



**Microfinance:
*Translating Research into
Practice***

January 8-9th 2010

**College of Agricultural Banking
Reserve Bank of India, University Road,
Pune, Maharashtra 411 016**

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PURPOSE OF THE CONFERENCE

Microfinance: From Research to Practice – January 8th & 9th 2010 **College of Agricultural Banking and the Centre for Microfinance (CMF) at** **Institute for Financial Research and Management (IFMR)**

The Indian microfinance sector has experienced exponential growth over the last decade and currently serves more than 70 million clients through the SHG Bank Linkage Programme and microfinance institutions.¹ In spite of this laudable expansion, imbalances remain – millions of poor households remain outside the ambit of formal financial services while other demographics and regions are saturated. Additionally, major gaps remain in our understanding of how microfinance impacts the poor. Outstanding questions include: Does micro-credit help small businesses grow? How is household decision-making impacted by microfinance? How does the design of financial products influence client and household behavior/outcomes? How do we ensure that the poorest are included in the microfinance revolution?

Given microfinance's position as a highly-touted development and financial intervention, the importance of answering these basic questions (and others) cannot be overstated. A group of academic researchers, working closely with forward-thinking practitioners, has engaged in studying these issues through rigorous field-based projects in India and elsewhere.

Results from these projects will help practitioners and policymakers design better products and interventions and, create appropriate policies. In order to inform practice and policy, it is essential to bring together academics, microfinance practitioners, bankers, and policymakers. By bringing together stakeholders in the microfinance sector, challenges and emerging issues can be identified for future research and experimentation.

To this end, the College of Agricultural Banking – Reserve Bank of India and the Centre for Micro Finance (CMF) at the Institute for Financial Management and Research have been organizing an annual national conference, 'Microfinance: From Research to Practice'.

This year, in its third iteration, renowned development economists Professor Abhijit Banerjee (MIT and J-PAL), Professor Rohini Pande (Harvard) and Professor Jonathan Murdoch (NYU and FAI) will discuss results from their research in India and elsewhere, some of which were done in collaboration with CMF.

¹ Sa-Dhan – Side by Side Report; N. Srivasan, *State of the Sector Report 2009*.

ABOUT THE HOSTS

Centre for Micro Finance (CMF) at IFMR Research



The Centre for Micro Finance (CMF) was established in 2005 to help answer fill critical knowledge gaps in understanding how financial services and products such as credit, savings, insurance, and pensions can be best

used to fight poverty. Questions that CMF aims to answer include: Which financial products have the most impact on the lives of those who use them? Can the impact of microfinance be enhanced by adding non-financial programmes such as business training or health education? How can we ensure that the poorest are financially included?

By conducting cutting-edge research on the most pressing issues in microfinance, serving as a central repository for global microfinance research with a focus on India, and interacting with practitioners, NGOs, and policymakers, the Centre aims to catalyze the development of microfinance in India. Towards this goal, the Centre facilitates a process where research questions emerge from the local policy context and, policy and programmatic decisions are guided by research findings.

Once knowledge gaps are identified, CMF addresses through short-term and long-term research studies. Depending on the type of information the project seeks, CMF designs and conducts research that employs quantitative and qualitative experimental techniques, desk research and/or stakeholder interviews. CMF's research spans four broad areas:

Credit and savings: Help design and measure the impact of credit and savings products and, discern the benefits of these products' components on microfinance clients.

Insurance and innovative financial products: Experiment with and test the impact of innovative variations of existing and new products, to improve the diversity and the quality of financial services for the poor, and to understand which product variations have the greatest impact.

Microfinance "plus": Help design and measure the impact of additional non-financial interventions such as health education, financial literacy, and business training, and to understand the extent to which these interventions enhance the impact of microfinance.

Sector-wide and policy issues: Examine how state-level or sector-wide decisions such as introduction of new microfinance regulations, the creation of a credit bureau, and introduction of new products ("no-frills accounts") affect the sector, and inform policy and facilitate policy debates.

For more on the College of Agricultural Banking please visit its website: <http://ifmr.ac.in/cmfi> and CMF's blog at <http://www.indiadevelopmentblog.com>

College of Agricultural Banking (CAB) – Reserve Bank of India



The Reserve Bank's College of Agricultural Banking (CAB) was set up in 1969 for capacity building in the rural and cooperative sector. While continuing to play a significant role in accordance with its mandate, the College has broadened its scope to provide training in areas relating to Information Technology, Human Resource Management, and General Banking to meet the emerging needs of the Indian Financial sector. The vision of CAB is to be a premier centre of excellence for capacity building in development banking and finance in general, and rural and cooperative banking in particular.

Besides designing and delivering regular programmes and organizing conferences/seminars (both national & international), CAB also conducts customized programmes for its clientele. It also has collaborations with reputed international institutions for organising programmes of topical relevance. CAB is committed to building and enhancing capabilities in the financial sector in tune with the changing times.

For more on the College of Agricultural Banking please visit its website: <http://www.cab.org.in>

Programme Schedule

Day 1 | Friday, January 8, 2010

- 9:30-10:15 AM Inaugural Session Welcome address:
Ms. Kamala Rajan | Principal, CAB
Special address:
Mr. Justin Oliver | Executive Director, CMF
Keynote address:
- **Dr. Deepali Pant Joshi** | Chief General Manager, RBI, RPCD-Central Office
 - **Dr. Nachiket Mor** | President, ICICI Foundation
 - **Professor Abhijit Banerjee** | Massachusetts Institute of Technology (MIT) and J-PAL
- 10:15-10:30 AM **Tea Break**
- 10:30-12:00 PM Technical Session I Chair:
Dr. Nachiket Mor | President, ICICI Foundation for Inclusive Growth
Theme: Growth
Impact of Microfinance Lead Presenter:
Professor Abhijit Banerjee | MIT & JPAL
Key results from “Impact evaluation of urban micro-credit in India” with CMF and Spandana
- Panelists:
- **Ms. Padmaja Reddy** | Managing Director, Spandana
 - **Mr. Mathew Titus** | Executive Director, Sa-Dhan
 - **Mr. B B Mohanty** | Chief General Manager, MCID, NABARD
 - **Mr. K Manohar Raj** | HDFC Bank
- 12:00-1:30 PM Technical Session II Chair:
Ms. Frances Sinha | Director, EDA Rural System
Lead Presenter:
Professor Rohini Pande | Kennedy School of Government, Harvard University
Theme: **Microfinance, Social Capital & Empowerment**
Key results from “Do social interactions facilitate cooperative behavior? Evidence from a group lending experiment in India” with CMF and VWS
- Panelists:
- **Dr. Sudha Kothari** | Chief Executive, Chaitanya
 - **Ms. Girija Srinivasan** | Consultant
 - **Dr. Smita Premchander** | General Secretary, Sampark
 - **Mr. M I Dholakia** | General Manager, SBI, Central Office

