

FWWB

FRIENDS OF WOMEN'S WORLD BANKING



INDIA

annual report 2007 - 2008



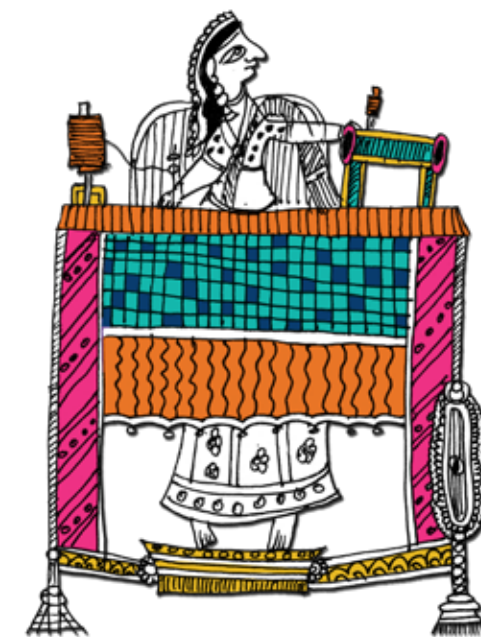


FWWB
FRIENDS OF WOMEN'S WORLD BANKING  **INDIA**



VISION

A society based on equity and social justice, in which women are active partners in holistic development.



MISSION

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

CHAIRPERSON'S MESSAGE

Dear Friends,

As I write my sixth and last statement as the Chairperson of FWWB, I seek your indulgence for some nostalgia.

When I was working on my summer internship project at the Indian Institute of Management, Ahmedabad, little had I anticipated that more than a decade later the credit plus approach to empower women that I had envisioned would be a reality. Much less had I imagined that I would have the privilege to serve on the Board of such a non-profit organization.

When Elaben Bhatt, founder of FWWB invited me to join the Board in 1996 its portfolio was a little over Rs. 1.6 crores with an outreach of less than 15,000 women. A handful of dedicated social change agents were just beginning to grapple with the commercial aspects of banking in a small mezzanine floor office.

The twelve year journey thus begun has been one of the most inspiring and fulfilling experiences of my life. Over these years FWWB nurtured several new Micro Finance Institutions across various states of India by providing capacity building support and in most instances their very first loan, well before any other lender considered them creditworthy.

As we built a credible track record of hand holding upcoming organizations and partnering with them to become sustainable, funds which were a major constraint in those days began to flow our way. In addition to grant funds which were critical for the initial capacity building phase, commercial loans became more readily available as our partners demonstrated in state after state that lending to poor women was not just a socially relevant cause but also a commercially viable proposition.

The growth may appear more visible in numbers; current portfolio of Rs 218 crores, outreach of 720,000 women and presence in 15 States. These numbers however were built on the foundation of a qualitative evolution of the organization. Policies and processes were crafted and refined to pave the way towards institutionalization, sustainability and transparency. Efficiency and accountability were embraced alongside empathy for the ultimate borrower. Highest standards of Governance were adopted as reflected in the level of disclosure in financial statements, appointment and rotation

of auditors, composition of the Board and its committees, requirement of minimum attendance and maximum tenure as a Board Member.

It is in deference to these norms and my conviction that fresh ideas and perspectives of new Board members are essential to keep an organization vibrant and dynamic, like a flowing river, that I am stepping down. That FWWB is at an interesting juncture, full of promise and possibilities makes it an opportune time to pass on the baton.

In the year 2007-08 FWWB delivered the finest performance in its history and that too after a record previous year. The Rs100 crore portfolio that was achieved for the first time in the previous year was more than doubled this year. Likewise the outreach number also more than doubled to 720,000. More importantly, such growth was in keeping with the strategy to focus on new underserved regions. Newer states like West Bengal, Orissa, Madhya Pradesh, Jharkhand and the North East represent 24% of this enhanced portfolio as well as outreach. The quality of portfolio was also very well maintained as reflected in the financials.

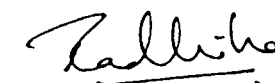
The growth momentum achieved in the last couple of years can only be sustained by bringing in significant additional capital. Fortunately there is adequate interest from like minded investors who are supportive of FWWB's mission. It is on the strength of such support that the Board has decided to form a Non Banking Finance Company for the credit programme.

At this critical threshold I feel reassured that I am passing on the mantle to Swati Soparkar who is best suited to guide the organization through this major change in a manner that preserves FWWB's vision and mission. I am confident that under her leadership the Board and the Management team will take FWWB to new heights.

I would like to thank all our donors, lenders, consultants and associates for their enormous contribution to FWWB over the years. To my colleagues on the Board, the team at FWWB and WWB, New York my very special appreciation for their overwhelming support. It has been a pleasure to work with each one of them.

To all our MFI partners, many of whom I have had the privilege to visit, I will always be indebted. Their members have enriched my life by sharing their world of enterprise, courage and undaunted spirit. I salute each one of them with utmost humility.

Sincerely yours,



Radhika Haribhakti



CONTENTS

Vision	
Chairperson's Message	
1 Credit Programme	01
(a) Case Study: Regional Rural Development Centre	06
(b) Case Study: Nirman Bharti	08
FWWB's Strategy for Startup organisations	11
(a) Case study: Samhita	12
Underserved area initiative	15
(a) Client Case study: WSDS	18
(b) Client Case study: VVD	20
2 Capacity Building	23
3 Ongoing initiatives in livelihood promotion	29
(a) Case Study: Oasis	32
(b) Case study: Sanmaan	32
(c) Case study: Centre for Collective Development	34
4 Research at FWWB	37
5 Funding Partners	43
6 Board of Directors	44
Board Committees	45
Committee Meetings	46
7 FWWB Team	47
8 Auditors Report	49
9 Financial Statements	52
10 Core Indicators	62
11 Details of FWWB Partner Organisations	63



CREDIT PROGRAMME

The significant growth in the portfolio of FWWB in the year 2007-08 marks a milestone, increasing the outstanding portfolio by 108% from Rs 105.4 crore (1,054 million) in the year 2006-07 to Rs 218.3 crore (2,183 million) in 2007-08. Disbursements during this period increased by 167%, from Rs 107.7 crore (1,077 million) to Rs 286.4 crore (2,864 million). The number of women borrowers who were extended FWWB loans increased by 107% from 350,000 to 726,000.

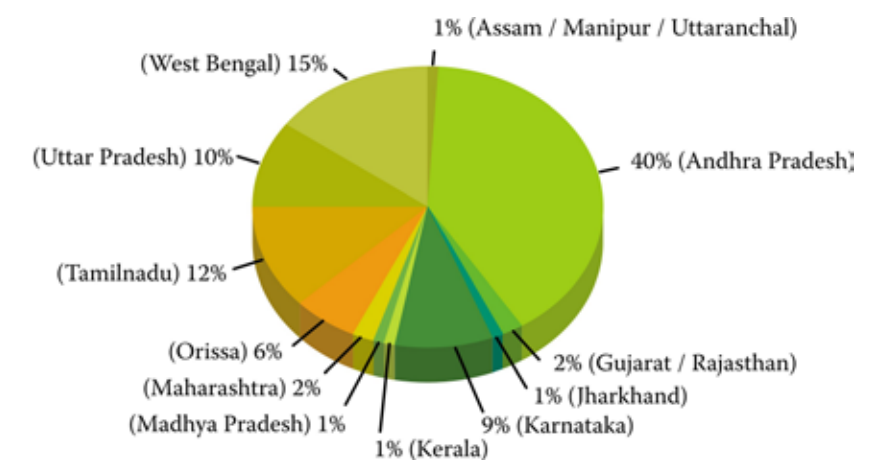
Five Year Performance at a Glance

	2004	2005	2006	2007	2008
Loan Outstanding (Rs million)	4,86	5,91	6,70	10,54	21,84
Repayment Rate (as of 30 days)	95%	99%	98%	98.80%	99%
Portfolio at Risk (PAR) (as of 30 days)	4.96%	2%	0.38%	1.06%	1.32%
No. of ongoing Partner Organisations	88	79	79	100	113
No. of Active Women Borrowers	139,366	186,170	217,214	349,260	726,170

Regionwise Portfolio

FWWB has three centres—South, Central and East & North East. To the total portfolio, the Southern region, with 39 POs (Partner Organisations), contributes 62%. The Central region, with 39 POs, contributes 15%. The East & North East region, with 35 POs, contributes 23%. Of the fifteen states from these three regions, seven have only GPs (General Partners). They account for 5.5% of the total portfolio.

Statewise Portfolio Outstanding

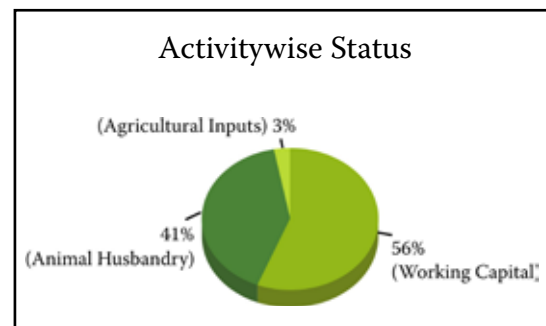
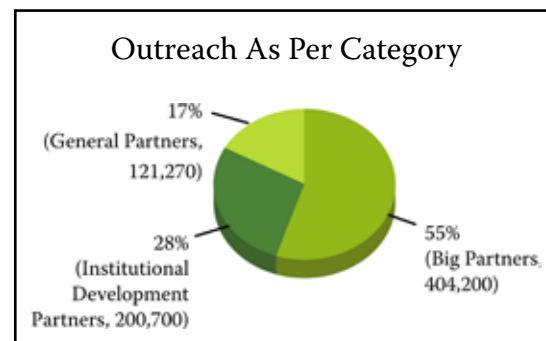
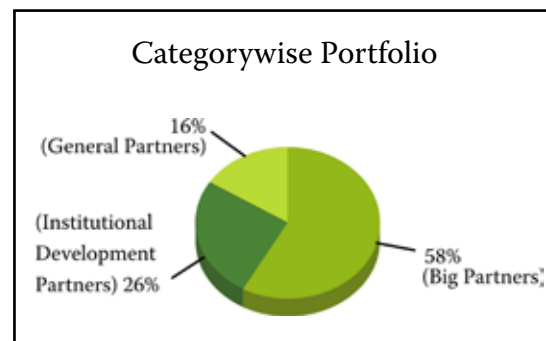


Of the total 113 POs, 8 are constituted as Section 25 Companies, 24 are NBFCs (Non-Banking Financial Companies) registered with RBI and hold 62% of the portfolio. A further 10 organisations are in the process of transformation. Of the remaining POs, 70 are Trusts/Societies and hold 33%; and 11 are Cooperative Societies/MACTS's (Mutually Aided Cooperative Thrift Societies) which contribute 5% in the portfolio.

Portfolio Growth

The 113 POs are spread across 15 states. They include 14 BPs (Big Partners), 16 IDPs (Institutional Development Partners) and 83 GPs (General Partners). These three categories respectively account for 58%, 26% and 16% of the total portfolio—a significant change from the previous year's share of 50%, 23% and 27%.

By the end of March 08, the proportion of the urban portfolio in the total portfolio is 18% and it continues to increase. Following a predominantly JLG (Joint Liability Group) model, individual loans of value ranging from Rs 20,000 to Rs 50,000 per borrower are given for enterprises.



The positive side of this growth is that, out of the 47 new organisations appraised in the preceding year and a half, 17 are promoted by experienced professionals and well qualified young 'social entrepreneurs', and there is high potential of scaling up of operations to have a good quality portfolio. However, several small organisations are struggling to improve their Operational Self-Sufficiency above 50%. On the negative side, some of these organisations

are over-leveraged. They must bring in new equity or corpus funds, or else giving them more loans will entail higher risk. Some of these organisations are well governed and managed, but are nonetheless risky portfolios in terms of poor capital adequacy ratio. A noticeable change in this context is that the southern portfolio has reduced marginally to 4% from 5%.

