

# Micro-finance- Way Forward

## A Case of BASIX

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## Change in Development Paradigm

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- 'Development' as a answer to 'market failure'
    - Various sponsored programmes of the Govt
    - Nationalization of banks, etc.
    - Donor Supported Programmes
  - Market-led Development
    - Contract Farming with small and marginal farmers
    - Public private partnerships in development
    - Companies in engaged in provision of various services (micro-finance, input supply, output marketing, etc.)
    - More Market-Oriented NGOs
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## Failure of Supply Driven Initiatives in Rural Credit

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- Nationalization of banks was not enough
    - A quarter of population still do have access to banking accounts
    - Low C-D ratio of rural branches
    - Prevalence of the informal financial market
  - Non-performance of specialized financial institutions- RRBs, Co-operatives
  - Failure of the formal financial institutions to address the needs of the bottom of pyramid
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## Emergence of Micro-finance Sector

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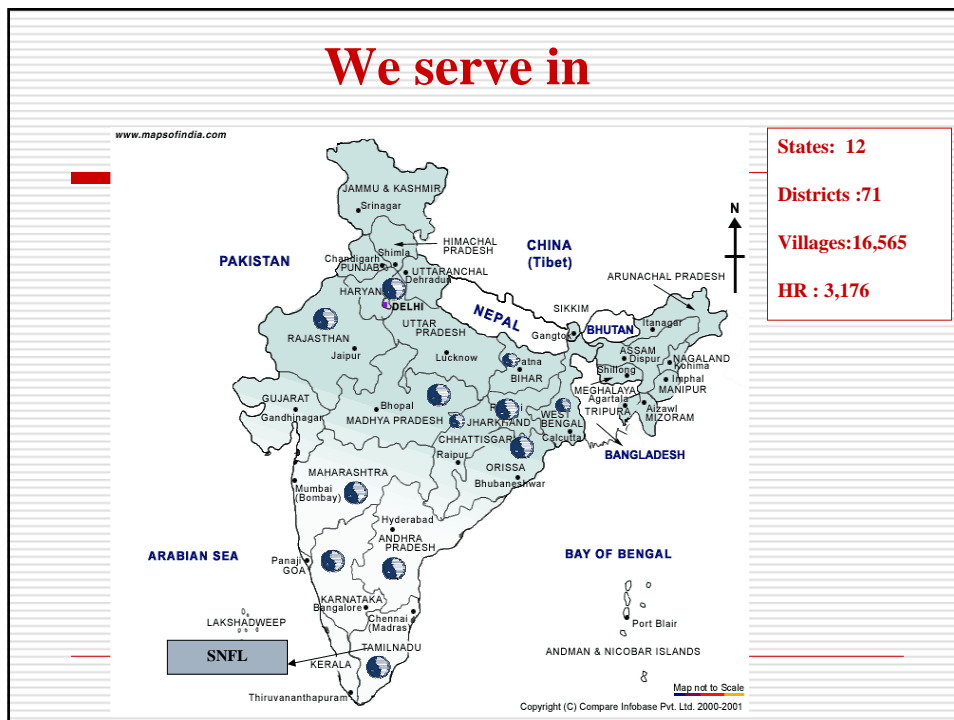
- Myrada, NABARD supported SHG-Bank Linkage program
  - Emergence of First Generation MFIs- SHARE, BASIX, DHAN Foundation
  - Followed by New Generation MFIs- SKS, SPANDANA, VISWA, Bandhan, SNFL, Sanghamithra, etc
  - Private sector Initiatives- ICICI, HDFC, ABN-Amro, Citi-Bank, Insurance companies, etc.
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## BASIX Mission

To promote a large number of **sustainable livelihoods**, including for the rural poor and women, through the provision of **financial services and technical assistance in an integrated manner**

BASIX will strive to yield a competitive rate of return to its investors so as to be able to access **mainstream capital and human resources** on a continuous basis.