1:30- 2:30 PM

Lunch Break

2:30-3:45 PM

Technical Chair:
Session III: **Dr. Deepali Pant Joshi** | CGM, RBI, RPCD, Central Office

Lead Presenter:

Theme: **Mr. Doug Johnson** | e-Governance (Ex-CMF)
*Disbursing Presentation on stylized facts gleaned from NREGA data
Government from Andhra Pradesh*

Benefits and Panelists:
Implications for

- **Mr. Jatinder Handoo** | Consultant, FINO
- **Ms. Achla Savyasaachi** | Vice President, Sa-Dhan
- **Mr. G. K. Banerjee** | General Manager, Punjab National Bank

**Financial
Services**

3:45- 4:00 PM

Tea Break

4:00-5:30 PM

Technical Chair:
Session IV **Mr. N. Srinivasan**, Author, State of the Sector (Access
Development Services)

Lead Presenter:

Theme: **Professor Rohini Pande** | Harvard University
*Tailoring Study results from "Flexible repayment credit product for
Financial clients" with VWS and CMF*

Services to the
Needs of the
Poor

Panelists:

- **Ms. Bindu Ananth** | President, IFMR Trust
- **Mr. Sachin Sachdeva** | Head (Health Portfolio), SDTT & Founding Trustee of the Aajeevika Bureau
- **Professor Mudit Kapoor** | Indian School of Business

DAY 2 | Saturday, January 9, 2010

9:30-10:45 AM

Technical Chair:
Session V **Mr. Sanjay Sinha** | Managing Director, M-CRIL

Lead Presenter:

Theme: Portfolios **Professor Jonathan Morduch** | NYU & Financial Access
of the Poor Initiative (FAI)

*Portfolios of the Poor: What are the financial behaviors and
instruments used by the poor?*

Panelists:

- **Mr. Anil Kumar S G** | Senior VP, IFMR Trust and Chief Executive Officer, IFMR Holdings Pvt. Ltd.
- **Ms. Chetna G Sinha** | Founder, Mann Deshi

- **Mr. Chandra Shekhar Ghosh** | BANDHAN

10:45- 11:00 AM

Tea Break

11:00-12:15 PM

Technical
Session VI

Chair:

Mr. Y C Nanda | Ex-Chairman, NABARD

Lead Presenter:

Theme: **Mr. N Srinivasan** | Author, State of the Sector Report
Results of the Research with IFMR on the Kolar Crisis

**Competition,
multiple borrowing
& information
sharing among
MFIs**

Panelists:

- **Mr. Justin Oliver** | Executive Director, CMF
- **Mr. Subankar Sengupta** | Promoter, Arohan
- **Ms. Sucharita Mukherjee** | Senior VP, IFMR Trust and CEO, IFMR Capital

12:15- 1:30 PM

Technical
Session VII

Chair:

Mr. Justin Oliver | Executive Director, CMF

Panelists:

Theme: **Professor Jonathan Morduch** | NYU & FAI

**Future of
microfinance-
research needs**

- **Mr. N. Srinivasan** | Author, State of the Sector Report (Access Development Services)
- **Mr. Sanjay Sinha** | Managing Director, M-CRIL
- **Mr. P. Satish** | Chief General Manager, NABARD

1:30-2:00PM

Valedictory Session

Concluding Remarks:

- **Mr. Justin Oliver** | Executive Director, CMF
- **Ms. Kamala Rajan** | Principal, CAB

Vote of thanks:

Programme Coordinator

IMPACT EVALUATION OF URBAN MICRO-CREDIT IN INDIA

Briefing for Technical Session I

Research Collaborators: Centre for Micro Finance (IFMR) and J-PAL

Principal Investigators: Professor Esther Duflo, Professor Abhijit Banerjee, & Dr. Rachel Glennerster (MIT) (J-PAL), Ms. Cynthia Kinnan (MIT)

Partner Organization: Spandana, Hyderabad, India

Is microfinance the silver bullet to poverty alleviation? Preliminary results from the first randomized control trial uncover both intuitive and surprising impacts. Results from the Centre for Micro Finance's ground-breaking study have been written about in The Economist, The Boston Globe, The Economic Times and have been cited by the Center for Global Development and the Consultative Group for the Assistance of the Poor (CGAP), among many others.

Background

In the last decade, microfinance has expanded rapidly to include at least one hundred and fifty million clients globally, with over sixty million in India alone. Yet, little is known about the impact of these interventions on poverty and household welfare. Anecdotal evidence abounds on the impact of these products and services, but there have been no rigorous assessments of the extent to which microfinance has improved the lives of beneficiaries. Many microfinance institutions conduct before and after evaluations, but such snapshots ignore external influences and self-selection biases that could distort the results. Given the scale of the microfinance sector, its ostensible commitment to poverty reduction, and the gargantuan flows of both social and commercial capital into MFIs, the importance of a rigorous impact evaluation cannot be overstated.

The Centre for Micro Finance (CMF) in conjunction with Professors Esther Duflo and Abhijit Banerjee (MIT) and the Jameel Poverty Action Lab (J-PAL) conducted a randomized evaluation of the impact of Spandana's micro-credit programme in Hyderabad, Andhra Pradesh. The evaluation aimed to tease out micro-credit's impact on income, consumption, financial services usage, asset ownership, business scale and profitability, and intra-household decision-making. Ms. Padmaja Reddy, Spandana's Founder and Executive Director, was instrumental in the conceptualization of the study.

Spandana, which began as a non-governmental organization (NGO) and recently transformed into a Non Banking Finance Company (NBFC), utilizes the joint liability model for disbursing micro-credit and has operated out of Hyderabad since 2005. The expansion of Spandana into Hyderabad's slums was an unprecedented move, as few formal microfinance operations were at the time venturing into urban areas. The targeted slums contained households with an average of five members and monthly expenditures of Rs. 5000. Roughly one third of households owned businesses and despite the lack of formal credit available at the time, close to seventy percent of had outstanding credit, most from moneylenders or friends.

Spandana's standard micro-credit product was a Rs. 10,000 (\$250) loan, administered through a joint liability group, with a tenure of approximately 50 weeks and an interest rate of 12% (non declining

balance - equivalent to somewhere between 20-24% APR). Unlike many other microfinance institutions, Spandana does not mandate how their loans should be used and thus credit could be used for any purpose.