Number of Partnerships

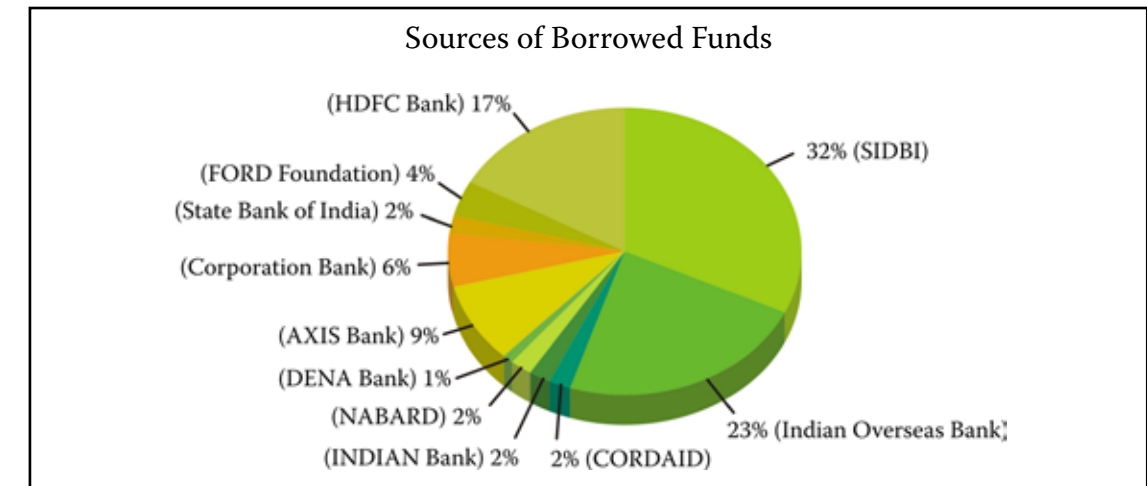
During the year under review 28 new partners joined. We need to drop seven partners on account of their dissatisfactory performance and eight closed their loans. Thus, at the end of March '08, there were 113 partners. During the year based on its write-off policy, FWWB decided to write-off Rs. 3,630,500.

During the coming year, the credit team proposes to control the number of POs to enable efficient monitoring and to concentrate on the development of partners to enhance their

financial management skills. This will help FWWB to achieve good growth, and the partners to manage their scaling up process with sound systems and practices in place.

Loan Fund Mobilised

Fund mobilisation is proceeding smoothly with on-time availability of funds from agencies. The average cost of funds is also well within the target which has kept the spread more or less steady through the year. FWWB could access loans of Rs 222 million from banks and other development financial institutions, of which Rs 162 million were withdrawn for disbursement. The balance sanctioned fund will be utilised in the year 2008-09.



Quality of the loan portfolio

During the year there was substantial increase in the number of monitoring visits, owing to a larger number of new POs in underserved states. Frequent monitoring of organisations is the most effective tool to keep track of quality of portfolio of POs. Some of the weaker organisations were visited twice or thrice during the year, and TAVs (Technical Assistance Visits) were also made.

Adhering to the exposure limit set for a single entity as a proportion of the total portfolio of FWWB has helped keep expansion under control. Conservative lending after quarterly monitoring visits has helped maintain the quality of the portfolio. The exposure limits by category are – BPs < 10%, IDPs < 5% and GPs < 2% of FWWB's outstanding portfolio.

Big Pos		ID Pos		GPOs	
Loan Exposure	No. of POs	Loan Exposure	No. of POs	Loan Exposure	No. of POs
> 100 mn.	6	> 50 mn	3	>10 mn	6
>50 mn <100 mn	6	>20 mn < 50 mn	10	> 5 mn <10 mn	19
<50 mn	2	<20 mn	3	>2.5 mn < 5 mn	21
				< 2.5 mn	37
Total 14 (58.1% of Portfolio)		Total 16 (25.64% of Portfolio)		Total 83 (16.3% of Portfolio)	

Twenty-six POs have been unable to either scale up or hold good portfolio quality. As a result their partnerships with FWFB will end in the year 2008-09 when their loans get fully repaid. The reasons for this termination are (1) ineffective governance; (2) Chief Functionary unable to mobilise loan funds from other agencies and not fully involved in credit activity; (3) continuous losses with negative net worth and poor credit discipline at the field level; and (4) poor human resources and weak information systems.

FWFB held some technical input sessions with clients, but they proved insufficient owing to the large number of new clients entering the portfolio. This makes it imperative to either expand the team or to control the number of clients.

The persistent challenges faced by the POs, particularly GPs, are on issues such as Capital Adequacy Ratio (CAR), competition faced from big MFIs in their area of operation, loans to the same household from more than one MFIs, reduction in interest rates due to competition and, as a result, decrease in growth.



Case Study

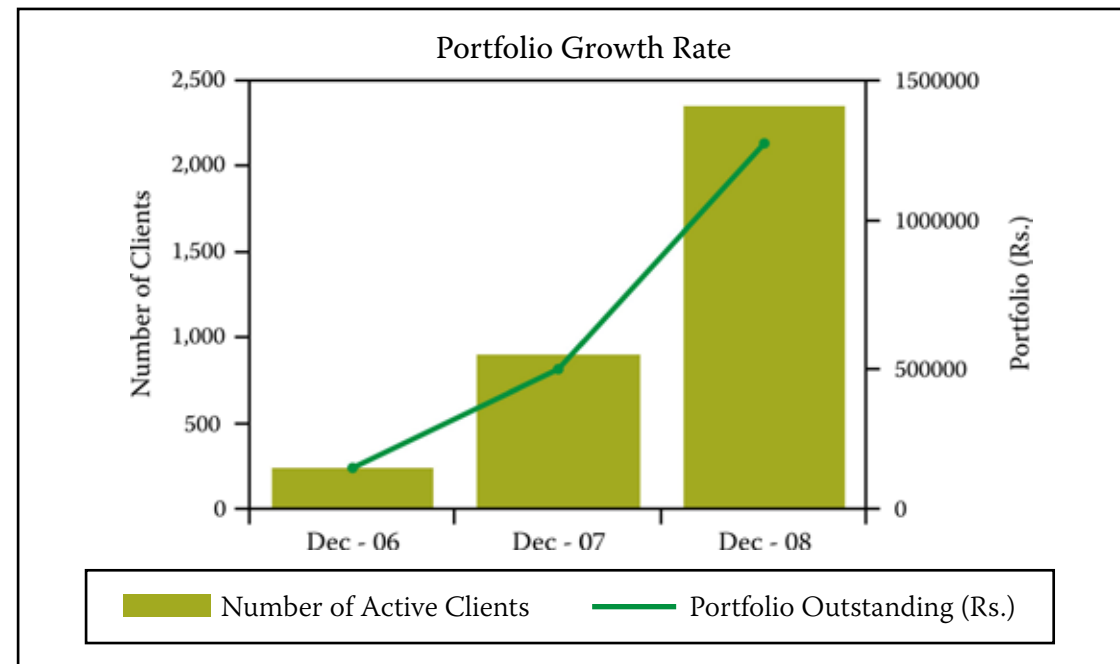
Regional Rural Development Centre (RRDC), Orissa

RRDC is a not-for-profit organisation started by a group of committed tribals of Sundargarh district, with the objective of 'developing villages.' Formally registered in 1991 under the Societies Registration Act, 1860, it is one of the few organisations working on various aspects of tribal development in the area using indigenous systems. Since inception it has focussed on effecting suitable livelihood options at village and community level. Its microfinance initiative, Sambandh, incorporates a distinct identity with all the features necessary to institutionalise it later, simply by registering it as a corporate body.

Drawing on RRDC's Sustainable Enterprise Development Framework (SEDF), which seeks to promote small and micro-enterprises to improve the lives of poor households, Sambandh, commenced in October 2006 with financial support from FWWB, is an entry point activity, to be followed by Microenterprise Development as a core activity supported by HRD.

As an MFI focussed on urban areas, it started work at two centres in Sundargarh district - Rajgangpur and Rourkela, with a mission "to economically empower low-income households by providing a broad range of client focussed and responsive financial services on a continuous basis". It gives group loans to poor women entrepreneurs. Presently it provides only general loan and insurance (life and health) services. Client selection is based on the Know Your Customer (KYC) norms outlined by the Reserve Bank of India.

In one and a half years of functioning, the project has shown a balanced growth in loan exposure, outreach and staff strength. It has maintained near-excellent quality throughout, as evidenced by good rates of repayment and high client retention. It has earned the confidence of all its stakeholders as a reliable institution with a high level of transparency and systematic working approach.



The growth of Sambandh is unique given the background of its promoting NGO, which is largely rural based and community owned – factors which presented great challenge to its venturing into urban MF in a highly competitive environment. Funding agencies were reluctant to fund Sambandh as a startup promoted by a community based not-for-profit organisation. FWWB extended financial support, playing a major role in the initial stages through its grant support programme. It also supported staff capacity building in various functional areas, which has helped streamline the operation. Sambandh is now able to source funds from diverse sources including commercial banks. The management plans to extend the programme to rural areas with a package of products and services that can help the community to enhance livelihood development opportunities.

"FWWB extended critical financial support at the crucial startup stage and extended hands on support which helped effective streamlining and monitoring of operations and strengthened the development of a positive organisational culture."

"A large part of institution building is developing the skill and capacity of staff at various levels of the organisation. FWWB has conducted trainings for Sambandh's senior and junior staff in various functional areas which has translated into streamlining the operations."

CEO, Sambandh

Case Study

Nirmaan Bharati, Uttar Pradesh

Ayesha Bibi (age 48) of Lucknow is already on to her third loan of Rs 15,500. Wife of a saw mill wage-worker and a mother of eight, she is today a contented beneficiary of the Lucknow-based Nirmaan Bharati's urban microfinance programme. She has set up a home business manufacturing traditional wooden spools for kite-string. She has installed two small motorised saws worth Rs 6,000, to produce both kite-flying accessories and designer bird cages.

Ayesha's case typifies the three-phase incremental loan cycle through which all of Nirmaan's new client relationships evolve. With her first loan of Rs 3,200 she bought wood, and used the money as working capital to make the spool wheels. Repaying the amount in 24 weeks, she got another loan of Rs 8,000 with which she bought a second saw. Now, with a third loan, she has bought wood to build an inventory so that she can supply even at short notice. This has earned her a reputation which allows her to command higher prices.

Ayesha's success story reflects the commendable work of Nirmaan Bharati Samajik evam Arthik Vikas Sangathan (Nirmaan), a Section 25, not-for-profit company registered in Lucknow in 2006 under the Companies Act, 1956. "We have applied industry best practices right since inception and have made significant impact in not only reaching growing numbers of women clients and understanding their needs, but in also serving them efficiently and in a sustainable manner in four north Indian cities," informs Moses Prashant Rao, CEO of Nirmaan Bharati. Initial support came from FWWB, which disbursed funds totalling Rs 2 million, and later Rs 7.5 million, even before the organisation was formally registered.

Knowledge of the microfinance sector, both in theory and practice, was enhanced through exposure visits by the Nirmaan Bharati team to various MFIs and training programmes. The team's focussed approach has led the organisation to operational self-sufficiency within 18 months of commencing operations. "Our aim, once transformed into an NBFC, is to plough back up to 15% of the profits earned into the community through education and health programmes," adds Rao.

In just two years, Nirmaan Bharati has grown to 10 branches--three each in Lucknow, Varanasi, and Kanpur and one in Dehradun--reaching out to about 50,000 clients with a total loan outstanding of Rs 220 million. The growing numbers have resulted in reduced costs, more efficiency and easy monitoring of operations.

In Lucknow, Nirmaan Bharati's clients consist of low-income and semi-skilled people with existing enterprises or employment -- Chikankari workers, zardozi embroiderers, kirana (grocery) shop owners, vegetable vendors. Most of them are home owners in low-income group colonies, but never had access to easy loans from formal financial institutions. Says 53-year-old Mukima, a kirana shop owner: "When I first decided to set up my shop in 2002, the only people I could borrow from were relatives and friends, who loaned me Rs 2,500 on the assurance that I would pay them back within a year."

Mukima, like Ayesha, is a perfect example of Nirmaan's clientele. With a family of eight children, her carpenter husband's income was not enough to meet even basic needs, let alone education or health care. While the makeshift kirana shop, set up at the entrance to her home helped, Mukima realised that unless she expanded her business, the family's growing needs would never be met. "Then in June 2006, Nirmaan Bharati offered me a loan of Rs 3,200, to be repaid in 24 weeks," says Mukima. She needed more, but the MFI's policy did not allow more than this as a first-time loan.

The first thing Mukima did with the loan was to get a proper wooden kiosk made for her stocks and move out of the house. She repaid the money in time and qualified for a second loan of Rs 8,000 to be repaid in 48 weeks. "This helped me to increase inventory, cut travel costs since now I did not have to go every other day to buy stocks and, importantly, buy in bulk at distributor rates and make a good margin. Today I make about Rs 100 a day as profit."

She has recently taken another loan of Rs 18,500 with the intention of making it a one-stop shop for an array of products. Success has encouraged Mukima to aim higher. She says: "Once I am through with this loan cycle, I plan to borrow another Rs 50,000, rent a proper concrete shop and train one of my daughters to manage an enterprise." Much like Ayesha, two of whose sons help her manage the growing orders for kite spools.

