8	26

*6% borrowers from Mumbai and 14% from Pune are not engaged in any kind of income generation activity and are not self employed as a result there is no increase in their income.

It definitely is interesting to see that Annapurna’s micro finance intervention has helped the borrowers with a large percentage of them having an increase in earnings of more than Rs.6,000 to Rs.10,000 per month.

Review of Policies and Practices under Client Protection Principles – A Study by EDA Rural Systems Pvt. Ltd.

EDA is a consultancy organization offering research and management services for development with expertise in micro finance, research and direct livelihood promotion.

Annapurna has been associated with EDA through their social investing partner, M/s Dia Vikas Capital Pvt. Ltd. Dia regularly conducts Social Performance Management (SPM) in its partner organizations and EDA is its implementing partner for the SPM. Dia’s main aim of conducting SPM is to persuade and facilitate its

partner organizations to improve their social performance in line with globally accepted practices.

Presented below are the findings of EDA’s study conducted on a sample size of 120 borrowers drawn from a branch each in Mumbai and Pune.

All the borrowers chosen for this study were from the first loan cycle.

Table 17 - Poverty/Economic Segments – Sample compared to context of Maharashtra’s urban households

Poverty Line Segments	Estimated Household Expenditure (Rs)	Maharashtra urban Household poverty rates %	Poverty Rate of the respondents (%)
< \$ 1.25/day	5,200	13	19
Between \$1.25 & \$1.50/day	5,200-6,300	7	15
Between \$1.50 & \$2.00/day	6,300-8,400	16	28
>=\$2.00/day	>8,400	64	39

EDA analyzed the above data as under:

- ◆ Significant outreach for clients below \$2/day at 62%, much higher than the State urban percentage at 36%. Substantial depth of outreach overall for all poverty lines.
- ◆ Majority of outreach lies between \$1.25/day to \$2/day.
- ◆ Annapurna has very good outreach to members less than \$1.25/day. Since loans are preferably given to borrowers who already have small enterprises, it is difficult to further increase outreach to less than \$1.25/day.

Table 18 - Income Segment Comparison between Annapurna levels and PPI poverty lines.

Rs. Per Person / month			
Annapurna Members Income Levels		PPI Round 66 - HH income estimates	
L - 1	0000-0700	< \$ 1.25/day	1,050
L - 2	0701-1000		
L - 3	1001-1300	Between \$1.25 & \$1.50/day	1,250
L - 4	1301-1600	Between \$1.50 & \$2.00/day	1,670
L - 5	1601-1900		
L - 6	1901-2200		
L - 7	2201-2500		
L - 8	2500-3000		
L - 9	3000-3500		
L - 10	3500-4000		

*PPI stands for Progress out of Poverty Index and is a poverty measurement tool for social organizations with a mission to serve the poor.

In the above comparison of estimated HH expenditure to Annapurna’s borrower income levels, EDA has arrived at the following conclusions:

- ◆ Annapurna categorizes its members into 10 poverty levels. Levels 1 - 7 with a maximum monthly income per person of Rs.2,500 are classified as BPL (Below Poverty Line). Levels 8 - 10 are for borrowers who are still considered poor but above poverty line. These levels are automatically calculated by the data input into the MIS.
- ◆ The data is used to understand the composition of clients. An emphasis is put to bring in majority of clients from Levels 3 – 4 (Rs.1,000 – 1,600 monthly income per person).
- ◆ Annapurna’s focus on Levels 3 and 4 accurately corresponds to the findings of poverty outreach in the respondents surveyed. In the above table it can be seen that the largest outreach for less than \$2/day lies between \$1.50/day and \$2/day which correspond to Annapurna’s level 3 and 4.

1. Analysis by Religion

Table 19 - Outreach & Poverty Rates by Caste & Religion

Religion	Respondents %	Maharashtra %	Poverty Rate % <\$1.25/day
Hindu	48	80	19
Muslim	38	11	19
Christian	5	1	21
Buddhist	6	6	19
Other	3	2	17

Observations are:

- ◆ Substantial outreach to Muslim households. Much higher than urban rates for Pune and Mumbai, 8.9% and 17.2% respectively. The data for Maharashtra is based on the 2001 census. The higher rate might also be due to the sample and branches selected for the study. For example, in some slum pockets, there are high concentrations of Buddhists.
- ◆ An important observation was also that the poverty rate was similar between various groups.

