

FWWIB

FRIENDS OF WOMEN'S WORLD BANKING



INDIA

annual report
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our vision

A Society based on equity and social justice, where women are active partners in holistic development

our mission

Providing financial and capacity-building services to organisations promoting livelihood and self reliance of poor women

FROM THE CHAIRPERSON

Dear Friends,

The year 2006–07 was a year of many milestones for FWWB. Our portfolio crossed Rs 100 crore, the number of our partner organisations touched 100 and, for the first time in a single year, our outreach went up by over 100,000 women. To put the performance in perspective, the increase in the portfolio by Rs 38.4 crores surpassed the combined growth achieved in the preceding three years. Similarly, the 132,000 new borrowers brought into the FWWB family during the year almost equalled the total expansion in outreach attained in the earlier three years. Adding 32 new partners in a single year is unprecedented.

Such record growth demonstrates the success of our ongoing strategy to strengthen our capacity-building programme and extend our geographical footprints to newer states. More than 25 per cent of our growth in portfolio has come from the partners that we have nurtured in the past three years in new states like West Bengal, Orissa, Jharkhand, Assam and Uttaranchal. This strategy will be accelerated further in line with our commitment to a more inclusive growth, a theme finding growing acceptance in the formal as well as informal sectors.

Visiting some of our partners has now become an annual pilgrimage for me. This year our Vice Chair, Swati Soparkar, CEO, Vijayalakshmi Das and I visited West Bengal where our partners Bandhan, Arohan and Village Welfare Society (VWS) are doing outstanding work in the rural and urban areas. It was a very educative and heart-warming experience. I was deeply impressed by the keen business sense and entrepreneurial drive in their members. Using microcredit for cash payments to negotiate discounts from wholesalers and selling sarees on instalment basis at higher margins is just one example of their business ingenuity. These organisations have the commitment and the systems to scale up and encourage many more such micro-enterprises and FWWB would fully support them.

The initiative of expanding the reach of microfinance from rural to urban India has gathered momentum. Twenty-eight of our partners are currently supporting women in very low income households in cities like Kolkata, Bangalore, Chennai, Hyderabad, Lucknow, Patna, Ranchi and Mumbai with their varied enterprises. While urban lending constitutes 20 per cent of our current portfolio, its share is expected to grow rapidly, given the concentrated pockets of population in such cities.

Equally important was the enhancement in the quality of our credit portfolio as evidenced in the financials. The focus on more rigorous due diligence, close monitoring and greater caution over multiple lenders has significantly reduced write-offs and problem loans.

As our partners continue to scale up and establish their credentials both financially and operationally, they migrate to higher categories of our partnership model. Last year we saw four of our partners, the largest number so far, moving up to our highest category,

described as Big Partners. This phenomenon is reflected in the redistribution of our portfolio across the different categories. We are also delighted to share that 35 per cent of our partners are now linked to the formal financial system, as against just five per cent six years ago.

The pace and complexity of our growth also brings along several challenges. We need to evolve our systems and processes to track and manage our risks that have simultaneously grown. Expanding our team, enhancing their skills and investing in tomorrow's leaders are an imperative. Adapting to changes in our environment and at the same time preserving our vision and nurturing our commitment to our mission is critical.

With the intention of bringing greater focus on some of these challenges and widening the participation of our Board, we have reconstituted the Board committees. A new Human Resources committee has been formed. The role of the credit committee has been expanded to cover the capacity building and grants programme. In accordance with its enhanced scope two new members have been brought in and it has been suitably renamed as the Programme committee. As some of these areas were earlier overseen by the executive committee, its role will be consequently limited and reviewed after a year. The Audit committee and its scope remain unchanged.

I would like to welcome our two new Board members, Frances Sinha and Sonal Modi. Frances, with her in-depth understanding of the sector and Sonal, with her extensive experience in finance and banking, would further strengthen the Board's collective capabilities. I look forward to working with them. To Elaben Bhatt and all my colleagues on the Board my sincere thanks are due for their guidance in helping FWFB consolidate its position for greater impact in the coming years.

I am proud of our entire team of FWFB whose dedication and tireless efforts under the leadership of the CEO, Vijayalakshmi Das, have resulted in such outstanding performance. The success of FWFB lies in the success of its partners. Our record year reflects the high-momentum growth and improved efficiencies of our partner organisations. I would like to congratulate each one of them for their remarkable performance and thank them for sharing a great partnership with us which we are keen to deepen in the years ahead.

I would like to thank all our donors and lenders for their support, without which FWFB could not have followed its growth strategies, especially in new regions. A special acknowledgement to USAID whose support for a special project over the last five years enabled us to strengthen institutional capabilities of our partners and support innovative initiatives in diverse areas like food security for tribals in the district of Kalahandi, Orissa and residential bridge school education for children of SHG members who were released from bondage in Dindigul district of Tamil Nadu.

I would also like to express my sincere appreciation for our consultants, auditors and the WWB team from New York who have worked together with us in helping us raise the bar further.

Sincerely,



RADHIKA HARIBHAKTI
CHAIR, FWFB

Highlights 2006 - 2007

This year FWWB, India, completed 25 years of operation. Established in 1982 as an affiliate of Women's World Banking, FWWB's initial activities were limited to providing reference and bank guarantees to low-income women in the western states of India, especially Gujarat. In the beginning, FWWB also provided counselling on savings and credit to these women groups. Sensing the need of the clients of FWWB, in 1989, the bye-laws were modified to explore a larger role in the areas of financial services for poor women across the nation.

Since then FWWB, India, has travelled a long way to become one of the foremost retailers of micro-finance services in the country. Gradually it has expanded and modified its credit and related services to the different states of India.

The credit programme has demonstrated a sound growth this year. It was focused to expand its operations in the northern and eastern states. During the year 32 new partners were inducted, of which 16 are from these states. The portfolio crossed the Rs 100 crore landmark and reached Rs 104 crores, while loan disbursements stood at Rs 107 crore.

The Innovation Fund project which had been supported by USAID for five years (2001 -2006) has come to an end. FWWB would like to express its gratitude to USAID for its support and intends to take this initiative forward.

New pilot initiative: FWWB is looking forward to providing support for livelihood activities through enterprise development and innovating and diversifying its product portfolio. It has been able to avail fund support from Citigroup for the same.

FWWB has continued to provide support in building the capacity of its partners. During the year it provided capacity building inputs like trainings, workshops, technical assistance visits, exposure visits and operational support to its partner organisations.

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CREDIT PROGRAMME REVIEW



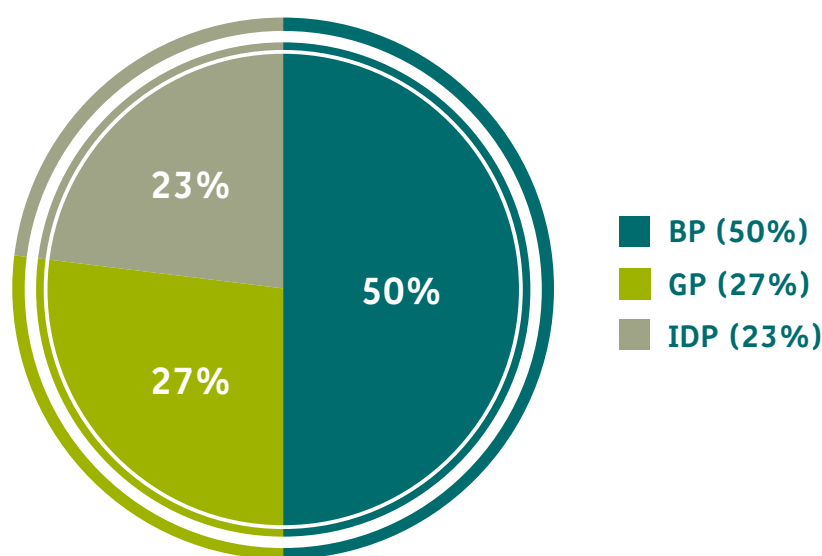
FWWB has witnessed a year of sound growth and healthy expansion. Compared to last year, the loan disbursement increased by 65.5 per cent and loan outstanding by 63.5 per cent. The number of organisations went up from 79 to 100, with 11 Big partners, 19 Institutional Development partners and 70 General partners, as of March 2007. Thirty two new organisations have been inducted out of which 16 are from five new states, namely, Assam, Orissa, Jharkhand, Madhya Pradesh and Uttaranchal.

This year FWWB crossed the milestone of Rs 100 crore in disbursements as well as loan portfolio outstanding. The total amount of loan disbursed during the year is Rs 107.7 crore while portfolio outstanding is Rs 105.4 crore.

Category-wise loan disbursement and outstanding pattern has also reflected a major change. Fifty per cent of the total funds disbursed during the year was towards the Big partners. The portfolio outstanding of Big partners has almost doubled since the previous year, while it has reduced in case of the institutional development partners by about 20 percentage points. With the withdrawal of its partnership model by a commercial bank, many Big partners have returned to FWWB for their funding requirements, resulting in a significant increase in the demand of funds by them.

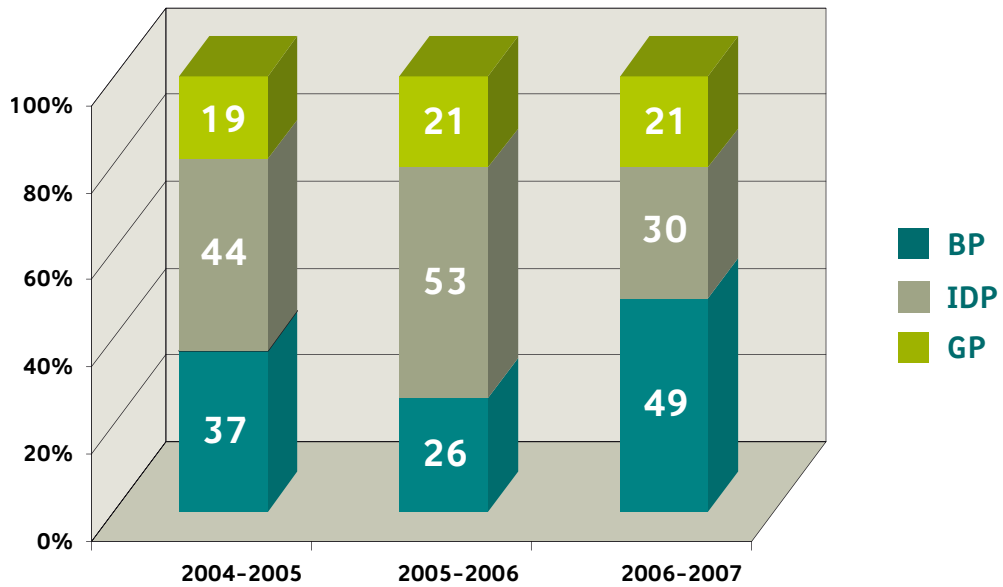
Also, four Institutional Development partners have graduated to the Big partner category, increasing the total number of Big partners to nine during the year 2005-06.