Intervention

The research team worked with Spandana's management to use their planned expansion into Hyderabad slums to create the comparisons necessary for the impact study, with some slums where they entered, and others they did not enter. Spandana chose one hundred and four slums in Hyderabad for the project and half of those were randomly selected for Spandana's expansion. By randomizing the selection, two groups of 52 slums were created which were virtually equivalent along all demographic, social, and economic characteristics. Spandana then offered micro-credit into one group of 52 slums, called the "treatment group," and for the duration of the study refrained from introducing micro-credit into the other group of 52 slums, "the control group." The research team surveyed a sample of households in both control and treatment groups prior to Spandana's arrival in 2006, and conducted a second survey covering 6,850 households in 2007-2008.

By 2008, 19% of households in the slums where Spandana expanded were Spandana clients, and 27% were clients of either Spandana or another MFI. In the control slums where Spandana did not purposely expand, 5% of households were still Spandana clients, and 19% were clients of other microfinance institutions. The research team used these differences to study the marginal causal impact of Spandana's offer of micro-credit averaged across the slums where it expanded. The outcomes measured then, estimate the causal impacts of Spandana's offer of micro-credit in Hyderabad slums, averaged across both households that took up the offer and those who did not.

Findings²

Micro-credit take up rates lower than expected

Both the research team and Spandana were surprised by the relatively low take up rates of micro-credit. Approximately 18.6% of households in treatment slums took up Spandana micro-credit, against much higher expectations of 70% or 80% take up. Possible interpretations of low take-up include an already vibrant informal credit market among the slums, as cited earlier, or a smaller demand for micro-credit than previously assumed.

Micro-credit creates businesses

One of the developmental assumptions driving the microfinance movement is that microfinance creates and supports transformative small enterprises that can improve a household and community's well-being. As mentioned earlier, Spandana does not mandate how its loans are spent and thus clients are free to use credit for any purpose. Indeed, when surveyed, respondents cited a variety of loan usages including repaying old debt, starting or expanding a business, household consumption, and ceremonies. Despite the diversity of loan uses, Spandana micro-credit resulted in the creation of 32% more businesses in the slums it entered than the slums it did not enter. And, businesses in the slums where Spandana expanded were more profitable than businesses in areas where it did not.

² Results taken from "The Miracle of Microfinance? Evidence from a Randomized Evaluation," by Esther Duflo, Abhijit Banerjee et al which was published in May 2009. This paper is available at: http://ifmr.ac.in/cmfp/publications/wp/2009/31_Banerjee_Miracle_of_Microfinance.pdf

Micro-credit changes how households spend money

Results show that formal micro-credit shifts around the way poor households spend money, with a strong delineation in spending patterns between the entrepreneurial and non-entrepreneurial poor. These differences revolved around the expenditure patterns of households and decisions on the purchase of durable goods, non-durables, and “temptation goods,” such as alcohol, tobacco, paan, and gambling. Overall, households in slums where Spandana entered, the treatment slums, did not spend any more or less per month than their counterparts in control slums. However, the composition of their expenditures changed. Specifically, treatment households spent Rs. 22 more per capita per month on durable goods and Rs. 9 less per capita per month on temptation goods. Thus households in a slum where Spandana expanded appeared to shift the patterns of spending. Remember that these differences are averaged across all slum households surveyed, including those which did not take up Spandana credit. Differences in expenditure patterns become even more pronounced when households in both treatment and control slums were categorized into three groups a) households which owned a business prior to Spandana’s arrival b) households which did not own a business prior to Spandana’s arrival but exhibited a strong propensity to start one and c) households which did not own a business prior to Spandana’s arrival and exhibited a low propensity to start one.³

For example, treatment households that owned a business prior to Spandana’s arrival spent Rs. 55 per capita per month more on durables after Spandana’s entry than their business-owning counterparts in control slums; treatment households which did not own a business and displayed low propensity to start one did not increase spending on durables. Additionally, moving across the spectrum between treatment households with low propensity to start a business to high propensity represents an increase of Rs. 54.9 per capita per month on durables. Thus, it appears that Spandana micro-credit influenced experienced and likely entrepreneurs to discipline household expenditures.

This discipline manifests in non-durable spending as well. Treatment households with the highest propensity to start a business reduced non-durable spending by Rs. 46 per capita per month, while households with the lowest propensity actually increased non-durable spending by Rs. 212 per capita per month, all compared to their control- slum counterparts. Households in treatment slums with old businesses did not differ in non-durable spending.

These results suggest that potential entrepreneurs “tighten their belts” in non-durables to finance a future business, while the non-entrepreneurial channel micro-credit into consumption.

No impact on health and education spending or outcomes -

Finally, households in treatment slums did not significantly increase spending on health or education, nor were there any significant differences in health or education outcomes, such as school enrollment. If any effect can be expected in these indicators as a result of micro-credit being made available, it was not detectable after fifteen to eighteen months.

Conclusion and Future Plans

³ Predictors to starting a business were calculated to include a) whether the spouse is literate b) number of prime age women in the household c) land ownership. The most statistically significant factor, not in size but in statistical merit, was whether a spouse worked for a wage, which had a negative relationship with starting a business.

While the early results of this study do not trumpet microfinance as a panacea for poverty, they add focus to the often-blurry understanding of the mechanics of microfinance in the lives of the poor. They also show heterogeneity in impact depending on household characteristics, such as entrepreneurship.

After discussing the results of the study with Spandana, the research team and Spandana agreed to expand the impact evaluation across a longer time horizon. As mentioned earlier, the one hundred and four slums chosen for the original impact evaluation were re-visited less than two years after Spandana's expansion. Both the researchers and Spandana wondered whether many of the theorized impacts from access to micro-credit had not been captured during the initial study. The team plans to re-visit the same Hyderabad slums three to four years after Spandana's arrival. Work on *Spandana Part II* is underway and surveying is expected to begin in early 2010.

MICROFINANCE AND SOCIAL CAPITAL

Briefing for Technical Session II

Research Collaborators: Centre for Micro Finance (IFMR), J-PAL and Harvard University

Principal Investigators: Professor Rohini Pande, Professor Erica Field & Mr. Benjamin Feigenberg (MIT)

Partner Organization: Village Welfare Society, Kolkata, India

One of the pillars of microfinance's strength lies in its channeling of pre-existing community social capital via joint liability and group repayment meetings. Yet, beyond being an input into the group-lending model, is expanded social capital also a product or output of microfinance? And if so, does expanded social capital bring potential economic or social returns to either microfinance clients or microfinance institutions? A Centre for Micro Finance study in peri-urban of Kolkata provides preliminary some answers.⁴

Background

The group repayment meeting, one of the pillars of microfinance, is typically a short weekly event where members convene to repay installment on their loans. Within the fifteen to thirty-minute gathering the members usually repeat an organizational oath, and then methodically pay the loan officer who marks passbooks; in between payments the members interact with each another and if necessary, vouch for delinquent clients.