Mukima and Ayesha's stories typify how, although Nirmaan Bharati gives loans to women, in most cases they are utilised by the entire family. This is not discouraged as long as it helps generate further income and the loan is paid back on time. The same applies to their clients in Varanasi, who are mainly from illegal colonies, or in Kanpur, where the clients comprise mill workers. Many of Nirmaan Bharati's clients belong to a community which considers the charging of interest for loans 'sin'. However, these clients believe that the hard work they put in to utilise the loans effectively and repay them honestly would absolve them of any wrongdoing in the eyes of God.

Considering the increasing demand for individual loans and increase in loan size, Nirmaan Bharati is considering a new product for individuals. To qualify for this loan, envisaged in the range of Rs 25,000-45,000, the client must pass through the three phase loan cycle outlined above. "There is also a demand for other financial services like savings which have been put on the backburner for the time being due to legal restrictions and lack of organisational capacity," Rao adds.

There have been some setbacks in the past two years with regard to new financial products. Nirmaan Bharati, in partnership with LIC, had taken up the promotion of the Janshree Bima Yojana, which has a scholarship component for the child in case of death of the insured. Unfortunately this did not work as the main clients in Lucknow send their wards to Madarasas which are not recognised as formal education centres. This forced the PO to stop promoting the policy. It is now exploring other micro-insurance services to introduce a health insurance product. It is against tying up for a credit life insurance product which, it feels, can be managed in-house and does not benefit the client much.

A loan of Rs 500,000 was given by FWWB within three days of Nirmaan's registration as a Section 25 company, another 1.5 million within 15 days, and a soft loan was provided to help Nirmaan strengthen its capacity. In the next eight months the business plan was ready and FWWB sanctioned a further loan of Rs 7.5 million, which helped Nirmaan build credibility and raise loans from other sources such as SIDBI, ABN Amro and Axis Bank to fund its expansion into other towns. Besides financing, FWWB also supports Nirmaan Bharati through regular capacity-building programmes.



FWWB'S STRATEGY FOR STARTUP ORGANISATIONS

Over the years, FWWB has been working with a mix of organisations. Some of these have focussed only on credit services to the poor and have grown fast. The rest have maintained a slow/medium growth trend in their outreach. FWWB's effort during the year has mainly been to reach the unreached areas of India, identifying new organisations with the mission to work with the poor.

Orissa, has been prone to recurrent natural calamities such as cyclone, drought and flood, which have been major factors inhibiting the growth of microfinance. States like Assam, Uttarakhand and Manipur face constraints of access owing to their geographic location. Insurgency in some states has also restricted the growth of SHGs and other development related activities. In some of the resource-poor pockets of Madhya Pradesh, the challenge is to assure sustainable livelihoods. Some organisations have been working on development projects for a long time, but inadequate experience in loan fund management and excessive reliance on grants has deterred them from moving towards sustainable microfinance. FWWB seeks to help such organisations to overcome these handicaps and provide support, both financial and necessary handholding, to make them sustainable.

States	New Partners
Andhra Pradesh	1
Assam	1
Gujarat	2
Maharashtra	3
Manipur	2
Madhya Pradesh	6
Karnataka	2
Orissa	4
Rajasthan	1
Uttar Pradesh/Delhi	3
Uttarakhand	1
West Bengal	2
Total	28

In keeping with this objective, FWWB's strategy in the year 2007-08 was to focus on the east and central parts of India and identify promising organisations which have the ability to deliver efficient and cost-effective financial services to the poor. Orientation workshops were organised to identify new partners in underserved states. FWWB identified many POs, which were then carefully selected and rigorously appraised for governance, management and ability to undertake microfinance activity.

The particular constraints of each state demanded strategy and inputs different from those designed for use elsewhere. The type of credit and capacity building support needed varied from organisation to organisation. Also, considering the cultural, social and economic differences between different locales, FWWB felt that each region needed to be dealt with separately. Accordingly it built up a distinct strategy for the north-eastern region.

FWWB has identified 28 new organisations during this year. It is encouraging to see in some districts, where poverty is acute, that young professionals have started their work with a clear strategy. They plan to provide and strengthen the livelihoods of poor households with assured financial services.

FWWB extended to each of the organisations financial support as per its fund management capacity, and provided technical assistance and need-based training. With continual all-round support of this kind, FWWB looks forward to see these organisations emerge as sustainable entities in the near future.

Case Study

Samhita Community Development Services (SCDS)

Madhya Pradesh

Until some time ago, barring a handful, the most successful MFIs were based in the three southern states of Andhra Pradesh, Tamilnadu and Karnataka. There was a striking imbalance between the increasingly vibrant microfinance activities in these states and the largely unreached states in the north, east and north-east. This fact was noted by practitioners and opinion-makers in microfinance, which gradually led to the extension of operations by existing MFIs to these states and to the establishment of new institutions. Soon West Bengal, Orissa, Bihar, Jharkhand, Uttar Pradesh, Uttarakhand and some north-eastern states were on the microfinance map of India. The central states of Madhya Pradesh (MP) and Chattisgarh continued to be neglected.

Samhita Microfinance (Samhita) hopes to break this long-standing neglect. Starting operations in January 2008, it has already reached out to 965 clients in 62 loan centres in the villages and slums of two districts in MP and has disbursed Rs 4,542,000 with an outstanding portfolio of Rs 4,176,225 as of March 28, 2008. It expects to hive off the microfinance initiative into an NBFC in its second year of operations. It aims at a target client base of 500,000 in five years by expanding to other districts in the state and adjacent regions.

Samhita is a strategic initiative of SCDS, a non-profit company set-up by two committed and experienced professionals Praseeda Kunam and Bala Krishnamurthy. Their experience in social development is an asset to their work in MP, the second largest state in India by land area, and also among the poorest with per capita daily expenditure on food at Rs 4.25 and 37% or roughly 20 million of its rural population below the poverty line.

Although Samhita is a very young institution, its striking feature is the structure upon which its plans are based. SCDS, the non-profit company, is the umbrella entity and incubator of all strategic initiatives until they become operationally sustainable, to be spun off into separate entities with suitable legal structures. There is a focus on achieving quick financial sustainability, which the founders view as the best option for achieving scale and impact. SCDS is envisaged as a network of interconnected institutions, geared for multidisciplinary, holistic development. The three focuses of its approach are Economic (microfinance, microenterprise and web-based common markets), Health, and Environment and Education.

Samhita, the microfinance arm, started its operations in a few remote villages of Rewa district, which ranks 39th among the 45 districts of MP in Human Development Index (36th in Gender Development Index) and has 12 towns and 2300 villages with a total population of over 2 million. Of this nearly 85% is rural. Of about 58% of the land used for agricultural purposes, only 6% is irrigated. A visit to Samhita's programme villages reveals dry, rocky and patchy green terrain. Most villages have limited or no access to basic services such as water and electricity. Irregular and insufficient rains in recent years have rendered the area arid.

During January 2008, FWWB provided Samhita with its first loan of Rs. 500,000, which helped it muster a portfolio of Rs 364,000, with 79 clients from 13 villages signing up for loans. Concerned about slow growth in acquiring clients in rural areas, it began its urban operations from Bhopal, the state capital, in February 2008 to cross-subsidise its operations in remote locations. This is when it received its second loan of Rs. 500,000 from FWWB. Presently Samhita offers two variants of a loan product i.e. loans up to Rs 5,000 to be repaid in 25 weeks and those between Rs 5,000 -10,000 to be repaid in 50 weeks.

Loans in remote rural areas, due to their higher servicing costs, are charged interest at 15% flat with a 1% processing fee, while those in urban areas carry an interest of 12.5% flat with a 2% processing fee. Samhita levies no other charges or deductions while disbursing loans. An interesting feature of Samhita's practice is that all loans are disbursed through bearer cheques and the clients have to go to the bank to encash them. This is intriguing, even unreasonable, as bank branches are almost always at least 10-30 km away, especially in the rural areas, given MP's population density of 196 (and even lower in Samhita's programme area) is much less than the national figure of 324. However, SCDS explains that the incidence of robberies in these areas is high and hence it is not safe to keep cash in the branch at least at this early stage of the operation. They justify the trip to the bank, which could be once in six months or a year, depending on the loan size, as one that could coincide with a client's other chores such as buying material for their microenterprise or for household consumption. It is also a valuable opportunity for interaction between the bank and the client.

Troubled by the severe lack of livelihood opportunities for its clients, SCDS is seeking to hasten the implementation of its first microenterprise initiative which would serve as a catalyst in creating new livelihood opportunities. The latter in turn would lead to improved credit off-take for Samhita in rural areas. The promoters believe that in many areas access to microcredit would not have much value until people had an avenue to invest the loans and improve their incomes. For example, the villages of the neighbouring Panna district, where Samhita plans to start operations soon, reveal an even worse condition than Rewa, with no electricity, water or roads.

While buying a cow or buffalo is considered a good reason to take a micro-loan in many southern states, it is inconceivable here, as the cost of ensuring the animal's good health is too high and the time it takes to start yielding milk is too long. What is more appropriate in MP is the hardy goat which, in a year's time, starts providing milk or can be sold for meat. The common variety of goat found in the region provides around 650-750 ml of milk per day, which is what a family consumes. Goat rearing is one area that Samhita is exploring to start a microenterprise initiative in. As some clients have set up small kiosks to sell vegetables, general merchandise, etc., Samhita is also looking at providing a mobile service to help save the time and money spent in going to the nearest market to buy stocks. It plans to buy in bulk from a bigger market, farther than the one clients visit presently, and provide them at-the-doorstep stock replenishment, maintaining the service through the price differential between the two markets and passing on the benefit to the clients.

Samhita realises that the solution may lie in maintaining a balance between opening and expanding urban branches, where growth could be quite rapid, and rural branches where scaling up is much slower and requires intense work – the precise challenge for microfinance and the focus of SCDS's multi-pronged approach.



REACHING OUT TO THE UNDERSERVED REGIONS

Over the last two decades of its existence as an apex intermediary of microcredit, FWWB has worked with more than 300 partners in different parts of the country. However, its volume of business and number of partners was largely due to concentration of MF players in its areas of operations, to whose demand it was catering. As the microfinance sector grew and started spreading to newer regions in response to the emerging demand, FWWB too has started diversifying spatially. It is now present in 15 states across all the regions of India. The intention to start working in the North-East (comprising the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura) is largely guided by the increasing awareness among the local organisations about microfinance and the emerging demand for loan funds and capacity development support.

The North-East is a distinctive region with a unique geo-ethnic character and a history that tends to set it apart from the rest of India. On the eve of Independence, the region stood politically and emotionally fractured, with many organised factions resisting efforts to integrate it with the rest of India. Partition, and formation of erstwhile East Pakistan, resulted in practically isolating the region from the mainland and distorted its economic life. The contemporary developmental narratives of the region generally highlight its relative underdevelopment and gross administrative and political neglect, which have led to severe malnourishment, sluggish economic growth, imbalance between state revenue and expenditure, poor infrastructure, low capital formation and investment, inadequate market interface, inadequate banking services and, to top it all, internal civilian unrest, have been recurrent in the area. Further, the hilly interior areas in particular face many developmental handicaps due to uneven population distribution with assured financial services, geographical remoteness, peculiar systems of land tenure, a tradition of dependence on grants and subsidies etc. The region is highly vulnerable to epidemics, floods, landslides, avalanches and cloudbursts, which make it a high risk zone.

FWWB's outreach in the North East

State	No of Partners	Outreach	Loan Amount (Rs.)	Loan Outstanding(Rs.)
Assam	4	70,673	20,000,000	16,339,615
Manipur	2	1,300	9,250,000	7,250,000
Total	6	71,973	29,250,000	23,589,615

During the initial appraisal and regional study, FWWB understood that the funding requirements of the POs here are much higher than their counterparts in other parts of India. The main reasons for this are:

- Micro Finance in this region is an extension of livelihood and enterprise credit support;
- Credit support is taken for health care and access to health facilities is difficult and hence expensive.

This also required FWWB to raise a dedicated loan fund to support these organisations. This was done with support from NABARD and grant support by Cordaid and SIDBI. Since the quantum of fund support is high and the experience of these POs in handling bulk loans is limited, FWWB as a capacity building organisation needs to provide them intense handholding and technical assistance. For this a dedicated fund and team have been set up. A team of professionals with experience in finance and livelihood has been integrated to provide a bouquet of technical assistance to the POs, through bimonthly monitoring visits until the POs can capably manage the MF activities. They will also be provided with infrastructure support, exposure visits to similar organisations and training in best practices in MF.

As part of this initiative, FWWB has in the last year identified Manipur as its key focus area. After preliminary appraisal it was decided to initiate work with two organisations, entirely different from each other in terms of their structure, leadership, location, and area of operations.