LOANS DISBURSED AS PER CATEGORY

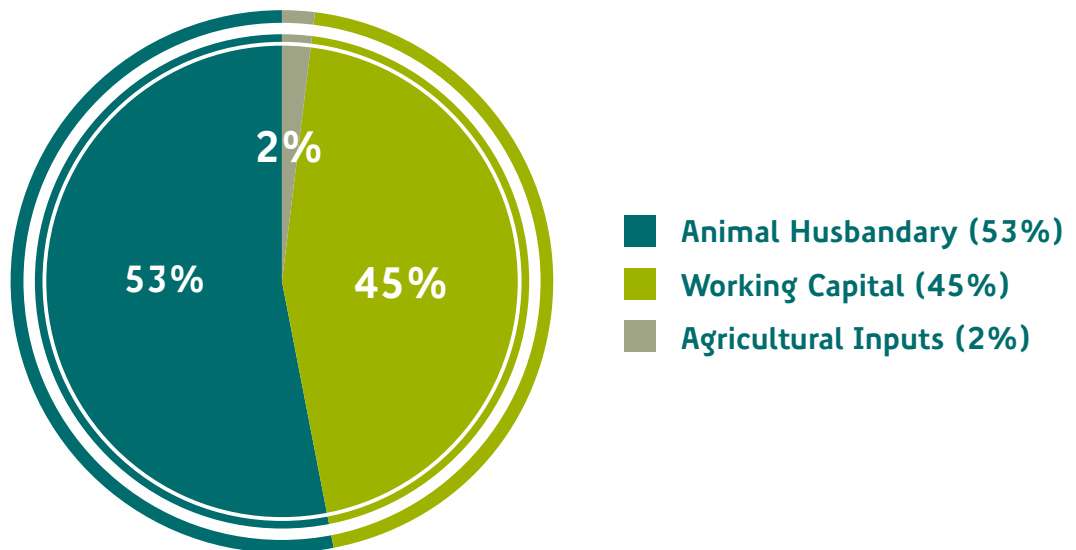


Looking at the utilisation of loans, 53 per cent of loans have been disbursed for the purpose of animal husbandry while 45 per cent towards working capital. Only two per cent has been disbursed towards purchase of agricultural inputs.

LOAN OUTSTANDING PER CATEGORY

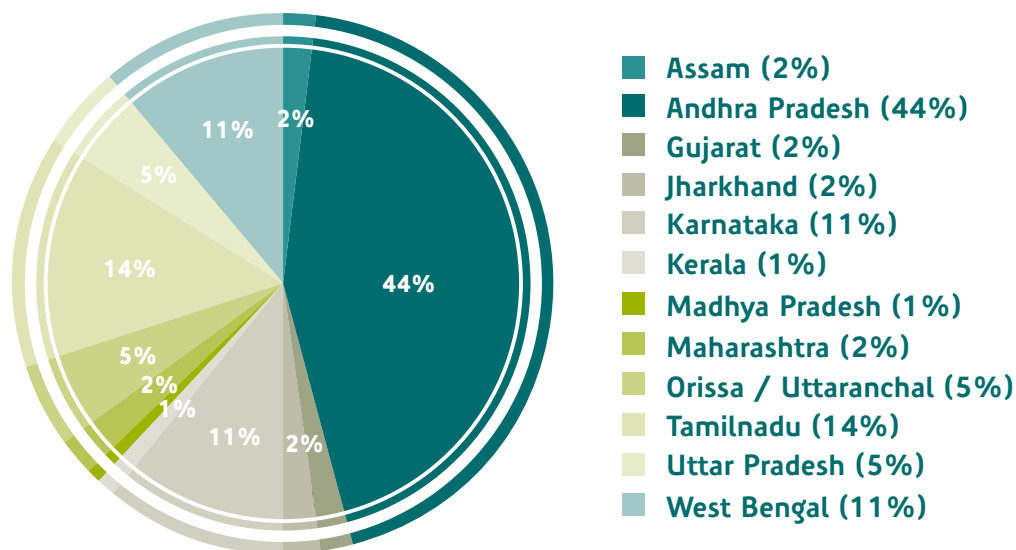


ACTIVITYWISE STATUS



Since the last few years, FWWB has shifted its focus towards expanding its operations in the under-served regions. It has been able to spread its operations in 14 states of India. Though a major part of its portfolio still lies in the southern region, it is gradually expanding its base in the northern and eastern states.

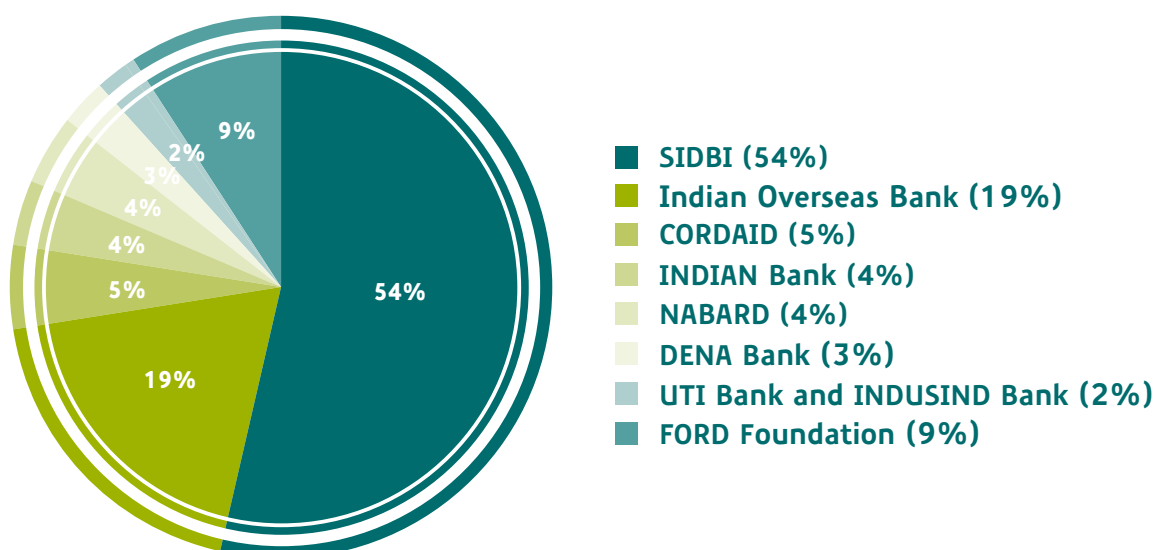
STATEWISE PORTFOLIO OUTSTANDING



FWWB has maintained a better quality portfolio through a conservative lending approach, frequent monitoring of partner organisations and through technical as well as operational support to partner organisations. Selection of new partners is based on an evaluation of their value-based approach, growth strategy and integrity of the chief functionary. Partner selection involves an elaborate and rigorous process. It gradually leads to a relationship of trust as the partners grow with the help of FWFB's capacity-building inputs, along with loan fund support. During the nurturing stage of one or two years, the partners are assessed on whether they have been able to build efficient systems and a credit culture along with proper human resource to match with the growth they aspire to achieve. This assessment is a decisive factor in continuing FWFB's partnership with them.

In order to respond to the increasing demand, FWFB's borrowings have increased by 60 per cent during the year, from Rs 38 crores in 2005-06 to Rs 61 crores in 2006-07.

SOURCES OF BORROWED FUNDS



SOURCES OF BORROWED FUNDS (OUTSTANDING)

FUNDERS	2006-07	2005-06
SIDBI	568,052,500	233,129,600
Indian Overseas Bank	195,989,041	152,489,041
CORDAID	56,624,941	66,450,162
INDIAN Bank	47,500,000	67,500,000
NABARD	46,250,000	65,125,000
DENA Bank	35,750,000	48,750,000
UTI Bank	18,750,000	31,250,000
INDUSIND Bank	5,000,000	10,000,000
FORD Foundation	91,659,511	-
HDFC Bank	-	4,000,000
Total	1,065,575,993	678,693,803

ABOUT OUR PARTNERS

When FWWB initiated its strategy of Institutional Development in the year 2000, it divided its partners into three categories as Big, Institutional Development (ID) and General. All except three Big partners, viz. Share, Cashpor and ASA, were enrolled as General partners while five were selected as ID partners. FWWB concentrated on providing them with capacity building inputs comprising training on strategic business plan, financial management, organisational development and accounting best practices. Year after year FWWB selects General partners with high potential to graduate to the ID category. ID partners that are cost and system efficient and can build a healthy portfolio with high growth of more than 100 per cent are graduated to the Big partner category. Following this process, as of April 2007, FWWB has 14 Big, 16 ID and 70 General partners. Thus, FWWB's story of growth and achievement is built on the quality and quantity of growth its partners have been able to achieve. Initially, the cut-off limit of membership for a partner to be called Big was 5000. Interestingly, by 2007, all the Big partners of FWWB had more than 50,000 members, making the earlier cut off irrelevant.

GRADUATION OF PARTNERS TO HIGHER CATEGORY FROM APRIL 2007

GRADUATION OF PARTNERS FROM IDP TO BP	GRADUATION OF PARTNERS FROM GP TO IDP
1. Acts Mahila Mutually Aided Cooperative and Thrift Society (AMMACTS), Andhra Pradesh	1. Nirman Bharati, Uttar Pradesh
2. Sharda Women's Association, Andhra Pradesh	2. People's Action for Transformation (PAT), Tamil Nadu
3. Village Financial Services, West Bengal	3. Sahara Uttarayan, West Bengal
4. Sonata Finance Ltd, Uttar Pradesh	
5. Viveka Service Society, Andhra Pradesh	

There is a growing tendency among the partners to transform themselves into regulated legal entities, especially, Non Banking Finance Companies (NBFC). There is also a gradual rise in start-up NBFCs in microfinance. The share of NBFC partners in portfolio is expected to cross 80 per cent by 2008. Similarly, an increase is expected in the share in portfolio of urban microfinance in the coming years.

OVERALL PROGRAMME PERFORMANCE

Indicators	2004-2005	2005-2006	2006-2007	Cumulative (1989-2007)
Number of Partner Organisations	79	79	100	392
Loan Amount Disbursed (Rupees in Millions)	616	706	1077	2399
Portfolio Outstanding (Rupees in Millions)	592	670	1040	-
Outreach of FWWB Loans (members)	186,170	217,214	349,310	878,352
Average Loan Size per Borrower (in Rupees)	4,974	5,008	4,992	-

FIVE-YEAR GROWTH AT A GLANCE

	2003	2004	2005	2006	2007
Loan Outstanding (Rs Lakh)	3,031	4,862	5,917	6,700	10,541
Repayment Rate (as of 30 days)	96%	95%	99%	98%	98.80%
Portfolio at Risk (PAR) (as of 30 days)	2.60%	4.96%	2%	0.38%	1.06%
No. of ongoing Partner Organisations	87	88	79	79	100
No. of Active Women Borrowers	84,186	139,366	186,170	217,214	349,260
Average Loan Size (Rupees)	4,848	4,885	4,974	5,008	4,989

OUR FUTURE STRATEGY AND OPERATION IN NEWER STATES

FWWB's credit strategy will continue with minor changes in products and pricing. The strategy for the next year lays greater emphasis on extending activities to newer regions including Uttaranchal and Manipur, while expanding operations in states like Assam, Orissa, Jharkhand and Madhya Pradesh. A select number of organisations will be groomed to become FWWB partners by offering them orientation workshops and capacity building inputs.

FWWB will work with each such potential partner for a period of six months to one year. Once their systems are in place along with detailed business plans, FWWB will provide loan support.

Another high priority area for FWWB is risk assessment. This is significant as many of our fast-growing partners access diverse funding sources. Effective and frequent monitoring is highly essential to keep a check on areas like interest rates, borrowers' verification and overlapping of microfinance service providers. In the coming year FWWB will invest considerable effort and time towards monitoring the partner organisations. In preparation for this, FWWB has assigned different regions and partners to programme managers and officers who will conduct a quarterly reviews of the quality of portfolio. Quarterly fund disbursements will be made based on evaluation of the partner status. Compared to 2006-07, visits are expected to increase three times in 2007-08 which will necessitate increase in the number of credit staff.

The audit of partner organisation's portfolio reconciliation is undertaken by FWWB in some cases. This will be strengthened with stricter norms to be adhered to by the partners. More number of partners will be audited this year as the reports have given us good indication of the risks present in a partners' portfolios.

SOME OF THE LANDMARKS ACHIEVED DURING THE YEAR

- **Crossed portfolio outstanding of Rs 100 crore.**
- **Loan disbursed during the year more than Rs 100 crore.**
- **25 per cent of the partners are having credit + activities.**
- **35 per cent of partners are linked to formal financial institutions as against only 5 per cent in year 2000.**
- **35 per cent of partners achieved more than 100 per cent OSS.**



FWWB'S STRATEGY ON START-UP ORGANISATIONS

Since the early 1990s, FWWB has played a significant role in nurturing start-ups and promising MFIs in the country. The focus during the last year remained the same and institution building of partner organisations continued to be an important agenda of FWWB.