Besides being a stock practice of most microfinance institutions, group repayment meetings are also a focal point for debate and research on microfinance's impact. As a development and financial intervention, microfinance is thought to have both economic and social impact on poor households. While metrics of capturing impact are manifold, the Centre for Micro Finance has launched an innovative study to examine group repayment meetings as a mechanism for impact. In conjunction with the Village Welfare Society (VWS), the Centre for Micro Finance and development economists at Harvard University are conducting research on social capital generated through the frequency of group meetings.

The Village Welfare Society (VWS), a microfinance institutions based out of West Bengal, allowed the Centre for Micro Finance to engage with their clients for this project. VWS lends only to women and targets entrepreneurially-inclined households that run on under \$2/day. Joint Liability Groups (JLGs) at VWS range from eight and thirteen clients and members receive an initial loan of Rs 4000 (~USD\$80).

Intervention

The research team randomly divided one hundred groups of new microfinance clients, just over 1000 women, into two categories – the first category met weekly to repay their first loan, while the second category met monthly. Clients either repaid their Rs. 4000 loan through 44 weekly

⁴ For more on this study please reference “Building Social Capital through Microfinance.” By Benjamin Feigenberg, Erica Field and Rohini Pande (last revised October 2009).

installments of Rs 100 if they were on the weekly repayment schedule or eleven Rs. 400 installments if they were on a monthly repayment schedule. This translated into weekly clients' meeting on average 37 times and the monthly clients meeting on average 10 times, over the course of the first repayment period.

By comparing these two categories of clients, who aside from the repayment schedule were indistinguishable along socioeconomic lines, the research team could examine differential impacts of meeting frequency.

Findings

After five months of loan repayments, both weekly and monthly clients knew more about one another and interacted more frequently outside their meetings. However, as one might expect, clients in weekly groups knew more about their fellow group members than those in the monthly groups. Members of weekly repayment groups, for instance, were 90% more likely than monthly members to know group members' families and to have visited them in their homes. Clients in weekly repayment schedules trusted fellow members more - for example, weekly clients were 25% more likely to say that group members would help one other in a health emergency.

When the research field team revisited a sub-sample of weekly and monthly clients a year after the initial Rs. 4000 loan repayment period had concluded, they found that weekly repayment clients still interacted socially at a significantly higher level than monthly clients. Thus the frequency of interaction of the repayment meetings generates greater social knowledge, social capital, and trust between group members.

Returns of Social Capital to Clients

To gauge whether this newfound social knowledge had any positive external effects, an additional field experiment was conducted in the form of a lottery. The research team approached a random subset of weekly and monthly clients roughly twelve months after the first Rs. 4000 repayment cycle had concluded. The lottery was a single draw contest for a Rs. 200 voucher prize redeemable at the Village Welfare Society (VWS) bazaar store; entrants joined a pool of ten other clients from VWS branches in different neighborhoods.

Researchers asked the randomly selected subset of weekly and monthly clients whether they would be interested in entering fellow group members into the lottery drawing. The woman faced the choice of diminishing her individual chances of winning, depending on how many group members she entered, but increasing the chances that someone she knew would win. She was informed that she was the only entrant who could influence these chances.

This exercise measures trust or altruism or some combination of both. To further nuance the results, the research team created and randomly presented two types of lottery prizes to clients. The first was a single Rs 200 (about USD \$4) voucher and the second was Rs 200 split into four Rs. 50 vouchers. The first type of ticket could not be divided, while the second ticket containing four Rs 50 vouchers could easily be divided and shared. These two types of vouchers were used to test whether clients entered fellow group members in the lottery because they were being kind or altruistic, or because they expected their group member to reciprocate and give them a share of the voucher. If altruism drives the results, then we would expect no difference in the giving of the single Rs. 200 voucher or the four Rs 50 vouchers; however if clients entered names on the expectation they would

share in their group members' winnings, we would expect higher giving of the easily divisible voucher.

Expected Reciprocity Drives Lottery Ticket Sharing

Less than half of clients, both monthly and weekly, approached for the lottery entered group members into the draw. Weekly clients were more likely to send a lottery ticket to a group member than monthly clients, but the difference was significant only when the Rs. 200 prize was easily divisible. This result implies that expected reciprocity rather than altruism drives the ticket sharing and that group meetings may not foster goodwill among members but rather trust and desire to share risk together. Furthermore, VWS clients who had been randomly selected for weekly meetings in both their first and third loan cycles were 70% more likely to share tickets than those who had been shifted from weekly to monthly between loan cycles. Additional predictors of ticket sharing include whether a group member lives nearby, whether they knew them prior to taking a loan, and group leaders were frequent recipients of tickets (perhaps due to their perceived trustworthiness and group position).

Returns of Social Capital – Medium Term Default

Beyond the effects of repayment meetings on trust and reciprocity among clients, analysis of VWS' transaction database revealed medium-term impacts on client default. In the first loan cycle, where new clients were given Rs. 4000 of credit, the frequency of group meetings did not appear to impact default or delinquency. But by the second loan cycle, clients who were part of the monthly repayment meetings during their first loan cycle were 8% more likely to default than those in weekly repayment meetings during the first loan cycle.

Policy Implications:

The repayment frequency project reveals what proponents of microfinance suspect – group lending can build up social capital among clients that can be leveraged for both for clients and for the microfinance institutions. More broadly, the findings suggest that entities, such as the microfinance joint liability group, that promote interaction amongst the poor can create trust and reciprocity in a finite period of time. Such social capital could then be leveraged for other joint-liability products and services, both within the purview of microfinance and beyond it. As the principal investigators close in their paper:

“In the case of group lending, by broadening and deepening social networks, microfinance institutions may have an important influence on the growth potential of poor communities and the empowerment of women above and beyond the role of credit provision.” (Feigenberg et al 28)

NREGA IN ANDHRA PRADESH

Briefing for Technical Session III

CMF Research Associate: Deepak Saraswat

Principal Researchers: Doug Johnson, Ajay Kumar Tannirkulam (CMF)

Background

In an effort to combat corruption and increase transparency, the framers of the Mahatma Gandhi Rural Employment Act (MGREGA – formally named the National Rural Employment Guarantee Act) stipulated that all MGREGA work records be made available to the public upon request and that local social audits be conducted on a regular basis. (Right to Food, 2007) The state of Andhra Pradesh has taken this call for transparency one step further by making detailed micro-level data on participation in MGREGA in the state available to the public directly over the internet.

The Centre for Micro Finance has used this rich dataset, along with data on daily rainfall and local election results obtained from other sources, to analyse trends and patterns in participation in MGREGA in Andhra Pradesh over the last two years. Some of the more interesting findings from this research are presented herein. Original research papers may be downloaded from the Centre for Microfinance website located at <http://ifmr.ac.in/cmfi>.