2. Additional Indicators

Table 20 - Selected Indicators

Indicator	% of Sample Borrowers				
Marital Status	76 - Married		23 - Divorced/Separated/Widow		
Education	24 - None	13 - Sign Only	30 - Completed Secondary	30 - Completed Secondary	3 - College
Main Activity	38- Domestic Labour		18- Casual Labour	17- Services	14- Salaried
HH's main source of income	35- Salaried		22- Casual labour		43 - Other
Drinking water source	25- Own		3- None (tanker)		72-Shared
Toilet Facility	11- Own		7 -None		82 - Shared
HH's with girl children	37% (44HHs)		Of these, HHs not sending girls to any school		9% (4 HHs)
Children attending school	90 % - Girls		86 % - Boys		
Young adults attending college	67 % - Girls		30 % - Boys		
Income Stability	Regular - 73%		Irregular - 27%		
Decision making process	Male - 33%		Borrower involved/alone 67%		
Children	1,2 - 50%		0 - 19%		>2-31%
Other source of savings	31% Bank		50% SHG/Chit		34%-None
Other source of Credit	MFI/Other - 30%		None - 70%		
Loan purpose	Business - 65%		Education - 14%		Home repair-17%

Certain additional indicators were selected for the study and the results thereof are shown in the above Table :

These selected indicators show:

- ◆ Significant drop in education for boys after the 12th standard.
- ◆ Almost 70% of borrowers have two or less children.
- ◆ Significant outreach to vulnerable women (widows, divorced, separated).
- ◆ A large proportion of borrowers answered yes to earning income on a regular basis (73%).

Chapter 3

Concluding Observations

In recent years, especially after the AP crisis, financiers have been keen to assess the impact of their programs. The critics who allege that micro finance is not a panacea for poverty-reduction have been continuously developing new 'scientific' methods for increasing Impact Assessment effectiveness.

One risk that can compromise the quality of impact is in case of small sample surveys that claim exaggerated levels of representativeness. The effectiveness of Impact Assessment can however also be judged on how well it achieves a fit between the organization's objectives. Most often, financiers who insist on objective and external impact assessments (which form a necessary part of their internal accountability requirements) neglect a key aspect – that of strengthening the impact monitoring capacity of the MFI itself. In Annapurna's case, this minimum core information could be produced reliably.

On evaluating Annapurna's entire impact exercise and the outcomes presented, the following convincing facts emerge:

1. Depth of Outreach

Annapurna focuses on providing credit and credit plus services to the poor who have no access to commercial banks (and are therefore, un-bankable) in order to reduce poverty and to help them set up their own income generating businesses. This focus is clearly seen in the poverty levels of the beneficiaries targeted. The figures shown by EDA also go to prove that Annapurna's outreach percentage is better than that of the state of Maharashtra. This means that Annapurna is reaching out to the poorest women. Caste-wise outreach is also good, with an equal emphasis on minority communities.

2. Benefits of Non-financial Services

Organizations offer many types of services to individuals and communities in an effort to alleviate poverty. Each service potentially plays a vital role in the life of a poor woman. These services are often offered in isolation by some social organizations, but Annapurna has tried to coordinate different kinds of services to enhance accessibility and overall efficiency.

The non-financial services of Annapurna viz. health guidance centers, doctor on call, a network of Health Care providers (hospitals) along with sponsoring children of single mothers for education and the Day care centers for slum children aged below 6 years of age have all resulted in a positive impact in the borrowers' lives. This can be opined after verifying the data of – children, especially girls being sent to school, the reduction in borrowers' ill habits, the increase in family income and the levels of awareness among borrowers.