To become a partner of FWWB an organisation has to qualify in a rigorous appraisal that reviews its governance, management and financial performance. The organisation's systems and its ability to effectively undertake microfinance operations are assessed. Also assessed is the organisation's sense of strategic planning and portfolio projection. For start-up organisations, in the absence of a good financial track record, integrity of the chief functionary, growth potential of the organisation and emphasis on good systems are assessed.

Once a new organisation partners with FWWB and shows commitment and good performance, FWWB continues to provide it with loan support and various capacity building services in the form of trainings, exposure visits and small grants to meet the operational deficits. Handholding support and technical assistance in the areas that need to be strengthened as well as a detailed training to draw up a strategic business plan and cash flow plan are also provided to the partner organisation. In order to implement efficient systems in an organisation, the chief functionary and key staff are encouraged to visit some of the best practice MFIs of the sector.

During 2006-07, a total of 32 new organisations were included as partner organisations of FWWB. The table below shows the state-wise distribution of new partners.

SR. NO.	STATE	NEW PARTNERS
1	Madhya Pradesh	6
2	Jharkhand	5
3	Andhra Pradesh	4
4	Orissa	4
5	Maharashtra	3
6	Assam	3
7	West Bengal	2
8	Uttar Pradesh	2
9	Tamil Nadu	1
10	Uttaranchal	1
11	Karnataka	1
	Total	32

That FWWB's focus during the year 2006-07 was on reaching out to the underserved areas of microfinance is clear from the fact that 16 out of the 32 new organisations are from the northern and eastern parts of the country, where the financial services have still not been able to reach out to the poor population. A majority of these organisations are public trusts/societies and community-based organisations that have been working with local communities for quite some time now. Though the sector has of late started attracting professionals in a significant way, most of the new organisations dealing with microfinance are yet to gain skills and knowledge in the effective management microfinance activities.



BUILDING AND NURTURING PARTNERSHIPS IN THE EAST



BAJKUL SPORTS ASSOCIATION

LEGAL STATUS: Society

YEAR OF INCEPTION: 1976

AREA OF OPERATION: West Bengal

CREDIT PROGRAMME: Rs 50.55 lakh loans outstanding

METHODOLOGY: SHG

PORTFOLIO OUTSTANDING: Rs 3.62 crore

Bajkul Sports Association (BSA) is a registered society working since 1976 in Midnapur East district of West Bengal for the socio-economic uplift of rural poor and oppressed communities. As the name suggests, popularisation of games and sports in the locality was its original goal. Eventually it started to work in areas like aforestation, eye operation camps, mobile health camps and blood donation camps with limited resources – its own and locally mobilised. While undertaking such activities, BSA felt the need to build the local capacity through training on income generation activities such as goat rearing, piggery, fishery, poultry, mat making and preparing vermi-compost. It has also come to adopt the SHG model for building local institutions and empowering women.

SANCHEREI, an exclusive microfinance programme, was launched 1997 with a mission to make the poor households economically self-reliant by helping them access the services of a well-managed and sustainable institutional set-up. Over the past decade the programme has spread to 12 rural markets, 15 blocks and 250 villages across two districts of West Bengal. The loan outstanding of BSA as of March 2007 was Rs 3.62 crore – a growth of more than 200 per cent over the previous year. It is a corporate agent for ICICI Prudential life insurance.

BSA follows the SHG methodology, but extends loans to individual members. The clients are predominantly women. Many livelihood opportunities are present in the area where BSA works as it is located close to Kolkata and Haldia industrial township. Income generation activities include zardosi work, embroidery work and wig making (from human hair).

BSA became a partner of FWWB on 13 June, 2005, and received regular capacity-building support and valuable feedback. Its staff members were exposed to different training (accounting and book-keeping, delinquency management, interest rate setting etc.) and workshops organised or facilitated by FWWB.

JEEVIKA LIVELIHOODS SUPPORT ORGANISATION

LEGAL STATUS: Society

YEAR OF INCEPTION: June 30, 2005

AREA OF OPERATION: Jabalpur, Madhya Pradesh

CREDIT PROGRAMME (STATUS AS ON MARCH 2007)

- 2,000 members, 1,565 borrowers
- Rs 67.00 lakh disbursements, Rs 50.03 lakh loans outstanding
- 100 per cent recovery

LINKAGES WITH EXTERNAL AGENCIES – CARE-CASHE, FWWB, ICICI, HDFC, LIC, ACCESS DEVELOPMENT SERVICES, IFMR

FUNDERS: FWWB, CASHE, ICICI, HDFC

A group of young and qualified individuals driven by the desire to ensure better quality of life to the poor in the country, especially in the *madhya*-Bharat region, came together in June 2005 to form Jeevika. Based in Jabalpur, the objective of Jeevika is to promote and support multitude of livelihood activities among the poor across regions and population groups.

Jeevika started as a resource agency that provided consultancy and advisory services in the field of livelihood and microfinance issues. It has, however, been looking out for longer term field-based interventions in livelihood. Their research shows that for livelihood activities to be viable, they need to be linked to financial services.

Jeevika decided not to continue with the microfinance activity on its own for long. It intends to set up a new institutional entity, an NBFC, most suitable for carrying out microfinance activity in a professional manner. As a launch pad, Jeevika plans to establish initial operations, required networks and linkages and develop a team of professionally equipped human resources.

Jeevika is looking forward to developing locally relevant models of livelihoods promotion that are replicable across the central India region. The long term strategy is to create and establish appropriate institutions for addressing specific needs of livelihood promotion like professional consultancy service, entrepreneurship development, production and marketing and financial services provision.

MULBERRY

LEGAL STATUS: Society

YEAR OF INCEPTION: 1999

AREA OF OPERATION: Assam

CREDIT PROGRAMME: Rs 3.33 lakh loans outstanding

METHODOLOGY: SHG

PORTFOLIO OUTSTANDING:

FUNDERS: SIDBI, NEDFI, FWWB

Registered as a non-profit organisation in August 1999, Development and Marketing Society for Weavers, Mulberry has been set up with a mandate to work towards the development and economic empowerment of the rural women in Assam.

Mulberry is primarily working with women from the neglected tribes like Karbis, Bodos, Misings and Dimasas living in the remote areas of Assam. These women are skilled weavers and can create striking traditional patterns. Nearly 95 per cent of them are unmarried and above the age of 30. Most of them have experienced difficulties in life and are looking out for ways to sustain themselves. However, earning opportunities are severely restricted for them as they lack any formal education or training and have crossed the employable age. Mulberry, through its ongoing hands-on training programme strives to motivate these women and organise them as weaver entrepreneurs.

Mulberry believes that weavers of the region have the potential to produce for the market, provided they are trained to respond to the demand. Its emphasis, hence, is on transferring a range of skills and attitudes to the women – right from designs to entrepreneurship and management – so that a reliable production chain and a team of motivated and competent master weavers are developed.

Initially the organisation faced considerable difficulty in availing fund support. Gradually, looking at its hard work, commitment and its potential to grow, many agencies like SIDBI, NEDFi and FWWB have extended fund support. With such support it has been able to integrate 130 women across 15 villages in its programme.

Mulberry has been in operation for almost five years now. Most of its products are sold through exhibitions held in cities like Pune, Bangalore, Mumbai and Delhi. It has established market linkage with nature bazaars (craft exhibitions) organised by Dastkar, TRIBES retail outlets and, recently, with FABINDIA, besides stores in cities like Kolkata, Hyderabad and Lucknow. It has also exported two small tranches of its products to the USA.

CAPACITY BUILDING



Over the years, with the experience of working with 324 partner organisations, FWWB has been able to access rich knowledge and experience of field realities. In the initial years, FWWB's scope of activities were limited to providing loan support to partner organisations which in turn reached the poor women in the form of small loans. It was a learning for FWWB that the strategy of merely providing loan support was not sufficient. Rather, it was equally important to build the capacities of its partner organisations and making them self-reliant, and thus enabling them to deliver optimal services to the poor.

FWWB strongly believes in establishing sustainable partner organisations that possess appropriate methodologies, which include the right mix of financial products and cost-effective operations. The capacity-building initiative of FWWB focuses to address these common needs of upcoming micro-finance institutions and the issues and challenges faced by these organisations. The capacity-building inputs of FWWB includes providing need-based trainings, organizing workshops and exposure visits to the best practice MFIs, providing technical assistance and extending operational support to the start-up MFIs facing operational deficits.

The capacity-building intervention of FWWB has been instrumental not only in imparting knowledge or developing skills of partner organisations but has also led to a change in the entire perspective of the practitioners towards microfinance. This is clearly gauged by the positive direction in which the managers are steering their microfinance programmes.

During the year 2006-07, FWWB continued to provide its capacity-building inputs to its partner organisations in the form of trainings, workshops, technical assistance, operational support and exposure visits.

TRAINING AND WORKSHOPS

The training is designed to suit the needs and address the critical issues faced by the FWWB's partner organisations in operating microfinance activities. FWWB believes that learning does not only come from the formal training curriculum but also from informal interactions and sharing of good and bad experiences of other MFIs. FWWB outsources the training from training agencies whose modules are recognised by CGAP and Microsave. This year trainings have been organised on improving operational efficiency, management information system, financial analysis, credit appraisal of MFIs and capacity-building of MFIs.

Workshops form an integral part of the capacity-building programme and serve as a platform to understand, interact and share experiences and learnings. Since the last few years, FWWB has been determined to promote microfinance activities in the underserved states of India. To provide services in such areas, as a priority, it is very critical to identify potential partners from these states that would efficiently deliver the necessary microfinance services to the poor. To identify such potential partners FWWB has organised three orientation workshops during the year.

WESTERN MAHARASHTRA – ORIENTATION WORKSHOP, PUNE

2 January 2007

In collaboration with AFARM, Pune, a one-day orientation workshop was organised for NGOs of western Maharashtra working with women SHGs. Chief functionaries of 15 organisations from Satara, Sangle, Solapur, Pune, Nashik and Kolhapur participated in this workshop. The concept of financial intermediation for poverty alleviation through alternative financial services such as microfinance was shared with these organisations. A review of the status of financial services for the poor women in the region revealed that even though western Maharashtra is known as a prosperous sugarcane belt with a hub of cooperatives, majority of asset-less poor women are still deprived of financial services.

KONKAN REGION – ORIENTATION WORKSHOP, SAWANTWADI-SINDHUDURGA

12 February 2007

In collaboration with the Konkan Vikas Samanvaya Vyaspith, a network of Konkan NGOs, an orientation workshop was organised at Sawantwadi. Twenty two organisations from Sindhudurga, Ratnagiri, Raigad and Thane district of Konkan actively participated in the workshop. The organisations from the Konkan region were for the very first time exposed to the concept of microfinance, financial intermediation and poverty alleviation with sustainability approach. These NGOs have remained isolated from the rest of Maharashtra and their interaction with areas outside the Konkan region has been limited. The workshop gave an opportunity to these organisations to understand and explore new perspective of poverty alleviation.

ORISSA STATE – ORIENTATION WORKSHOP

26 February 2007

FWWB's expansion towards microfinance activity in Orissa dates back to the year 2003-04 when it was associated with FARR (an NGO) in the Kalahandi district. Within a short span of time there has been a noticeable increase in the number of partner organisations from Orissa. This workshop was organised with an objective of identifying potential MFIs, understanding the different models of microfinance prevalent in this state and providing a platform to start-up MFIs to interact and share their experiences. Twenty five new MFIs, six FWWB partners and two representatives from FWWB participated in this workshop.