Volunteers for Village Development, VVD, was started more than 20 years ago by an ex-serviceman along with his brothers in law to bring about peace amongst the Tankul Naga and the Kuki communities of Manipur. They worked with different peace corps and also promoted the SHG movement, as they believed that this would help achieve women's empowerment, addressing issues of health, hygiene and education. From 1990 to 2002, VVD mainly focussed on bringing about communal harmony, working with different groups. The year 2000 saw the focus shift to SHGs, and through them, to education, hygiene and health programmes. In early 2007, the organisation came to know of FWWB and through them the importance of microfinance. An awareness workshop on microfinance and basics of microfinance training was organised. VVD, in consultation with its board and the community, decided to launch microfinance with the support of FWWB. Aided by the dedicated revolving fund support of NABARD, FWWB made available a loan of Rs 4.5 million, disbursed in three tranches, for microfinance activities of the organisation.

Weaker Sections Development Society, Initiative (WSDS), started out as a football club of youth in the city of Imphal. During early 2000, Mr. Lamkongmang Kipgen, a member of the club, seeing the unrest among the youth and ethnic clashes in the society, decided to re-constitute the club to address serious issues in the community. WSDS was registered as society with the mandate to bring about equality, livelihood options, hygiene, and sanitation. The organisation has worked on different projects to provide alternative livelihood options. It introduced MF as pilot with funding support from NEDFI in 2005.

In early 2007, VVD came to know of FWWB, and through it the importance of MF. An awareness workshop on microfinance and basics of MF training was provided to the organisation. After discussions with its board and the community, it decided to launch MF with the help of FWWB. Supported by a revolving fund from NABARD, FWWB made available a loan of Rs. 4.5 million for the MF VVD's activities. The loan was disbursed in three tranches over the last year. The FWWB team has provided WSDS and VVD different trainings in day-to-day operations of MF and given them technical assistance. The two organisations are constantly in touch with the team and a monitoring visit is planned at least once in a quarter to provide better support.

In addition, FWWB has done a baseline study so as to understand and measure the impact of MF on the clients and households.



Client Case Study

Weaker Sections Development Society, WSDS

Partners for Life



The 1993 Kuki-Naga war displaced many people from the hills. They settled in new places, establishing new villages. In one of these villages, Khokheng, Lhingcha and her husband Thangam work as partners in the small carpentry workshop they built four years ago adjoining their house. Thangam cuts wood to shape and assembles it into furniture. Lhingcha polishes and varnishes it.

Thangam's parents died when he was very young and he, as the eldest, was responsible for his family, consisting of his younger brother and two sisters. In 1996 the brother was killed in the counter-insurgency during the Paite war. and till he married Lhingcha, he was a lonely man with no aspirations and motives in life. Lhingcha was originally from Tamenglong. When she was a young girl, the whole village had to run from place to place owing to the ethnic conflict. Leaving behind their belongings, they walked all the way to Khokeng, hiding by day and walking at night. She remembers thousands of them reaching the village church in Kanglatombi and receiving relief materials. Gradually, they settled in Khokheng into a life of continuous struggle.

Thangam used to do jobwork with a carpenter in a nearby village. He then decided to become self-employed when he started getting orders. Four years back, he set himself up as an independent worker. He invested Rs 30,000 from his savings to buy the machines. He gets orders from different districts and during the Christmas and marriage seasons, and fulfils them with help from local youths hired as daily wage workers. Thangam earns around Rs 4,000 -5,000 a month.

When the husband and wife are not making furniture, they are busy in their rice mill, which they bought three years back for Rs 25,000. They charge Rs 3 per tin for rice husking and collect the husk which, as feed for domestic pigs, fetches Rs 15-20 per tin depending on the season..

Lhingcha is a member of the Kinepna SHG formed by WSDS. She feels positively about the monthly savings of the group and the internal lending. She also likes the group meetings where they talk about everything from families to village gossip, and share problems. In an emergency, she received a loan of Rs 5,000 from WSDS. She had taken it to buy the planing machine for the carpentry shop, but Thangam fell ill, a quack gave him a wrong injection, and he had to be hospitalised. Including the loan amount and their savings, Rs 20,000 was spent on the treatment. The couple worry that there is no security for their three sons if anything happens to them. They have no savings and are not aware of life insurance.

Lhingcha's immediate plan is to buy agricultural land, which they do not have at the moment. She dreamily asks herself when is that going to happen. The children are still young, and not much is spent on them, but it is necessary to plan and save for their future. With guidance and support from WSDS, Thangam and Lhingcha will surely be able to fulfil all their dreams.

Client Case Study

Volunteers for Village Development, VVD

The Peace Group



The SHG, 'Chingri' (Peace) was formed in 1999 by 20 women from Hongman village by VVD, a development organisation working as mediator in defusing ethnic community conflicts and address livelihood issues. Hongman village is located in the foothills about 35 km from Imphal. As in most parts of Manipur, there is no proper road or transport network. The village has 50 households and is inhabited by the Tangkhul and Maring tribes. In the ethnic clashes of the 1990s, most of the houses were burnt down and the belligerence continues. They also bear the brunt of the conflict between the insurgents and the armed forces.

It was a daily struggle for livelihood for the families in the community – especially the women. Their main source of sustenance is nature, which blesses them with an abundance of forest produce, vegetables and meat. But getting cash for other material needs is difficult as salaried jobs are few, and the families had no savings. With the pressures of modernisation, cash was needed for children's education and other needs.

Ningkhaleh Za, who had been the secretary of the Chingri group since its formation, said that most of the women did not know anything about saving until they started group savings. The group started with saving of Rs 50 per month. Today it has saved Rs 80,000 and is working towards achieving its target of Rs. 100,000 very soon. The members are now good at managing their money, with internal lending at 2% and external lending, to needy families in the community, at 3%. Internal lending is on a rotational basis. Five members are given Rs 2,000 each in the first round. After they have repaid, another five members get the loan.

The group members are engaged in their own work, but they have also been collectively involved in many activities. Whenever there is a festival or a gathering in the village common, they set up stalls selling food items at low prices. The group is now engaged in the rice trade, buying it in bulk from the village and selling in Imphal at a higher rate, and also sells charcoal and other seasonal products in the market.

With loans of Rs 33,000 and Rs 50,000 from the federation of VVD, the group was able to start processing fermented fish, with assistance from two hired experts. It earned profits of Rs. 7,000 in the first cycle and Rs. 150,000 in the next cycle. This year it could not engage in the activity, but they definitely plan to continue making fermented fish. They are confident of making it on their own.

For the last one year, the group members have engaged in a common activity from which they now save more than Rs 1,000 per month. Every Saturday evening, each member brings some amount of any quantity of vegetables she can – either collected from the hills or grown at home – to the house of the secretary. These can be anything worth Rs 5 or more, depending on their condition and availability. On the following Monday, one member takes the collected vegetables to sell at Lamlong bazaar, and the earnings are deposited in the group savings.

The group has come a long way. The members are now engaged in individual livelihood activities. At the same time they are considering many options to increase their income and savings. These options include running their own transport – maybe jeep – to carry goods between the village and the main market, overcoming the problem of lack of transport due to frequent bandhs and strikes, which is often a major obstacle to their conduct of business.

The Chingri group members are not only engaged in enhancing their economic condition, they also serve as social security to one another, providing free financial assistance to needy members, especially for their children's education. As an expression of its solidarity, the group goes on a picnic once every year, when the members discuss family as well as group issues.



CAPACITY BUILDING

The past couple of years have witnessed an increasing integration of microfinance into the broader mainstream markets and financial systems. On the one hand there are multi-state, highly competitive MFIs operating in a mature market, which achieved sustainability long back and are aggressively replicating their successful model to achieve ambitious expansion plans. On the other hand there are NGOs operating in geographically inaccessible and underserved areas, now focussing on microfinance. A third, in-between category is that of startup organisations, largely established by professionals with relevant experience and clear focus and business plans. Another trend is the legal transformation of the POs from Societies and Trusts into NBFCs or Section 25 Companies. Such transit from not-for-profit to for-profit entity seeks to sustainably attract low-cost finance. However, it also demands several organisational changes and accountability of statutory agencies.

As a result, the profiles of FWWB's POs and their chief functionaries have also changed drastically. At the same time, in keeping with its strategy over recent years, FWWB continues through these POs to reach out to underserved and inaccessible areas, incrementally providing sustainable credit facilities and other financial services to women of low income households. Thus FWWB has motivated an increased number of new startups or existing NGOs venturing into MF programmes.

FWWB's Capacity Building (CB) activities primarily aim at holistically improving an organisation's ability to achieve its mission. It has always provided, to all POs, credit support along with capacity building inputs. Initially it seemed prudent to provide CB inputs based on the category of the PO, i.e. BP, IDP and GP. Understanding the changing scenario and needs of the partner organisations, FWWB has widened the scope of such inputs – previously restricted to basic trainings and other technical assistance -- from Partner Category to a needs base. These inputs are more than training in the broad sense. In the context of the POs, they address the development Human Resource Organisation and Institutional and legal framework. Parallely, FWWB also emphasises the capacity development of its own personnel.

During the year 2007-08, FWWB continued to provide CB inputs to its POs in the form of trainings, workshops, technical assistance, operational support, infrastructure support and exposure visits. Many activities were also taken up to strengthen staff capabilities.

Capacity Building of Partner organisations

Trainings and Workshops: FWWB firmly believes that learning cannot happen through a formal training curriculum alone. It also requires informal interactions and sharing the good and bad experiences of other MFIs. FWWB outsources such training to agencies whose modules are recognised by CGAP, WWB and Microsave.

During the year under review, FWWB, through its close association with ISMW (Indian School of Microfinance for Women) and EDA, provided trainings on the operational aspects of MF to many of its GP and ID category partners. Normally lasting three to four days, the inputs covered topics such as Principles of Designing Microfinance Programmes, Accounting Systems, Financial Analysis and Designing Management Information Systems. Seventy-two staff members of 27 POs benefited from these trainings. Six staff members of FWWB, especially new recruits, also benefited.

Strategic Business Planning Workshop: In April 2007 a three-day strategic business planning workshop, conducted by APMAS, was held in Manipur, with participation by three local organisations -- VVD, Reach-M and UTDP. The workshop aimed at developing an understanding of strategic planning: Visioning, SWOT, Strategy Development and Developing Operational Plan through Participatory Process.

General and Institutional Development Partners Workshop: A workshop of FWWB's GP and ID partners was held in Hyderabad in April to discuss the current issues pertaining to Microfinance, Strategies of POs, and to know the POs' financial projections for the next three years.

Capital Restructuring and Financial Market Analysis for Transforming MFIs: This two-day training-cum-workshop, held in Hyderabad in May, was organised in association with Intellicap. It addressed the need for awareness and discussion on capital restructuring felt by some of the POs contemplating transformation into NBFCs.

AMI Training organised by Microsave in association with ISMW: Four FWWB staff members and ten partner organisations participated in a 15-day residential course, held in Jaipur in June, conducted by Microsave. The programme covered various subjects such as Financial Literacy, Market Research, Pilot Testing of New Products, Process Mapping, Loan Portfolio Audit and Internal Audit and Control.

EDA Training on Portfolio Management System: As a capacity building initiative for new as well as ID and GP partners, a training on Portfolio Management of MFIs was organised in June.

Exposure visits: Members of the Annapurna Mahila Credit Cooperative Society visited the Sharada Women's Association, Hyderabad.

Workshops organised by FWWB

USAID Project Closure Workshop: On the closure of the FWWB-USAID project, FWWB held a workshop in April 2007 for POs that had benefited from USAID funds. Eminent personalities from the sector shared their views on issues related to MF.

National Consultation Workshop on Urban Microfinance in India—Looking Ahead: FWWB organised a two-day National Consultation Workshop in January 2008 in Ahmedabad on the theme Urban Microfinance in India: Looking Ahead. About 60 invited participants from microfinance organisations, academic and research institutions, banks and apex financial institutions participated in the workshop. Smt. Usha Thorat, Deputy Governor, RBI, inaugurated the workshop. The keynote address was delivered by Professor Amitabh Kundu, Professor, CSRD, JNU. Smt. Elaben Bhatt presided over the inaugural session. Important issues like urban poverty, migration, employment, enterprise, employability and health were discussed in the various sessions. An open forum for FWWB's urban microfinance partners brought to the fore the major issues that the microfinance sector faces in urban areas. FWWB is keen to carry forward research and action in some of the theme areas like migration and urban housing.

Capacity Building activities with Women's World Banking team:

WWB Balance Score Card with FWWB team: Two-day training inputs were given by the WWB team in May 2007. These comprised identification and listing of objectives based on the vision and mission of the organisation, identifying key activity areas, and the definition by each department of the roles and responsibilities of staff members serving at various levels.