Ideally thus, borrowers should have access to a coordinated combination of microfinance and non financial services to improve their businesses, income and assets, health, nutrition, family planning, education of children, social support networks, and so on. Annapurna has made an integrated approach to poverty alleviation by offering a comprehensive package of need-based services. This kind of holistic approach serves borrowers the best. Such non- financial services are offered by coordinating the delivery of different project services to the same people. This is known as the parallel mode of delivery – parallel stands for same organization, different service delivery staff and same end users.

3. Improvement in Income, Housing and Health of borrowers

The survey conducted in both Mumbai and Pune has shown an increase in members' income post intervention as also improvement in house conditions – with specific reference to quality of roof, tiles, walls, in-house toilet and taps. The number of assets

owned and gold in their possession also shows a favourable increase. This improvement in living conditions referring to a material basis of well-being is one of the important determinants of happiness.

4. Improvement in level of awareness & Women's Status within Family and Community

Annapurna's micro credit with savings intervention has facilitated the achievement of strategic gender needs through uniting women, raising their awareness and has encouraged their mobilization so that they are aware of their entitlements and are now on the way to overturn the unequal structures within society. Annapurna's active borrowers are made up of 90% women – this has helped it focus on practical gender needs and aim to reduce income poverty and contribute to women's empowerment.

It may be argued that these women are being burdened with additional responsibilities as they are already responsible for running the household, and this now has to be combined with income generating activities. However, Annapurna focuses on 'strategic gender needs' by giving them an opportunity of representing their clusters and speaking on their behalf. This also helps in inculcating the Community spirit and helps women gain respect from their men folk. It helps address the root cause of disempowerment, in particular the women's unequal position in society relative to men.

5. Clients' Participation in Governance

Good governance, gender equality and women's empowerment are necessary conditions for the reduction of poverty. Only when women occupy a central position in the governance, can poverty reduction take place. Annapurna has realized that any development process that ignores women cannot address the problem of poverty and the crisis of sustainability. They are far less likely than men to be politically active and far more likely to be victims of domestic violence.

Annapurna has given its women borrowers a chance to

manage their own lives. After graduating through the loan cycles and availing other benefits at the same time, these women stand a chance to be elected representatives of their communities. These Community Representatives (also called CRs) form a level just below the Board of Directors and speak to the Managing Committee on behalf of all borrowers. They are actively involved in settling health and other insurance claims and in establishing meaningful dialogues between Annapurna and its member-borrowers. Two of these CRs are elected onto the Managing Committee of the Board of AMCCSL.

In sum, Annapurna offers financially self-sustaining micro finance services through specialist micro finance staff of AMCCSL and at the same time offers other sector services through other staff to the same clients. The specialist staffs are managed in legally distinct entities (a Cooperative Credit Society, a Section 25 Company and a Trust) – offering micro finance and savings, micro insurance, micro pension, educational sponsorships, day care centers and also Working Women’s Hostel facility in Mumbai. It is a multi-purpose organization controlling all of these activities. This is the kind of organization that can afford a long-term commitment to provide multiple services to the poor and has contributed effectively towards women’s empowerment which in turn has helped their families move towards sustainable development.

MFIs like Annapurna that strive for efficiency and score low on outreach in terms of geographical area expansions, do ultimately cause a higher poverty reduction at the macro level than MFIs that score high on outreach indicators. Such efficient MFIs are able to contribute to improving economic conditions at the local, regional and country level and these contributions ultimately are higher the contributions to poverty alleviation made by the MFIs concentrating on outreach rather than efficiency. In many studies, there has been convincing evidence that outreach is negatively related to efficiency of MFIs.

Chapter 4

Recommendations

Based on her experience in the micro finance industry for the last 20 years, Medhatai the founder and Chairperson of Annapurna Pariwar was approached for her views and recommendations on the Code of Conduct that MFIs should follow. The following points emerged from the discussions:

1. Operational Model and Legal Structure

The operational functioning of all the MFIs under different credit delivery systems as per JLG/ SHG/Individual lending model needs to be defined properly and placed under a proper system of functioning. Registration of MFI under various legal systems provides a legal status and recognition to the MFI. The legal structure helps the MFI to extend micro finance services within their legal framework. It then becomes mandatory and binding on the MFI to run their activities and extend services within that legal frame work. **They should not be working for profit.**

A cooperative model is most recommended because if the Community owns the business, they would be allowed to share the returns. Co-operatives function on the principle of mutuality – people with common needs gather and the residues are shared on the basis of patronage rather than capital.

