

FWWB

FRIENDS OF WOMEN'S WORLD BANKING  INDIA

ANNUAL
REPORT
2004-05



ABOUT US



Friends of Women's World Banking, India (FWWB-I) was established in 1982 as a Non-Profit Organisation to promote direct participation of poor women in the economy through

access to financial services. It was created to extend and expand informal credit supports and networks within India to link them to a global movement.

FWWB's **Mission** is to assist in the formation and strengthening of people's organisations by bringing them into the mainstream of the economy and thereby participating in the process of nation building. FWWB is committed to building a society based on equity and social justice where women are the leaders of social change.

FWWB's **Strategy** focuses on building the capacity of promising and committed micro finance institutions to play a leading role in providing financial services to the poor.

CONTENTS



From the Chairperson	2
Revolving Loan Fund Programme	4
FWWB's Partnership with growing MFIs	10
Innovation Fund	17
FWWB's efforts to assist the Tsunami affected people	23
Capacity Building Programme	25
Organisation Development	29
The Integrated Social Security Project	30
Research and Documentation	36
Staff Development	41
Publications	42
Funding Partners	43
FWWB Team	44
Board of Directors	45
Financial Statements	47
Details of FWWB Partner Organisations	60

FROM THE CHAIRPERSON

Dear Friends,

The flow of funds from the banking sector to micro finance gathered further momentum during the year. With an enormous unmet demand this pickup in supply is extremely welcome. The challenge however continues in effectively channelising these funds to those striving to break out of poverty. This requires cultivating new regions as well as developing the ability of existing players to scale up

It is in this context that FWWB's strategy to focus on helping the "nonbankable" poor women to become "bankable" becomes extremely relevant. We take pride in the fact that many of our partners whom we have nurtured over the years are now directly accessing credit from the banking sector and that their dependence on FWWB is steadily declining. We continue to work in new regions and with smaller partners where there is maximum scope to value add.

In pursuing this strategy of focusing on those at the bottom of the pyramid and supporting them to migrate upwards we do undertake greater risks. This however is inherent to our Vision and Mission.

Performance

While our portfolio grew by nearly 22% it is the qualitative change in its composition that needs to be highlighted. The share of the newer states (Maharashtra, Gujarat, West Bengal and UP) in our portfolio increased from 16% to 22%. Our outreach increased by nearly 50,000 women to 1,86,000 and the number of lives insured by our partners increased from 4 Lacs to 11 Lacs.

To mitigate the risks of lending to our target audience we have created a new Risk Fund partly out of grant contribution and partly out of our own reserves and surplus.

Governance

In keeping with our commitment to high standards of governance and transparency the Board has adopted the practice of making full disclosure of detailed financials. While this is not a statutory requirement we believe that such transparency would build greater trust with all our stakeholders and set new benchmark for our sector.

Acknowledgements

After a long and active association as members of the Board, Vidya Ramachandran and Professor Samuel Paul have stepped down. On behalf of the entire FWWB team I would like to express our sincere appreciation for their valuable contribution over the years. I am delighted to welcome Anjali Bansal and Vijayalakshmi Das, our CEO, as our new Board members.

I remain indebted to all our Board Members for their guidance and support. To Elaben my special gratitude for always being there to share her profound insights. I truly appreciate the commendable work put in by the management and staff at the head office as well as the regional office.

I would like to acknowledge Women's World Banking's team at New York, our consultants and auditors for their constant support. I would also like to thank all our Donors and Lenders for the trust they have placed in us. My special thanks to SIDBI for recognizing our unique work and contributing to our newly created Risk Fund.

To all our partners and their members my sincere appreciation. It is they who make our work so fulfilling.

Sincerely



Radhika Haribhakti

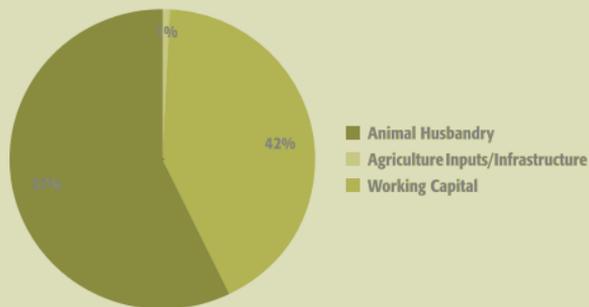


REVOLVING LOAN FUND PROGRAMME

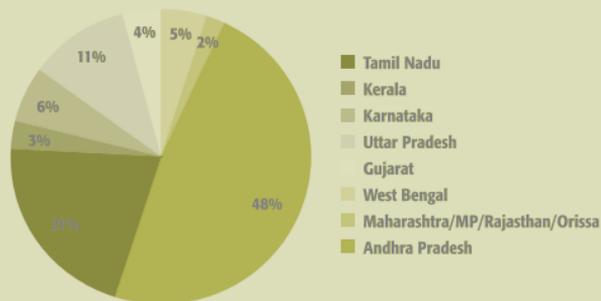
FWWB, this year, saw an increase in its outreach by a little over 46,000 new women borrowers through its 79 partner organisations across 11 States. The number of ongoing loans outstanding during the year was 531 and loan amount disbursed during the year was Rs. 615 million and the amount outstanding is Rs. 591 million.

The outstanding portfolio Statewise has not changed much compared to last year with Andhra Pradesh still retaining the first position with loan outstanding of Rs. 291 million followed by Tamil Nadu with an outstanding of Rs. 123 million and Uttar Pradesh with an outstanding of Rs. 62 million. The rest of the States taken together have an outstanding of Rs. 114 million, which is 19% of the total loan outstanding. Animal husbandry and working capital have major share with an outstanding of Rs. 341 million and Rs. 245 million respectively. Agriculture inputs and infrastructure form just 1% of share in the total activitywise portfolio.

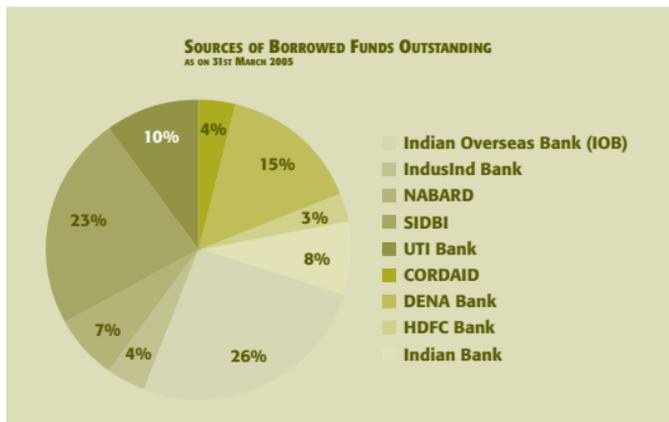
ACTIVITYWISE LOAN OUTSTANDING



STATEWISE LOAN OUTSTANDING

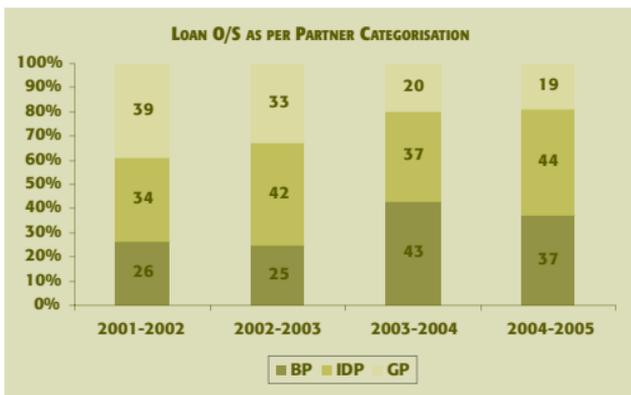


The major source of funding for FWWB comes from the commercial banking sector. The largest share of outstanding borrowed funds this year too was from Indian Overseas Bank (IOB), which was Rs. 168 million which formed 26% of the total funds borrowed. This was followed by SIDBI, Rs. 147.34 million (23%), Dena Bank, Rs. 92.50 million (15%), UTI Bank, Rs. 65.62 million (10%) and the rest Rs. 161.83 million (25%) came from Indian Bank, NABARD, IndusInd Bank, CORDAID and HDFC Bank.



FWWB now has 6 Big Partners (BPs) who account for 37% of the total outstanding portfolio, 20 Institutional Development Partners (IDPs) who account for 44% of the total out-standing portfolio and 55 General Partners (GPs) who account for 19% of the total outstanding portfolio. All these partner organisations are involved in providing financial services to their women members; some of them provide only credit while some provide credit plus services.

It is worth noting that during the year FWWB's partners in the Institutional Development (ID) category were able to access funds from agencies other than FWWB. Infact, they were able to access commercial funding to the tune of Rs. 373.50 million from funding agencies and banks like RMK, SIDBI, ICICI Bank, ABN AMRO Bank, HDFC, Grameen Trust, UTI Bank, Canara Bank, ING VYSYA. This is besides the FWWB funding of to these 18 ID Partners all of whose FWWB loan outstanding totals to Rs. 262.64 million as on 31st March 2005. FWWB takes pride in having groomed these organisations to a level where they are able to access funds from external organisations.

**OVERALL PROGRAMME PERFORMANCE**

Indicators	2002-2003	2003-2004	2004-2005	Cumulative (1989-2005)
Number of Partner Organisations	87	88	79	272
Number of ongoing loans O/S	365	486	531	
No. of Loans disbursed during the year	206	267	296	1,312
Portfolio Outreach (Women Borrowers)	84,186	1,39,366	1,86,170	3,88,042
Gross Portfolio O/S (Rs. millions)	303	486	592	
Average Loan Size in Rs. (on disbursement)	4,848	4,885	4,974	4,370
Loan Amount disbursed (Rs. millions)	265	474	616	1,696

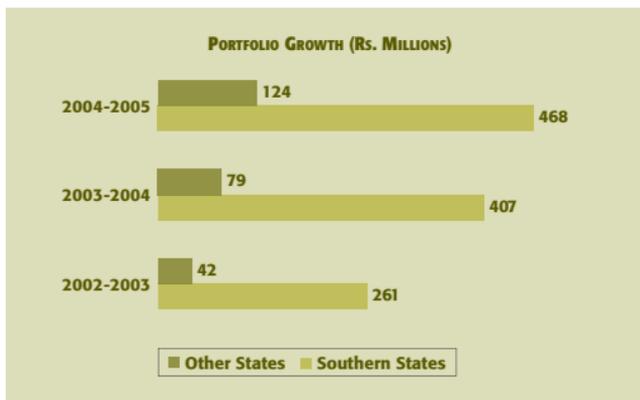
FIVE YEAR GROWTH AT A GLANCE

	2001	2002	2003	2004	2005
Loan Outstanding (Rs. millions)	97	169	303	486	592
Repayment Rate (as of 30 days)	95%	97%	96%	95%	98%
Portfolio At Risk (PAR) (as of 30 days)	3.90%	1.20%	2.60%	4.96%	2%
No. of Ongoing Partner organisations	80	81	87	88	79
No. of Active Women Borrowers	32,119	46,593	84,186	1,39,366	1,86,170
Average Loan Size in Rs. (on disbursement)	4,287	5,241	4,848	4,885	4,974

PROGRESS IN EASTERN AND WESTERN INDIA

Recognizing the potential and responding to the felt need of developing a strong base in micro finance in the Western and Eastern regions of the country, FWWB's efforts to expand its activities in these regions has been very successful and the results are very encouraging.

The year 2003-2004 was demanding as various workshops were conducted in these two regions and a few organisations which had potential were identified and were welcomed to be FWWB's partners. This year, 2004-2005, there was an increase in the number of partners with 2 partners added in Gujarat, 1 in Maharashtra, 3 in Orissa and 4 in West Bengal. The loan outstanding in these regions during the year is now Rs. 61.41 million.



ANALYSIS OF DROPOUT ORGANISATIONS FROM APRIL 2002 TO MARCH 2005

Maintaining a healthy portfolio is important for the strength and survival of any kind of lending institution. It becomes a matter of great concern if the organisation faces dropouts or delinquency and it needs to be looked into immediately and correct measures need to be implemented for reducing or eliminating it. FWWB witnessed dropout rate varying from 17% to 22% from its list of partners since April 2002 till March 2005. The number of partner organisations in April 2002 was 81 out of which 18 (22%) organisations dropped out by the year end. In April 2003 the number of organisations was 87 out of which 15 (17%) dropped out by March 2004 and in April 2004, again the number of organisations was 87 out of which 19 (21%) dropped out by March 2005. Almost all of these 52 organisations were in the General Partner (GP) category.