Strategic Positioning Planning with staff of FWWB, 15 POs and field engagement with Sahara Uttarayan: Strategic Positioning Planning (SPP) is a tool developed by WWB, which includes corporate tools for assessing market signals in a mature or developing market. Industry Analysis, Competitor Analysis, Internal Capability Analysis using Five Force Analysis, and Client Analysis using Market Research for Microfinance, have been adapted to the MF sector to develop a composite, comprehensive tool that tells the MFI of its position in terms of all these forces, which affect the market. The tool also allows the MFI to make informed choices in terms of their strategic position and planning for future.

The WWB team gave three days of training to 14 POs and three FWWB staff members on various components of SPP. This was followed by a 10-day field engagement with an FWWB PO -- Sahara Uttarayan -- based in Kolkata, involving three FWWB staff members along with two members of the WWB team.

Women's Leadership Training: In July WWB organised a five-day training workshop in New York. Women leaders and potential leaders from among the WWB network affiliates of WWB network were invited to participate. Two FWWB staff members participated in this training. It comprised sessions on Defining Leadership, Leadership Qualities, Formulating Personal Vision and Mission in consonance with those of the organisation, Developing Negotiations Skills and Providing Mentorship and Peer-to-Peer Coaching Facilities to Participants to Gauge their Achievement of Goals.

Apart from the above exercises, focussed largely on the transfer of knowledge and technical inputs from the WWB team to FWWB team members, a WWB team engaged in a two-day workshop with the FWWB Board members on Governance Structure in Context of the Changing Microfinance Scenario in India.

Citi-FT Financial Education Summit, 2007: This two-day programme, focussed on financial education, was organised in Delhi by Citibank and Financial Times in December 2007. Representatives of regulatory bodies of various countries shared their initiatives of helping groups by imparting financial literacy. Besides Citi financial partners from across the world, participants in the workshop included staff as well as a board member of FWWB. The CEO, FWWB, was an invited speaker at the summit.

International Visitors Leadership Program (IVLP) on Micro-Credit and Small Enterprise Lending: Organised by the US Department of State in association with USAID, this three-week programme included visits to five cities of the USA. USAID, New Delhi nominated an FWWB staff member.

Besides structured trainings and workshops, senior management members of FWWB participated and shared their views in various national and international level forums and seminars organised by WWB, Care-Access, Sa-dhan, SIDBI, Citigroup etc. These covered topics such as Strengthening MFIs for Growth and Sustainability, Care-Access Microcredit Summit, Meeting on MicroInsurance, Developing Micro-Finance Vision for Madhya Pradesh-Care Access, Access Microfinance Alliance Business Meet, and UN Solution Exchange -- Resource Group on Microfinance.

In the coming year, FWWB will by and large continue its CB initiatives by providing training on operational aspects of MF programmes. Most of this may be outsourced to institutions providing such capacity building training. Within the FWWB team, the focus will be on providing technical assistance and facilitating exposure visits to and for the POs.

As a result of its focussed activities directed to the long term objective of identifying potential partners and strengthening their capacities to manage funds, thereby reaching out to large

number of women members, FWWB has been able to partner with at least 25 institutions. Most of these initially worked on developmental issues but have recently decided to focus on MF. These organisations require not only training but technical assistance in business planning.

The other trend is of professionals experienced in MF starting their own MFIs. These have clear business plans and have already established for-profit entities in the form of Section 25 Companies or NBFCs.

The next category of POs is from regions which have a long established track record in MF. Ideally they are not working in operational areas where MF has reached saturation point, but in geographically underserved areas of states such as Karnataka, Maharashtra and Rajasthan. These POs do require training in operational aspects of MF as well as some handholding in the form of technical assistance through SBP.

In this context, FWWB proposes to provide CB inputs through alliances with other CB providers and by developing in-house modules on SBP and SPP. Inputs such as exposure visits, technical assistance and handholding support will also form part of CB activities. It is felt that this kind of comprehensive bouquet of services will go a long way in identifying and nurturing startup and existing POs.

Capacity Building of FWWB Staff

S. No	Trainings/Workshops	FWWB Support (INR)
1	Strategic Business Planning with the help of APMAS, Imphal, April 2007	Binota, Gitali
2	Capital Restructuring and Financial Market Analysis for Transforming MFIs, Hyderabad, May 2007	Veena, Deepa
3	AMI Training organised by Microsave in association with ISMW, Jaipur, June 2007	Shruti, Veena, Anup, Krishna
4	EDA Training on Risk management tools, Gurgaon, July 2007	Sobins, Shubrojyoti, Nidhi, Sampriti, Sharad
5	WWB organised workshop on Women Leadership, New York, July 2007	Madhvi, Shruti
6	EDA training on Accounting Systems and Practices, Ahmedabad, September 2007	Nidhi, Sharad, Sampriti, Sobins, Prashant
7	Strategic Positioning Planning, with the help of WWB team, Kolkata, October 2007.	Anup, Shruti, Prashant
8	EDA training on Financial Analysis, Kolkata, October 2007	Sharad, Sampriti, Sobins
9	Citi-FT Financial Education Summit 2007, Delhi, was organised by Citibank and Financial Times in December 2007	Nidhi
10	International Visitors Leadership Program (IVLP) on Micro Credit and Small Enterprise Lending organised by US Department of States in association with USAID, USA, February 2008.	Shruti





ONGOING INITIATIVES IN LIVELIHOOD PROMOTION

Livelihood & Enterprise Development, LEAD

Since 1982, FWWB has consistently championed the cause of financial inclusion of economically and financially deprived women. FWWB believes that access to reliable financial services is the key to overall social development.

The Experience

Until now the experience in microfinance has shown that clients spend the initial few loan cycles mostly on consumption. With subsequent cycles, the proportion invested in asset creation and Income Generating Activities (IGAs) increases. In the 4th-5th cycle, the clients become mature enough to receive individual loans of higher quantum for specific IGAs. At this point, apart from financial support, they require a gamut of Livelihood Support Services (LSSs). This is the turning point at which a client can graduate to a higher growth trajectory in economic prosperity. Because of the inherent complexity in LSSs, most MFIs until now have abstained from incorporating them in their financial products. They continue group based horizontal geographic expansion with few resources devoted to the vertical growth of existing mature clients.

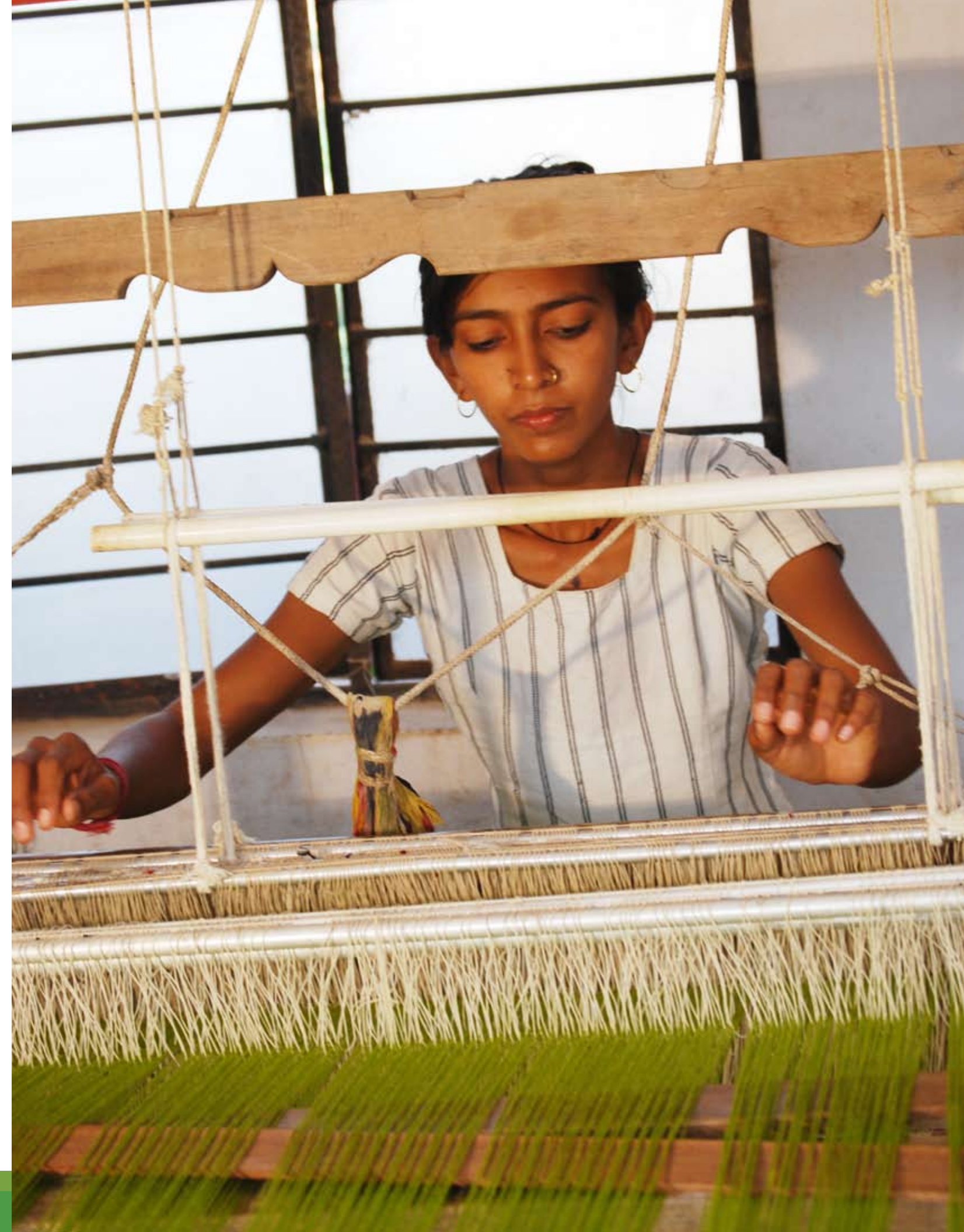


Photo by Pallon Daruwala for Khamir

LEAD – The Initiative

LEAD (Livelihood & Enterprise Development) was started by FWWB to address this issue. Launched in April 2007 with a grant support from Citi. Over the last year FWWB has partnered with five organisations who are addressing the issues of poverty through innovative approaches.

Functional Domain	Geographical Area	FWWB Support (INR)	
		Grant	Soft loan
Social Security intervention through Community Managed Shops	Tribal Belt of Madhya Pradesh	520,500	NA
Market intervention to connect grassroots artisan communities to the wider domestic consumer base through retail intervention	Working with 19 artisan communities spread across 5 states of India	NA	550,000
Scale up and linkage of traditional Kachchhi Art and Craft to high end national and International markets	Bhuj, Gujarat	NA	1,500,000
Scale up and linkage of traditional Assamese handicraft prepared by Bodo and Karbi tribes in highly decentralised remote communities	Assam	NA	500,000
Organising the rickshaw pullers in Bihar under a community owned collective and creating a unique identity for them. Health awareness, De-addiction camps and compulsory savings habits being encouraged	Bihar	500,000	2,000,000



Case Study OASiS

Waking up to the routine chores of the daily life, managing home, children and an abusive alcoholic husband is the story of almost every woman in the tribal homes of Polapathar village in Betul district. The region is characterised by low agricultural productivity, frequent droughts and very low economic activity. It is also very prone to mass-migration to states like Maharashtra, Gujarat and Punjab. The severity of livelihood shocks has reduced this belt to one of the most poverty-stricken areas in the country. Such conditions have given rise to a felt need for a social security system for the people, especially the women who bear the brunt of poverty.

For the last one year, a ray of hope in the form of an NGO called OASiS has started touching the lives of the women and their families in the village of Polapathar. OASiS works to promote a community-based and managed Social Security System for the rural tribal population.

With a seed grant of Rs 520,500 from FWWB, OASiS is developing four clusters of village shops to cover approximately 2500 tribal households and provide micro-enterprise based employment to 100 rural women. All 2500 household to be covered under the project will be provided health insurance and old-age pension free of cost as Social Security. The cost of the premium will be covered from the profits of the shops, managed by an SEG (Self Employed Group) of women drawn and trained from the village.

OASiS has chosen three villages – Polapathar, Chirmatekri and Gurgunda in Betul District of MP to initiate the pilot phase of its Total Social Security Project (TSSP). This is a consumption-led model that helps the women derive savings from their day-to-day household expenses.

As of now a cluster of three shops has started in Polapathar, covering approximately 800 households. The clusters have been able to mobilise Rs 4,000 from their profit margin in the first six months of their operations and apportioned it for health insurance premium payout for all its members.