2. Administration and management

Efficiency of the MFI depends on the managers and paid staff who are involved in the day-to-day administration and management of the MFI. Through training, capacity building programs and exposure visits, the efficiency level and skill of the managers and staffs can be upgraded as per international standards and the needs of the specific MFI. Operational manuals needs to be in place and updated periodically. An HR policy needs to be in

place and incentive should be linked with performance of the field staff. The performance indicators should be financial, social and impact indicators

3. Participation of the users of the program in the Governance of MFIs

This is the most important aspect of an institutional set up. The MFI needs to form a governing board and it should conduct regular meetings for making policy decisions and monitoring the management of the institution. For healthy growth and development of the MFI, the governing board should include representatives of the community members who are the clients and actual recipients of the micro-finance services. It will be beneficial if the board is constituted also of external experts in the field of micro finance, development and regulatory systems. The involvement and participation of experts in the governance and management of the MFI would lead to promotion of a sustainable community based organization.

4. Operational self-sufficiency

The MFI should prepare its plan of action to achieve operational self-sufficiency within the set period. In order to achieve the same the MFI must set up a structure of operations, develop operational manual, create systems, recruit and train staff to deliver micro-finance services effectively. In-house training and guidance should be provided to the staff constantly to upgrade the required skills so that the organization can cope up with the increased demand in order to achieve operational self-sufficiency. Normally one should achieve the self-sufficiency within a period of three to five years.

5. Financial sustainability but not huge profits

The MFI should stipulate a time frame for achieving financial sustainability. Program planning and action plan need

to be prepared by involving professionals and financial experts. In order to achieve financial sustainability financial appraisal must be conducted on regular intervals to understand the financial health of the MFI. The long-term sustainability of the MFI depends on its financial health. The MFI should achieve financial sustainability within a period of three to five years from its promotional year. **However it should have an upper limit for the profits. It should distribute the profits among the members who contribute to this profit.** Also the staff and Board members who contribute to the profit should get some share of the profit, although not a huge one.

6. Loan products

While designing loan products the MFI should involve the beneficiaries /clients/community members and design the products as per their needs. The demand and supply should be complementary. If the products and services do not fulfill the needs of the clients then the distance between the MFI and their clients will widen and it will hamper the growth and development of the MFI.

7. Financial transparency

Micro finance institutions should develop systems and accounting practices in their institutional functioning and financial transactions at various levels for financial transparency. This is the most important criterion for promoting a sustainable MFI. The business, recognition, acceptance, accountability and credibility of the MFI depend on the degree of financial transparency maintained by the MFI.

8. Balance sheet and audit

Maintenance of day-to-day accounts should be an integral part of the functioning of MFI. Preparation of balance sheet should be a part of the financial systems and management practices of the MFI. It is the responsibility of the management and the board

to ensure that the balance sheets are prepared and the accounts are audited in time. Balance sheets should be prepared as per the standard practices of micro finance activities.

9. Management information system

The MFI should put in place a proper MIS for its functioning. The MIS can be manual in the initial years, but as it grows, data processing system needs to be computerized. MIS is to be properly designed and data collected on a regular basis. Once collected, data entry should be made on under appropriate heads, verified and processed systematically and carefully. The MIS may either be tailor made or readymade software that can be installed. It is to be ensured that whatever be the system adopted it should facilitate the operations of the MFI. The managers, executives and staff should be recruited and trained to handle the data. The information collected and processed should be used for planning, monitoring, financial management, delivering services, recovery, preparing reports and various other purposes. MIS is the backbone of a successful MFI.

10. Net-work activities

It would be better if the newly established MFI is a member of a network group. Membership to a network helps the MFI to get information and knowledge, conduct advocacy and help in institutional linkages. By becoming a member of net-work group the MFI can strengthen its own functioning and get a larger platform to participate with other MFIs.