DROPOUT essentially occurred due to three reasons:

Category 1: Closure of loans given for specific reasons in response to calamities like drought and earthquake. (17 Organisations)

Under this category, partnership with 17 organisations who were given direct loans for rehabilitation after earthquake, purchasing fodder in the drought prone areas and loans given to the federations at Indore under the DFID special project were closed.

Category 2: Disassociation with small organisations unable to show progress in spite of continuous capacity building inputs from FWWB. (22 Organisations)

This category included 22 organisations as they were short of the minimum standards set for further loan support from FWWB. These organisations were not delinquent as they were able to return the first loan but since their further absorption capacity was less, FWWB decided not to continue further with them.

Category 3: Cases of delayed repayment/non-repayment/willful default to whom no fresh loans are sanctioned. (13 Organisations)

Under the last category, there were 13 organisations out of which 4 were delinquent and 9 were defaulters. FWWB has been able to recover loans from the 4 delinquent clients but have now disassociated with them. The remaining 9 organisations were defaulters and hence FWWB discontinued with them for recovering the outstanding loan amount.

Thus, in the past 3 years the actual dropout rate out of the 52 organisations would be 25%, i.e. around 8% on an average per year. On the positive side, FWWB has inducted 49 new organisations during the span of 3 years, meaning again increasing partners at 8% on an average per year. This indicates that though FWWB has to take care in their appraisal visits but looking to the arduous task of nurturing the organization as well as undertaking small and medium sized organizations which are without capital and without systems in its fold, it is not a very high rate of dropout.

WRITE OFF LOANS

FWWB has a policy of writing off bad debts that are overdue for more than 2 years. Though it leads to capital erosion, which has been built after much effort, it is an inevitable measure to maintain the quality of the loan portfolio as per the best practices norms. The process of recovering the overdue amount continues even after these bad debts have been written off through legal as well as other approaches. The various reasons that have accounted for bad debts for FWWB in the past are:

- Weak internal systems, inefficient and incompetent staff, lack of training etc may lead to collapse of the micro finance programme when the organisation is scaling up its operations.
- Weak governance, limited understanding of the top management relating to financial concepts, absence of competent second line are additional factors which may result in poor performance of the organisation leading to inability to repay the funders.
- Pressure from the external environment including funding agencies pushes the organisation to scale up. This unplanned growth may lead to financial crisis if unmatched with recruiting qualified and experience personnel at crucial levels.

FWWB would like to congratulate some of its partners, for winning the Micro finance Process Excellency award (MPEA) in different categories.

The partner organisations that won the award are,

- 1. GLOW in Flint Category,**
- 2. VWS and Sahara Utsarga Welfare Society in Flame Category and**
- 3. Saadhana Microfin Society, SKS Microfin and SPANDANA in Fire Category.**

MPEA 2005 (Micro Finance Process Excellence Awards 2005) is the joint initiative of ABN AMRO Bank and PlaNet Finance to foster a culture of process management in Micro finance Institutions and improve the management functions at the institutional level. The awards are given in recognition of the best practices evolved and followed by Micro finance Institutions in India.



FWWB'S PARTNERSHIP WITH GROWING MFIs

JOURNEY FROM GP TO ID

In order to achieve its goal of building sufficient number of good micro finance institutions, FWWB has categorized its partner organisations into three groups. The type and quantum of inputs will vary according to their stage of development as micro finance institutions. In continuation of this endeavour, FWWB has inducted three of its General Partners into the ID category¹ now totalling 20. These organisations have demonstrated a focused vision, committed leadership, and clear growth strategy and business plan. As an ID partner of FWWB these organisations shall be eligible for intensive capacity building support to strengthen their institutional systems, operational practices and professional skills.

BWDA, VWS and VARDAN have been graduated this year to IDP category. Although, BWDA and VWS were well-established institutions when they had joined FWWB, they were kept in the General Partner (GP) category to enable FWWB to understand their systems and their activities well. Impressed by their portfolio quality and their clients, they were moved to IDP category within an year and a half.

VARDAN, based in Dahod, Gujarat, as an organisation has already been highlighted last year hence we present here a brief profile of two organisations, BWDA and VWS who have also been graduated to IDP Category during the year.

BULLOCK-CART WORKERS DEVELOPMENT ASSOCIATION (BWDA), VILLUPURAM, TAMIL NADU

BWDA² initiated its activities in October 1985 for the cause of bullock-cart workers, artisans, women, children and animal welfare in 3 districts of Tamil Nadu, with its Head Office based at Villupuram. BWDA joined FWWB as one of its General Partners (GP) in January 2003. It was moved to the Institutional Development Partner (IDP) category based on its good performance and potential to grow. The first loan fund given to BWDA by FWWB was Rs. 1 million. The total funds given to BWDA by FWWB so far is Rs. 15 million and the outstanding is Rs. 9.77 million.

In September 1999, BWDA started its micro finance programme for its SHG members, with the support of RMK, SIDBI, HDFC, FWWB etc. Till date, it has facilitated 9,421 SHGs and 47,253 borrowers to get credit linkage for Rs. 24.07 million totally, from BWDA Micro Finance, bank direct loans and subsidized SGSY government loans. NABARD awarded BWDA twice for its best performance and for its excellent 'Credit Linkage Service' to more number of its SHGs under the SHG-Bank Linkage programme.

Year of Inception: 1985

Legal Status: Society & Non-Profit Organisation & NBFC

Area of Operation: Tamil Nadu

No. of Districts: 3

Credit Methodology: SHG

Type: Multi focused

Major Programmes:

- Micro finance
- Capacity building, technical support & skill development
- Forging market linkages,
- Advocacy and lobbying & facilitating state level network of Bullock Cart Workers Associations,
- Running vacation schools
- Preventive and promotive health and family counselling

1. FWWB has categorized the partners in three categories, Big Partners (BPs), Institutional Development Partners (IDPs) and General Partners (GPs). The partners are then graduated from GP to IDP to BP based on their performance. ID POs get concentrated training in focused area so that the scaling up procedure becomes easier with training and exposures alongwith continuous fund support.

2. For further information on the organization or its activities contact bwda@hclinfnet.com

Till date, it has formed 5,300 women SHGs with 100,700 women members and 335 men SHGs with 6,230 men members and nurturing /facilitating them with various trainings, credit linkage services. It has motivated its SHGs to save Rs. 45.02 million as group savings and rotated Rs. 99.87 millions as Sangha/Internal Loan. BWDA has created a separate entity, BWDA Finance Limited (BFL), registered under the NBFC Act, to manage its increasing portfolio.

BWDA has introduced a new initiative, which evolved as a response to women's needs to purchase essential commodities at lower prices using a system of deferred payment. The project aims at providing area based opportunities benefiting both sellers and buyers through a system of deferred payment.

To conclude, some of the major strengths of the programme, which has led to the present growth of BWDA are prompt selection of the target population and their growth, clarity of the programme, participatory planning, implementation and prompt delivery of the services, implementation of the programme with full participation and co-operation of the community people (target population), strong partnership and networking with partners.

PROGRAMME HIGHLIGHTS (COMPARATIVE ANALYSIS)

Year	Villages	Branches	Groups	Members	Active Borrowers		Loan Disbursement (Rs. millions)		Portfolio Outstanding (Rs. millions)	
					BWDA	BFL	BWDA	BFL	BWDA	BFL
March 2005	800	10	5,635	107,713	34,334	21,847	22.63	80.70	50.70	61.00
March 2004	781	9	4,587	87,327	29,109	21,421	19.18	9.65	24.00	8.09
March 2003	635	5	3,888	74,027	13,530	-	79.10	-	24.21	-

VILLAGE WELFARE SOCIETY (VWS), KOLKATA, WEST BENGAL

FWWB partnered with Village Welfare Society³ (VWS) in August 2003 by giving them their first loan fund of Rs. 15 lacs and including them in its General Partner (GP) category. The cumulative loan given so far by FWWB to them is Rs. 23 million and the outstanding is Rs. 16.46 million. VWS has been promoted to FWWB's Institutional Development (ID) Partners' category during the current year.

The micro finance programme was launched in the 1994-95 with some 1,000 members after receiving a donation of Rs 6,000 from ICSS. Over the years, its focus has gradually shifted to micro finance completely. At present, it has more than 36,000 members with a portfolio outstanding to the tune of Rs. 80 million.

VWS does not have any in-house insurance product but has linked substantial number of its members to AVIVA insurance company under life insurance. It collects 1.5% of the loan amount as insurance premium. VWS offers a variety of loan product like the General loan, Term loan, Seasonal loan, Emergency loan, Star loan, Housing loan etc.

The organisation has a very flexible attitude towards adopting new techniques required for its advancement. After the exposure visit to SPANDANA facilitated by FWWB, it has made considerable changes in its operations. The staff is well trained and motivated. The organisation has also recently introduced performance-linked incentive for field staff.

The organisation has developed in-house capacity for training of new field staff. VWS has recently got MIS software

Year of Inception: 1982

Legal Status: Society & Non-Profit
Organisation & Sec 25 Co.

Area of Operation: West Bengal

No. of Districts: 7

Type: Credit focused

Credit Methodology: SHG & Grameen

Major Programmes: Micro finance

³ For further information of the organization or its activities contact vws@cal3.vsnl.net.in

custom-made for its operations from a local vendor. Within the next two years, the organisation proposes to computerize all its branches. The internal control system is well developed and there are checks and balances at every level of operations. The operational systems and processes are continually reviewed to make them more efficient and effective. Also, the top management of the organisation is competent and highly committed towards its growth.

PROGRAMME HIGHLIGHTS (COMPARATIVE ANALYSIS)

	Villages	Branches	Groups	Members	Active Borrowers	Loan Disbursement (Rs. millions)	Loan Outstanding (Rs. millions)
March 2005	403	19	2,081	39,549	33,389	146	91.4
March 2004	221	17	974	18,279	11,118	43.8	26.3
March 2003	196	17	659	14,994	10,504	44	26.2

BRIEF PROFILE OF TWO INSTITUTIONAL DEVELOPMENT PARTNERS (IDPs)

BANDHAN⁴, WEST BENGAL

With a start up fund of Rs. 2 million from SIDBI, technical collaboration with ASA, Bangladesh and substantial hands on experience of Mr. Chandra Shekhar Ghosh (founder and executive director), in the arena of micro finance, Bandhan's operations saw the light of the day in the year 2001 when ASA Bangladesh decided to support setting up of a new MFI in India, which eventually took shape of ASA-Bandhan collaboration programme.

The objective of Bandhan has been to reach out to millions of poor while operating at the lowest cost. It has been relentlessly pursuing its endeavor through efficient service delivery mechanism, low costs, decentralized management approach and innovativeness to further enhance the institutional viability. It has recorded a tremendous growth and has covered a large number of poor families in West Bengal within two years of its operations. With one of the major funding source being FWWB, the organisation has recorded growth of 500% in 2003, over 611% in 2004 and 711% in 2005. The cost effective micro finance programme is backed by a robust management systems. The quality of operations is checked through tight monitoring and control systems facilitated by comprehensive yet simple MIS, which is based on the ASA, Bangladesh methodology. The MIS formats of Bandhan have built in multiple check and balances at various stages. It follows Grameen methodology service delivery mechanism and offers only loan products to its members.

Bandhan's association with FWWB started in the year 2003 when, it was inducted to GP Category initially and promoted to ID Partner a year later in April 2004. The total cumulative loans given by FWWB to Bandhan till now is Rs. 22 million and the outstanding now is Rs. 17.9 million. Bandhan proposes to increase its outreach to 0.16 million poor women with a loan portfolio outstanding of more than Rs 260 million in 2005-06 and expand its operation to other states as well.

Year of Inception: 2001

Legal Status: Society & Non-Profit Organisation

Area of Operation: West Bengal

No. of Districts: 8

Type: Credit focused

Credit Methodology: Grameen

Major Programmes: Micro finance

PROGRAMME PERFORMANCE:

	Members	Borrowers	Cummulative loan disbursed (Rs. millions)	Loan O/S (Rs. millions)	Savings (Rs. millions)
March 2002	512	131	0.35	0.3	0.2
March 2003	2,029	1,143	3.09	2.1	0.57
March 2004	9,282	5,734	19.99	12	3.67
March 2005	51,586	40,286	147.1	85.6	22

SAADHANA MICROFIN SOCIETY, ANDHRA PRADESH

Saadhana Microfin Society (SMS)⁵ has been an Institutional Development (ID) partner of FWWB since April 2004, and is an example of a successful Micro Finance Institution (MFI). The current outstanding (as on 31st March 2005), of the organisation is Rs. 46.55 million out of which FWWB's outstanding is Rs. 33.70 million and the total cumulative loans given to Saadhana by FWWB is Rs. 44 million.