Case Study Sammaan Foundation

For countless rickshaw pullers in India, life is a continuous fight against extremes. About 90% of them are migrant youth aged 17 years and above. During the lean agricultural season, they migrate from the rural areas of Bihar and fan out throughout India in search of work. Rickshaw pulling is one of the most sought after professions for them, as it involves very little skill or upfront financial investment. It also allows them to return home during the peak agricultural season.

On the downside, it is a highly exploitative profession. A maalik (owner) of a fleet of 10-50 rickshaws rents out vehicles to the pullers at Rs 25 per day, irrespective of what income they earn. They also have to bear minor repair expenses. A rickshaw is slow moving, subject to a lot of wear and tear and damages. Setting this right consumes a significant part of their earnings.

The rickshaw pullers deposit their earnings with the maalik to be sent weekly or fortnightly to their homes. Since they are largely illiterate, the maaliks often cheat them by understating their savings amount. The maaliks also double as moneylenders to the pullers, charging interests at 70-250% .

Because of their unskilled migrant status, the rickshaw pullers are frequently harassed by the police. Their living conditions are extremely unhygienic. Most of them park their rickshaws by the roadside and spend their night in them.

Owing to such severe conditions and the resulting mental, emotional and physical strain, there is a high incidence of alcoholism and drug consumption among these men.

Sammaan Foundation was formed with a vision to empower the rickshaw pullers' community and to end their continuous exploitation. Presently working in Noida and Patna, it has a total membership of 650 rickshaw pullers. All the rickshaw pullers who are its members have been issued uniforms and identity cards to give them a unique identity. Every puller has a 'zero-balance bank account', in which he deposits his daily savings through Sammaan and avoids unnecessary expenditure. Giving up alcohol and drugs is a pre-condition for membership in Sammaan Foundation.

The Foundation encourages the grooming of local talent from the grassroots. Many of the higher positions, such as yard mechanic and supervisors, have been filled with recruits from the rickshaw pulling community, providing a career path and an incentive to continue with Sammaan Foundation. A Sammaan Sabha is held every Sunday, at which all the rickshaw pullers gather. Issues on financial discipline, evils of alcoholism and drugs are stressed. The participation of the rickshaw pullers' wives in the sabhas is encouraged, driven by Sammaan's belief that true intervention can take place only with both sexes holding direct stake.

Sammaan Foundation has been granted the use of more than 45 Rain Baseras (night shelters) in Patna by the state administration, where the Foundation provides clean lodgings to rickshaw pullers in the night, affordable and hygienic food through a Community Kitchen run by the rickshaw pullers' wives.

The rickshaws have been redesigned by Sammaan Foundation with technical inputs from IIT Delhi, IIT Kanpur and NID Ahmedabad. This has resulted in lower weight, translating into higher number of trips per day by the pullers. The rickshaws have been further refurbished with a first-aid box and news magazine. Products such as bottled water are being tested on a pilot scale to be sold to passengers and tourists by the rickshaw pullers. Services such as mobile phone recharging and distribution of provisions from shops to homes are being planned.

The organisation has penetrated newer revenue streams in the form of corporate advertisements displayed on the body of the rickshaw, making it an outdoor mobile advertisement vehicle.

Sammaan Foundation regularly shares its revenue with the rickshaw pullers by organising community events and awarding prizes to best performers in savings, hygiene and other desirable attributes.

A 24-hour customer care number is prominently displayed on the rickshaws and T-shirts of the pullers for the passengers to register their complaints/feedback/suggestions etc. Fare rationalisation is under process to provide the commuter with reliable service. The Sammaan authorities hold regular interactions with passengers and suggestions from them are incorporated in future rickshaw designs. After joining Sammaan, the incomes of its members have certainly gone up. But the more notable impact has been in their increased self esteem and the attitude towards them of society at large.

Case Study

Centre for Collective Development (CCD)

Centre for Collective Development (CCD) was registered in June 2003 and began operations in August 2004 after an initial grant from HIVOS. It is also called Sahakara Mitra Samstha (SMS) in Hindi and Telugu. It is registered as a Society under the AP Societies Act 2001. The main objective of CCD was to work on economic issues, in particular promotion of Cooperatives owned, controlled and managed by members. CCD started working by focussing on households of small and marginal farmers in rain-fed, non-irrigated areas of Adilabad and Anantapur districts. In Adilabad, CCD works exclusively with tribals. Anantapur is a severely drought prone district with average annual rainfall of 530 mm. CCD has promoted Thrift and Credit (T&C) Cooperatives and has also started work on getting the National Rural Employment Guarantee Act (NREGA) implemented.

CCD decided to work on these lines as there was lot of potential to raise incomes of the poor, and this remained a neglected area of work. The first year of operations was very challenging as CCD had only two months time before the harvest season. It was able to set up just one Commodity Cooperative (CC) that year with 27 members and a total turnover of Rs.1 million. Since then it has made steady progress. By March 2007 CCD had 49 village Cooperatives, turnover of Rs.13.5 million, 970 members, and average per capita rise in income of Rs 2500 in the CCs. In the T&Cs, CCD had about 3,000 members and helped to meet the small loan needs of the members.

CCD feels that Cooperatives are the best form of organisation for several reasons. First, it is the only model that can substantially raise incomes of Small & Medium farmer households and give economic control of farming back to the farmers on a large scale. Other models either focus on individual enterprise which is not scalable and leaves out the poorest, or on much smaller SHGs that have lower critical mass. Second, it is scalable and replicable as NDDDB has demonstrated. Third, it operates with no subsidy to the Cooperatives except the cost of promoting, training and capacity building them. Some developments that have helped are the passage of parallel Cooperative Acts like MACS and the Producer's Bill which allows farmer households to form cooperatives without Government, political or bureaucratic interference and control. The spread of mobile phones even in interior areas makes coordination much easier for the Cooperatives. Prices are known widely today as opposed to a few decades ago and help the Cooperatives to work better.

The business model for the CCs is to pool the produce of members, store it, and sell at the right time in the right markets to realise substantial profits. Members benefit on two counts. Firstly, losses due to cheating by local traders and middle men in terms of incorrect weights and prices are removed. Secondly, they benefit from post harvest price increases. To implement the above initiative, there was a strong need for working capital. FWWB has provided its support to CCD since the first year. Today CCD is able to avail support from other organisations and local banks.





RESEARCH AT FWWB

Research is an integral part of FWWB's efforts to reach out to hitherto underexplored aspects of microfinance. Systematic research is expected to deepen understanding of such areas and also the ways in which microfinance services affect the lives and livelihoods of the client households. It is in line with this approach that FWWB has decided to organise its north-east initiative around a well conceived research programme rather than lending and delivery of pre-designed training programmes. As illustrated below, FWWB's research priorities are primarily in areas like base line surveys, impact studies, market studies and policy analysis.

Completed Studies

■ Low Income Households and Micro Insurance: A Study in Central Tamilnadu

This exploratory study aimed at understanding the need for micro-insurance for low income households by exploring the sources of their financial risks and their risk coping behaviour. It also looked into the approaches to micro-insurance in Tamilnadu.

The specific objectives of the study were

to understand the need for and attitude towards micro insurance among low income households;

to examine the micro insurance products currently being offered in the central Tamilnadu region; and

to comprehend the management and implementation challenges faced by the MFIs in delivering micro-insurance.

Methodology

To explore the demand aspects, 87 households were surveyed across three districts in central Tamilnadu -- Trichy, Perambaloor and Thanjavur. The sample consisted of 30 clients of ASA and 29 clients of SHEPHERD. In order to understand the influence of the activities of MF organisations on the clients' attitude towards insurance, a control sample of 28 households was also surveyed. The management challenges faced in the provision of micro-insurance was explored through interviews and discussions with insurance experts and insurance providers such as United India Insurance and Bajaj Allianz, apart from the MF organisations studied. The survey was conducted by a team of two researchers on internship with FWWB from a premier rural management institute in the country. It took them about 20 days to finish the survey.

Findings and Recommendations

A majority of the households had experienced financial risks owing to a variety of negative experiences like ill health, crop failure and natural disasters. Eighteen households reported 33 instances that had exposed them to financial risks. While 14 of these related to health problems, nine were due to natural disasters. Seven episodes were specifically of crop failure. However, the risk coping behaviour of these households suggests their ignorance of the idea of risk and formal risk management arrangements available through the insurance mechanism. Borrowing is the typical coping strategy followed by households in the study area. Falling back on savings and liquidation of assets are other important ways they adopt to manage financial risks. Both client and non-client households were observed to have access to regular life insurance products through the insurance agency network. This has influenced their understanding and need for insurance. Interestingly, the common understanding of insurance is that of a savings instrument rather than a risk protection arrangement. This was reflected in the strong preference among them for endowment policies, which the current micro-insurance programmes do not offer.

Membership and involvement of people in the organisation was found to significantly influence their attitude towards insurance. Women value the ability to choose a suitable and affordable policy for themselves and their family members. However, only a few women have understood the concept of micro-insurance well in terms of coverage, premium payments and claim benefits. Though the clients express the need for policies of the endowment type, they clearly appreciate the low level of premium and the reliable system of payment and claims settlement.

At the MFI level, although there is good understanding of client needs, the insurance companies' products are not designed to suit them. Also there is dearth of expertise at the field level. At the insurance company level, there is reluctance to design a suitable and affordable group product that requires working closely with MFIs and clients. The study indicates the need for more information and education about micro insurance at the household level, for expanding the bargaining space and insurance training at the MFI level and for a social development perspective at the insurance companies' level.

■ Integrating Education in Microfinance: Results from a Preliminary Study

This study was intended as a pre-testing survey to explore the demand for education among low income households and the sources of financing it, especially for girls. The study surveyed 78 households (57 MFI clients and 21 non-clients) in Trichy and Perambaloor districts. A management intern collected household level data over 15 days through a structured questionnaires.

Findings

It was found that low income classes are positive about their children's education as they appreciate both its intrinsic and instrumental value. An average of two children per household study in formal institutions. In the case of the 57 microfinance clients, 51% of the educational expenditure is met through borrowing, the size of the average educational loan being Rs 3745.

Close to 40% of the borrowings are made to support professional education, while 34% of the loan demand is to meet expenses related to high school and higher secondary school education. Typically these loans are raised from multiple sources as and when money is needed. Social circles of friends and relatives constitute the single major source for loans.

That there is a vast unserved demand for education loans is evident from the fact that one of the MFIs studied increased its disbursement from Rs 177,000 (2006-07) to Rs 1,011,000 (2007-08). But the average loan size is low (Rs 6300) compared to the demand, especially of those who wish to send their children to professional courses. Despite brilliant academic performance, many have opted for courses that require relatively low financial commitment. It was also observed that youngsters are often lured into income earning opportunities as auto rickshaw drivers or assistants to truck drivers, as such opportunities are easily accessible in the area.

Implications

Microfinance organisations need to be flexible enough to extend bigger size loans to assist higher education needs in deserving cases, after devising an appropriate screening mechanism with SHGs as the pivot. Clients may be educated to find resources for financing school education from income generation activities and regular small savings, so that their long term preparedness to support higher education of children can be strengthened. Saving within groups and internal lending is the cheapest source of funds for poorer households to find finances to meet recurring expense on books, uniforms, travel etc.

Research in Progress

■ Interim Impact Study of IIRM, Tezpur

Institute of Integrated Rural Management, a development organisation based in Tezpur, Assam operates its microfinance programme in the district of Sonitpur – the two development blocks Dekiajuli and Sootea and the subdivision of Gohpur. FWWB has chosen IIRM to do an interim impact assessment to understand how the specific characteristics of the socioeconomic and cultural milieu of Assam interact with the intervention of microfinance. Field research was carried out in three clusters covering 196 clients and 38 non-clients. Data processing is currently on. The results of the study are expected to help FWWB to better align its credit and capacity development initiatives in the north eastern region with local realities.

■ Baseline Survey of WSDS, Manipur

A baseline survey of the Weaker Sections Development Society (WSDS-Initiate), Manipur was carried out in two clusters, Motbung and Konhghom, where the first tranche of FWWB loan was disbursed. The purpose of the exercise was to understand the profile of the borrowing households in terms of structure, income sources, occupational profile, asset status and current saving/borrowing pattern.

The selected clusters are situated in the hilly district of Senapati and are predominantly Christian populated with recent influx of people from Nepal and Bihar. The latter trend is especially seen in the Motbung cluster which is located closer to the highways and provides many livelihood options. About 80% of the respondents belong to the Kuki tribe while 15.5% are Nagas. Other sub-tribes constitute 4.5% of the sample households.