FWWB strongly believes in the importance of audit and internal controls in the microfinance activity and thus, organises an auditors' workshop for its partners every year. This workshop is organised essentially with an objective to spread awareness among auditors about the best practices prevailing in the sector as well as taking stock of the statutory reports of all the partners and tracing their limitations. This year also FWWB organised a statutory auditors' workshop for appraising the auditors on accounting practices in the microfinance sector. The workshop was organised in Kolkata on 7 and 8 December 2006. Twenty one partner organisations, along with their auditors, participated in this workshop.

TECHNICAL ASSISTANCE VISITS

A major part of FWWB's long term strategy is focused towards institution building. This also includes technical assistance which plays a vital role in the transformation of partner organisations. Technical assistance places greater emphasis on direct interaction with the partner organisation on a one-to-one basis. The technical assistance visits are organised and conducted on a continuous basis, which helps in building the capacities of organisations in areas that are technical, including operational aspects. Apart from the actual ranking of an institution within particular partner categories, these visits also provide comprehensive feedback to FWWB on the overall support provided by it.

The technical assistance visits include intensive interactive sessions with the Chief functionary, core staff team and field staff of the organisation. Field visits are also undertaken to branch offices and groups/centres to get a feel of the field operations, outreach and portfolio quality. Based on these assessment techniques, the 'gaps' are identified that needs to be addressed. Later, area-specific and organisation-specific technical assistance interventions are provided to the organisations. Technical assistance visits are essentially need-based interventions and function with the specific objective of streamlining operations and helping the partner organisations to graduate further.

EXPOSURE VISITS

Exposure visits are one of the several capacity building inputs provided by FWWB to its partner organisations. The main objective of FWWB's exposure visits is 'learning from others' experiences.' Visiting partners get to study the systems and procedures followed in the host organisation and also interact closely with the organisation's top management, middle and lower level staff. It helps them to establish relationship with the host organisation and gives them a new direction in systemising the procedure and processes being practiced in their organisation. During the last one year FWWB has sponsored many such visits to the best practice organisations based in India.

OPERATIONAL SUPPORT TO PARTNERS

Apart from the above stated capacity-building interventions, FWWB strongly believes in providing initial operational support to the new start-up organisations that are in the process of scaling up. Every start-up organisation struggles in its initial period to attain sustainability in its microfinance programme, to establish efficient systems and to expand its operations. This is where FWWB plays the crucial role of a nurturing institution and provides soft loan and grant support to cover some amount of expansion costs towards equipments and salary support, to enable the start-up to recruit proper qualified professional staff. The purpose and amount of the operational support depends on the grants available to FWWB and its pre specified utilisation norms.

WOMEN LEADERSHIP WORKSHOP

A two-day workshop was organised on 4 and 5 October 2006 in Ahmedabad with an objective to understand women leadership within non-governmental organisations in the microfinance sector, which brought together 24 women leaders from different development organisations. The forum constituted a sharing and mutual learning experience for all participants in understanding what leadership is about when a woman heads an organisation and what it consequently means for organisational structures and for larger developmental outcomes.

SOCIAL RATING WORKSHOP

The social rating workshop was organised for two days on 24 and 25 August 2006 by EDA, with the support of FWWB, to share the method and experience of social ratings being developed by M-CRIL as a new product alongside credit rating. The participants were the executive heads or senior management staff of 15 MFIs from different regions of India, all institutional partners of FWWB, and staff from FWWB. Four of the MFIs represented had obtained a social rating from M-CRIL in the past year.

Recent initiatives in microfinance have begun to shift focus from an almost exclusive emphasis on organisational sustainability and financial reporting to recapture the sense of social mission with which microfinance first began. Such initiatives have involved defining and assessing social performance, and exploring key dimensions and indicators relevant for social rating and reporting.

The main objectives of the workshop were to provide the context to social rating – the meaning and relevance of social performance in microfinance, key dimensions and indicators in social performance rating and reporting, challenges in social rating and identify practical data implications for social reporting by MFIs.

NO. OF TRAININGS	DETAILS OF TRAINING
1	Training on improving operational efficiency of MFIs was held by EDA Rural Systems at Gurgaon from 1 to 3 June 2006. Eight FWWB partners participated in this training.
2	Training on management information systems was held at Gurgaon by EDA Rural Systems from 12 to 15 June 2006.
3	Training on financial analysis of MFIs was held in Gurgaon by EDA Rural Systems from 21 to 24 August 2006. Only FWWB staff participated in the training.
4	Training on credit appraisal of MFIs was held by EDA Rural Systems at Gurgaon from 7 to 11 October 2006.
5	Training on capacity-building of NGO MFIs organised by BIRDS was attended by two FWWB staff from 26 February to 2 March 2007.

NO. OF WORKSHOPS	DETAILS OF WORKSHOP
1	One-day partners' meet organised at Hyderabad on 13 April 2006 to discuss and find some solution to the Andhra Pradesh crisis. Twenty partner organisations and two FWWB staff members attended this meet.
2	A social rating workshop was organised at EDA rural systems on 26 and 27 August 2006. It was attended by 15 partners and four FWWB staff members.
3	Workshop on women leadership was organised in Ahmedabad on 5 and 6 October 2006. It was attended by 20 women leaders and six FWWB staff members.
4	Statutory auditors' workshop organised at Kolkata on 7 and 8 December 2006. Twenty one FWWB partners, along with their auditors, participated in this workshop.
5	Western Maharashtra orientation workshop organised on 2 January 2007 in Pune. This workshop was attended by 15 organisations from western Maharashtra.
6	Konkan region orientation workshop was organised on 12 January 2007 at Savantwadi. Twenty two organisations from the Konkan region participated in this workshop.
7	Orissa state orientation workshop was organised on 26 February 2007. Twenty five new organisations and six FWWB partners participated in this workshop.

NO. OF VISITS	DETAILS OF VISIT
1	Exposure visit of FWWB's partner IIRM, Assam, was organised to a best practice organisation Sadhana Microfin Society, Andhra Pradesh from 9 to 15 October 2006.
2	Exposure visit of FWWB's partner, Asmita Institute for Development, based in Maharashtra, was organised at Sadhana Microfin Society, Andhra Pradesh, from 15 to 17 August 2006.
3	Exposure visit of five partner organisations from the North and east and five partner from Gujarat, namely, Karra Society for Development, Jharkhand, Kalanga Bazar Trust, Jharkhand, Lok Biradari Trust, Madhya Pradesh, Jeevika, Madhya Pradesh, VAMA, Madhya Pradesh and Prayas, Gujarat, was organised at Sadhana Microfin Society, Andhra Pradesh from 21 to 24 November 2006.

STATUS REPORT ON WEATHER RISK INSURANCE

Friends of Women's World Banking, India, in association with the Agriculture Insurance Company of India had launched a customised Weather Risk Insurance Product for five of its partner organisations providing agriculture loans through micro-credit to their SHG members in their operational area of Yavatmal and Amravati districts.

The structured insurance covers were developed for cotton and soybean: the two main crops harvested by farmers of this region. Based on the fact that agriculture loans are inherently risky and because of the several farmer suicide cases occurring due to indebtedness of the marginalised farmers which was further compounded by the inclement weather in the form of drought, the Weather Risk Insurance Product was launched during the last kharif season with an aim to safeguard the loans of FWWB's partner NGOs and to provide some succour to the beleaguered farmers.¹

KEY ISSUES: EXPERIENCE DURING THE PILOT PHASE

- **The regions of Yavatmal and Amravati** received unprecedented the highest rainfall in the last 30 years during the 2006 Kharif season. A region which is normally drought-prone was deluged with water and hence crops were destroyed.
- **The Insurance Cover** was provided for five weather parameters viz., sowing failure, rainfall distribution, and temperature, especially for cotton. These parameters were given different weightages as per the analysis of the last 30 years' historical data procured from IMD. On the basis of this analysis the drought situation was given more importance in terms of sum assured, while excess rainfall and other parameters were given lesser weight-ages.
- **Weather Data from the Automatic Weather Stations (AWSs)** were sent to AIC and FWWB since both the organisations had sponsored to procure data from five AWS installed in five blocks identified by their NGO partners, based on the number of insured clients. These AWSs were installed and maintained by a third party agency, NCSML Pvt. Ltd. The claims were settled as per AWS data generated on an hourly basis. As the name suggests, it is entirely digitised to negate any issues of manipulation or manual error.
- **Communication and Understanding of the Insurance Product:** A very important and vital issue during the pilot phase of the Weather Risk Insurance Product was communication at various stages. Most important was the communication between FWWB-AIC and the NGO partners who were to be the micro-insurance agent. The second stage of the communication channel was between the NGOs and their clients/SHG members. Despite all efforts, the greatest limiting factor in the whole exercise was cross-validation of the level of understanding. Due to paucity of time and fund constraint, this component was definitely addressed but on the assumption that whatever was conveyed was understood in the correct perspective.

1. A detailed note on Weather Risk Insurance was published in the Annual Report 2005-2006 of FWWB.

- **Claim Settlement:** AIC and FWWB, with an aim to provide some relief to affected SHG members, decided to go for interim payouts in the month of October much before the completion of the coverage period. However, several administrative queries were raised by the NGO partners on receipt of the interim claim settlement amount. For example, SHG members of Yavatmal were provided claim amount based on the Pandharkavada weather data, though the fact remains that both these stations are located 80 kilometres apart.
- **Political scenario:** The entire Vidarbha region came into the limelight because of frequent cases of farmer's suicide and the Prime Minister's subsequent visit in July 2006. The worst affected area was Pandharkavada, which is a tribal belt and also boasts of two members of the Legislative Assembly as ministers in Government of Maharashtra. With political backing, most of the SHG members are demanding return of their insurance premium amount and, in some cases, the sum assured for excess rainfall, Rs 750 for soyabean and Rs1000 for cotton crop. They have also threatened that until this is done, they will not repay their loans to the NGOs.

LEARNINGS

FWWB should not be the face of any insurance scheme, especially, where it has given micro-credit for pursuing a specific livelihood activity and the same is being insured through a customised insurance cover. A drastic effect on one will have an irreversible effect on the other. As a facilitating agency, FWWB can just be an introducer of the insurance company.

Validation and cross-verification of the features of the insurance product to the NGOs and to the retail level clientele is absolutely necessary so as to avoid any grievances at a later date.

FWWB can, however, explore the possibility of portfolio insurance for its NGO partners, whereby one does not have to deal with two very difficult and dynamic scenarios, that is, unpredictable weather and mind set and attitudes of marginalized farmers.

WAY FORWARD

To initiate talks with a national-level public sector bank that has a mandate of promoting agriculture, to contribute partly towards the total premium amount. The NGOs and FWWB should also contribute towards this and repay the premium amount to the SHG members. This will lead to recovery of dues and will help in mitigating risks towards the portfolio in this region.

In concurrence with all the NGO partners, the weather insurance product should be rectified. The same should be shared with the Apex Public Sector Bank to negotiate funds for workshops to disseminate information and also for premium subsidies. This will result in expansion of the insurance product. Simultaneously, it will also build confidence amongst the people about its efficacy and benefits.

FWWB AND ITS PARTNERS — AN ORGANIC BOND

ANNAPURNA PARIVAR

For the last three decades Annapurna Parivar has been working towards empowering poor women doing petty businesses to support their families. Started in Mumbai in 1975, it later established its sister concern in Pune in 1993.

PARTICULARS	PERFORMANCE STATUS (March 2007)
Number of members	3876
Number of borrowers	3257
Loan outstanding	11625392
Average loan amount	3569
PAR (Percentage)	12
Recovery rate (Percentage)	96
Health mutual fund clients	9284
Number of branches	8

Right from the beginning, the organisation has recognised financial services as a useful entry point to intervene in the problems of the urban and rural poor families. It definitely is not the only way to help them. Annapurna Parivar tries to provide a variety of services like health mutual fund, child development, and business development for its members in Pune. It runs catering activities across Mumbai and New Mumbai that help generate jobs for the poor shelter-less women. It has also set up a working women's hostel in New Mumbai and Shirwal.