Saadhana initiated operations in the urban slums of Kurnool in December 2001, using an hybrid fast track model drawn upon the positive features of Grameen methodology combined with the organisations' own experience to suit the local context. The organisation offers credit and insurance products to its clientele. The size of the loan varies by loan cycle and insurance is compulsory for all the borrowers. Saadhana has spread over 77 potential slums of Kurnool with 524 centres and 1,289 groups.

The key strengths of the Programme are a focused mission backed by strong governance process management, modern technology, clear division of responsibility and accountability. The Board of Saadhana also has strong micro finance background, as almost all the board members are practitioners in this sector. Saadhana has introduced a professionally designed MIS to keep track of vast data generated at every layer of operations to keep pace with fast track expansion while ensuring quality and transparency in operations. The software allows the users to view a variety of reports at any point of time.

PROGRAMME HIGHLIGHTS

	Members	Borrowers	Cumulative loan disbursed (Rs. millions)	Loan O/S (Rs. millions)	Savings (Rs. millions)
March 2002	270	200	1.0	0.91	0.019
March 2003	2,831	2,405	14.63	7.7	0.64
March 2004	7,050	6,367	50.22	20.15	2.61
March 2005	14,060	12,127	130.57	46.55	0

The chairperson of FWWB, Ms. Radhika Haribhakti alongwith Chairman, Credit Committee, Professor D. D. Trivedi visited the organisation. They were impressed with the systems and discipline followed. SMS is an example of experienced leadership, efficient and motivated staff and proper systems leading to the building of a very successful institution. The contribution of FWWB is noteworthy as the CEO attended many training programmes and exposure visits, which were organized by FWWB.

Year of Inception: 2001**Legal Status:** Society & Non-Profit Organisation**Area of Operation:** Andhra Pradesh**No. of Districts:** 8**Type:** Credit focused**Credit Methodology:** Grameen**Major Programmes:** Micro finance

4. For further information on the organization or their specific activities visit their website: www.bandhanmicrofinance.com or contact bandhanmicrofinance@vsnl.net

5. For further information on the organization or its specific activities contact saadhanamicrofinances@rediffmail.com, ernestpaulm@rediffmail.com



A LAB FOR INNOVATION IN THE MICRO FINANCE SECTOR

"SAADHANA LAB" was evolved visualizing the huge demand for capacity building of grassroots Micro Finance Institutions (MFIs) to fill the dearth of professionalism and urgent and unmet demand for diversified grassroots channels to reach the unreached. It is an innovative regional initiative in the micro finance sector to revitalize the small and upcoming MFIs in South India by enhancing their capacities to gain efficiency and sustainability in order to reach the un-served markets with continuous qualitative financial services. It shall cater to the capacity building needs of various stakeholders and allow the scope for local initiatives and experimentation in the micro finance sector.

The LAB envisions emerging as a unique school to strengthen and promote small and upcoming MFIs through development of appropriate knowledge and skilled human resource. The objectives are: to provide capacity building services to new generation MFIs in unserved areas/markets, to provide a platform for effective information sharing and experimentation, to promote micro finance practice as a viable solution for poverty alleviation and to develop skilled human resources. It is open to diverse models, it leaves scope for experimentation, focuses on grassroots initiatives, emphasises on participatory training methodologies and integrates IT with micro finance.



VIVEKA SERVICE SOCIETY
WORK AND SAVE PROGRAM
FUNDED BY: FWWB INDIA
2019A - SANTHA, BHARATHI, NIKETILA, SARILA



INNOVATION FUND

A STATUS REPORT ON THE INNOVATION FUND SUB PROJECTS UNDER THE FWFB USAID PROJECT

One of the biggest challenges facing the micro finance industry today is developing financial products and methodologies for very poor or difficult to reach rural populations, reducing their vulnerability and increasing their economic well being. To address these issues, the FWFB-USAID project has set aside a part of the project funds towards supporting and promoting innovations in micro finance. Through the innovation fund, FWFB seeks to provide timely and flexible funding awards to promote micro finance innovations that intensify outreach and impact, and serve as an effective tool for overall socio-economic development of the clients and the region as a whole.

Some of the key defining factors for innovations are, unique and “out of the ordinary” project design using micro finance interventions, addressing a felt need, scope of using existing linkages or building new ones, scalability, ability to evolve over time to address newer needs, financial viability, impact to be visible in a short time span – a pilot project which has potential for up scaling.

OUTLINE OF PROJECTS SUPPORTED FOR FUNDING UNDER PHASE 1 OF THE INNOVATIONS FUND – PHASE 1

INFORMATION RESOURCE CENTRE (IRC) FOR SHG WOMEN, OAZONE, TN: The project seeks to set up 4 IRCs which would be used by SHG women to get information on government schemes, legal issues, weather bulletins and marketing linkages for products manufactured by them etc. These IRCs would be registered as independent societies and would after one year of funding be able to sustain themselves through user fees.

ELIMINATION OF CHILD LABOUR THROUGH SETTING UP OF BRIDGE SCHOOLS, CENTREREDA, TN: This project seeks to eliminate child labour through a combined effort at increasing income level of parents by providing alternate income earning through micro finance on one hand while mainstreaming rescued child labourers into regular school systems by providing them with a one year education in Bridge schools set up under the project.

REACHING THE UNREACHED: PROVIDING OPTIONS FOR THE VERY POOR TO USE MICRO FINANCE, VIVEKA SOCIETY, AP: The project seeks to reach out to the really poor who cannot avail micro finance services on account of their inability to save. The project interventions would provide skill upgradation to women through skill training in leaf plate making. These women would be initially paid a wage part of which would be remitted as savings and subsequently on completion of training could avail a loan for setting up their own leaf plate making unit or continue to work at as wage workers in the units set by the MACTS.

ELIMINATION OF CHILD LABOUR BY EMPOWERING COMMUNITIES TO PARTICIPATE IN EDUCATION, COVA, HYDERABAD: Setting up an alternate stream of education by combining the state and national open school systems so that working children are weaned away from work while they are provided with quality education.

REACHING THE UNREACHED: A BRIEF CASE STUDY

Fifty-year-old Satyavathi from village Govada is a woman belonging to the barber community. She dropped out of school after the seventh standard and was married at the age of 15 and has one daughter. Life was difficult for them but they managed to make both ends meet. Tragedy struck Satyavathi at the age of 25 when she lost her husband.

She started working as an agricultural labourer and in her spare time used to earn some extra money by stitching leaf plates by hand. Her daughter dropped out of school after the fifth standard and began working with her mother as an agricultural labourer. Together both of them earned about Rs. 100 per day during the agricultural season. They could get about ninety days of work in a year. They supplemented their income by stitching leaf plates by hand. In a day they could stitch together about 100 plates for which they earned Rs. 10. An assetless family, living in a rented house in the village, Satyavathi and her daughter were dependent on the large farmers in the village who used to provide them with credit during lean periods. Savings was not something that they ever thought of as surplus situations never arose. Satyavathi got her daughter married at the age of nineteen to a barber in the neighbouring village. She took a loan of Rs 20,000 for that on which she is still paying interest.

It was during June–July 2004 that she heard through the street theatre organised by VSS that alternate income earning opportunities were available for women like her. She made enquiries with the Vikasa Bharathi MACTS representatives and enrolled at their centre in Govada. Today Satyavathi has mastered the art of using a tailoring machine to stitch plates. She gets a wage of Rs. 20 for 100 plates produced. She can stitch over 150 plates per day and has been earning about Rs. 1,200 per month from this activity. This, she claims is a big confidence booster to her as she feels that lean periods in agricultural wage work would still be productive. Using a machine has helped her turn out better products in larger quantity and being an intervention through the MACTS has helped her get a better wage rate. She is now thinking of savings.

Her plans include becoming a MACTS member and saving enough to get a loan for purchase of a sewing machine so that she can work out of home. She plans to train her daughter in this activity so that together they can earn enough to clear old debts and work towards a better future.



A BRIEF ON ELIMINATION OF CHILD LABOUR BY EMPOWERING COMMUNITIES TO PARTICIPATE IN EDUCATION

COVA is a non-partner of FWWB, which has been sanctioned funds under the innovation projects. The COVA project has set up 10 learning centres across the old city of Hyderabad where dropout girls employed in home based industries to come to attend classes at times convenient to them so that they can complete their education. All the children in these schools would be completing their education through the National Open Schools using the English medium.

A total number of 250 children in the age group of 15-18 years are attending these centres. A system of community monitoring of these projects has been set up with the formation of five educational committees involving 25 senior SHG women.

The centres have complete attendance and all teachers have undergone a training using a module adapted by the Central Institute of English and Foreign Languages (CIEFL) which has helped the children pick up English language skills sufficiently enough to answer an examination.

The Programme initially faced some set backs on account of non-availability of date of birth certificates for the children attending the centres due to which their application for examination was initially rejected. However the problem has been overcome resulting in textbooks being obtained from the National Open Schools system.

They have presented a three-year future plan requesting support under the project. Though not directly designed as a micro finance project, the COVA intervention is commendable and has drawn a lot of praise from the mid-term review of the project.

While there are no immediate concerns regarding project implementation, in the case of COVA, it must be borne in mind that there is need to consider extension of the project failing which the initiative would stop midway. The children, as per the rules of the National Open Schools exams would be attempting a few papers every year depending on their confidence levels to tackle it in English. Stopping funds at this stage might result in non-completion of the course.



The experiences of phase 1 helped in phase 2. One of the organisations that participated in the orientation workshop, BWDA developed a proposal for accessing funding under innovation fund. Similarly the proposal for FARR was also developed.

Under Phase 2, BWDA and FARR submitted their proposals:

CREDIT CARD FOR SHG MEMBERS, BWDA, TN: The project aims at providing area based opportunities benefiting both sellers and buyers through a system of deferred payment. This project would increase marketing opportunities for SHG women who would look at their fellow members as buyers of products produced or traded by them while potential buyers could benefit from the competitive prices being offered to them by using their credit cards. Individual member savings would be treated as collateral/security while BWDA would take on the transaction cost.

A BRIEF ON CREDIT CARD FOR SHG WOMEN

This project which was evolved as a response to women's needs to purchase essential commodities at lower prices using a system of deferred payment has taken off well. It was piloted in the Villipuram and Cuddalore districts of Tamil Nadu. The organisation has used the system of exhibitions held during festivals like Diwali and Pongal to introduce the concept.

Diwali being the main festival immediately after the initiation of the project in October 2004, the organisation thought of an idea of packing together essentials for the festival (like sugar, flour etc.) in one packet containing about 33 such items. The grocery items like, pulses, spices, edible oils, soaps etc were purchased from SHGs and outside market in bulk. These were displayed in a local exhibition. After initial hesitation some of the women began buying these. After a day when it was found that the packet contained products, which were much cheaper than local prices, the other women started purchasing from the exhibition. The same procedure was repeated during Pongal. On an average there has been a saving of Rs. 65-Rs. 120 per member on the total commodity prices. This coupled with the system of deferred payment has caught on well.

The total value of the products marketed was Rs. 4.05 million. Totally, 240 SHG sellers and manufacturers participated and marketed their products and 29,513 SHG members across 2,816 SHGs visited the exhibition centers and purchased the goods on credit basis under the 'Credit Card System'.



Cont...

The benefit of these kinds of exhibitions was that the SHG members/buyers were able to purchase quality consumption goods at reasonable/competitive prices compared to open market. The SHG sellers/producers were able to get assured and increased marketing for their goods which increased their income and their sustainability, it reduced their level of poverty and vulnerability to some extent and made them prompt loan repayers. The assured/competitive retail market was established. The shopkeepers/traders were forced to reduce their exorbitant prices. The entrepreneurship among SHGs and non-SHG were promoted/motivated. The women who were not the part of the SHGs were also motivated to join the groups.

These exhibitions also provided a platform for SHGs to showcase their own products, which were also sold using the credit card. BWDA plans to introduce the credit card to the local weekly market in Villipuram and Cuddalore town on a trial basis. One of the key factors that has resulted in the reduction of the prices has been the use of the hired van which has been permitted under the project.

WEEKLY MICRO FINANCE COUNTER IN THE ROLE OF A COMMERCE HOUSE, FARR, KALAHANDI, ORISSA:

The project looks at providing micro finance services for tribal populations in the inaccessible areas of the Kalahandi districts so as to help in their economic development. The SHG counter besides providing micro finance services would also help in the tribal community in trading in two of the major commodities in the region – turmeric and forest produce so that they could get a fair price for their products. In addition the project also seeks to address food security and nutrition issues through creation of a grain bank where members would contribute grains to be used in times of need. The grain bank would also initiate kitchen gardening to help in promotion of nutrition among the tribal population.