Finding 1: Participation in MGREGA in AP is responsive to changes in income

A key objective of MGREGA is to provide an alternate source of income to the poor in times of hardship. In order to fulfill this objective however, MGREGA must be responsive to changes in demand for work. There are several reasons why provision of work under MGREGA may not be responsive to changes in demand. Delays in identifying and approving new work projects may cause provision of work to lag behind demand. Alternatively, if demand for work outstrips supply, work will likely be rationed at the local level. Chaudhuri et al (1993) find that, despite claims to the contrary, officials in charge of the Maharashtra Employment Guarantee Scheme likely rationed access to the scheme after a large increase in programme wages.

Using daily data on rainfall at the Mandal level, we find that participation in MGREGA is responsive to changes in income brought on by adverse weather. Further, we find that the implied change in MGREGA wages associated with change in weather is relatively large. This provides strong evidence that provision of MGREGA labour in AP is sufficiently responsive to changes in income for MGREGA to serve a cushion for poor households facing extreme hardship.

Finding 2: Caste and gender of locally elected leaders only marginally influence participation

One might expect that a public programme with the scope and disbursements of MGREGA would be easily manipulated by local leaders to favour a specific caste or affiliation. Some potential manipulations include leaders favouring participants from their own caste or gender, participants self-selecting into MGREGA based on the affiliation of the leader, or the leader's caste or gender influencing which type of public works they support (Duflo and Chattopadhyay 2004). Contrary to these expectations, data from Andhra Pradesh suggests that MGREGA participants who share the same caste affiliation as their programme leader participate at only a slightly higher level than others.

Finding 3: Wages are pretty similar across castes and genders, but not across locations

In AP, average wages for MGREGA work are pretty similar across sex and caste, but vary widely from district to district. Controlling for other factors, ST and forward caste workers earn slightly more than BC or SC workers but not by much. (The total difference between the lowest earning group, SCs, and the highest earning group, STs, is less than 1.5 rupees.)

In contrast, the average wage varies considerably by district. To take the two most extreme examples, in fiscal year 2007-08, wages in the district with the lowest average daily wage, Vizianagaram, were almost 11 rs. lower than in the district with the highest average daily wage, Ranga Reddy. These differences hold even after controlling for other factors such as caste demographics of workers in the district.

Finding 4: The 100 days rules isn't interpreted all that literally

The NREG Act promises 100 days of work for each and every rural household in the country. A natural question to ask is, "how literally are programme administrators taking this promise?" Do programme administrators perceive the 100 days guarantee as set in stone or more as a general guideline? Are households held to the 100 days limit?

Based on the data, it seems that administrators are not taking the 100 days guarantee literally. If the 100 days promise were held as inviolate by administrators, even just a small share, we would expect to see a lot more people who had worked 100 days in a fiscal year than 101 days. In fact, the number of households who worked slightly more than 100 days in fiscal year 2007-08 (the last year we have complete data) is just about the same as the number of households who worked 100 days or slightly less.

References

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TAILORING FINANCIAL SERVICES FOR THE POOR **– PRELIMINARY RESULTS FROM AN EXPERIMENT** **ON REPAYMENT FLEXIBILITY**

Briefing for Conference Technical Session IV⁵

Research Collaborators: Centre for Micro Finance (IFMR), J-PAL and Harvard University

Principal Investigators: Professor Rohini Pande, Professor Erica Field (Harvard) & Mr. John Papp (Princeton)

Partner Organization: Village Welfare Society, Kolkata, India

How does the structure of a micro-credit product influence how the loan is used and impacts a household? With some variation, micro-credit is disbursed via fairly uniform products and lending mechanisms. Additionally, loan repayment typically begins immediately following disbursement. A Centre for Micro Finance study in Kolkata examines the impact of introducing flexibility into the repayment schedule, specifically through adding a two-month grace period.

Background

Microfinance is portrayed as a vein through which micro-enterprises are jump-started and expanded, leading ultimately to economic growth for the impoverished. However both microfinance practitioners and researchers would concur that clients often do not use micro-credit to found or invest in businesses. There could be several forces behind this, including the natural variety in household aspirations/characteristics, which were part of findings by Banerjee et al.⁶ Another possibility is that microfinance products are designed, both in size or structure, to minimize default and not for optimal client investments.⁷

To investigate this latter dynamic, the Centre for Micro Finance and economists from Harvard and Princeton Universities have partnered with Village Welfare Society (VWS), a microfinance institution, to introduce flexibility into the standard microfinance contract. Most microfinance contracts mandate that repayment begins almost immediately after the loans are disbursed. The CMF research team introduced a two-month grace period for a subset of VWS clients and monitored how the changes in liquidity impacted household investment behavior.

The Village Welfare Society (VWS), a microfinance institutions based out of West Bengal, allowed the Centre for Micro Finance to engage with their clients for this project. VWS lends only to women

⁵ Results for this briefing are taken from “Does Microfinance Repayment Flexibility Affect Entrepreneurial Behavior and Loan Default?” Erica Field, Rohini Pande, and John Papp. October 2009. Available at <http://ase.tufts.edu/econ/events/neudcDocs/SundaySession/Session32/EFieldDoesMicrofinanceRepayment%20.pdf>

⁶ Results taken from “The Miracle of Microfinance? Evidence from a Randomized Evaluation,” by Esther Duflo, Abhijit Banerjee et al which was published in May 2009. This paper is available at: http://ifmr.ac.in/cmfp/publications/wp/2009/31_Banerjee_Miracle_of_Microfinance.pdf

⁷ See “Competition and Multiple Borrowing in the Indian. Microfinance Sector” by Karuna Krishnaswamy. Available at http://ifmr.ac.in/cmfp/publications/wp/2007/17_karuna-competition.pdf

and targets entrepreneurially-inclined households that run on under \$2/day. Joint Liability Groups (JLGs) at VWS range from eight and thirteen clients and members receive an initial loan of Rs 4000 (~USD \$80), with subsequent loans ranging up to Rs, 12,000.

Intervention

VWS and the CMF research team created 169 groups with five members apiece, totaling 845 clients. Eighty-five groups were randomly assigned to the standard VWS contract with immediate repayment and eighty-four groups were randomly assigned to the tweaked contract with a two-month grace period. Aside from the two-month grace period, the loan contract was identical and clients were required to repay fortnightly over the course of forty-four weeks. A baseline survey was conducted between April and August 2007 to gather information on household business activities, demographics etc, and an end line survey was conducted between January and November 2008, roughly one year after the loans had been disbursed. In the end line survey the clients provided information on how they had spent their VWS loan. The research team also tracked default and delinquency by using VWS administrative data cross-checked with loan officers.