## We serve in



## Micro-Credit Initiatives

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- Working initially with two states through soft loans from Ford Foundation and SDC
    - Building Products
    - Establish Systems
    - Build Initial credibility in the financial sector
  - Expansion into new states thereafter
    - Less developed but contiguous states
    - Understood the efficacy of model
  - Expansion to far –flung states in Northern India
  - Attracted equity from IFC, thereafter from HDFC, GTZ, HDFC, Shore bank, etc.
  - Also simultaneously got line of credit from formal financial institutions
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## Micro-credit Initiatives (Cont.)

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- Lobbied with RBI for Bank License
  - Started the first Micro-finance Local Area Bank in AP and Karnataka
  - Also provided technical and managerial support several emerging MFIs- SNFL in Tamil Nadu
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## BASIX Operations as on 30<sup>th</sup> June'07 Rs in Mns

	Samruddhi	KBS BANK	Sarvodaya	BASIX Group
Disbursements (April 06- Dec 06)	605	110	364	1,079
Cash Security/Deposits	208.6	66	-	274.6
Savings(SB) or Savings	-	72	-	72
RD or SDD	-	118	-	118
Outstanding	1,564	334	696	2,594
No of active borrowers	2,11,612	34,634	1,29,673	3,75,919
OTRR	98.7%	95%	99.6%	99.6%
<b>Cumulative Disbursements since inception</b>	<b>5,891</b>	<b>975</b>	<b>3,142</b>	<b>10,008</b>

## Micro-finance Initiatives

### □ Micro-insurance Products

- Started with life with AVIVA, a bundled product
- Developed and initiated Livestock Insurance with Royal Sundaram
- Initiated Weather based insurance first time in India with ICICI Lombard
- Moved into health, life retailing and enterprise insurance

## LFS Insurance

Whole suite of products to its rural households

	Insurance Cover	Insurance Partner	Scope of Cover
1	Life Insurance	AVIVA	Group-Death of spouse and borrower(1.5 times loan amount) Retail- Cover between 20k-100K
2	Health Insurance	Royal Sundaram	Hospitalisation(Rs.1.5K p.a) Critical illness (Rs 10K p.a) Accidental disability( Rs 25K p.a)
3	Livestock Insurance		Death- Cover from 5K – 20K
4	Enterprise Insurance		Cover against fire and other natural calamities 5K-200K
5	Weather Insurance	ICICI Lombard	Deficit or excess rainfall and temperature

## LFS Insurance :Business & Service Delivery

	Policies as on 30 <sup>th</sup> June 2007
Lives under -Group Policy	4,18,700
Health Insurance -Group Policy	4,16,752
Livestock Insured	13,108
Rainfall Insurance Customers	2,845
Micro-Enterprises Insured	3,486

	Claims Settled	Settled amount Rs.(in Mns)
Life	1,687	24.95
Livestock	990	7.63
Health	4,848	7.10
Enterprise	2	0.04
Rainfall	3,559	3.34

## Other Micro-finance Services

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- Initiated pilots on Remittances
    - Advantage of the Business Correspondent Model
    - Transfer of remittances from Delhi to Muzzarfarpur through AXIS (UTI) Bank
    - Product Design and Process stabilization is presently being done
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## Sector Promotion

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- Institutional Development Services
    - ICICI and SIDBI supported building capacity of 30 NGOs in MF
    - Otherwise also supported 70 NGOs in building their micro-finance operations- Nidhi Foundations of ASSEFA, NEED , RGVN, Sangamithra, NBJK, AWS
  - LAMP Fund
    - Grant for capacity building
    - Loan and equity for MF operations
    - 50 organization in 11 states; Disbursements- 2.3 crores, outstanding-1.35 crores, OTRR 100%
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## Sector Promotion

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- Revival of the Co-operative Structure
    - 30 SCBs, 376 DCCBs, 110,000 PACS
  - Conducted study of 5 states in 2004
  - Undertaking Pilot of Revival of 3 DCCBs
    - 2 in MP and 1 in Rajasthan, along the lines of Vaidyanathan Committee
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## Strategy for MF Promotion

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- Continuous identification of the customer need
    - Felt or induced
  - Innovations in product and processes
  - Built collaborations with formal financial institutions
  - Provide the necessary technical and managerial support to the sector
  - Continuous Policy Advocacy
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Thank You

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