All projects are currently in the implementation phase. To conclude, there is further need to identify good ideas, develop and implement them in the right way. Further it is needed to develop capacity of the partners for implementing such projects by providing them appropriate Technical Assistance (TA) and exposure visits. Also, it is needed to explore inter-project linkages wherever possible. Finally, the self-sustainability of the projects should be well thought of.



FWWB'S EFFORTS TO ASSIST THE TSUNAMI AFFECTED PEOPLE

Southern India had to face the devastating Tsunami waves on 26th December 2004, which affected lakhs of people. The loss of life and destruction of physical assets took place majorly in Tamil Nadu, Andaman & Nicobar and in some parts of Andhra Pradesh and Kerala. The immediate response by FWWB included a grant of Rs. 0.6 million to two of its partner organisations based in Tamil Nadu, BWDA and Mahasemam to help their members who were affected by Tsunami. The grant was immediately released on 29th December 2004. SEWA Bank also joined FWWB and contributed Rs. 0.15 million for the purpose. FWWB staff also contributed their one-day salary to help the Tsunami affected people. Contributions also came from individual US citizens amounting to Rs. 0.26 million which was channelised through Women's World Banking (WWB). This contribution was also made available to the Partner Organisations who were involved in relief work.

FWWB's partners though not based in the tsunami affected regions, many of them got involved in relief work immediately. ASA, one of its partners' based in Tamil Nadu took up the initiative to start the relief efforts across 75 tsunami affected villages in Tamil Nadu.

RELIEF WORK BY BWDA

BWDA, one of FWWB's partner based at Villupuram works in the 5 districts of Tamil Nadu. Among the 5 adopted districts, 3 districts viz. Kanyakumari, Tirunelveli and Cuddalore were worst affected and devastated by the recent tidal waves of Tsunami. In Koottapuzhi and Perumanal villages of the Valliyoor block of Tirunelveli district, about 960 families were affected from their target group. In Valliyoor block of Tirunelveli district BWDA has 359 SHGs with 7,581 members out of which 84 SHGs with 1,060 members were affected by the Tsunami. In Cuddalore district, 30 bullock-cart worker's families were affected. They lost their property, workshops etc and rendered homeless. 93 families lost their houses and houses of 77 families were badly damaged.



The immediate relief work by BWDA included distribution of food packets, old clothes, shifting of affected people to safer places, released minimum relief amount in cash. BWDA also motivated and made its SHGs to help and get them involved in Tsunami relief activities. They also facilitated to get the Government relief amount of Rs. 2,000 to be given to each affected person.

FWWB released Rs. 0.3 million as grant towards Tsunami relief support to BWDA which was used to supply groceries and rice packets to 1,000 families for 15 days. This was extremely useful to them as the grant given was timely.



CAPACITY BUILDING PROGRAMME

One of the strategies of FWWB is to support and strengthen the MFIs, which have a clear vision of providing financial services to the poor on a sustainable basis. Need based inputs are therefore given for institution building. Such inputs are designed to suit needs of different partners through in-house and outsourced training in local language and business planning workshops. Exposure visits to the best practice institutions are encouraged and infrastructure support provided to promising institutions.

One of the agreed strategies is to delink the Technical Assistance (TA) from the functions of the credit Programme and manage it under a specialised department – the Partner Service Department (PSD), as it is being planned to be called. PSD would be totally dedicated towards systematically and consistently meeting the capacity building requirements of the partner organisations.

Partners continue to benefit from the Technical Assistance Visits (TAVs), which has been increased in frequency to selected partner organisations with a strong feedback for vernacular training from partner organisations. Such trainings were extended in Tamil, Telugu and Bengali. Exposure visits to new/different models were extended to new partners.

TRAININGS CONDUCTED BY FWWB

NO. OF TRAININGS	DETAILS OF TRAINING	TOTAL NO. OF PARTICIPANTS
3	Training of Trainers (TOT): To build capacity of the NGOs for imparting Group Leaders' training in their respective organisation and to enhance the capabilities of NGO worker in the management of the organisation's micro finance. The topics covered during this training are, principles and methods of participatory training techniques, training need assessment, training design, training cycle, evaluation, monitoring and follow-up of the training programme.	75
3	Record Keeping: For organisations and SHGs to make them realize the importance of record keeping, different types of registers kept at group & organisational level, discuss various formats and re-visit existing formats of the organisations to make changes, if necessary.	75
13	SHG Management and Development: The objective of the training Programme is to build the capacity of NGOs' for imparting Group Leaders' Training (GLT) in their respective organisations and to enhance the capabilities of NGO workers in the management of the organisation's micro finance Programme. Some of the topics covered in the training Programme include appraisal of women's status in the villages, SHG management, group fund management, group functioning, record keeping at the group and organisation level, and linkage of savings and credit with the bank.	325
8	Federation Management and Development: To build the capacity of the cluster leaders and field worker for promotion and development of people's institution. The topics covered are Federation – its definition, vision, structure, function, by-laws, executive committee and its roles and responsibilities,	240

Management Information System (MIS), evaluation of federation, register maintenance at federation level.

1	Financial Analysis for MFIs by EDA Rural Systems: Purpose and components of financial statements and portfolio relationship, financial and management accounting, Ratios/ PAR/ profitability.	23
2	Training on Micro Enterprise Development (MED): To build capacity of the field worker for identifying viable micro enterprise from the field and impart skill for managing the same. The areas covered are, market orientation, resource identification and management, costing – concepts and application, product design and development, sales management, quality and cost management, record keeping and inventory control.	30
1	Training Programme on Financial Analysis organised by APMAS in Telugu: This training was the same as the one conducted by EDA Rural Systems on Financial Analysis. The training covered the same topics and was imparted in Telugu language.	7
1	Vernacular training for Partner Organisations in West Bengal (WB): This training was conducted for non-partners alongwith Bandhan – one of FWWB's Partners in WB. The training was about sector building – introduction to micro finance.	17
1	Training in Vernacular for Tamil Nadu Partners: This training was done by SHEPHERD using the CGAP modules, which covered the basics of micro finance.	6
1	Training on Monitoring and Appraisal for FWWB Programme Officers by EDA Rural Systems: This training taught the techniques of monitoring and appraisal to be carried out.	17

No. OF TRAININGS	DETAILS OF WORKSHOPS	TOTAL NO. OF PARTICIPANTS
1	Orientation Workshop for SHG Members on MFI Boards: This workshop was conducted by Shashi Rajgopalan teaching the SHG members who are on MFI Board on their roles and responsibilities as Board members, MFI registration procedures etc.	29
2	Workshop on Development of Action Plans with Respect to Gender and MED: This was an extension of the gender workshop, which taught the participants to implement their learnings so far.	25
1	Auditors Meet for Partner Organisations: To enable external auditors to present financial information in standard format and enable them maintain transparency in the presentation of facts.	23

- 1 **Human Resources Management Workshop:** The objectives of the workshop were to create awareness of the need to build internal culture and climate aligned with values and mission of the organisation. To develop a deeper understanding about the HR issues that exists within NGOs and their impact on organisational performance. To gain commitment to an action plan to institutionalize HR systems and processes and to identify resources required and ongoing support needed to build and maintain a strong HR environment within the organisation. 12
- 1 **Reflection workshop on, "Micro Credit Based SHG Approach to Women's Empowerment":** This workshop covered experiences of SHGs and women's empowerment focusing on economic aspects of empowerment such as control over resources, incomes, ownership of assets, etc. 30

No. OF TRAININGS	DETAILS OF VISITS	TOTAL NO. OF PARTICIPANTS
1	Exposure visit to SPANDANA, Guntur, Andhra Pradesh	14
1	Exposure visit to Sri Lanka	18



ORGANISATION DEVELOPMENT

USAID and FWWB have entered into a five-year partnership from 2001 to 2006 for achieving the objective of improving access of the poor to timely and efficient financial services.

The capacity building programme of FWWB(I) witnessed a strong **value addition** during the present year. On introspection, there has been a strong focus on learnings and reviews. USAID, who is a major supporter of the capacity building programme conducted the mid term review for FWWB(I). This review indicated the importance of the capacity building programme, the gaps and the strategies. Internal review / analysis also followed to look into the overall impact of the programme.

The mid-term review was carried out to give suggestions for the future direction of the project within its operating context. The review team consisted of three experienced persons from the micro finance sector, Mr. Brijmohan, former CGM SIDBI who was the team leader. Ms. Mythili Narayan, an independent consultant in the rural finance sector working with MFIs and rural cooperative banks and Mr. Vinod Jain, who is also an independent development consultant.

Based on the review, the team concluded that, "FWWB is in a position where it can boost further the positive developments in the sector, strengthen sector constituents and thereby continue to play an effective role as a sector builder. FWWB enjoys a good reputation and goodwill in the sector to play such a role effectively".



THE INTEGRATED SOCIAL SECURITY PROJECT

In October 1999, FWWB, India, initiated a project in which it worked with select partner NGOs and instituted social security schemes for members of their micro finance programmes. This project was undertaken with the financial support from German Technical Cooperation, GTZ, Germany. GTZ was interested in extending the benefits of the social security project to micro finance organisations at a national level. FWWB was selected for this project by GTZ because of its strong partner network, and its national level presence as a micro finance institution. Through this project, FWWB aimed to increase awareness about insurance as an important financial service, for risk mitigation, for the poor among its partner organisations.

FWWB took up this project in pursuance of its mission of strengthening the economic and social position of poor women through access to financial services. Insurance is recognised as one of the critical financial services, along with savings and credit, for reducing the vulnerability of poor.

The project was implemented in two phases. Phase I was from October 1999 to July 2001 while the second phase was from May 2002 to April 2005.

PHASE I

The first phase of the project was a partnership between SEWA, FWWB and GTZ. In this phase, six partner organisations (ASA-Grama Vidiyal and SHEPHERD based in Trichy, Tamil Nadu, BIRDS based in Nandyal, Andhra Pradesh, SPANDANA based in Guntur, Andhra Pradesh, ACTS based in V. Kota, Andhra Pradesh and Ankuram Sangamam Poram located in Hyderabad, Andhra Pradesh) agreed to partner with FWWB in implementing the Social Security Project.

Initially, an orientation workshop-cum-exposure visit to SEWA for the partners was organised. SEWA has been providing social security schemes to the unorganised sector for a long time then.

During the initial period of 2 years, Orientation Workshops, Training and Technical Visits were also conducted to provide the partner organisations inputs on the concepts and principles of insurance, and the systems and procedures required for running an insurance programme. The various insurance products available with the insurance companies were also discussed and evaluated. The individual partner organisations were facilitated in networking with the local insurance offices. These inputs resulted in formulation of action plans from the partner organisations' side.

Initially the partner organisations were reluctant to initiate micro insurance services. Reasons for this, as expressed by the partner organisations themselves were:

- MFIs were comfortable starting with relatively simpler insurance products like life insurance
- MFIs were wary of dealing with insurance companies
- MFIs were inclined to run delinked schemes
- Selling insurance is more difficult as compared to selling savings and credit services
- Offering insurance services needs further capacity building of the partner organisation.

At the end of the first phase, the **issues and challenges** identified were:

- Appropriate products to suit the needs of the poor and rural population
- Client friendly procedures
- Clear information on the micro insurance products
- MIS at the MFI level to support the insurance services

PHASE II

This phase saw the addition of three more organisations (Peoples Solidarity Association – PSA, CASHPOR Financial & Technical Services – CFTS and Star Youth Association – SYA) as project partners, taking the total number to nine.

In October 2002, Insurance Regulatory and Development Authority (IRDA) issued regulations on 'Obligation of the Insurers to Rural and Social Sector'. This provided an impetus to the micro insurance activity in India.

The private insurance companies, which had started business since 2000, were now forced to cater to the rural and social sector. This brought innovative products to the market place, and competition in this sector, which ultimately was beneficial to the customer.