In all 194 clients and 35 non-clients were interviewed with the help of a structured questionnaire. FWWB is in the process of analysing the data. Preliminary results show that a majority the sample borrowers are cultivators with an average land holding of 2.46 ha. Typically a household earns about Rs 15,333 from agriculture. The other major sources of income are non-agricultural labour and service. Of the respondents, 14% each have loan outstanding to formal institutional sources and informal institutions.

Looking Ahead

FWWB views research as the cornerstone of effective action in the field even in its future initiatives. In the next two years, it proposes to concentrate research efforts on two areas: (1) understanding the dynamics of interaction between MF and client households and (2) social responsibility of MF organisations. Specifically, in the case of the former, the focus will be on issues such as client-centred livelihood finance and rural-urban migration. To this end, the building a strong in-house team of researchers drawn from various disciplinary backgrounds is in progress.





FUNDING PARTNERS

Over the years, the incessant support from various funders and Donors has enabled FWWB to provide funds for On-lending, support various innovation projects, operational support to start up organizations 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 livelihood and Enterprise Development Support. FWWB would like to express its sincere gratitude to all its funding partners for their continuous support.

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

BOARD OF DIRECTORS

Chair Emeritus

Ela R Bhatt
(Founder, FWWB & SEWA)

Chair

Radhika Haribhakti
(Director, DSP Merrill Lynch Ltd, 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)

D D Trivedi
(Consultant, Ahmedabad)

Anjali Bansal
(Director, SpencerStuart, Mumbai)

Rajesh Agrawal
(Director of Finance, ICRISAT, Hyderabad)

U R Tata
(General Manager, SIDBI)
Nominee from Sidbi

Frances Sinha
(Director, EDA Rural Systems, Delhi)

Sonal Modi
(General Manager, Pune, HDFC Ltd)

Vijayalakshmi Das
(CEO, FWWB)

Committees

<p>PROGRAMME COMMITTEE</p>	<p>CREDIT COMMITTEE <i>From January 2008, committee is further merged with programme committee</i></p>	<p>AUDIT COMMITTEE</p>
<p>CHAIR Swati Soparkar</p> <p>MEMBERS Frances Sinha Ila Patel D D Trivedi Sudha Kothari</p>	<p>CHAIR D D Trivedi</p> <p>MEMBERS Swati Soparkar Vijayalakshmi Das</p>	<p>CHAIR D D Trivedi</p> <p>MEMBERS Rajesh Agrawal Sonal Modi</p>
<p>HR COMMITTEE</p>		<p>GOVERNANCE COMMITTEE</p>
<p>CHAIR Mirai Chatterjee</p> <p>MEMBERS Sonal Modi Anjali Bansal Vijayalakshmi Das</p>		<p>CHAIR Rajesh Agrawal</p> <p>MEMBERS Radhika Haribhakti Swati Soparkar Anjali Bansal</p>

Committee Meetings During The Year

BOARD MEETINGS		PROGRAMME COMMITTEE MEETINGS	
28th April 2007		1st March 2008	
25th August 2007			
22nd and 23rd September 2007 (Board meeting and Governance Workshop)		Name of Member Meetings attended	
17th November 2007		Ms Swati Soparkar 1	
2nd March 2008		Ms Frances Sinha 1	
		Ms Ila Patel 1	
		Prof D D Trivedi 1	
		Ms Sudha Kothari 1	
Name of Member		Meetings attended	
Ms Radhika Haribhakti		5	
Ms Swati Soparkar		4	
Prof D D Trivedi		3	
Ms Ila Patel		4	
Ms Mirai Chatterjee		2	
Ms Anjali Bansal		5	
Mr Rajesh Agrawal		2	
Ms Sonal Modi		3	
Mr Y C Nanda		1	
Ms Sudha Kothari		4	
Ms Frances Sinha		3	
Mr U R Tata		1	
Ms Vijayalakshmi Das		5	
HR COMMITTEE MEETING		CREDIT COMMITTEE MEETINGS	
25th August 2007		3rd April 2007	
1st March 2008		7th August 2007	
		8th September 2007	
		24th November 2007	
		19th January 2008	
		Name of Member Meetings attended	
		Prof D D Trivedi 4	
		Ms Swati Soparkar 5	
		Ms Vijayalakshmi Das 4	
Name of Member		Meetings attended	
Ms Mirai Chatterjee		1	
Ms Sonal Modi		2	
Ms Anjali Bansal		2	
Ms Vijayalakshmi Das		2	
Name of Member		Meetings attended	
Prof D D Trivedi		1	
Mr Rajesh Agrawal		1	
Ms Sonal Modi			
(inducted during the year)		-	
AUDIT COMMITTEE MEETINGS			
26th April 2007			

FWWB TEAM

Senior Management Team

Vijayalakshmi Das, CEO
Daksha Shah, Head Credit Programme
Madhvi Desai, Head, Finance and Accounts
Tara Nair, Head, Research, Innovation and New Initiatives

Management Team

Lalit Shah, Sr. Manager
Shruti Gonsalves, Manager
Anup Ghosh, Manager
Krishna Kumar Singh, Manager
Veena Krishnamoorthy, Manager

Programme Officers

Binota Loitongbam
Neha Kansara
Nidhi Dubey
Sampriti Baruah
Sharad Kumar Verma
Sobins Kuriakose
Sudarsana Reddy
Subhrajyoti Saha

Accounts And Finance

Anjana Joshi
Beena Thakar

Administration

Sangeeta Sharma
Jyotsna Gohil
Sreedevi Anil Nair

Support Staff

Ram Naresh Yadav
Chandrakant Parmar



Deloitte Haskins & Sells

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

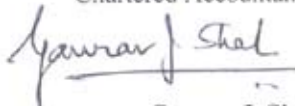
Tel: +91 (079) 27582542
+91 (079) 27582543
Fax: +91 (079) 27582551

Auditors' Report

1. We have audited the attached Balance Sheet of **Friends of WWB, India** (Registration No. F/821/AHD) as at March 31, 2008 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;

APS

- (i) in the case of the Balance Sheet of the state of affairs of the Trust as at March 31, 2008 and
- (ii) in the case of the Income & Expenditure Account of the excess of income over expenditure for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

Gaurav J. Shah
Partner
(Membership No. 35701)

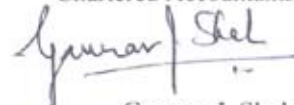
Place: Ahmedabad
Date: 3rd May, 2008

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 Accountant appeared before us and furnished the necessary information required by us.
- f) No property or funds of the trust were applied for any object or purpose other than the object of the trust.
- g) The amount of loans outstanding for more than one year is Rs. 152,437 and out of the total amount of Rs. 2,205,965,775 outstanding as at March 31, 2008, the amount written off during the year is Rs. 3,530,511.
- h) Tenders were not invited for repairs and construction involving expenditure exceeding Rs. 5,000.
- i) No money of the Trust has been invested contrary to the provision of section 35.
- j) There has not been alienation of immovable property contrary to the property of section 36 which have come to our notice.

Place: Ahmedabad
Date: 3rd May, 2008

For Deloitte Haskins & Sells
Chartered Accountants

Gaurav J. Shah
Partner
(Membership No. 35701)

Friends of Women's World Banking, India

Balance Sheet as at March 31, 2008

	Schedule	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Corpus	1	135.96	135.96
Reserves and Surplus	2	139.21	98.12
Loan Funds			
● Secured	3	2,254.69	1,023.54
● Unsecured	4	54.33	66.62
Total		2,584.19	1,324.24
APPLICATION OF FUNDS			
Fixed Assets	5		
● Gross Block		15.76	15.35
● Less: Accumulated Depreciation		9.88	8.80
● Net Block		5.88	6.54
Investments	6	14.52	14.52
Current Assets, Loans and Advances			
● Cash and Bank Balances	7	388.86	255.87
● Other Current assets	8	11.40	12.43
● Loans and Advances	9	2,175.43	1,055.56
Total Current Assets, Loans and Advances		2,575.70	1,323.86
Less: Current Liabilities and Provisions	10	11.90	20.68
Net Current Assets		2,563.79	1,303.18
Total		2,584.19	1,324.24
Significant Accounting Policies and	15		
Notes on Accounts			

As per our report of even date attached
For Deloitte Haskins & Sells
Chartered Accountants

Partner


Place: Ahmedabad
Date: 3rd May 2008

For Friends of Women's World Banking, India

  
Trustee Trustee Chief Executive
Officer

Place: Ahmedabad
Date: 3rd May, 2008

Friends of Women's World Banking, India

Statement of Income and Expenditure for the year ended March 31, 2008

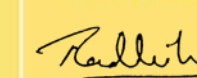
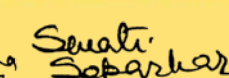
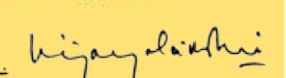
	Schedule	Year ended March 31, 2008	Previous Year ended March 31, 2007
INCOME			
Grants & Donations	11	15.68	13.81
Bank Interest		11.13	7.92
Surplus from Micro Finance Activity		25.28	17.97
● (Note - C.2 of Schedule - 15)			
Other Income	12	3.80	1.39
Total		55.89	41.09
EXPENDITURE			
Employee Cost	13	4.62	3.40
Operational Support to Partner Organisations		2.08	2.35
Training and Workshop Expenses		3.76	2.22
Flood Fund Support		-	0.03
Support to Other Organisations		1.77	1.14
Legal & Professional Fees		1.22	1.64
Administrative and Other Expenses	14	3.93	4.18
Loans & Advances Written Off		-	0.31
Depreciation		1.18	1.25
Total		18.56	16.51
Excess of Income over Expenditure for the year		37.33	24.58
Add: Balance brought forward from the previous year		63.37	53.79
Less : Transferred to Corpus and Other Trust Funds		-	15.00
Balance carried to the Balance Sheet		100.70	63.37
Significant Accounting Policies and	15		
Notes on Accounts			

As per our report of even date attached
For Deloitte Haskins & Sells
Chartered Accountants

Partner


Place: Ahmedabad
Date: 3rd May 2008

For Friends of Women's World Banking, India

  
Trustee Trustee Chief Executive
Officer

Place: Ahmedabad
Date: 3rd May, 2008

Schedules forming part of the Accounts

Schedule - 1 Corpus and Other Trust Funds (Rupees in Millions)				
	As at April 1, 2007	Additions during the year	Deductions during the year	As at March 31, 2008
For Development Activity				
Corpus Fund	135.96	-	-	135.96
Total	135.96	-	-	135.96
Previous Year	106.73	29.23	-	135.96

Schedule - 2 Reserves and Surplus (Rupees in Millions)				
	As at April 1, 2007	Additions during the year	Deductions during the year	As at March 31, 2008
For Micro Finance Activity				
Risk Fund	13.97	1.10	-	15.07
Loan Loss Reserve	20.78	2.67	-	23.45
	34.75	3.77	-	38.52
Balance of Income and Expenditure Account				
For Development Activity	27.07	12.05	-	39.12
For Micro Finance Activity	36.30	25.28	-	61.57
	63.37	37.33	-	100.70
Total	98.12	41.10	-	139.21
Previous Year	85.63	27.48	15.00	98.12

Schedule - 3 Loan Funds - Secured (Rupees in Millions)				
	Notes	As at March 31, 2008	As at March 31, 2007	
For Micro Finance Activity:				
AXIS Bank Limited	1	211.02	18.75	
Small Industries Development Bank of India	2	716.55	558.05	
National Bank of Agriculture & Rural Development	1	54.35	46.25	
Dena Bank	1	26.20	35.89	
Indian Bank	1	35.27	47.72	
Indusind Bank	1	-	5.00	
Indian Overseas Bank	3	516.12	220.22	
HDFC Bank Limited	1	403.28	-	
Corporation Bank	1	150.00	-	
State Bank of India	1	50.25	-	
The Ford Foundation	1	91.66	91.66	
Total		2,254.69	1,023.54	

Notes: The above loans are secured by

- 1) Charge on Book Debts arising out of the loan funds.
- 2) Pledge of Fixed Deposits amounting to Rs.62.32 million and charge on book debts arising out of the loan funds.
- 3) Pledge of Fixed Deposits amounting to Rs.14.87 million and charge on book debts arising out of the loan funds.