With a diverse portfolio of activities, the microfinance operations of Annapurna Parivar grew rather slowly until 2005-06. The organisation faced difficulties both at the managerial and client levels when it tried to expand the microfinance operations during that year.

It was during this period that Annapurna Parivar came in contact with FWWB and Microsave. In May 2006, with FWWB sponsorship, a team from the Parivar and its associate UPLIFT Network visited Sharada Women's Association (SWAWS) at Hyderabad to learn about operations and processes. This, indeed, turned out to be a good exposure and the team was impressed by the well-organised collection procedure of SWAWS.

Based on this learning, some major changes were made in the microfinance operations of Annapurna Parivar in June 2006. For instance, the JLGs called Common Goal Groups with flexible membership were reorganised into five member groups as in the case of SWAWS. Three such groups come together to form a centre. This change brought in more discipline in loan recovery. During this period of transition Annapurna (Mumbai and Pune) received the first loan support of Rs 40 lakhs.

On FWWB's advice Annapurna Parivar set up Loan Sanction Committees (LSCs) at its head offices in Mumbai and Pune. This was a clear departure from the then existing system wherein the branch staff and members had complete autonomy over sanction and disbursement of loans. Though this system was in tune with Annapurna's belief in the principle of member ownership of the organisation, it led to wrong selection of clients and inappropriate loan recommendations, that in turn resulted in problems of professional ethics. With the setting up of LSCs that comprised the trustees and the senior management, a filtering system was created to re-check the loan decisions at the branch level.

With the help of trainings from Microsave on process mapping, a systematic audit procedure was set up within the organisation. Every branch of Annapurna Parivar in Mumbai and Pune is audited regularly to check whether its processes are as per the Operations Manual that was created in June 2006. Staff trainings are arranged on the basis of weaknesses found in the field operations. This has facilitated more uniform and systematic microfinance operations of Annapurna Parivar.

Today Annapurna is not focusing on expanding its operations on a large scale, but pays major attention on its systems with more settled MIS and systematic operation procedures. Also, with the help of a strict member selection process it has been able to form responsible groups and improve its repayment.



SAHARA UTTARAYAN

In the year 2000-01 a devastating flood ruined vast areas of rural south Bengal. A team of educated youth with imagination and empathy organised a platform for rescue and rehabilitation of flood-affected people, which took the shape of an NGO, 'Sahara Uttarayan'. It was built with the vision of an equitable society where poor and backward classes of people would lead a better life with due respect and the mission to extend social and economical support to empower the rural and urban areas poor women for qualitative changes in their livelihood and capacity building.

Initially, health, education, sanitation and other social aspects were the priorities of the organisation. Soon, the team of volunteers realised that employment and income generation were the most immediate need of the poor rural people, especially the women belonging to schedule castes, schedule tribes, minority groups, etc. Sahara Uttarayan started Self Help Group-Micro Credit activities at this juncture, with the help of financial resources raised through donations and personal loans. The progress was very slow till 2004, though the poor women were prompt in repaying the small/micro loans extended to them. It was imperative to find a funding partner if the programme was to meet the growing credit demand.

Banks and funding agencies were hesitant to extend financial support to Sahara Uttarayan due to its poor asset backing. That was when the organisers chanced upon the website of FWWB and applied for funds. FWWB responded quickly with an appraisal visit, followed by the sanction of a loan of Rs one million. As of March 2007, Sahara Uttarayan received support from six funding agencies, with a total commitment of Rs 137.5 million. Out of this, FWWB's contribution is Rs 12 million. In the words of the organisation, the appraisal visit from FWWB "was not only an inspection but also a total guide for us which gave us impetus to take up the micro credit activity in a bigger way... The support from FWWB not only gave us an opportunity to grow but also enabled us to avail loans from ICICI and other banks. We are deeply gratified to FWWB, India for this initial support which enabled us to take off in the microfinance sector."

PARTICULARS	OWN SOURCE PERFORMANCE	PERFORMANCE AFTER ASSOCIATION WITH FWWB
	FY 04-05	FY 05-06
Number of SHGs	73	332
Number of members	1257	5006
Number of borrowers	455	3810
Number of staff	8	27
Loan disbursed	2.81	15.60
Principal loan due	1.42	5.45
Principal loan recovered	1.41	5.44
Recovery rate (Per centage)	99.30	99.82
Security fund balance	1.45	3.02

STRENGTHENING INDIAN MICROFINANCE INSTITUTIONS

to enhance poor women's access to appropriate financial services

P R O J E C T S U P P O R T E D B Y U S A I D



USAID India has a long-term vision in consonance with international targets for poverty alleviation. In accordance with its strategy for economic growth USAID India entered into a five-year agreement with FWWB India for 'strengthening India's microfinance institutions to enhance poor women's access to appropriate financial services'.

The primary objective of the FWWB–USAID Project was to help develop a critical mass of financially sustainable microfinance institutions (MFIs) that offer basic financial services (credit, savings and insurance) to a significantly large number of poor women, thereby contributing to their social and economic empowerment.

The objective of this project was to be achieved through results in two mutually reinforcing areas:

- Strengthening institutional capacity of FWWB, India and its partner organisations; and
- Improvement of the enabling policy, regulatory and institutional environment.

The four activity areas under the programme were,

- Institutional strengthening of FWWB's partner NGO/MFIs
- Institutional strengthening of FWWB India
- Promoting microfinance friendly policy initiatives and standards, and
- Promoting innovation in microfinance.

Despite the efforts by various players and stakeholders (local, national and international) in achieving considerable growth in the microfinance sector – reaching to almost 1.1 million poor women in the last decade, there is still a huge unmet demand for financial services among the poor, the reason mainly being the gap between demand and supply.

FWWB's niche lies in its ability to identify small and promising MFIs, build their capacity with funding and technical assistance to graduate them to a stage where they have the systems and the capacity to become a sustainable financial institution, capable of reaching large numbers of poor clients. Thus, its role had been significant in institution building of nearly all the prominent MFIs that have emerged as significant actors in the sector.

With the capacity building support by FWWB, the FWWB's outreach reached to 0.75 million women clients by the end of March 2007, from 0.03 million at the beginning of the project. The partners reached out to about 4 million from the 0.4 million at the start of the project.

FWWB visualises its institutional development as its core activity. The availability of grant funding from USAID for this purpose enabled it to play a strong capacity-building role through a system of technical assistance visits by its own staff along with the various technical training and exposure visits that it provided to its partners organisation.

Recognising the need for innovations in microfinance, FWWB identified projects of eight MFIs that use innovative methods to reach clients, and helped these MFIs perfect and scale-up their methods. Innovation fund forms 21 per cent of the total grant fund allocated under the USAID Project.

Through this fund, FWWB seeks to provide timely and flexible funding awards to promote microfinance 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.

For a long time FWWB has been involved in working with organisations which made efforts to respond promptly to the needs of the excluded and unprivileged and tried to offer products that suited their immediate and specific needs. They were not specific to microfinance, but ranged from education to sanitation to food security.

There is a felt need for the MFIs to be innovative if they are to make significant progress in expanding their outreach. FWWB, being aware of this challenge, identified a number of areas where innovations might help MFIs become more cost-effective and efficient in delivery of financial services to poor women.

FWWB, as an apex organisation, has taken an initiative to generate awareness amongst its partner organisations about the significance and use of social rating. FWWB believes strongly in promoting innovations and best practices in microfinance, helping in institution development and overall progress of the organisation, eventually building up strong microfinance organisations.

Recent initiatives in microfinance have begun to shift focus from an almost exclusive emphasis on organisational sustainability and financial reporting to recapture the sense of social mission with which microfinance first began. Such initiatives have involved defining and assessing social performance, exploring key dimensions and indicators relevant for social rating and reporting.

A Social Performance Management System (SPM) gives information about three aspects of social performance; SPM helps to clearly define social goals, design appropriate services to achieve these, and monitor the effectiveness of these services over time.

During 2005-2006, under the USAID Project, FWWB commissioned social ratings of four of its Institutional Development partners – CASHPOR, Bandhan, Sharda Women's Association and AMMACTS. These social ratings, which were pilots, were undertaken by M-CRIL, the associate company of EDA. Further to this, a workshop was organised by FWWB to discuss the rating experience of these four organisations and to share the method and experience of social rating developed by M-CRIL as a new product alongside credit rating.

For a microfinance organisation, it begins with social mission essentially that of serving the poor and hence, while the focus still remains on enhancing the financial performance, there is also an expectation now to retain the social goal which the NGO-MFI began with. The sector has a long way to go for assessing the impact of their activities, especially their development goals.

There is enough evidence from the field now that targeting only women addresses gender inequity over the long term. However, it is also not adequate to address gender issues that recognise position of women in relation to men – and more broadly their position in the society. There is a need to act in support of women and help them overcome the obstacles to achieve what they wish for themselves, which could, to some extent, be done through provision of appropriate financial services.

As an institution builder in the microfinance sector in India, FWWB has been organizing a number of programmes towards increasing/improving knowledge, skills and attitudes in various aspects relating to socio-economic development in the sector. FWWB could comprehend the need to address issues related to gender, and felt that this had to start with itself before being extended to its partners by influencing and gradually introducing the concept of gender to integrate it in their microfinance programme.

In order to respond to this need, FWWB has made substantial efforts to consciously address the issue of gender in microfinance practice and have taken it forward, to strengthen the perspectives of its partner organisations through various training and workshops.

Sustainable microfinance for women's empowerment is the need of the day as such programmes not only give women and men access to savings and credit, but reach millions of people worldwide, bringing them together regularly in organised groups. They are potentially a very significant contributor to gender equality and women's empowerment, as well as pro-poor development and civil society strengthening.

FWWB has responded proactively to the ever-changing scenario of microfinance by continuously realigning its inputs on capacity-building needs. The microfinance sector now experiences a radical change in the capacity-building requirements, with ever-mounting competition and expectations from donors and funders.

The tremendous growth in the microfinance sector witnessed in the last seven years is mainly due to the fact that the efforts were concentrated in the areas/states where microfinance had already existed. However, now the focus is more on reaching out to underserved regions that were hitherto perceived to be risky and also inaccessible. Hence, the kind of long-term support provided by USAID becomes all the more crucial at this juncture when FWWB has begun to intervene in the untapped regions where microfinance is not easy to scale-up.

FWWB is committed towards a more integrated development of partner organisations. Therefore, apart from providing the technical trainings, FWWB also encourages these partner organisations to take up credit plus programmes or projects such as micro-insurance and pension plans for their women members. Credit plus programmes also include innovation projects that are supported to address social issues like food security for tribals and enhanced livelihood opportunities, to ensure financial inclusion of the poorest, marginalised and so far un-reached low-income households.

FWWB is grateful to USAID for the enormous support that it has received at a very crucial time, which helped the organisation to not only scale up its operations but also in the process helped its partners to improve, expand and contribute substantially to the sector. There is a need for such continuous and strong support essentially to develop operationally sustainable MFIs and improving institutional inadequacies, in order to serve the poor in a qualitatively better way. 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.

RESEARCH AND DOCUMENTATION

SELF-HELP CO-OPERATIVES AND MICROFINANCE – A STUDY ON MUTUALLY AIDED CO-OPERATIVE THRIFT SOCIETIES OF ORISSA (Available in Book form)

FWWB has been availing the services of research organisations in getting field research done on selected topics. Most of the field research we had got done were to understand the demand and supply sides of credit to the low-income households and the appropriateness of the credit delivery mechanisms in serving the poor, especially those that are managed by the community. With the SHG movement gaining momentum, many NGOs promoting SHGs have realised that SHGs tend to remain localised and find it difficult to negotiate effectively with otherwise constricted rural markets. While some are exploring ways to formalise the federations of these SHGs, (society/section 25 company etc) in states where the Mutually Aided Co-operative Societies Act is place, self-help cooperatives have been formed. It is believed that these cooperatives will not only act as channels for providing cheaper credit to the poor and encourage savings, but also add vibrancy to the local economies by gradually enhancing productivity led by a 'cumulative causation' of recurring credit use in agriculture, allied and other sectors.