The **activities** undertaken during this phase of the project are:

- Establishing **linkages with private insurance companies** to understand and evaluate the insurance products offered by them. Later, this became a regular feature at the bi-annual meetings, where the insurance companies were invited to talk about their products.
- **Bi-annual meetings** provided a platform to the partner organisations to meet and share their experiences in implementing the social security schemes for their members.
- Two **trainings** were organised for the partner organisations on Pension and Group Schemes and Management Information Systems. Training on insurance concepts in Telugu for the field officers of partner organisations was also organised.
- A **national level Policy Workshop**, with the theme "Micro Insurance for the Poor – Strengthening Services and Addressing Policy Issues" was also organised.
- Information on the developments in the micro insurance sector was disseminated through the **bi-annual newsletter** Micro insurance Infoline, not only to the project partners but also to the other organisations in FWWB network.
- **Technical visits** were undertaken to the partner organisations to assess the progress review, assessing the need for new products and trainings, assisting in identifying suitable products available in the market, and reviewing the MIS.
- **Documentation** of the operations of the Micro insurance programme was done at ASA–Grama Vidiyal and Peoples Solidarity Association.
- **Need Assessment Study** for new insurance products was carried out at SHEPHERD.

OUTCOME OF THE PROJECT

The partner organisations have:

- Adopted the **partner-agent model** and have linked their insurance programmes with insurance companies.
- Introduced new products to **cover more risks** faced by their members like health insurance, spouse insurance, livestock insurance etc.
- Brought improvement in the existing products offered to their clients/members in terms of **better price, more benefits, simpler product and client friendly procedures**, and products based on sound insurance principles.
- Equipped themselves to **conduct orientations and trainings** for their members, group leaders and field staff.
- Introduced **non-financial risk minimisation strategies** in the form of health education, health camps, and cattle camps.

The **outreach** of the Social Security programme of the partner organisations is as under:

TOTAL NUMBER OF LIVES AND UNITS COVERED UNDER DIFFERENT SOCIAL SECURITY SCHEMES (AS ON 31ST MARCH 2005)

Organisation	Life Insurance		Livestock Insurance	Health Insurance	Hut Insurance	Total
	Member	Spouse				
ASA	103623	Nil	256	Nil	Nil	103879
SHEPHERD	10951	5051	233	5836	6153	28224
BIRDS	19842	19878	106	Nil	Nil	218826
SPANDANA	317405	317405	Nil	Nil	314977	949787
ACTS	45208	45208	2316	Nil	45208	137940
ANKURAM	12072	Nil	535	Nil	Nil	12607
CFTS	21121	906	Nil	Nil	Nil	22027
Star Youth	10468	8971	4962	Nil	4101	28502
PSA	10328	1870	5	11	Nil	12214
TOTAL	551018	578289	8413	5847	370439	1514006
Total Number of lives	1129307					
Total Number of units				383483		

IMPRINTS OF THE PROJECT

- **The partner organisations have all started their Social Security programme with the life insurance product, which is considered to be the simplest.** This was done by some with an objective of protecting the loan advanced to their clients, while some of the micro finance institutions did it to avoid the unpleasant situation of having to recover the loan from the family members of the deceased client, while some others did it with concern for the family of the deceased member. The micro finance institutions in the third category ensure that the clients life is covered for an amount greater than the loan advanced to them, so that on the death of the client, their family members get some extra benefit even after the loan amount is adjusted against the insurance claim amount. Some of the partner organisations were doing it earlier by creating a Risk Fund.
- **As a large number of loans advanced are for the purchase of cattle, Livestock insurance, to cover the risk of death of the livestock, is offered to the clients by majority of the partner organisations.** As a large number of the loans advanced by the partner organisations is utilised for purchase of cattle, this product protects the interest of the organisation as well as its members.
- **The partners like SHEPHERD, BIRDS, SPANDANA, ACTS, Star Youth Association and Peoples Solidarity Association have progressed to cover an additional life i.e. of the spouse of the client.** This has been given more importance as the women feel that there is a greater need for covering the lives of their spouses because the death of the spouse will be a greater loss to the family.
- **The most favoured life insurance product is the Janashree Bima Yojana,** the social security scheme of the LIC of India, which is subsidised by the Government of India. The **low premium** and the **additional benefits** make it an attractive product. Thus the government Social Security Scheme has been successful.
- An **appropriate MIS** is necessary to support the insurance Programme. To prevent adverse selection, manage the risk, assess the performance of the micro insurance Programme, and to educate the beneficiaries about the benefits drawn from the scheme, an MIS is very crucial.
- **Health Insurance** is a complex product and it requires greater technical expertise for implementation. Thus though the need for it has been felt by all the partner organisations, its implementation is yet to be initiated.
- **Competition** in the insurance sector has helped the partner organisations to get **better prices**.
- Partners with **larger number of members and longer experience in implementing micro insurance** have been able to get a **better bargain** from the insurance companies.

PACKAGING MICRO INSURANCE PRODUCTS

The simpler the micro insurance products, the more acceptable they are. Recognizing this, partner organisations have packaged the benefits of various products into one single product.

SHEPHERD

The customised insurance product, Uni Micro Health Insurance, designed by SHEPHERD with United India Insurance Co. Ltd. provides for the risk of, destruction of assets due to fire and allied perils, death due to accident and compensation for disability due to accident and reimbursement of hospitalisation expenses.

PEOPLES SOLIDARITY ASSOCIATION (PSA)

The product offered by PSA to its members, Anisha Jeevan and Anisha Nivaran, is a package which, covers the loan amount in the event of the death of the women borrower, compensates the family in case of the death, accidental or natural, of the women and provides for the funeral expenses.

STAR YOUTH ASSOCIATION (SYA)

SYA's product, Micro Credit Protection Scheme, offers life cover, cattle insurance and micro asset insurance. The unique feature of this product is that, if any loss is to occur to the property purchased with the loan, the outstanding balance of the loan is waived and the member is immediately provided fresh loan after the loss is assessed.

The issues and challenges at the end of Phase II are:

- Implementation of the **Health Insurance product** for the clients / members.
- Developing appropriate products to address the need for **pensions** for the unorganised sector.
- Capacity building of the **field level staff** of the partner organisations on insurance.
- Training on **Risk Management Strategies** to improve the effectiveness of the insurance programme.
- An appropriate **MIS** in place at the partner organisations for the efficient functioning of the insurance programme.

Insurance services to the poor is also recognized as an important financial service in poverty alleviation as micro credit. Thus it is important to provide the poor access to these services, which offer an avenue for mitigation of risks faced by them. A more disturbing fact is that, out of the rural population in India, which represents 73% of the total population, every 4th Indian hospitalised falls into poverty due to the related costs (*World Bank*, 2001).

This is also the experience shared by FWWB's partner organisations. In an effort to address this need, FWWB plans to facilitate some of its partners to institute health insurance during the next year. FWWB also has plans to institute at the least, life insurance to all the women to which it reaches out, through its micro finance programme.

RESEARCH AND DOCUMENTATION

Institution building of the network organisations is one of the core objectives of FWWB. Capacity Building supports this objective by providing need-based inputs to the organisations on a periodic basis. Likewise Research and Documentation also forms an integral part of the organisation's strategy towards achieving this objective. Both these programmes support the Revolving Loan Fund Programme, which helps in strengthening the partner organisations (POs). Research and Documentation not only measures the financial and technical inputs given to the POs but also assess their needs and limits in an intensive manner, helping them subsequently streamline future action.

MICRO FINANCE AND THE POOR: A STUDY ON "MICRO FINANCE AND RURAL CREDIT MARKETS" IN SELECT POCKETS OF GUJARAT AND MAHARASHTRA

FWWB commissioned a study to Centre for Social Studies (CSS) based in Surat, South Gujarat who carried out a 'client-centred' benchmark study, *Micro finance and Rural Credit Markets*, towards understanding the role of micro finance in helping the poor graduate to a higher income level. The objective relevant for the study are: (1) To understand the impact of 'newer forms' of financial intermediation on the lives of micro finance clients and their households; (2) To ascertain the effectiveness of the loan programme and other related products on the clients and their households; and (3) To suggest scope, means and modalities of enhancing the impact of micro finance among the clients. The study was carried out in three partner organisations in Gujarat and two in Maharashtra.

Given below are some of the **key findings**:

- In terms of micro-economic features, the regions are broadly homogenous endowed with a pronounced dependence of people as well as MFI clients on agriculture and allied activities; albeit with variations ranging between uncertain, poor and moderate returns.
- The average annual income of client households does not go beyond Rs. 36,000. The income distribution not only varies across regions but also remains substantially skewed with a little above 40% of the households located below poverty line.
- In order to respond to life cycle social events and different sets of emergencies, the micro finance clients adopt various strategies including that of borrowing and a range of permutations and combinations with loans raised from multiple sources. And the trends point at a pattern where preference of seeking loans and supports converge more towards 'informal' rather than 'formal' sources.
- Moneylenders, relatives and friends appear as most pronounced agencies supplying loans across field areas of all the NGOs. Significantly, NGOs have also emerged as an important source, meeting around 19% of the amounts borrowed by client households.
- Evidently, illness and marriages are considered as topmost emergency situations followed by tasks associated with cultivation – owing especially to the uncertainties involved with agriculture.
- Proportion of households raising loans is lower among those located on or below poverty line. The share rises substantially across higher income classes indicating at a lower capacity of loan raising generally among the very poor groups. However, these groups need to raise an average of around Rs. 11,000 a year.
- While in recent years, though the frequency of loans raised by clients has been highest from the MFIs as well as their SHGs, average sizes of such loans has been the lowest – not going beyond Rs. 2,062 in

case of SHGs and Rs. 3,848 in case of the NGOs. Clearly, though members now raise loans from NGOs more often than other sources, in terms of quantum of loans raised, their families depend much more on informal sources.

- Given the scale of loans actually raised and the ones anticipated, it appears that in spite of a good deal of agencies and institutions present in the credit market, there exists a large unmet demand with the poorer groups more in need of loans than the better off sections in these pockets.
- The loans raised from SHGs by the poorer lot have proved useful to them, often as a supplementary support to their consumption as well as investment needs. And significantly enough, as much as 39% of the NGO loans has been drawn by clients who are part of households below poverty line.
- Notwithstanding some constraints associated with repayments and resulting defaults, the financial support from NGOs and SHGs have added towards sustenance of income generating activities as well as consumption related purposes of client households. This is evident from the robust future demand for such loans as well as clients' ratings of 'NGO/SHG' loans to be a more appropriate intermediation as compared to several other agencies providing such services in the region.
- It becomes pertinent to also explore as to what kind of institutional mechanisms would suit varying situations in which the micro finance clients remain located across pockets in different regions, for in some cases organisations with a singular micro finance based programme may work better, and yet in others, NGOs with multiple schemes can turn out to be more effective. The cases examined here, however shows that both sets have been constrained and have encountered distortions of varying scales.
- It is true that viability of the micro finance programme may get on to shaky grounds, if providing loan supports only to those with lower loan absorbing capacities, but hastily penetrating into groups with higher capacities and a tendency to consolidate provision of services only within such constituencies has a potential to sieve out the poor and the most marginalized of the members.
- A judicious strategy of making participation of the poor and not so poor more vibrant and sustainable through provision of loans and savings products that tend to correspond with the varying income flow patterns determined by occupations that households are engaged in can be opted, albeit with careful planning and continuous monitoring. As opposed to a singular and rather monocentric and core micro finance Programme.
- The predominantly agricultural base in the region and its lack of vibrancy in terms of growth has curtailed the space for an effective rise in micro-enterprises of a wider range. And, much of the income generating activities has centred around animal husbandry and allied sectors. It would be useful to provide further loans to such activities as well as for creation and sustenance of 'micro-enterprises'.
- Carefully designed and with appropriate training, such ventures are likely to create extra employment and help raise income across client households. However, micro-enterprises are amenable to risks with differential extent of vulnerability contingent upon household crisis, market fluctuations, and competition.
- Clients starting any new enterprise remain anxious about their success owing to having no exposure or lack of experiences in dealing with them. Inability to respond to the market properly and other imperfections in sales and procurement of raw materials can lead to failure of enterprises especially among those entering new ventures. Potentials of such uncertainties, if mitigated through products that

can cover risks at least up to a point, the likely casualty and/or dormancy of an enterprise may be thwarted on time.