Schedule - 4 Loan Funds - Unsecured (Rupees in Millions)		
	As at March 31, 2008	As at March 31, 2007
For Micro Finance Activity		
Small Industries Development Bank of India	10.00	10.00
CORDAID	44.33	56.62
Total	54.33	66.62

Schedule - 5 Fixed Assets (Rupees in Millions)										
Particulars	Gross Block				Depreciation				Net Block	
	As at April 1, 2007	Addition during the year	Deletion during the year	As at March 31, 2008	Upto April 1, 2007	For the year	Deletion during the year	Upto March 31, 2008	As at March 31, 2008	As at March 31, 2007
Buildings	1.30	-	-	1.30	1.03	0.03	-	1.05	0.24	0.27
Leasehold Premises	6.26	-	-	6.26	2.36	0.39	-	2.75	3.50	3.89
Computers	1.74	0.42	-	2.16	0.94	0.38	-	1.32	0.84	0.80
Office Equipments & Furniture	5.55	0.14	0.14	5.55	4.19	0.34	0.10	4.43	1.12	1.36
Vehicles	0.50	0.00	-	0.50	0.28	0.04	-	0.32	0.18	0.22
Total	15.35	0.56	0	15.76	8.80	1.18	0.10	9.88	5.88	6.54
Previous Year	15.37	0.76	0.78	15.35	8.26	1.25	0.71	8.80	6.54	7.11

Schedule - 6 Loan Funds - Unsecured (Rupees in Millions)		
	As at March 31, 2008	As at March 31, 2007
Long Term Investments- Quoted		
For Development Activity		
Government of India 8% Savings (Taxable) Bonds, 2003	14.02	14.02
4,150 Units of Unit Trust of India of Rs. 100/- each	0.50	0.50
Total	14.52	14.52

Schedule - 7 Cash and Bank Balances (Rupees in Millions)		
	As at March 31, 2008	As at March 31, 2007
For Development Activity		
Cash on Hand (including foreign currency)	0.09	0.12
Bank Balances with Scheduled Banks:		
● In Saving Accounts	2.29	3.76
● In Fixed Deposit Accounts	150.82	144.19
For Micro Finance Activity		
Cash on Hand	-	-
Bank Balances with Scheduled Banks:		
● In Current Accounts	68.82	14.19
● In Saving Accounts	127.75	63.01
● In Fixed Deposit Accounts	39.09	30.61
Total	388.86	255.87

Schedule - 8 Other Current Assets (Rupees in Millions)		
	As at March 31, 2008	As at March 31, 2007
For Development Activity:		
Accrued Interest on Loans	0.02	0.00
Accrued Interest on Bank Deposits	8.30	10.75
Tax Deducted At Source	0.04	0.30
Other Advances	0.14	0.46
For Micro Finance Activity:		
Accrued Interest on Loans	0.68	0.33
Accrued Interest on Bank Deposits	2.20	0.53
Tax Deducted At Source	0.01	0.00
Other Advances	0.01	0.05
Total	11.40	12.43

Schedule - 9 Loans and Advances (Rupees in Millions)		
	As at March 31, 2008	As at March 31, 2007
For Development Activity:		
Unsecured and Considered good	18.49	12.66
For Micro Finance Activity:		
Unsecured and Considered good	2,156.95	1,042.90
Considered doubtful	27.00	11.23
Less: Loan Loss Provision	27.00	11.23
	2,156.95	1,042.90
Total	2,175.43	1,055.56

Schedule - 10 Current Liabilities and Provisions (Rupees in Millions)		
	As at March 31, 2008	As at March 31, 2007
For Development Activity:		
Sundry Creditors	0.44	1.06
Unspent amount of grants	9.93	15.23
For Micro Finance Activity:		
Interest Accrued but not due to Funders	1.24	2.02
Incentive payable to partners	-	2.02
Other current liabilities	0.29	0.35
Total	11.90	20.68

Schedule - 11 Grants and Donations (Rupees in Millions)		
	Year ended March 31, 2008	Year ended March 31, 2007
Ford Foundation	1.32	1.02
Cordaid	1.98	1.28
Consultative Group to Assist the Poorest	-	0.08
US Agency for International Development	4.56	8.20
Charity Aid Foundation - Livelihood	5.42	-
Small Industries Development Bank of India	2.41	2.95
Other	-	0.29
Total	15.68	13.81

Schedule - 12 Other Income (Rupees in Millions)		
	Year ended March 31, 2008	Year ended March 31, 2007
Income from Investments:		
● Dividend	0.04	0.04
● Interest	1.17	1.03
Profit on sale of fixed assets	0.00	-
Interest on Loan	1.57	0.08
Training & Professional Fees	0.23	-
Miscellaneous Income	0.80	0.23
Total	3.80	1.39

Schedule - 13 Employee Cost (Rupees in Millions)		
	Year ended March 31, 2008	Year ended March 31, 2007
Salaries & Allowances	4.13	3.00
Contribution to P.F. & other funds	0.29	0.25
Staff Insurance Premium	0.11	0.07
Gratuity Premium	0.08	0.08
Total	4.62	3.40

Schedule - 14 Administrative and Other Expenses (Rupees in Millions)		
	Year ended March 31, 2008	Year ended March 31, 2007
Rent ,Rates & Taxes	0.21	0.14
Insurance	0.04	0.03
Office and Administration overheads	1.28	1.38
Travelling Expenses	2.26	2.25
Membership Fees	0.01	0.01
Books, Periodicals & Audio Visuals	0.01	0.19
Contribution to Public Trust Administrative Fund	0.05	0.05
Loss on sale of fixed assets	-	0.07
Foreign Exchange Fluctuation	0.00	-
Auditors' Remuneration	0.08	0.06
Total	3.93	4.18

A. General:

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

FWWB is committed to building a society based on equity and social justice where women are active partners in holistic development. It does so by providing financial and capacity building services to organizations 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 recognized in the Income and Expenditure Account on a systematic and rational basis over useful life of the fixed assets. The allocation to the income is made over periods and in the proportion in which depreciation on the related Fixed Assets are charged to the Income and Expenditure Account.

Grants for specific purpose i.e. restricted grants, are recognized as income to the extent of amount spent 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 recognized as income in the Income and Expenditure Account of the year.

3 Revenue Recognition

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

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

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

Long term investments are stated at cost. Provision for diminution in the value of investments is made only if, in the opinion of the management, such a decline is regarded as being other than temporary.

7 Foreign Currency Transactions

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the date of the transaction. Monetary items of assets and liabilities denominated in foreign currencies are re-stated at the year end rates. Exchange differences arising on settlement of transactions in foreign currencies or re-statement of foreign currency denominated assets and liabilities are recognized in the Income and Expenditure accounts.

8 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.

9 Bad Loans or Provision for Loans Doubtful of Recovery

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

- (a) Installments due for more than 180 days are considered as doubtful. At the end of one year, full provision is made for the total outstanding amount of such loans.
- (b) 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.

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 micro finance activities.

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

(Rupees in Millions)		
	Year ended March 31, 2008	Year ended March 31, 2007
Income		
Income on Loans given for the object of the Trust	196.57	91.47
Interest from Bank	3.27	1.29
Other Income	0.50	0.21
Total	200.34	92.97
Expenditure		
Financial Cost	147.73	60.48
Personnel Cost	3.53	2.06
Administrative and Other Operative cost	1.70	0.85
Legal Expenses	0.05	0.04
Auditors Remuneration	0.08	0.06
Loans & Advances Written Off	3.53	2.08
Provision for Doubtful Loans	15.77	8.68
Loan Loss Reserve	2.67	0.75
Total	175.06	75.00
Surplus of income over Expenditure for the year from the micro finance activity	25.28	17.97

3. Auditor's Remuneration includes:

(Rupees in Millions)

	Year ended March 31, 2008	Year ended March 31, 2007
Audit Fees	0.17	0.10
Taxation and other consultancy services	0.03	0.03
Out of pocket expenses	0.00	0.00
Total	0.20	0.13

4. Managerial Remuneration:

(Rupees in Millions)

	Year ended March 31, 2008	Year ended March 31, 2007
Remuneration to Chief Executive Officer	1.23	0.91
Total	1.23	0.91

5. Earnings in Foreign Currency :

(Rupees in Millions)

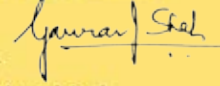
	Year ended March 31, 2008	Year ended March 31, 2007
Grants & Donations	13.28	10.57
Total	13.28	10.57

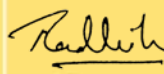
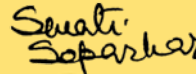
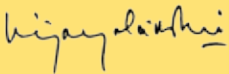
6. Expenditure in Foreign Currency:

(Rupees in Millions)

	Year ended March 31, 2008	Year ended March 31, 2007
Travel & Other Expenses	0.13	0.29
Total	0.13	0.29

Signatures to Schedule 1 to 15

As per our report of even date attached
For Deloitte Haskins & Sells
Chartered Accountants

Partner
Place: Ahmedabad
Date: 3rd May 2008

For Friends of Women's World Banking, India
  
Trustee Trustee Chief Executive
Place: Ahmedabad Officer
Date: 3rd May, 2008

Core Indicators for the year April 2007 to March 2008

Core Indicators	Definitions	2007	2008
A. Portfolio Quality			
1. Repayment Rate as of 30 days	$\frac{\text{Principal Repaid}}{\text{Principal Repaid} + \text{Principal} > 30 \text{ days Past Due}}$	99.25%	99.05%
2. Portfolio At Risk as of 30 days	$\frac{\text{Outstanding Balance of Loans with Arrears} > 30 \text{ days}}{\text{Ending Portfolio Outstanding}}$	1.06%	1.32%
B. Sustainability			
1. Operational Self Sufficiency (Overall)	$\frac{\text{Total Internally Generated Income}}{\text{Total Expenses}}$	128.65%	111.18%
2. Financial Self Sufficiency (Overall)	$\frac{\text{Total Internally Generated Income}}{\text{Total Expenses} + \text{Imputed Cost of Capital}}$	95.06%	98%
C. Efficiency			
1. Operating cost per unit of money lent	$\frac{\text{Operating Costs}}{\text{Average Portfolio Outstanding}}$	0.10	0.11
2. Yield on Portfolio	$\frac{\text{Interest Income on Loan}}{\text{Average Portfolio Outstanding}}$	11.13%	11.55%
3. Average loan size on disbursement	$\frac{\text{Amount of Loans Disbursed}}{\text{Total Number of Loans Disbursed}}$	4989	4999
D. Capital Structure			
1. Equity Multiplier	$\frac{\text{Total Assets}}{\text{Total Equity}}$	5.65	9.39
E. Outreach			
1. No. of active Partner Organisations	Number of partners	100	113
2. Number of Active Borrowers	Number of borrowers	349,260	726,170

Details of FWWB Partner Organisations as of March 2008

STATE	No of Organisations		Members of Partner Orgs		Total Amount Disb		Borrowers of Partner Orgns		FWWB Outreach	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Assam	4	4	70,673	50,779	16,339,615	18,300,385	48,213	27,147	6,600	4,900
Andhra Pradesh	18	18	5,256,194	3,716,704	861,752,606	472,520,357	4,419,415	3,035,150	311,600	159,400
Gujarat	6	9	29,351	20,520	34,709,700	25,166,059	17,967	13,634	13,800	7,300
Jarkhand	5	9	41,369	30,981	23,778,811	16,417,306	8,637	7,361	9,600	4,800
Karnataka	7	5	384,481	239,465	198,970,571	118,374,735	322,746	185,244	46,400	37,200
Kerala	1	1	206,917	178,037	28,958,330	14,062,522	136,609	107,953	10,300	5,400
Madhya Pradesh	11	6	46,940	14,777	20,247,760	7,033,575	9,582	4,862	5,400	1,900
Maharashtra	14	11	50,913	53,531	49,708,242	19,728,872	17,218	16,397	15,820	6,660
Manipur	2	-	1300	-	7,250,005	-	1300	-	1,850	-
Orissa	11	8	2,055,719	497,810	133,787,104	52,586,092	141,104	282,215	44,800	16,900
Rajasthan	1	0	2,911	0	1,777,776	0	2,321	0	400	0
Tamil Nadu	13	15	825,364	756,906	264,713,383	146,503,385	663,953	615,913	89,500	48,500
Uttar Pradesh	6	4	498,255	264,016	214,305,478	47,928,806	406,236	226,488	65,100	16,100
Uttaranchal	1	-	4,622	-	6,899,331	-	4,341	-	1,600	-
West Bengal	13	10	1,436,551	594,161	320,815,900	115,506,201	1,261,823	498,776	103,400	40,200
TOTAL	113	100	10,911,560	6,417,687	2,183,948,612	1,054,128,295	7,461,465	5,021,140	726,170	349,260



FWWWB
FRIENDS OF WOMEN'S WORLD BANKING  INDIA
annual report 2007 - 2008

101, Sakar-1, Opposite Gandhigram Railway Station, Ashram Road,
Ahmedabad – 380 009, Gujarat, INDIA
Tel: (079) 26850119, 26584199, 26584082
Telefax: (079) 26580119
Email: fwwb@fwwbindia.org, fwwb@dataone.in
Website: www.fwwbindia.org