During this year, a study to understand the functioning of the self-help cooperatives, promoted by two of our partners in Orissa was commissioned to the Centre for Social Studies, Surat. The objective of this study was to understand the functions of these cooperatives, especially as an alternative mechanism of microfinancing, their internal functioning and modalities of governance, dynamics and patterns of member participation and client's perceptions regarding these structures, role of these cooperatives in organizing and facilitating appropriate financial intermediation across regions among people and the manners in which members interact with these cooperatives and view their potentials in terms of sustainability.

The study has brought out the potentials of the self-help cooperatives as larger structures "to emerge as sustainable systems of financial as well as social intermediation, provided their gains and progress are intermittently reviewed and context specific innovations encouraged where appropriate. A gradual enhancement of their autonomy through up scaling of members' skills and phase wise withdrawal of agencies facilitating growth of such structures especially from their routine activities may help them graduate into organisations ready to deal and negotiate with aspects other than loans and savings alone. These cooperatives must not stop at the stage where they are, for wherever possible their potentials must be harnessed to turn them into *people's organisations*."

UNDERSTANDING LEADERSHIP IN THE MICROFINANCE SECTOR – WHEN WOMEN LEAD (Available in booklet form)

This document is the result of an interactive workshop on understanding women's leadership within non-governmental organisations in the microfinance sector, which brought together 24 women leaders of development organisations. This forum constituted a sharing and mutual learning experience for all participants in understanding what leadership is about when women head an organisation and what it consequently means for organisational structures and for larger developmental outcomes.

PROMOTING INNOVATION FOR FINANCIAL INCLUSION (Available in booklet form)

Accentuating the role of innovations in microfinance, the FWWB-USAID project set aside a part of the project funds towards supporting and promoting innovations in microfinance. The brief document describes the innovative initiatives of eight organisations supported by FWWB.

CASE STUDY IN MICROFINANCE

Weaves of pride

Kali Teron lives in a village called Morongabari in Sonapur, about 30 kilometres from Guwahati city. She belongs to the Karbi tribe and is well known among the tribal families of the village. Being the eldest of five children, she was never sent to school and was instead made to take care of her young siblings and do the household work. She spent her childhood and her young days in taking care of her family. With no formal education or any kind of exposure, she only worked in others' fields working as a daily labourer or selling vegetables grown in her backyard.

When Mulberry (FWWB's partner organisation) met her three years ago, she was not only taking care of her old mother, but also the offsprings of one of her younger sisters whose husband was unemployed and was unable to take care of the children. Never having anyone to take care of her since childhood, she was a very bitter woman. She was very not confident of her capabilities and refused to believe that one day she would be able to earn a sustainable income which would enable her to take care of her needs.

Kali used to weave for herself and her family and was an excellent weaver (in Assam weaving is known to every rural women and they weave mostly for their own consumption). It took a long time for the Mulberry team to convince her that if she focused on weaving instead of working in others' fields she would benefit from a steady and assured income. Finally she was convinced and since that day there has been no looking back for her. She has able to earn of Rs 2000 per month and has learned to save a reasonable amount from the same for herself.

Today she is one of Mulberry's most hardworking weaver members. She takes pride in the fact that she no longer has to struggle for her income and has become very committed and target oriented.

She takes pride in the position that she has been able attain in her community. Self-confidence and financial independence have brought back her smile which she had lost long back.

LIVELIHOOD AND ENTERPRISE DEVELOPMENT – A NEW INITIATIVE



Microfinance has proved to be an effective tool in poverty reduction. But in order to achieve substantial impact of poverty alleviation, the MFIs will have to graduate from micro-loans (that result mainly in consumption smoothening) to relatively larger loans to strengthen the existing/new livelihood activities, that will assure an enhanced household income.

FWWB observed that most of the MFIs are comfortable in making available micro-loans that range from Rs 2000 to Rs 5000. Our recent study in the western region clearly showed that even a rural household with a small piece of rain-fed land requires a loan of Rs 15,000 as working capital. If they need to undertake any other income-generating activity, this requirement might go even higher.

In continuation with FWWB's untiring efforts towards providing its clients with better and need-based services and support for innovations, it has come up with the Livelihood and Enterprises Project. This project aims at providing poor enterprising women with complete business development services. It intends to provide holistic services to small and budding entrepreneurs through partner organisations. During its long experience of providing financial services to its clients, FWWB felt that the ultimate borrower from the field required services beyond just credit. To raise the standard of living and make them self-reliant, it was felt that they were in need of services that helped them to manage and effectively run their small enterprises. This would require a bouquet of services, namely, entrepreneurship and skill trainings, support for backward and forward linkages, product development, warehousing, certification and branding support, to name a few, in addition to financial services like credit, insurance and pension products, without which the small enterprises cannot become sustainable and grow at a desired pace. While there is a huge demand for such services from the field, they have been largely unmet, and there are organisations in the field which are capable of providing such services if they are given the right support and guidance.

BACKGROUND

A multitude of factors have led FWWB to look towards taking an initiative towards supporting livelihood activities through enterprise development and innovate and diversify its product portfolio.

One very important reason for FWWB taking up the pilot is the market imperfection prevalent in the sector, both in case of the farm and the non-farm sector. Sixty five per cent of India's population of 110 crores derives its principal source of livelihood from agriculture. There is a need to understand the existing market imperfections and correct them. It is also required to provide alternative sources of livelihood in the non-farm sector to tide over the uncertainties of the agriculture-based livelihood. According to Dr M S Swaminathan, Chairperson, National Commission on Farmers, 2006, "Our farm population is increasing annually by 1.84 per cent. The average farm size is becoming smaller each year and the cost-risk-return structure of farming is becoming adverse, with the result that farmers are getting increasingly indebted. Marketing infrastructure is generally poor, particularly in perishable commodities. The support systems needed by farmers, like research, extension, input supply and opportunities for assured and remunerative marketing are in various stages of disarray. Small farmers are forced to borrow money from moneylenders at high rates of interest, since less than 60 per cent of the credit requirements of the farmers are met by institutional sources."

NEED

- Diversification (from just microfinance).
- More security for the loan funds given out.
- Creating a niche (making our services different and more value-added than commercial banks).
- Better relations with partners and clients.
- Build strong and symbiotic collaborations and linkages (with partners, donor agencies, corporate houses, etc.)
- Addressing the needs of poor households, which remains unmet (provide holistic services rather than meet the need partially, which may sometimes do more harm than good).

PILOT

It is proposed to support few pilots in select parts of the country during the next two years. FWWB will identify good projects that will be able to demonstrate successful enterprises in different sectors, which the microfinance clients could take up. Citigroup has provided initial fund support for this initiative.

Expected outcomes:

- More income for the clients
- Increased well-being
- Reduced vulnerability
- Creation of viable and strong social institutions
- Availability of sustainable alternatives for livelihood.



FUNDING PARTNERS

FWWB would like to express its sincere gratitude to all its funding partners for their continuous support. Over the years, their incessant support has enabled FWWB to provide funds for On-lending, support various innovation projects, operational support to start up organisations and to provide capacity building inputs like trainings, workshops and exposure visits. Without their support it would have been difficult for FWWB to venture in new initiatives like Weather insurance and Livelihood promotion.

GRANT	LOAN
CitiGroup	Cordaid
Cordaid	Dena Bank
Consultative Group To Assist Poor (CGAP)	Ford Foundation
Women's World Banking	HDFC Bank
Ford Foundation	Indian Overseas Bank (IOB)
Small Industries Development Bank of India (SIDBI)	IndusInd Bank
United States Agency for International Development (USAID)	Indian Bank
	National Bank for Agriculture and Rural Development (NABARD)
	Small Industries Development Bank of India (SIDBI)
	UTI Bank

BOARD OF DIRECTORS

CHAIR EMERITUS

Ela R. Bhatt

(Founder FWWB & SEWA)

CHAIR

Radhika Haribhakti

(Director, DSP Merrill Lynch Limited, Mumbai)

VICE CHAIR

Swati Soparkar

(Advocate, Ahmedabad)

Ila Patel

(Professor, IRMA, Anand)

Mirai Chatterjee

(Coordinator, SEWA Social Security and
Chairperson, Lokswasthya Sewa Cooperative, Ahmedabad)

Sudha Kothari

(Managing Trustee, CHAITANYA, Pune)

Yogesh Chand Nanda

(Member, National Commission on Farmers, Delhi)

D.D. Trivedi

(Consultant, Ahmedabad)

Anjali Bansal

(Director, SpencerStuart, Mumbai)

Rajesh Agrawal

(Director of Finance, ICRISAT, Hyderabad)

Vijayalakshmi Das

(CEO, FWWB)

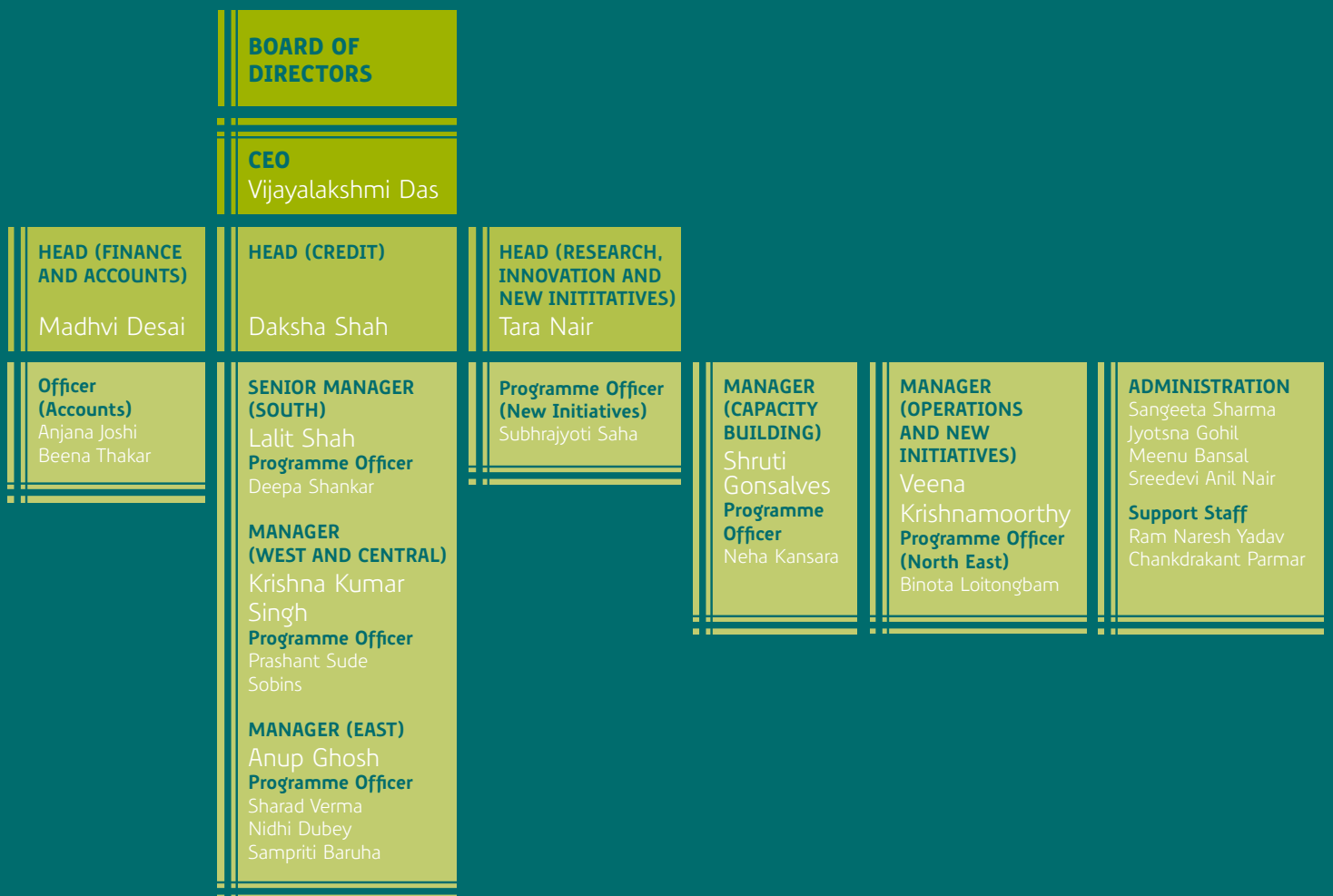
Frances Sinha

(Director, EDA Rural Systems, Delhi)

Sonal Modi

(General Manager, Pune, HDFC Ltd)

FWWB ORGANOGRAM





FWWB Staff and board retreat was organised in Ahmedabad on 23rd and 24th September 2006. The purpose of this exercise was to understand the expectations and perspectives of the entire FWWB team comprising of the staff, management and board bringing out a common mission and vision as well as devise strategies to achieve the mission. It was also proposed to form two new committees, Programme committee and Human resource committee. Role of credit committee is now expanded to include all programme activities and is reconstituted as 'Programme Committee'.