- Evidently, micro finance has helped clients as an important source of credit with a higher frequency of supply, albeit of smaller amounts as compared to other agencies and for different purposes. This is evident from a large proportion of responses suggesting experiences of improvements through receipts and use of such loans and a further robust demand for the same.
- Differentially, across income groups such loans have helped differently including that of debt redemption; acquisition of productive assets; repairs and building of dwelling; procurement of seeds, insecticides and fertilizers etc. What does not become clear however is the extent of their effect in actually helping poor households get out of poverty, for frequently such supports appear to have acted more as temporary props to contingent and/or routine crisis situations. Evidently, role of such intermediations has been realized by clients more as a sustained and yet peripheral support to their core needs while responding to situations.
- Micro finance seems to have played a more critical role in facilitating clients to 'cope with' situations rather than 'deal with' life-cycle events and/or core needs in a substantial and robust manner. The 'NGO/SHG' loans seems to have worked as additional supports and 'safety nets' at times of crisis – contributing to varying extent by not allowing a household to slide down beyond a critical point. And to this extent loans advanced by NGOs in both States raised from the FWWB (I) or other such organisations have helped the clients in reducing their vulnerability.
- It would be more significant for MFIs to provide effective financial intermediations, which can help clients to be able to withstand and respond effectively to competitions, fluctuations and imperfections in the market. And it is through such supports that a scope for social intermediation may gradually emerge which could be shaped simultaneously, albeit starting at much later dates on the time-scale as compared to the initiation of interventions through provision of loans and other safety products.
- Needless to state, it is easier said than done, mainly because priorities and interests of the NGOs and MFIs themselves tend to undergo changes within the larger context of delivery of developmental programmes. Nevertheless, it becomes imperative to work towards enhancing the depth and the outreach of loans and savings programme further, so as to clasp it from getting constricted as well as design products that can appropriately respond to differential needs of clients and client groups.

DEVELOPMENT OF A TOOL FOR TRACKING CUSTOMER SATISFACTION

FWWB along with the Women's World Banking (WWB) initiated a process of developing a tool for tracking customer satisfaction. This methodology being developed by the market research wing of the WWB helped in understanding the effectiveness of FWWB assistance in the form of loans, capacity building and technical assistance to its partners. The overall objective of this study was to design a continuous customer satisfaction system that would enable FWWB to assess and monitor customer satisfaction on an ongoing basis.

A sample of fifteen partners was selected across categories and geographical locations and focus group discussions were held with them. The findings from the discussions (which were held in confidence with partner organisations without FWWB's presence to eliminate bias) reconfirmed the findings of an independent review of ID partners undertaken by FWWB.

Given below are some of the **key findings**:

Loan Product:

- Overall, majority of the clients were relatively satisfied with the existing FWWB loan product. The loan attributes that respondents were most satisfied with were the quick turnaround time, the minimal documentation required and the fact that no collateral is required. According to them, this is the competitive advantage that FWWB has compared to banks.
- A further area of satisfaction was with communications with FWWB staff. Majority of respondents said that they were able to communicate with the institution freely. All found FWWB approachable and responsive to their needs.
- Many of them were pleased with the new scheme to return 1% interest for timely repayment.
- However, with regard to loan product, price and amount is what FWWB needs to rework on as the main need from FWWB of the majority of respondents both at present and in the future is accessing continuous progressively larger and affordable funding.

New Financial Products:

- DPs and GPs want FWWB to design loan products that would enable them to lend for housing, health, education, consumption and small enterprise development.
- BPs on the other hand are looking for more sophisticated financial products such as guarantees (letters of credit), long term funding and equity investments.

Training & Exposure Visits:

- Overall, respondents were very satisfied with both in-house and outsourced training services offered by FWWB. They found the quality of trainers very high, topics to be specific and relevant and course materials to be good.
- However, the need for training in local language was discussed, as also there was an overwhelming demand for trainings 'inside the institution' rather than attending courses off-site. The benefits associated with this include that the trainings could be tailored to the needs of the institution and more staff could be trained.
- Respondents were very satisfied with the exposure visits conducted by FWWB. The Bangladesh trip in particular was a watermark for several respondents, enabling them to see for the first time the sophistication and simplicity of some very large micro finance providers.

Technical Assistance:

- Overall Technical Assistance Visits (TAVs) were appreciated. The main benefit of these visits they said, were to figure out what was right and what was wrong with MIS reports and accounting system and suggesting changes. It also included sitting with staff and educating them – staff development.
- All respondents, without exception, noted how friendly FWWB staff are and how much it feels like they are part of the same family. Several also mentioned that FWWB staff are positive people who are skilled at giving feedback in a manner which made the PO feel that they are respected.
- Opening up of the regional office at Chennai was noted as a positive move as it meant that FWWB visits could be more frequent and staff were more likely to speak the local language.

- A continuous, in-depth technical assistance in areas beyond loan monitoring and supporting systems was discussed. IDPs and GPs discussed about help in basic lending methodology, training for credit officers and branch managers and head office personnel and product re-design. GPs also emphasized support in MIS and in training their members citing inadequate staff as a reason why they could not do it themselves.
- The BPs, having solved the basic operational problems, now have more sophisticated needs associated with high growth MFIs such as human resource development and business process redesign.

Perceptions of FWWB:

- The BPs perceive FWWB as a reliable and dependable partner. They attribute this to the strength of the personal relationship they have with FWWB as well as the accessible loan product.
- The IDPs perceive FWWB as supportive nurturing, often using the analogy of FWWB being their "Mother".
- The GPs see FWWB both as supportive and as a resource for their organisation.

Loyalty to FWWB:

- Nearly all respondents expressed their eagerness to continue working with FWWB in the future (assuming that their products would remain competitive), despite the fact that they would also work with other new service providers offering similar services.

STAFF DEVELOPMENT

TRAINING /WORKSHOP /EXPOSURE VISIT	DATE AND PLACE OF TRAINING	FWWB STAFF
Micro Enterprise Development, conducted by Ascent, Bangalore	April 4-11, 2004 National Institute of Advance Studies, Bangalore	Alka Mehta Reema Kapoor Meera Sounderarajan
Training on Organisational Development	May 24-29, 2004 Indian Institute for training & Development, Kolkatta	Deepak Kindo
Exposure visit To SPANDANA Guntur, Andhra Pradesh	July 5-7, 2004 Guntur, Andhra Pradesh	Inrani Singh Abhishek Kumar Rajjaque Md. Aarti Wadhwa
MFT 2004 – Micro finance Training programme	July 19-August 6, 2004 Naropa University, Boulder	Inrani Singh
National immersion programme on micro finance, APMAS	August 2-8, 2004 APMAS, Hyderabad	Meera Sounderarajan
Micro Save Training programme on "Market Research for Micro Finance"	August 16-27, 2004 Indian School of Micro finance for Women, Ahmedabad	Alka Mehta Reema Kapoor Deepak Kindo Shaileja Mammen
Training on Financial Analysis by EDA Rural Systems	October 11-14, 2004 ASCI, Hyderabad	Aarti Wadhwa Abhishek Kumar Aashish Ranaganathan Rajjaque Md.
Training on Appraisal and Monitoring by EDA Rural Systems	October 15, 2004 ASCI, Hyderabad	Lalit Shah Aarti Wadhwa Abhishek Kumar Aashish Ranaganathan Rajjaque Md.
State of the Insurance Market – Working Together to Expand Health Insurance in India	October 27-29, 2004 Hyderabad	Shaileja Mammen
Workshop on Micro insurance	November 8-10, 2004 National Insurance Academy, Pune	Shaileja Mammen
The Art of Up Scaling Micro finance organized by Tata-Dhan Academy	December 1-14, 2004 Madurai	Alka Mehta
Exposure Visit to SEEDS, Sri Lanka	October 4-8, 2004 Sri Lanka	Meera Sounderarajan Deepak Kindo

PUBLICATIONS

MANUALS

- *A Step by Step Guide for Strategic Business Planning* (English), 2000.
- SHG leaders training reference material: *Seekhein aur Sikhayein* (Hindi), 1999.
- Manual on linkages between savings and credit and women's health: *Tan Tandurust to Man Tandurust* (Hindi), 1999.
- *How to Run a Viable Income Generating Activity* (English), 1997.
- *Organising Savings and Credit Groups for Poor Women* (Hindi and English), 1994.
- *Guidelines for Starting a Bank for Poor Women* (English), 1991.
- Training of Trainers (TOT) Reference material: *Mahila Shakti Vikas na Panthey* (Gujarati) 2002.

CASE STUDIES/PAPERS

- *Unknown Leaders of Micro-finance* (English), 1999.
- *Translating Dreams into Realities – Case Studies* (English), 1997.
- *India's Emerging Federations of Savings and Credit Groups* (English), 1998.
- *Role and Impact of Micro finance on the Poor – A Qualitative Enquiry in Two South Indian States* (English) 2001.
- A discussion paper on *Indian Self-Help Groups and Bangladesh Grameen Bank Groups: A Comparative Analysis* (English), 2002.
- *Insurance – A Safety Net to Poor* (English), 2003.
- *Micro Insurance – Member Profile* (English), 2003.
- *Community Health Insurance in India – A Compilation of Case Studies* (English), 2005.
- *A Documentation Study of Social Security Programme of Activists for Social Alternatives (ASA)*, one of FWWB's Partners based in Trichy, Tamil Nadu (English) 2005.
- *Documentation Study of Social Security Programme of People's Solidarity Association (PSA)*, one of FWWB's Partners based in Trichy, Tamil Nadu (English) 2005.
- *"Voice of the Voiceless" – A Need Assessment Study of Micro Insurance services offered by SHEPHERD*, one of the partners of FWWB in the State of Tamil Nadu (English), 2005.

NEWSLETTER

- *FWWB Newsletter* (Bi-annual) (English)
(Topics covered: Institutional building, recommendations of the micro finance task force set up by the RBI, Education loans, Infrastructure financing, Market Research For Micro Finance)
- *Micro-Insurance Infoline* (Bi-annual) (English)
(Topics covered: Concept of insurance, health and pension)

DIRECTORY

- *Institutional Profiles of FWWB's Partner Organisations* (English), 1998.
- *Directory of Institutional Profiles of FWWB's Partner Organisations* (English), 2003.

PROCEEDINGS OF WORKSHOP

- *Building Linkages: People's Institutions and the Financial Sector* (English), 1997.
- *Micro Insurance for the Poor: Strengthening services and addressing policy issues* (English), 2003.

VIDEO FILM

- *Ubhartee Umang* (Gujarati, Hindi and English), 1994 (Video).
- *Rukawato ko Todka'* (Gujarati and Hindi with English subtitles), 2001 (Video / CD)

FUNDING PARTNERS

FWWB would like to acknowledge the support and assistance extended by the following Banking and funding institutions.

GRANT

CITIGROUP

CORDAID

Ford Foundation

German Technical Cooperation (GTZ)

CGAP

Small Industries Development Bank
of India (SIDBI)

SECOURSE Populaire

United States Agency for International
Development (USAID)

Women's World Banking (WWB)

LOAN

CORDAID

Dena Bank

HDFC Bank

Indian Overseas Bank (IOB)

Indian Bank

IndusInd Bank

National Bank for Agriculture and Rural
Development (NABARD)

Small Industries Development Bank of India (SIDBI)

UTI Bank

FWWB TEAM

VIJAYALAKSHMI DAS
(CHIEF EXECUTIVE OFFICER)
HEAD OFFICE – AHMEDABAD

PROGRAMME TEAM:

DAKSHA NIRANJAN SHAH
(Head – Credit Programme)

LALIT SHAH

KOMAL PARMAR RANA

DEEPAK KINDO

SHAILEJA MEMMEN

AARTI WADHWA

ABHISHEKA KUMAR

ASUTOSH KUMAR

KUNDAN TIWARI

AMRITA KUMARI

ACCOUNTS AND FINANCE:

MADHVI DESAI
(Manager – Finance)

ANJANA JOSHI

BEENA THAKAR

ADMINISTRATION:

SANGEETA SHARMA

JYOTSANA GOHIL

NITHYA PANICKER

SUPPORT STAFF:

RAM NARESH YADAV

CHANDRAKANT PARMAR

REGIONAL OFFICE—CHENNAI

PROGRAMME TEAM:

INDRANI SINGH

(Regional Manager – Credit Programme)

AASHISH RANGANATHAN

MILROY PAUL

BOARD OF DIRECTORS

CHAIR EMERITUS

ELA R. BHATT

(Founder FWWB & SEWA)

TRUSTEES

CHAIR

RADHIKA HARIBHAKTI

(Executive Director, JM Morgan Stanley,
Mumbai)

VICE CHAIR

SWATI SOPARKAR

(Advocate, Ahmedabad)

VIDYA RAMACHANDRAN

(MYRADA, Bangalore)

ILA PATEL

(Professor, IRMA, Anand)

MIRAI CHATTERJEE

(Co-ordinator, VIMO SEWA, Ahmedabad)

SUDHA KOTHARI

(Managing Trustee, CHAITANYA, Pune)

SAMUEL PAUL

(Chairman, Public Affairs Centre,
Bangalore)

YOGESH CHAND NANDA

(Member, National Commission
on Farmers, Delhi)