Findings

For all clients, those with and without a grace period, the most significant use of their loan, 80%, was on business-related activities; the second largest category was house repairs. But there are also notable differences in spending between the two groups of clients. For example, clients with the two-month grace period spent roughly 8% (Rs. 462) more on business items, than clients without the grace period. When business expenses are further broken down, clients with the grace period spent more on inventory and raw materials than clients without a grace period. Additionally, while the rate of new business formation among the clients is low, around 2% of clients, the likelihood of starting a new business is doubled among the clients with the grace period. Thus it appears that the two-month grace period encourages clients to invest more in their business and to spend more on illiquid, and possibly more risky, inputs such as raw materials.

A second category of findings relate to client delinquency and default. The research team examined and compared patterns of delinquency between clients with and without the grace period. Clients with grace period were on average, between 6 to 8 percentage points more likely to default on their loan than clients without a grace period. Four months, or sixteen weeks, after the final loan installment was due, 3% of non-grace period clients had failed to repay and 11% of grace period clients had failed to repay.

Implications

When combined, the findings from the two categories of impact, investment and default/delinquency, suggest that clients who are given a grace period invested more in their businesses and in illiquid components, but increased their risk of default. These results present interesting tradeoffs for microfinance institutions that are driven by the twin goals of a) encouraging business-formation/growth among clients and b) desire to keep default at a minimum. In future research, the project will compare data on business profits and returns across both groups.

WHAT HAPPENED IN KOLAR? A CREDIT RUN IN-DEPTH

CMF Researchers: Veena Jayaram, Shreyas Gopinath

Partner: N. Srinivasan, Consultant and Author, State of the Sector Report (Access Development Services)

When does credit become a burden and not an opportunity? What are the roles and responsibilities of microfinance institutions in highly competitive environments? The Centre for Micro Finance and Mr. N. Srinivasan, author of the State of the Sector Report, visited several areas in Karnataka that had been impacted by widespread default among microfinance clients in early 2009. Amid a swirl of rumors and accusations of the underlying causes, the CMF-led research team investigated the actors involved and chain of events. What follows is an abbreviated account of what the team has uncovered thus-far as well as implications for the microfinance sector.

Background

Kolar is a town in Karnataka roughly 70 kilometers from Bangalore that also serves as the headquarters of an eponymous district.⁸ The area is served by at least half a dozen microfinance institutions including BSS Microfinance, SKS, Grameen Koota and Ujjivan. In February 2009 many of the MFIs began reporting mass defaults by borrowers in Kolar, most members of the Muslim community.⁹

The trigger of the mass default was ostensibly a suicide-attempt by a Muslim man whose wife had become over-indebted by microfinance loans. The suicide-attempt prompted the local Anjuman Committee of Kolar to issue a circular that barred Muslims from further transactions with microfinance institutions.¹⁰ The circular cited the ‘un-Islamic’ practice of charging interest on micro-credit as the reason behind banning further transactions. Close on the heels of the circular were local reinforcements in the form of an Urdu-language daily that accused MFIs of causing over-indebtedness and other ills, as well as social pressure to disengage with MFIs.

As clients complied with the circular, at least three MFIs reported incidences of physical assault on their loan officers. The situation eventually led to a complete breakdown of interaction between MFIs and their clients in Kolar. Tension and repayment issues between clients and MFIs cropped up in several other towns in Kolar district as well as in Ramanagaram, the main town in Ramanagaram district, and in Mysore. As the situation worsened, MFI management began working towards possible ways to resolve the crisis. Represented by the Association of Karnataka Microfinance Institutions (AKMI), they approached the Deputy Commissioner (DC) of Kolar

⁸ In this document Kolar will refer to the town unless otherwise specified.

⁹ The Centre for Micro Finance spoke with members of the community as well as representatives of microfinance institutions present.

¹⁰ Anjuman Committee is a group of senior Muslim leaders, often members of the Mosque, committed to the general welfare of Muslims through settling disputes, rehabilitation of widows and the poor and other initiatives.

district to seek his help, but a meeting between AKMI and Anjuman was deferred multiple times and the DC official was twice replaced.¹¹

In Mysore the situation was resolved more quickly and the parties involved actually met. The results were a set of procedures that Muslim clients would follow to redress the situation. These included: a) fixed amounts of loan installments to be paid (approximately Rs. 200); b) permission by male members of the family to attend meetings; and c) payments by delinquent clients to specific MFIs on specific dates.¹²

Underlying Dynamics

The CMF study did not pinpoint a single cause behind the mass wave of defaults, but it did highlight contributing elements both endemic to the microfinance sector and those specific to the location and context. Most lend themselves to further study as well as a handful of policy recommendations.

Multiple Borrowing

The Anjuman Committee cited multiple borrowing and over-indebtedness among microfinance clients in Kolar as a major factor for their reaction. The CMF team found evidence to support the claim of multiple lending and borrowing by clients. Additionally, the Kolar branch of Grameen Koota conducted a dip-stick study of around 200 clients to gauge the extent of indebtedness in Kolar town. The findings showed that one quarter of defaulting clients had taken loans from six or more microfinance institutions. It might have been revealing to investigate if non-defaulting clients had multiple loans, too.

Is multiple borrowing synonymous with over-indebtedness and default? A 2007 CMF study conducted in Andhra Pradesh used a database of nearly 500,000 microfinance clients to identify those who had borrowed from multiple microfinance institutions. A small sample of those identified as multiple borrowers was then identified and interviewed. Close to seventy-five percent of the multiple-borrowers interviewed revealed that they took on one or two additional loans as capital to start or expand businesses. The same study also observed that some loans were taken out simultaneously to reach a pre-determined level of investment to start a business and that there was no significant impact on default.¹³ In other words, a single loan may not be sufficient to start a micro-enterprise.

At the same time, the line between business-savvy and over-indebted is often not clear to microfinance institutions. Most MFIs try to avoid clients with a surfeit of loans, but data are usually self-reported by clients. Overlap is unavoidable as many microfinance institutions look for the same “ideal” borrower - working-age women who are below the poverty line and have a permanent address. Anecdotal evidence from Kolar also suggests that loan officers prefer a client who is already knowledgeable about microfinance rather than a complete neophyte, raising the chances of multiple lending. At a normative level, it appears that some microfinance institutions are moving toward

¹¹ Association of Karnataka Microfinance Institutions ([AKMI](#)) was registered in 2007 to serve as a platform for and a network of MFIs operating in Karnataka; District Commissioner (DC) is the chief government administrator of a district in India, appointed by the State Government.