BOARD MEETINGS HELD IN 2006-07

3rd June 2006
2nd December 2006

Name of Members	Meetings Attended
Radhika Haribhakti	2
Swati Soparkar	2
D. D. Trivedi	2
Ila Patel	2
Rajesh Agrawal	-
Sudha Kothari	2
Anjali Bansal	2
Mirai Chatterjee	2
Y.C. Nanda	-
Vijayalakshmi Das	2
Frances Sinha	1
Sonal Modi	1

EXECUTIVE COMMITTEE MEETINGS HELD IN 2006-07

1st April 2006

Name of Members	Meetings Attended
Radhika Haribhakti	1
Swati Soparkar	1
D. D. Trivedi	1
Vijayalakshmi Das	1

CREDIT COMMITTEE MEETING HELD IN 2006-07

1st April 2006
27th May 2006
10th June 2006
19th July 2006
30th September 2006
7th November 2006
12th January 2007
24th February 2007
31st March 2007

Name of Members	Meetings Attended
D. D. Trivedi	9
Swati Soparkar	8
Vijayalakshmi Das	8

AUDIT COMMITTEE MEETING HELD IN 2006-07

3rd June 2006

Name of Members	Meetings Attended
Y. C. Nanda	-
D.D. Trivedi	1
Rajesh Agrawal	-

BOARD MEMBERS VISIT TO PARTNER ORGANISATIONS IN WEST BENGAL

FWWB board members visited its partner organisations in Kolkata from 25-27 March, 2007. The Chair and Vice Chair along with the CEO visited Bandhan, Aarohan and VWS in West Bengal. The visit was aimed to understand the work done by its partners who would also prove to be very useful to FWWB for its annual work plans.

Auditors' Report

To the Members of Friends of WWB, India

1. We have audited the attached Balance Sheet of **Friends of WWB, India** (Registration No. F/821/AHD) as at March 31, 2007 and also the Income and Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Trust. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by The Bombay Public Charitable Trust Act, 1950 applicable to the State of Gujarat and on the basis of such checks as we considered necessary and appropriate and according to information and explanations given to us during the course of audit, we enclose in the Annexure, a statement on the matters specified therein.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account have been kept by the Trust so far as appears from our examination of the books;
 - c) The Balance Sheet and the Income & Expenditure Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion and to the best of our information and according to the explanations given to us, the accounts read with notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India;

Deloitte Haskins & Sells

Chartered Accountants
'Heritage', 3rd Floor,
Near Gujarat Vidhyapith,
Off Ashram Road,
Ahmedabad - 380 014.

Tel: +91 (079) 27582542
+91 (079) 27582543
Fax: +91 (079) 27582551

- (i) in the case of the Balance Sheet of the state of affairs of the Trust as at March 31, 2007 and
- (ii) in the case of the Income & Expenditure Account of the excess of income over expenditure for the year ended on that date.

Place: Ahmedabad
Date: April 28, 2007

For Deloitte Haskins & Sells
Chartered Accountants

Partner
(Membership No. 35701)

Annexure to the Auditors' Report

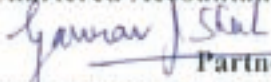
Referred to in Paragraph 3 of our report of even date

- a) The accounts are maintained regularly and in accordance with the provisions of the Bombay Public Charitable Trust Act, 1950 and the Rules.
- b) The receipt and disbursements are properly shown in the accounts.
- c) The cash balance and vouchers in the custody of the Accountant on the date of audit were in agreement with the accounts.
- d) All the books, deeds, accounts, vouchers and other documents of records required by us, were produced before us.
- e) The inventory of the movables of projects duly certified by the Accountant has been maintained.
- f) The Accountant appeared before us and furnished the necessary information required by us.
- g) No property or funds of the trust were applied for any object or purpose other than the object of the trust.
- h) The amount of loans outstanding for more than one year is Rs. 333,133 and out of the total amount of Rs. 1,069,175,279 outstanding as at March 31, 2007, the amount written off during the year is Rs. 2,391,234.
- i) Tenders were not invited for repairs and construction involving expenditure exceeding Rs. 5, 000.
- j) No money of the Trust has been invested contrary to the provision of section 35.
- k) There has not been alienation of immovable property contrary to the provision of section 36, which have come to our notice.

Place: Ahmedabad

Date: April 28, 2007

For Deloitte Haskins & Sells
Chartered Accountants


Partner

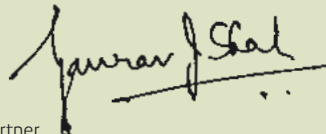
(Membership No. 35701)

BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	AS AT MARCH 31, 2007 (Rupees in Millions)	AS AT MARCH 31, 2006 (Rupees in Millions)
SOURCES OF FUNDS			
Corpus	1	135.96	106.73
Reserves and Surplus	2	98.12	85.63
Loan Funds			
Secured	3	1,023.54	619.25
Unsecured	4	66.62	76.45
Total		1,324.24	888.07
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		15.34	15.37
Less: Accumulated Depreciation		8.80	8.26
Net Block		6.54	7.11
Investments	6	14.52	5.37
Current Assets, Loans and Advances			
Stock in Trade	7	-	0.003
Cash and Bank Balances	8	255.87	208.62
Other Current assets	9	12.43	11.72
Loans and Advances	10	1,055.56	674.11
Total Current Assets, Loans and Advances		1,323.86	894.45
Less: Current Liabilities and Provisions	11	20.68	18.86
Net Current Assets		1,303.18	875.59
Total		1,324.24	888.07

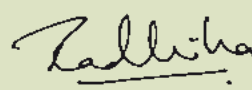
Significant Accounting Policies 16
Notes on Accounts

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

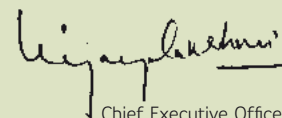


Partner
Place: Ahmedabad
Date: 28th April, 2007

FOR FRIENDS OF WOMEN'S WORLD BANKING, INDIA



Trustee
Place: Ahmedabad
Date: 28th April, 2007



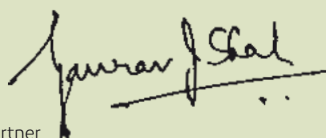
Chief Executive Officer

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2007

	Schedule	YEAR ENDED MARCH 31, 2007 (Rupees in Millions)	YEAR ENDED MARCH 31, 2006 (Rupees in Millions)
INCOME			
Grants & Donations	12	13.82	15.23
Bank Interest		8.00	6.58
Surplus from Microfinance Activity (Note - C.2 of Schedule - 16)		17.97	3.53
Other Income	13	1.30	0.83
Total		41.09	26.17
EXPENDITURE			
Employee Cost	14	3.40	3.17
Operational Support to Partner Organisations		2.35	2.05
Training and Workshop Expenses		2.22	3.34
Flood Fund Support (P.Y.Tsunami Fund Support)		0.03	0.71
Support to Non Partner Organisations		1.14	2.03
Legal & Professional Fees		1.64	1.34
Administrative and Other Expenses	15	4.17	4.46
Loans & Advances Written Off		0.31	-
Depreciation		1.25	1.30
Total		16.51	18.39
Excess of Income over Expenditure for the year		24.58	7.78
Add: Balance brought forward from the previous year		53.79	46.01
Less : Transferred to Corpus and Other Trust Funds		15.00	-
Balance carried to the Balance Sheet		63.37	53.79

Significant Accounting Policies
Notes on Accounts

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



Partner
Place: Ahmedabad
Date: 28th April, 2007

FOR FRIENDS OF WOMEN'S WORLD BANKING, INDIA



Trustee
Place: Ahmedabad
Date: 28th April, 2007



Chief Executive Officer

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE - 1

CORPUS AND OTHER TRUST FUNDS

(Rupees in Millions)

	As at April 1, 2006	Additions during the year	Deductions during the year	As at March 31, 2007
For Development Activity:				
Corpus Fund	106.73	29.23	-	135.96
Total	106.73	29.23	-	135.96
Previous Year	96.88	9.85	-	106.73

SCHEDULE - 2

RESERVES AND SURPLUS

(Rupees in Millions)

	As at April 1, 2006	Additions during the year	Deductions during the year	As at March 31, 2007
For Microfinance Activity				
Risk Fund	11.81	2.16	-	13.97
Loan Loss Reserve	20.03	0.75	-	20.78
Total	31.84	2.91	-	34.75
Balance of Income and Expenditure Account				
For Development Activity	35.46	6.61	15.00	27.07
For Microfinance Activity	18.33	17.97	-	36.30
Total	53.79	24.58	15.00	63.37
Total	85.63	27.48	15.00	98.12
Previous Year	56.08	29.57	0.01	85.63

Note : 1 Transferred to Corpus and other Trust Fund

SCHEDULE - 3

LOAN FUNDS - SECURED

(Rupees in Millions)

	Notes	As at March 31, 2007	As at March 31, 2006
For Microfinance Activity:			
UTI Bank Limited	1	18.75	43.75
Small Industries Development Bank of India	2	558.05	223.13
National Bank of Agriculture & Rural Development	1	46.25	65.13
Dena Bank	1	35.89	48.75
Indian Bank	1	47.72	67.50
Indusind Bank	1	5.00	10.00
Indian Overseas Bank	3	220.22	157.00
HDFC Bank Limited		-	4.00
The Ford Foundation	1	91.66	-
Total		1,023.54	619.25

Notes: The above loans are secured by

1) Charge on Book Debts arising out of the loan fund.

2) Pledge of Fixed Deposits amounting to Rs 40 million and charge on book debts arising out of the loan fund.

3) Pledge of Fixed Deposits amounting to Rs 12.58 million and charge on book debts arising out of the loan fund.