D.D. TRIVEDI

(Consultant, Ahmedabad)

RAJESH AGRAWAL

(Director of Finance, ICRISAT, Hyderabad)

ANJALI BANSAL

(Consultant, Egon Zehnder International,
Mumbai)

VIJAYALAKSHMI DAS

(CEO, FWWB)

EXECUTIVE COMMITTEE

CHAIR
RADHIKA HARIBHAKTI

SWATI SOPARKAR
D.D. TRIVEDI
VIJAYALAKSHMI DAS

CREDIT COMMITTEE

CHAIR
D.D. TRIVEDI

SWATI SOPARKAR
VIJAYALAKSHMI DAS

AUDIT COMMITTEE

CHAIR
Y.C. NANDA

RAJESH AGRAWAL
D.D. TRIVEDI

4 BOARD MEETINGS HELD IN 2004-2005

9TH MAY 2004
10TH JULY 2004
25TH SEPTEMBER 2004
29TH JANUARY 2005

Name of Members	Meetings attended
Elaben Bhatt	1
Radhika Haribhakti	4
Swati Soparkar	4
Y.C. Nanda	4
D.D. Trivedi	4
Rajesh Aggarwal	3
Ila Patel	3
Samuel Paul	3
Mirai Chatterjee	1
Sudha Kothari	1
Vidya Ramchandran	1

4 EXECUTIVE COMMITTEE MEETINGS HELD IN 2004-2005

10TH JULY 2004
25TH SEPTEMBER 2004
27TH and 28TH NOVEMBER—Field visit* by EC members
29TH JANUARY 2005

Name of Members	Meetings attended
Radhika Haribhakti	3
Swati Soparkar	3
D.D. Trivedi	3
Vijayalakshmi Das	3

7 CREDIT COMMITTEE MEETING HELD IN 2004-2005

10TH APRIL 2004
6TH MAY 2004
9TH JULY 2004
4TH SEPTEMBER 2004
30TH NOVEMBER 2004
11TH JANUARY 2005
19TH MARCH 2005

Name of Members	Meetings attended
D.D. Trivedi	7
Swati Soparkar	7
Vijayalakshmi Das	6

2 AUDIT COMMITTEE MEETINGS HELD IN 2004-2005

8TH MAY 2004
20TH FEBRUARY 2005

Name of Members	Members attended
Y.C. Nanda	2
D.D. Trivedi	2
Rajesh Aggarwal	2

* Ms. Radhika Haribhakti and Prof. D. D. Trivedi visited two partner organizations, Saadhana in Kurnool and Sharda Women's Association in Hyderabad, both in the State of Andhra Pradesh and reviewed their work.

FINANCIAL STATEMENTS

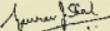
BALANCE SHEET AS AT MARCH 31, 2005

	SCHEDULE	AS AT MARCH 31, 2005 Rupees in Millions	AS AT MARCH 31, 2004 Rupees in Millions
SOURCES OF FUNDS			
Corpus	1	96.88	73.74
Reserves and Surplus	2	56.08	47.45
Loan Funds			
Secured	3	598.88	419.46
Unsecured	4	42.94	55.51
TOTAL		794.79	596.17
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		14.87	16.94
Less: Accumulated Depreciation		<u>6.96</u>	<u>6.86</u>
Net Block		7.91	10.08
Investments	6	5.28	0.41
Current Assets, Loans and Advances			
Stock in Trade	7	0.00	0.00
Cash and Bank Balances	8	205.25	109.94
Other Current assets	9	8.70	5.74
Loans and Advances	10	<u>583.17</u>	<u>479.88</u>
Total Current Assets, Loans and Advances		797.12	595.56
Less: Current Liabilities and Provisions	11	<u>15.53</u>	<u>9.88</u>
Net Current Assets		781.59	585.68
TOTAL		794.79	596.17

Significant Accounting Policies and Notes on Accounts 16

As per our report of even date attached

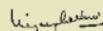
FOR DELOITTE HASKINS & SELLS
Chartered Accountants


PARTNER

Place: Ahmedabad

Date: June 18, 2005

FOR FRIENDS OF WOMEN'S WORLD BANKING, INDIA

TRUSTEE TRUSTEE

CHIEF EXECUTIVE OFFICER

Place: Ahmedabad

Date: June 18, 2005

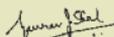
STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2005

	SCHEDULE	YEAR ENDED MARCH 31, 2005 Rupees in Millions	PREVIOUS YEAR ENDED MARCH 31, 2004 Rupees in Millions
INCOME			
Grants & Donations	12	15.76	8.17
Bank Interest		5.47	3.19
Surplus from Micro Finance Activity (See Note-C.1 of Schedule-16)		4.48	5.01
Other Income	13	1.18	0.90
TOTAL		26.89	17.27
EXPENDITURE			
Employee Cost	14	2.82	3.11
Operational Support to Partner Organisations		4.91	2.70
Training and Workshop Expenses		2.75	3.72
TSunami Fund Support		0.87	-
Support to Non Partner Organisations		1.58	-
Legal & Professional Fees		3.08	1.14
Administrative and Other Expenses	15	4.34	4.33
Depreciation		1.53	1.58
TOTAL		21.88	16.58
Excess of Income over Expenditure for the year		5.01	0.69
Add: Balance brought forward from the previous year		43.99	44.98
Less : Transferred to Risk Fund		2.99	-
Less: Grant Refunded		-	1.67
BALANCE CARRIED TO THE BALANCE SHEET		46.01	43.99

Significant Accounting Policies
and Notes on Accounts

16

As per our report of even date attached
FOR DELOITTE HASKINS & SELLS
Chartered Accountants


PARTNER
Place: Ahmedabad
Date: June 18, 2005

FOR FRIENDS OF WOMEN'S WORLD BANKING, INDIA

  
TRUSTEE TRUSTEE CHIEF EXECUTIVE OFFICER
Place: Ahmedabad
Date: June 18, 2005

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 1

CORPUS AND OTHER TRUST FUNDS

(Rupees in Millions)

	AS AT APRIL 1, 2004 Rupees	ADDITIONS/TRANSFER DURING THE YEAR Rupees	DEDUCTIONS DURING THE YEAR Rupees	AS AT MARCH 31, 2005 Rupees
For Grant Operations:				
Corpus Fund	73.74	23.14	0.00	96.88
TOTAL	73.74	23.14	0.00	96.88
Previous Year	46.89	26.85	0.00	73.74

SCHEDULE - 2

RESERVES AND SURPLUS

(Rupees in Millions)

	AS AT 38,078.00 Rupees	ADDITIONS DURING THE YEAR Rupees	DEDUCTIONS/TRANSFER DURING THE YEAR Rupees	AS AT 38,442.00 Rupees
For Grant Operations				
Risk Fund	0.00	7.50 ¹	0.89 ²	6.61
Previous Year	0.00	0.00	0.00	0.00
Loan Loss Reserve				
For Micro Finance Activity	3.46	0.00	0.00	3.46
Previous Year	0.00	3.46	0.00	3.46
Balance of Income and Expenditure Account				
For Grant Operations:	33.68	0.53	2.99 ³	31.22
For Micro Finance Activity:	10.32	4.48	0.00	14.79
TOTAL	43.99	5.01	2.99	46.01
Previous Year	44.98	0.69	1.67	43.99
GRAND TOTAL	47.45	12.51	3.88	56.08
Grand Total Previous Year	44.98	4.15	1.67	47.45

Note:

1. Includes Rs.29,89,754 transferred from Income & Expenditure Account.

2. Utilised to write off bad loans of Micro Finance Activity.

3. Transferred to Risk Fund.

SCHEDULE - 3

LOAN FUNDS - SECURED

	NOTES	AS AT	AS AT
		MARCH 31, 2005	MARCH 31, 2004
		Rupees in Millions	Rupees in Millions
For Micro Finance Activity:			
UTI Bank Limited	1	65.62	84.37
Small Industries Development Bank of India	2	137.34	67.28
National Bank of Agriculture & Rural Development	1	43.94	38.81
Dena Bank	1	92.49	35.00
Indian Bank	1	51.00	-
Indusind Bank	1	22.50	-
Indian Overseas Bank	3	167.99	160.00
HDFC Bank Limited	4	18.00	34.00
TOTAL		598.88	419.46

Notes:

The above loans are secured by

- 1) Charge on Book Debts arising out of loan fund
- 2) Pledge of Fixed Deposits amounting to Rs. 17.50 mn. and charge on Book Debts arising out of loan fund.
- 3) Pledge of Fixed Deposits amounting to Rs. 22.50 mn. and charge on Book Debts arising out of loan fund.
- 4) Pledge of Fixed Deposits amounting to Rs. 2.00 mn. and charge on Book Debts arising out of loan fund.

SCHEDULE - 4

LOAN FUNDS - UNSECURED

	AS AT	AS AT
	MARCH 31, 2005	MARCH 31, 2004
		Rupees in Millions
For Grant Operations:		
CARE India	5.54	5.45
For Micro Finance Activity:		
Small Industries Development Bank of India	10.00	10.00
CORDAID	27.40	40.06
TOTAL	42.94	55.51

SCHEDULE - 5											
FIXED ASSETS											
Particulars	GROSS BLOCK				DEPRECIATION				WRITTEN DOWN VALUE		
	As on 1.4.2004	Additions during 2004-2005	Deletion during 2004-2005	As on 31.3.2005	Upto 1.4.2004	For 2004-2005	Deletion during 2004-2005	Upto 31.3.2005	As on 31.3.2005	31.3.2004	
Buildings	3.95	-	2.65	1.30	2.33	0.04	1.40	0.96	0.33	1.62	
Leasehold Premises	6.25	-	-	6.25	0.91	0.53	-	1.44	4.81	5.34	
Computers	0.64	0.19	-	0.83	0.11	0.27	-	0.38	0.45	0.53	
Office Equipments & Furniture	5.60	0.42	0.03	5.99	3.44	0.60	0.03	4.01	1.98	2.16	
Vehicles	0.50	0.00	-	0.50	0.07	0.09	-	0.16	0.34	0.43	
TOTAL	16.94	0.61	2.68	14.87	6.86	1.53	1.43	6.96	7.91	10.08	
Previous Year 31.3.2004	15.30	1.96	0.32	16.94	5.55	1.58	0.27	6.86	10.08	9.75	

SCHEDULE - 6		
INVESTMENTS (At Cost)		
	AS AT MARCH 31, 2005 Rupees in Millions	AS AT MARCH 31, 2004 Rupees in Millions
Long Term Investments- Quoted		
For Grant Opeartions:		
Government of India 8% Saving (Taxable) Bonds, 2003	4.87	-
4,150 Units of Unit Trust of India of Rs. 100/- each	0.50	0.50
Less: Provision for dimunition in the value of investments	<u>0.09</u>	<u>0.09</u>
	0.41	0.41
TOTAL	5.28	0.41

SCHEDULE - 7		
STOCK IN TRADE (At Cost)		
	AS AT MARCH 31, 2005 Rupees in Millions	AS AT MARCH 31, 2004 Rupees in Millions
For Grant Opeartions:	0.004	0.004
TOTAL	0.004	0.004

SCHEDULE - 8

CASH AND BANK BALANCES

	AS AT MARCH 31, 2005 Rupees in Millions	AS AT MARCH 31, 2004 Rupees in Millions
For Grant Operations:		
Cash on Hand (including foreign currency)	0.05	0.04
Bank Balances with Scheduled Banks:		
In Saving Accounts	2.02	3.74
In Fixed Deposit Accounts	124.18	101.41
For Micro Finance Activity:		
Bank Balances with Scheduled Banks:		
In Current Accounts	16.57	4.45
In Saving Accounts	61.93	0.29
In Fixed Deposit Accounts	0.50	0.00
TOTAL	205.25	109.94

SCHEDULE - 9

OTHER CURRENT ASSETS

	AS AT MARCH 31, 2005 Rupees in Millions	AS AT MARCH 31, 2004 Rupees in Millions
For Grant Operations:		
Accrued Interest on bank Deposits	7.38	3.70
Tax Deducted At Source	0.21	0.21
Other Advances	0.52	0.28
For Micro Finance Activity:		
Accrued Interest on Loans	0.55	1.53
Tax Deducted At Source	0.00	0.00
Other Advances	0.04	0.02
TOTAL	8.70	5.74

SCHEDULE - 10**LOANS AND ADVANCES**

	AS AT MARCH 31, 2005 Rupees in Millions	AS AT MARCH 31, 2004 Rupees in Millions
For Grant Operations:		
Unsecured and Considered good	3.69	0.79
For Micro Finance Activity:		
Unsecured and Considered good	579.48	479.09
Considered doubtful	12.31	7.08
Less: Loan Loss Provision	<u>12.31</u>	<u>7.08</u>
	579.48	479.09
TOTAL	583.17	479.88