¹² Centre for Micro Finance met with interviewed K.C.Showkath Pasha, a local community leader and an advocate, who represented the Muslim elders in discussions with MFIs in Mysore.

¹³ See “Competition and Multiple Borrowing in the Indian. Microfinance Sector” by Karuna Krishnaswamy. Available at http://ifmr.ac.in/cmfp/publications/wp/2007/17_karuna-competition.pdf

sharing information on borrowers with one another; but whether or not this is the first step toward a rigorous credit bureau remains to be seen.¹⁴ Either way the incidents in Kolar and elsewhere raised the issue of multiple borrowing and delinquency to the highest levels of the sector.

Staff Incentives

A related issue is the relationship between staff incentives, multiple borrowing and collections practices. Through its study, CMF learned that many of the field officers in Kolar are paid incentives tied to the number of new clients and groups formed; the research team found arrangements such as Rs. 20/new client or Rs. 175/group of five clients. Mandatory monthly or fortnightly targets were also common. Thus, field-level staffs were not encouraged to vet new clients' ability to repay nor to uncover their credit history. These arrangements blur the roles of credit and sales for a microfinance field officer, where unlike in banks, credit and sales functions are not clearly demarcated. One of the takeaways from this crisis could be that MFIs should focus on developing the credit and risk functions in their organizations. Complaints of unsavory collections practices among loan officers resonated and prompted a response from the microfinance institutions. AKMI has launched an initiative to form a district-level committee to redress complaints leveled against microfinance officers. Beyond the Kolar incident, the microfinance sector has acknowledged the necessity of client protection.¹⁵

*Local Factors*¹⁶

Besides the aforementioned factors, which could be broadened in their relevance for the microfinance sector as a whole, the Kolar incident was influenced by idiosyncratic local dynamics, as well. For example, according to local residents, the high turnover of DC during the crisis exacerbated and prolonged the crisis. Kolar endured three changes in the DC's office between February and September 2009. CMF was informed by the local residents that the DC who was in office during the genesis of this problem (February 2009) did not treat this issue with sufficient urgency, given the advent of Karnataka elections, as did his successor. The third and current DC in office has requested more time to understand the issue before attempting to resolve the crisis. In its investigation CMF heard repeatedly from MFI officials in both Kolar and Ramanagaram that the arrival of microfinance "disrupted," the ecosystem of the silk reeling industry. MFI officials whom CMF spoke to believed that this set-off many of these industrialists against the MFIs with the possibility of them using their clout with the Anjuman to influence the Anjuman to issue the edict against MFIs.

Conclusion

The Kolar incident and issues in surrounding areas have raised challenges for the microfinance sector in an environment of heightened competition and commercial stakes. The Centre for Micro Finance expects to continue research into the incident and the dynamics therein.

¹⁴ Select microfinance institutions have agreed to a code of conduct that caps the amount lent to a single borrower; other microfinance institutions have invested in a credit information services company. For more see "Microfinance lenders to stop multiple loans." LiveMint December 17th 2009. Article available at <http://www.livemint.com/2009/12/17233915/Microfinance-lenders-to-stop-m.html>

¹⁵ For more on client protection, visit the SMART campaign online. <http://www.smartcampaign.org/>

¹⁶ Much of this information is reported from conversations with microfinance institutions.

SPEAKER AND PANELIST PROFILES

Keynote Speakers

Dr. Deepali Pant Joshi, Chief General Manager, Reserve Bank of India

Dr. Joshi is a Chief General Manager with the Reserve Bank of India (RBI) and is currently in-charge for the Rural Planning and Credit Department (RPCD). She has more 28 years of experience with RBI, where she has held a wide variety of leadership positions. Her work at RBI has included currency management and regulation of urban banks, monitoring the flow and direction of credit in rural areas through the banking system, banking ombudsman and director of the Bankers Training College, banking ombudsman and policy formation in the areas of agriculture, priority sector, microfinance, monitoring poverty alleviation programmes and registration and regulation of Local Area Banks (LAB)s.

She has a degree in politics from the University of Allahabad, a diploma in management and a PhD from University of Allahabad. She has also been a Fellow at Harvard University in their Asia Centre. Her current areas of research interest include branchless banking, smart cards, financial inclusion and impact evaluations of the SHG Bank Linkage Programme.

Dr. Abhijit Banerjee, Professor of Economics at Massachusetts Institute of Technology

Dr. Banerjee was educated at the University of Calcutta, Jawaharlal Nehru University and Harvard University, where he received his PhD in 1988. He is currently the Ford Foundation International Professor of Economics at the Massachusetts Institute of Technology. In 2003, he founded the Abdul Latif Jameel Poverty Action Lab (J-PAL), along with Esther Duflo (MIT) and Sendhil Mullainathan (Harvard). He is a past president of the Bureau for Research and Economic Analysis of Development (BREAD), a Research Associate of the NBER, a CEPR research fellow, International Research Fellow of the Kiel Institute, a fellow of the American Academy of Arts and Sciences and the Econometric Society and has been a Guggenheim Fellow and an Alfred P. Sloan Fellow. His areas of research are development economics and economic theory. He has authored two books as well as a large number of articles and is the editor of a third book. He finished his first documentary film, "The name of the disease" in 2006.

Dr. Nachiket Mor, President, ICICI Foundation for Inclusive Growth

Dr. Mor is a Yale World Fellow (2004) and has a PhD in Economics from the University of Pennsylvania with a specialisation in Finance from the Wharton Business School; a Master's degree in Management from the Indian Institute of Management, Ahmedabad, and an undergraduate degree in Physics from the Mumbai University. While completing his PhD, he was associated with a Philadelphia-based hedge fund (Quantitative Financial Strategies) for three years. He has worked with ICICI since 1987 in various divisions, including Corporate Planning, Project Finance, and Treasury and Rural Banking; and, was a member of its Board from 2001 to 2007. He is currently President of ICICI Foundation for Inclusive Growth. In addition to his work with ICICI Foundation, he is a member of the Boards of CRISIL, RUDI (SEWA), FINO, IndiaMart, Shorecap Exchange (USA), the India Advisory Board of Intuit (USA) and a member of the Advisory Committee of College of Agricultural Banking.

Speakers

Ms. Achla Savyasaachi, Vice President, Sa-Dhan

Ms. Savyasaachi is a Vice President at Sa-Dhan. She is a fellow member of the Institute of Company Secretaries of India and Indian Institute of Human Rights. She is associated with several task forces set up by the Government of India. She has coordinated a number of studies to lead an informed policy intervention for strengthening financial inclusion initiatives. Earlier, she served as a Company Secretary and Finance Controller with Oswal Agro Group of companies, Group Company Secretary and International Collaboration Incharge with Triveni Group of Industries and Company Secretary with Escorts Group of companies.