SCHEDULE - 4

LOAN FUNDS - UNSECURED

(Rupees in Millions)

	As at March 31, 2007	As at March 31, 2006
For Microfinance Activity:		
Small Industries Development Bank of India	10.00	10.00
CORDAID	56.62	66.45
Total	66.62	76.45

SCHEDULE - 5

FIXED ASSETS

(Rupees in Millions)

PARTICULARS	Gross Block				Depreciation				Net Block	
	As on April 1, 2006	Additions during the year	Deletion during the year	As on March 31, 2007	Upto April 1, 2006	For the year	Deletion during the year	Upto March 31, 2007	As on March 31, 2007	As on March 31, 2006
Buildings	1.30	-	-	1.30	1.00	0.03	-	1.03	0.27	0.30
Leasehold Premises	6.25	-	-	6.25	1.93	0.43	-	2.36	3.89	4.33
Computers	1.27	0.47	-	1.74	0.59	0.35	-	0.94	0.80	0.68
Office Equipments & Furniture	6.04	0.29	0.78	5.55	4.51	0.38	0.71	4.19	1.36	1.53
Vehicles	0.50	-	-	0.50	0.22	0.06	-	0.28	0.22	0.28
Total	15.36	0.76	0.78	15.34	8.25	1.25	0.71	8.80	6.54	7.11
Previous Year	14.87	0.50	0.01	15.36	6.96	1.30	0.00	8.26	7.11	7.91

SCHEDULE - 6

INVESTMENTS (AT COST)

(Rupees in Millions)

	As at March 31, 2007	As at March 31, 2006
Long Term Investments- Quoted For Development Activity:		
Government of India 8 per cent Savings (Taxable) Bonds, 2003	14.02	4.87
4,150 Units of Unit Trust of India of Rs 100/- each	0.50	0.50
Total	14.52	5.37

SCHEDULE - 7

STOCK IN TRADE (AT COST)

(Rupees in Millions)

	As at March 31, 2007	As at March 31, 2006
For Development Activity	0	0.003
Total	0	0.003

SCHEDULE - 8

CASH AND BANK BALANCES

(Rupees in Millions)

	As at March 31, 2007	As at March 31, 2006
For Development Activity:		
Cash on Hand (including foreign currency)	0.11	0.16
Bank Balances with Scheduled Banks:		
In Saving Accounts	3.76	4.29
In Fixed Deposit Accounts	144.19	132.44
For Microfinance Activity:		
Cash on Hand	-	
Bank Balances with Scheduled Banks:		
In Current Accounts	14.19	9.37
In Saving Accounts	63.01	51.75
In Fixed Deposit Accounts	30.61	10.61
Total	255.87	208.62

SCHEDULE - 9

OTHER CURRENT ASSETS

(Rupees in Millions)

	As at March 31, 2007	As at March 31, 2006
For Development Activity:		
Accrued Interest on Loans	0.00	0.01
Accrued Interest on Bank Deposits	10.75	9.97
Tax Deducted At Source	0.30	0.23
Other Advances	0.46	0.65
For Microfinance Activity:		
Accrued Interest on Loans	0.33	0.81
Accrued Interest on Bank Deposits	0.53	0.03
Tax Deducted At Source	0.00	0.00
Other Advances	0.05	0.02
Total	12.43	11.72

SCHEDULE - 10

LOANS AND ADVANCES

(Rupees in Millions)

	As at March 31, 2007	As at March 31, 2006
For Development Activity:		
Unsecured and Considered good	12.66	6.56
For Microfinance Activity:		
Unsecured and Considered good	1,042.90	667.55
Considered doubtful	11.23	2.54
Less: Loan Loss Provision	<u>11.23</u>	<u>2.54</u>
	1,042.90	667.55
Total	1,055.56	674.11

SCHEDULE - 11

CURRENT LIABILITIES AND PROVISIONS

(Rupees in Millions)

	As at March 31, 2007	As at March 31, 2006
For Development Activity:		
Sundry Creditors	1.06	0.97
Unspent amount of grants	15.23	11.82
For Microfinance Activity:		
Sundry Creditors	4.38	6.08
Total	20.68	18.86

SCHEDULE - 12

GRANTS AND DONATIONS

(Rupees in Millions)

	Year ended March 31, 2007	Year ended March 31, 2006
Foreign Agencies		
Ford Foundation	1.01	0.28
Cordaid	1.28	0.34
Consulative Group to Assist the Poorest	0.08	1.46
US Agency for International Development	8.20	10.38
German Technical Co-operation	-	0.26
CARE India	-	0.21
WWB - Tsunami Relief	-	0.05
Indian Agencies		
Small Industries Development Bank of India	2.95	1.76
Others	0.29	0.49
Total	13.81	15.23

SCHEDULE - 13

OTHER INCOME

(Rupees in Millions)

	Year ended March 31, 2007	Year ended March 31, 2006
Income from Investments:		
- Dividend	0.04	0.04
- Interest	1.03	0.40
Profit on sale of fixed assets	0.00	
Other income	0.23	0.17
Training & Professional Fees	-	0.13
Provision for Diminution in the value of Investment W/back	-	0.09
Total	1.30	0.83

SCHEDULE - 14

EMPLOYEE COST

(Rupees in Millions)

	Year ended March 31, 2007	Year ended March 31, 2006
Salaries & Allowances	3.00	2.79
Contribution to P.F. & other funds	0.25	0.22
Staff Insurance Premium	0.07	0.09
Gratuity Premium	0.08	0.07
Total	3.40	3.17

SCHEDULE - 15

ADMINISTRATIVE AND OTHER EXPENSES

(Rupees in Millions)

	Year ended March 31, 2007	Year ended March 31, 2006
Rent, Rates & Taxes	0.14	0.14
Insurance	0.03	0.05
Office and Administration overheads	1.38	1.50
Travelling Expenses	2.25	2.59
Membership Fees	0.01	0.01
Books, Periodicals & Audio Visuals	0.19	0.07
Contribution to Public Trust Administrative Fund	0.05	0.05
Loss on sale of fixed assets	0.07	0.00
Auditors' Remuneration	0.06	0.05
Total	4.17	4.46

SCHEDULE – 16: NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL:

Friends of Women's World Banking, India, (FWWB, India) is a Non-Profit organisation 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.

FWWB is committed to building a society based on equity and social justice where women are active partners in holistic development.

Providing financial and capacity building services to organisations promoting livelihoods and self reliance of poor women.

B. SIGNIFICANT ACCOUNTING POLICIES:

1. 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.

2. 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 recognised 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 recognised as income to the extent of amount spent during the year, in the Income and Expenditure Account. Unspent balances of the restricted grants are carried as liability in the Balance Sheet. Other grants are recognised as income in the Income and Expenditure Account of the year.

3. REVENUE RECOGNITION

In respect of the microfinance activity, income of interest on the loans granted is recognised 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 recognised only when realized.

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

4. 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.

5. 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%

6. INVESTMENTS

Investments are carried at cost or market value whichever is lower.

7. INVENTORIES

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

8. 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 recognised 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.

9. RETIREMENT BENEFITS

Liability for gratuity is provided and charged to the 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.

10. BAD LOANS OR PROVISION FOR LOANS DOUBTFUL OF RECOVERY

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

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

C. NOTES TO THE ACCOUNTS:

- 1 Corresponding figures of the previous year have been regrouped, rearranged, wherever necessary, to make them comparable with the figures of the current year.
- 2 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 microfinance activity and hence it does not anticipate any tax liability.

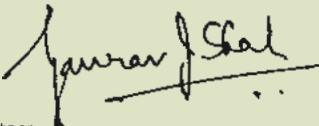
In view of the microfinance activity being carried out as an activity incidental to the attainment of the main objectives of FWWB, India, only net financial results for the year, as arising from the microfinance activity is carried and disclosed in the Income and Expenditure Account. FWWB, India has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

	Year ended March 31,2007 (Rupees in Millions)	Year ended March 31,2006 (Rupees in Millions)
INCOME		
Income on Loans given for the object of the Trust	91.47	93.05
Interest from Bank	1.29	0.38
Other Income	0.21	0.23
Total	92.97	93.66
EXPENDITURE		
Financial Cost	60.48	61.68
Personnel Cost	2.06	1.21
Administrative and Other Operative cost	0.89	0.59
Auditors Remuneration	0.06	0.05
Loans & Advances Written Off	2.08	19.79
Provision for Doubtful Loans	8.68	-
Loan Loss Reserve	0.75	6.80
Total	75.00	90.13
Surplus of income over Expenditure for the year from the microfinance activity	17.97	3.53
3. AUDITOR'S REMUNERATION INCLUDES		
Audit Fees	0.10	0.10
Taxation and Other consultancy services	0.03	0.03
Out of Pocket expenses	-	-
Total	0.13	0.13
4. MANAGERIAL REMUNERATION		
Remuneration to Chief Executive Officer	0.91	0.66
Travel and other expenses to Managing Committee Members	0.13	0.73
Total	1.04	1.39
5. EARNINGS IN FOREIGN CURRENCY		
Grants & Donations	10.57	12.98
Total	10.57	12.98
6. EXPENDITURE IN FOREIGN CURRENCY		
Travel & Other Expenses	0.29	0.36
Total	0.29	0.36

Signatures to Schedule 1 to 16


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

FOR FRIENDS OF WOMEN'S WORLD BANKING, INDIA


Partner

Place: Ahmedabad

Date: 28th April, 2007


Trustee

Place: Ahmedabad

Date: 28th April, 2007


Chief Executive Officer

CORE INDICATOR FOR THE YEAR APRIL 2006 TO MARCH 2007

	Definitions	2006	2007
A. Portfolio Quality			
1. Repayment Rate as of 30 days	$\frac{\text{Principal Repaid}}{\text{Principal Repaid} + \text{Principal} > 30 \text{ days Past Due}}$	99.73%	99.25%
2. Portfolio At Risk as of 30 days	$\frac{\text{Outstanding Balance of Loans with Arrears} > 30 \text{ days}}{\text{Ending Portfolio Outstanding}}$	0.38%	1.05%
B. Sustainability			
1. Operational Self Sufficiency (Overall)	$\frac{\text{Total Internally Generated Income}}{\text{Total Expenses}}$	101%	128.65%
2. Financial Self Sufficiency (Overall)	$\frac{\text{Total Internally Generated Income}}{\text{Total Expenses} + \text{Imputed Cost of Capital}}$	94%	95.06%
C. Efficiency			
1. Operating cost per unit of money lent	$\frac{\text{Operating Costs}}{\text{Average Portfolio Outstanding}}$	0.50%	0.63%
2. Yield on Portfolio	$\frac{\text{Interest Income on Loan}}{\text{Average Portfolio Outstanding}}$	12.18%	11.13%
3. Average loan size on disbursement	$\frac{\text{Amount of Loans Disbursed}}{\text{Total Number of Loans Disbursed}}$	5,008	4989
D. Capital Structure			
1. Equity Multiplier	$\frac{\text{Total Assets}}{\text{Total Equity}}$	5.4	5.65
E. Outreach			
1. No. of active clients – Organisation	Number of clients	79	100
2. Number of Active Borrowers	Number of borrowers	217,214	349,310

DETAILS OF FWWB PARTNER ORGANISATIONS AS ON 31ST MARCH 2007

States	Organi- zations	Total Members of Partner Organisations	Total Amount Lent	Total Active Borrowers of Partner Organizations	Fwwb Loan Borrowers (Outreach)
Andhra Pradesh	18	3,716,704	472,520,357	3,035,150	1,59,400
Assam	4	50,779	18,300,385	27,147	4,900
Gujarat	9	20,520	25,166,059	13,634	7,350
Jharkhand	9	30,981	16,417,306	7,361	4,800
Karnataka	5	239,465	118,374,735	185,244	37,200
Kerala	1	178,037	14,062,522	107,953	5,400
Madhya Pradesh	6	14,777	7,033,575	4,862	1,900
Maharashtra	11	53,531	19,728,872	16,397	6,660
Orissa	8	497,810	52,586,092	282,215	16,900
Rajasthan	0	0	0	0	0
Tamil Nadu	15	756,906	146,503,385	615,913	48,500
Uttar Pradesh	4	264,016	47,928,806	226,488	16,100
West Bengal	10	594,161	115,506,201	498,776	40,200
Total	100	6,417,687	1,054,128,295	5,021,140	349,310





FWWB

FRIENDS OF WOMEN'S WORLD BANKING  **INDIA**

101, Sakar I, Opposite Gandhigram Railway Station,
Ashram Road, Ahmedabad - 380 009, Gujarat, INDIA
Tel: (079) 26580119, 26584199, 26584082
Telefax: (079) 26580119 **Email:** fwwb@icenet.co.in
Website: www.fwwbindia.org