SCHEDULE - 11**CURRENT LIABILITIES AND PROVISIONS**

	AS AT MARCH 31, 2005 Rupees in Millions	AS AT MARCH 31, 2004 Rupees in Millions
For Grant Operations:		
Sundry Creditors	1.20	1.38
Unspent amount of grants	9.79	6.42
For Micro Finance Activity:		
Sundry Creditors	4.54	2.08
TOTAL	15.53	9.88

SCHEDULE - 12

GRANTS AND DONATIONS

	YEAR ENDED MARCH 31, 2005 Rupees in Millions	YEAR ENDED MARCH 31, 2004 Rupees in Millions
Foreign Agencies		
German Technical Co-operation	2.68	1.93
Ford Foundation	1.91	-
Consulative Group to Assist the Poorest	0.33	0.01
Canadian International Development Agency	-	0.77
US Agency for International Development	8.22	4.60
CARE India	0.12	0.05
Secourses populaire	0.73	-
WWB - Tsunami Relief	0.27	-
Indian Agencies		
Small Industries Development Bank of India	0.73	0.28
Others	0.78	0.53
TOTAL	15.77	8.17

SCHEDULE - 13

OTHER INCOME

	YEAR ENDED MARCH 31, 2005 Rupees in Millions	YEAR ENDED MARCH 31, 2004 Rupees in Millions
Training & Professional Fees	0.33	0.67
Income from Investments:		
- Dividend	0.04	0.04
- Interest	0.23	-
Profit on sale of fixed assets	0.26	0.07
Other income	0.32	0.12
TOTAL	1.18	0.90

SCHEDULE - 14**EMPLOYEE COST**

	YEAR ENDED MARCH 31, 2005 Rupees in Millions	YEAR ENDED MARCH 31, 2004 Rupees in Millions
Salaries & Allowances	2.49	2.85
Contribution to P.F. & other funds	0.25	0.23
Staff Insurance Premium	0.02	0.01
Gratuity Premium	0.06	0.02
TOTAL	2.82	3.11

SCHEDULE - 15**ADMINISTRATIVE AND OTHER EXPENSES**

	YEAR ENDED MARCH 31, 2005 Rupees in Millions	YEAR ENDED MARCH 31, 2004 Rupees in Millions
Office and Administration overheads	1.51	1.68
Travelling Expenses	2.51	2.25
General Expenses	0.02	0.16
Membership Fees	0.01	0.03
Books, Periodicals & Audio Visuals	0.11	0.07
Contribution to Public Trust Administrative Fund	0.05	0.05
Loss on sale of fixed assets	0.01	0.00
Auditors' Remuneration	0.12	0.09
TOTAL	4.34	4.33

GENERAL:

Friends of Women's World Banking, India, (FWWB, India) is an Non-Profit organization established to advance and promote direct participation of poor women in the economy through access to national and international institutions working for the development of the women in India. FWWB, India is a trust registered under the Bombay Public Charitable Trust Act, 1950 and a society registered under the Society Registration Act, 1860. FWWB, India has been registered as a charitable trust under section 12A of the Income Tax Act, 1961.

Principal activity of FWWB, India is to assist in formation and strengthening of poor women's organizations by bringing them into the mainstream of the economy by providing technical services and training for capacity building, thereby making them participants in the process of nation building. As an object incidental to the attainment of the above stated main objectives of the trust, FWWB, India is engaged in providing finance to institutions, which provide micro finance to poor women in rural area who are organized as groups.

SIGNIFICANT ACCOUNTING POLICIES:**Accounting Convention**

The financial statements are prepared on accrual basis under the historical cost convention and are in consonance with applicable accounting standards of The Institute of Chartered Accountants of India to the trust.

Grants

Grants in the nature of capital receipts are credited to the Corpus in the Balance Sheet. Grants received specifically relating to fixed assets are credited to the Capital Grants in the Balance Sheet. Such grants are recognized in the Income and Expenditure Account on a systematic and rational basis over useful life of the fixed assets. The allocation to the income is made over periods and in the proportion in which depreciation on the related Fixed Assets are charged to the Income and Expenditure Account.

Grants for specific purpose i.e. restricted grants, are recognized as income to the extent of amount spent, in the Income and Expenditure Account. Unspent balances of the restricted grants are carried as liability in the Balance Sheet. Other grants are recognized as income in the Income and Expenditure Account of the year.

Revenue Recognition

In respect of the micro finance activity, income of interest on the loans granted is recognized on accrual basis and when no significant uncertainty as to collectability exists. The recognition is in accordance with the terms of the relevant agreements. Income on Loans doubtful of recovery is recognized only when realized.

In all other cases, revenue is recognized when no significant uncertainty as to measurability or collectability exists.

Fixed assets

Fixed assets are recorded at cost less accumulated depreciation. The cost comprises of purchase price and all incidental costs related to acquisition and installation.

Depreciation

Depreciation has been provided over the useful life on the written down value method on pro-rata basis from the date of purchase up to the date of sale, at rates specified as under:

Buildings	10%
Furniture & Office Equipments	25%
Computers	40%
Vehicles	20%

Investments

Investments are carried at cost less provision, if any, for permanent diminution in the value of such investments.

Inventories

Inventories are valued of cost or net realizable value, whichever is less.

Foreign Currency Transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of the transaction. Current assets and current liabilities are translated at the year end rates. Gains/losses on foreign exchange translation/settlement other than those relating to fixed assets are recognized in the Income and Expenditure account. Gains/losses on translation/settlement of foreign exchange liabilities incurred to acquire fixed assets are adjusted in the carrying cost of such fixed assets.

Retirement Benefits

Liability for gratuity is provided and charged to Income & Expenditure account on the basis of contribution made to the Life Insurance Corporation of India under a Gratuity Assurance Scheme on defined benefits.

Contributions, as required by the statute, are made to Government Provident Fund and are charged to the Income and Expenditure Account for the period.

Bad Loans or Provision for Loans Doubtful of Recovery

In respect of the micro finance activity, as regards loans granted, for which:

Installments have not been received for more than a year are treated as sub-standard loans. At the end of two years, the total outstanding balances of such loans are written off as bad debts.

Installments due for more than 180 days are considered as doubtful. At the end of one year, full provision for the same is made for the total amount outstanding.

NOTES TO THE ACCOUNTS:

Corresponding figures of the previous year have been regrouped, rearranged, wherever necessary, to make them comparable with the figures of the current year.

FWWB, India is registered under section 12 A (a) of the Income tax Act, 1961 and its income is exempt from the income tax under the provisions of section 11 of the Act. It fulfills applicable requirements of the Income tax Act, 1961 for claiming the exemption, including requirements of the provisions of section 11 (4A) as regards the micro finance activities and hence it does not anticipate any tax liability.

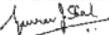
In view of the micro finance activity being carried out as an activity incidental to the attainment of the main objectives of FWWB, India, only net financial results for the year, as arising from the micro finance activity is carried and disclosed in the Income and Expenditure Account. FWWB, India has maintained separate set of books of accounts in respect of this micro finance activity. However, details of such income and expenditure for the year are as under:

	YEAR ENDED MARCH 31, 2005	YEAR ENDED MARCH 31, 2004
	Rupees in Millions	Rupees in Millions
INCOME		
Income on Loans given for the object of the Trust	80.81	54.28
Interest from Bank	0.10	1.31
Other Income	0.10	0.10
TOTAL	81.01	55.69
EXPENDITURE		
Financial Cost	51.68	37.55
Personnel Cost	1.11	0.72
Administrative and Other Operative cost	0.42	0.41
Loans & Advances Written Off	18.09	-
Provision for Doubtful Loans	5.23	12.00
TOTAL	76.54	50.68
Surplus of income over Expenditure for the year from the micro finance activity	4.48	5.01
AUDITOR'S REMUNERATION INCLUDES:		
Audit Fees	0.11	0.06
Taxation and Other consultancy services	0.02	0.02
Out of Pocket expenses	-	-
TOTAL	0.13	0.08
MANAGERIAL REMUNERATION:		
Remuneration to Chief Executive Officer	0.58	0.50
Travel and other expenses to Managing Committee Members	0.29	0.16
TOTAL	0.87	0.66
EARNINGS IN FOREIGN CURRENCY:		
Grants & Donations	14.26	7.35
TOTAL	14.26	7.35
EXPENDITURE IN FOREIGN CURRENCY:		
Travel & Other Expenses	0.40	0.52
TOTAL	0.40	0.52

Signatures to Schedule 1 to 16

As per our report of even date attached

FOR DELOITTE HASKINS & SELLS
Chartered Accountants


PARTNER

Place: Ahmedabad
Date: June 18, 2005

FOR FRIENDS OF WOMEN'S WORLD BANKING, INDIA

  
TRUSTEE TRUSTEE CHIEF EXECUTIVE OFFICER

Place: Ahmedabad
Date: June 18, 2005

CORE INDICATORS FOR THE YEAR APRIL 2004 TO MARCH 2005

	DEFINITIONS	CURRENT YEAR 2005	PREVIOUS YEAR 2004
A. PORTFOLIO QUALITY			
1. Repayment Rate as of 30 days	Outstanding Balance of Loans with Arrears>30 days Ending Portfolio Outstanding	98.61%	95.94%
2. Portfolio At Risk as of 30 days	Outstanding Balance of Loans with Arrears>30 days Ending Portfolio Outstanding	2.07%	4.96%
B. SUSTAINABILITY			
1. Operational Self Sufficiency (Overall)	Total Internally Generated Income Total Expenses	99%	98%
2. Financial Self Sufficiency (Overall)	Total Internally Generated Income Total Expenses + Imputed Cost of Capital	92%	92%
C. COST-EFFICIENCY			
1. Operating cost per unit of money lent	Operating Costs Average Portfolio Outstanding	0.01	0.01
2. Average loan size on disbursement	Amount of Loans Disbursed Total Number of Loans Disbursed	4,974	4,885
3. Caseload			
a. Number of loans per loan officer	Average number of Loans Outstanding Average Number of Loan Officers	85	71
b. Average portfolio per loan officer	Average Loan Portfolio Average Number of Loan Officers	103,283,399	68,889,618
D. CAPITAL STRUCTURE			
1. Equity Multiplier	Total Assets Total Equity	5.5	5.3
E. OUTREACH			
1. No. of active clients - Organisation	Number of clients	79	88
2. Number of Active Borrowers		186,170	139,366

DETAILS OF FWWB PARTNER ORGANISATIONS

AS ON 31ST MARCH 2005

STATE	ORGANISATIONS	TOTAL MEMBERS OF PARTNER ORGANISATIONS	MEMBER SAVINGS	TOTAL ACTIVE BORROWERS OF PARTNER ORGANISATIONS	FWWB LOAN BORROWERS (OUTREACH)	FWWB LOAN OUTSTANDING
Andhra Pradesh	16	1,139,119	111,453,066	747,197	89,965	291,918,948
Gujarat	14	26,224	11,362,848	10,398	7,850	21,869,230
Karnataka	3	34,854	18,830,905	28,590	9,850	33,395,608
Kerala	4	24,918	23,400,000	17,637	5,944	19,460,887
Madhya Pradesh	1	100	100,000	100	15	12,506
Maharashtra	4	11,538	6,460,783	4,503	1,700	4,601,050
Orissa	3	80,881	27,816,590	6,885	1,400	5,687,503
Rajasthan	3	1,735	1,121,775	501	252	502,093
Tamil Nadu	25	426,268	769,301,160	174,556	42,994	123,438,836
Uttar Pradesh	1	84,777	0	68,949	18,500	62,142,856
West Bengal	5	113,311	40,914,959	83,816	7,700	28,757,380
GRAND TOTAL	79	1,943,725	1,010,762,086	1,143,132	186,170	591,786,897





FRIENDS OF WOMEN'S WORLD BANKING, INDIA

HEAD OFFICE

G-07, Sakar-1, Opposite Gandhigram Railway Station, Ashram Road, Ahmedabad - 380 009
Tel: (079) 26580119, 26584199, 26584082 • Telefax: (079) 26580119
Email: fwwb@wilnetonline.net • Website: www.fwwbindia.org

REGIONAL OFFICE

'SRINGERI' No. 9 (Old No. 4-A), Harleys Road, Kilpauk, Chennai - 600 010
Tel: (044) 2644949 • Email: fwwb@sify.com