Lastly and most importantly, Micro finance is an instrument not only for financial inclusion but also for socio-economic empowerment of marginalized community and inclusive economic growth for the society at large.

Annexure

Impact Assessment Study - Questionnaire

Member Details :

Date :

Name			
Gender			
Age			
Education			
Marital Status	Married Widow	Unmarried	Divorced
Caste			
Business/Occupation			
Mob No.			
Area			
Sub Area			
Address			
Loan amount			
Loan cycle			
Member since(years)			
Member no.			

Overall assessment before becoming member of Annapurna Mahila Cooperative Credit Society

Q1. Were you engaged in any kind of Savings ?

Yes	No
-----	----

Q2. If yes, then which among the following :

Savings at home	Savings with Kitty	With MFI	With Bank	With Post office

Q3. What was the amount that you could save per month?

0-300	300-600	600-900	900-1200	1200-1500
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Q4. Were you taking loan?

Yes	No
-----	----

Q5. If yes then from whom

Money lender	Family Friends	MFI	Bank
--------------	----------------	-----	------

Q6. Were you having Gold?

Yes	No
-----	----

Q7. If yes then, how much?

0-5 tola	5-10 tola	10-15 tola	15-20 tola
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Q8. Condition of the House

Wall	Water proof cloth	Plastic Sheet	Tin Sheet	Wood	Bricks with Plaster	Bricks without Plaster
Floor	Mud	Mud with cow dung coating	Mixed Cemented (Koba)	Pure Cemented	Stone Slabs	Ceramic tiles
Roof	Water proof cloth	Plastic sheet	Tin sheet	Wood	Asbestos	Concrete
Cross ventilation and cleanliness	Unclean and no cross ventilation	Clean and no cross Ventilation	Unclean and cross ventilation	Clean and cross Ventilation		
Electricity	Electricity with meter		Electricity without meter			
Water	Tap not till home		Tap till home			
House Ownership	One room at someone's House	Separate rented House	Separate rented House	Own House		
Space	Half Kholi	One room 1 Kholi	2 Kholi	More than 2 Kholi		

Q9. Details of family members and sources of income

S No.	Name	Relation	Age	Education	Business/Occupation	Income	
Other sources of Income					Source	Income	

Q10. Household assets

S. No.	Name	Yes	No
1.	Wall clock		
2.	Celling fan		
3.	Table fan		
4.	Wall fan		
5.	Radio		
6.	Tape recorder		
7.	Television		
8.	Gas Cylinder		
9.	Cooker		
10.	Mixer		
11.	Cupboard		
12.	Cot		
13.	Cycle		
14.	Sewing Machine		
15.	Fridge		
16.	Two Wheeler		

Q11. Whether any members of your family having any major disease among the following ? Yes/No

Tuberculosis	Heart Disease	Cancer	Aids
--------------	---------------	--------	------

Q12. Did you give the necessary immunization with other community members?

Triple	Polio	Polio booster
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Q13. What was your level of interaction with other community members?

Very General	Seeking advice/ help related to financial problems.	Seeking advice/ help related to family problems.	Discussing and trying to solve common problems faced by community members.
--------------	---	--	--

Q14. Were you involved in any of the following ill-habits? Yes/No

Chewing Gutkha	Chewing tobacco	Cigarette / Bidi	Alcohol	Drugs	Used to play cards/Matka/Lottery
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Q15. Among the following what were you engaged in?

Gossiping among friends	Reading Newspaper	Watching news in television	Discussing political/social issues	None
-------------------------	-------------------	-----------------------------	------------------------------------	------

Q16. Where you involved in?

Taking care of the aged members of family	Playing and interacting with children	Interacting with the spouse	Maintaining relations with relatives	None
---	---------------------------------------	-----------------------------	--------------------------------------	------

Q17. Were you in involved in decision related to family matters?

Never	Involved at times	Always involved
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Q18. Were you involved in decision related to financial matters in family?

Never	Involved at times	Always involved
--------------	--------------------------	------------------------

Overall assessment after becoming member of Annapurna Mahila Cooperative Credit Society

Q1. How are you doing savings now?

Savings at home	Savings with Kitty	With MFI	With Bank	With Post office

Q2. What is the amount that you can save per month?

0-300	300-600	600-900	900-1200	1200-1500
--------------	----------------	----------------	-----------------	------------------

Q3. From whom you are taking loan now?

Money lender	Family friends	Annapurna	Bank	Another MFI
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Q4. For what purpose you have taken loan? (Expansion of business, children, education, repayment of old debt house maintainance or asset creation)

Loan	Purpose
1st Loan	
2nd Loan	
3rd Loan	
4th Loan	

Q5. Are you having Gold?

Yes	No
-----	----

Q6. If yes then, how much

0-5 tola	5-10 tola	10-15 tola	15-20 tola
----------	-----------	------------	------------

Q7. Condition of House

Wall	Water proof cloth	Plastic sheet	Tin sheet	Wood	Bricks with plaster	Bricks without plaster
Floor	Mud	Mud with cow dung coating	Mixed cemented (Koba) Tin sheet	Pune Cemented	Stone slabs	Ceramic tiles
Roof	Water proof cloth	Plastic sheet	Tin sheet	Wood	Asbestos	Concrete
Cross Ventilation and cleanliness	Unclean and no cross Ventilation	Unclean and no cross Ventilation	Unclean and no cross Ventilation	Clean and no cross Ventilation		
Electricity	Electricity with meter	Electricity without meter				
Water	Tap not till home		Tap till home			
House ownership	One room at someone's house	Separate rented house	Separate rented house	Own house		
Space	Half kholi	- One room 1 kholi	- Two rooms 2 kholi	More than 2 kholi		

Q8. Details of family members and sources of income

S. No.	Name	Relation	Age	Education	Business/Occupation	Income

Q9. Does any member of your family was having any major disease among the following? Yes/No

Tuberculosis	Heart Disease	Cancer	Aids
--------------	---------------	--------	------

Q10. Did you give the necessary immunization does to the children for any of the following? Yes/No

Triple	Polio	Polio booster
---------------	--------------	----------------------

Q11. Household assets

S. No.	Name	Yes	No
1.	Wall Clock		
2.	Ceiling fan		
3.	Table fan		
4.	Wall fan		
5.	Radio		
6.	Tape recorder		
7.	Television		
8.	Gas cylinder		
9.	Cooker		
10.	Mixer		
11.	Cupboard		
12.	Cot		
13.	Cycle		
14.	Sewing Machine		
15.	Fridge		
16.	Two wheeler		

Q12. What is your level of interaction with other community members?

Very General	Seeking advice /help related to financial problems	Seeking advice /help related to family problems	Discussing and trying to solve common problems faced by community members.
--------------	--	---	--

Q13. Are you involved in any of the following ill-habits? Yes/No

Chewing Gutkha	Chewing tobacco	Cigarette / Bidi	Alcohol	Drugs	Used to play cards/Matka/Lottery
----------------	-----------------	------------------	---------	-------	----------------------------------

Q14. Among the following what are you engaged in?

Gossiping among friends	Reading Newspaper	Watching news of television	Discussing political/social issues	None
-------------------------	-------------------	-----------------------------	------------------------------------	------

Q15. Are you involved in decision related to family matters?

Never	Involved at times	Always involved
-------	-------------------	-----------------

Q16. Are you involved in decision related to financial matters in the family?

Never	Involved at times	Always involved
-------	-------------------	-----------------

Interviewer's Signature : _____

Member's Signature : _____

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Women's Empowerment has long been recognized by NGOs the world over as a key to combating poverty and achieving sustainable development in underserved communities. One such grass-roots NGO is Annapurna Pariwar - a group involved in Community based programs for empowering poor women during the last 3 decades. This book presents the results of an Impact Study conducted on Annapurna's clients to gauge the impact made by their credit plus interventions. The outcomes presented can help restore the confidence of many socially oriented Non-Profit MFIs who have faced the wrath of society and funding agencies alike arising out of the recent crisis in the Indian micro finance industry.



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