Mr. Anil Kumar S G, Senior VP, IFMR Trust and CEO, IFMR Holdings

Mr. Anil Kumar is currently the Chief Executive Officer of IFMR Holdings, a wholly owned subsidiary of IFMR Trust, leading a team of professionals involved in innovative product and channel design. Since April 2007, Mr. Anil Kumar has been involved in the set-up of a new breed of rural financial services channel named “Kshetriya Gramin Financial Services (KGFS)” in remote rural geographies. He is also responsible for the incubation of the first three model KGFS’ in various locations. In addition to his work within IFMR Trust, he is a Board Member in Grameen Capital India and Member - Project Management Committee, MicroSave India. Mr. Anil Kumar has a Master’s degree in Management (2005) from Asian Institute of Management, Manila, Phillipines and holds a Master’s Diploma in Business Administration with an International Marketing (2002) specialization from Symbiosis Institute of Management Studies, Pune.

Mr. B B Mohanty, Chief General Manager, MCID, NABARD

Mr. Mohanty is the Chief General Manager & Head of Micro Credit Innovation Department (MCID) at the Corporate Office of NABARD, Mumbai. He has more than three decades of experience with RBI and NABARD. During his career with NABARD, he has made significant imprints with regards to non-farm sector development, micro-credit innovation, HRD, and supervision of Rural Financial Institutions (RFIs). As the Head of Karnataka Regional Office of NABARD, he spearheaded various developmental & promotional interventions & initiatives in the State under the aegis of NABARD, especially for microfinance & micro-enterprise promotion, watershed development & farmers club movement etc. He has been deeply involved with the SHG Bank Linkage Programme since its inception. He has been associated with several Committees, Working Groups, and Task Forces in NABARD. He has received extensive training and field exposures in India & abroad in various facets of rural credit and development including microfinance.

Ms. Bindu Ananth, President, IFMR Trust

Ms. Ananth worked with ICICI Bank in its microfinance division between 2001 and 2005 and was Head of the new product development group within the bank's rural finance business in 2007. She founded the Centre for Micro Finance, IFMR, and has been published in the *Small Enterprise Development Journal*, the *Economic and Political Weekly*, the OECD working paper series and the IFMR working paper series. Bindu has also been instrumental in the creation, operations and vision for Kshetriya Gramin Financial Services (KGFS), an innovative financial service aimed at under-served rural areas. She was also recently selected as a Fellow of the Global Economic Symposium (GES). Ms. Ananth has an undergraduate degree in Economics and Master’s degree from the Institute of Rural Management Anand (IRMA) and Harvard University's Kennedy School of Government.

Mr. Chandra Shekhar Ghosh, Chairman & Managing Director, Bandhan

Mr. Ghosh is the Chairman and Managing Director of Bandhan - one of the leading MFIs of India. He has an M.Sc. in Statistics and over 25 years of industry experience. As a senior Ashoka Fellow Mr. Ghosh currently serves as a member of examination & syllabus review committee at Kalyani University, West Bengal, the Governing Board of SA-DHAN, a committee member of the core team that Small Industries Development Bank of India (SIDBI) formed for its partner MFIs to advice in the policy making process. He is on the board of READ India and occupies an advisory board seat in several MFIs. He is also a member of 'State Level Review & Co-ordination Committee on Credit Delivery Innovations' constituted by NABARD. Bandhan is also a research partner of the Centre for Micro Finance, wherein CMF is evaluating the impact of Bandhan's ultra-poor programme.

Ms. Chetna G Sinha, Founder and President, Mann Deshi

Ms. Gala-Sinha founded and is currently the President of the Mann Deshi Mahila Sahakari Bank and Mann Vikas Samajik Sanstha (an NGO), which strive to enhance the economic empowerment and advancement of rural women through savings and lending, education, property rights, and social security initiatives. Through the initiatives of the Bank and NGO, Chetna has promoted a holistic approach to helping women in rural areas – one that combines economic activity with the educational tools and health care which are necessary for leading a productive life. Chetna has been honored with the 2005 Jankidevi Bajaj Puraskar award for rural entrepreneurship. She has also been awarded lifetime membership with Ashoka Innovators for the Public, and was selected for the first class of Yale University's World Fellows programme in 2002-2003. In addition, she has participated in Harvard University's 2003 Bridge Builders' Conference. The Mann Deshi Mahila Bank has also recently won first prize in social sector of the international 2005 Ashoka Changemakers Innovation award, which promotes market-based strategies that benefit low-income communities. Born in Mumbai, she earned her Master's degree in Commerce and Economics from Mumbai University in 1982.

Mr. Doug Johnson, e-Governance (former Senior Research Associate, Centre for Micro Finance)

Doug holds a Bachelor's degree in Political Science from Rice University and a Master's in International Development from Harvard University's Kennedy School of Government. Prior to joining IFMR, Doug worked as a process consultant for Accenture, where he was responsible for the implementation and management of large-scale IT systems for companies such as eBay, Dell, and Ericsson. Doug worked on projects in the areas of technology and microfinance, the potential of post offices to increase financial inclusion, and the impact of competition in the microfinance sector. Currently, he is working with e-Governance, Bangalore.

Ms. Frances Sinha, Director of EDA Rural Systems and Director of EDA's associate company M-CRIL.

With 25 years of experience in development based in India, Frances Sinha has led teams for impact assessment and market research with a focus on cost-effectiveness, gender issues, poverty analysis, and practical reporting – throughout India, Bangladesh, Myanmar, Nepal, and Tajikistan. She is closely involved with current initiatives around social performance in microfinance, including: social performance management – training and research (as a member of the *Imp-Act* consortium); pioneering the development of a social rating methodology to complement financial rating, with the M-CRIL team; coordinating global pilots for social reporting (Ford Foundation, Social Performance Task Force) and contributing to development of social reporting indicators (on the MiX Market);

and leading the EDA team in working with social investors and their MFI partners in India and Afghanistan to develop practical systems of SPM and social reporting, and introducing the Progress out of Poverty Index (PPI) with the Grameen Foundation (US). On-going programmes and organisations that she is associated with include: the Rockefeller Foundation (to develop social reporting metrics and standards for ‘Impact Investing’), the Micro-credit Summit (Poverty Assessment Panel, India), Shorecap Exchange (Research Advisory Group for tracking employment outreach of SME lending), and AMK, Cambodia (member of the Social Performance Committee). Frances is also a member of the Board of FWWB, India.

Ms. Girija Srinivasan, Independent Consultant

Ms. Srinivasan is a development professional with 25 years of experience including 14 years with NABARD. Currently, she works with donors, government officials, MFIs and NGOs in India, Vietnam, and Bangladesh. She has been involved with the design, implementation, monitoring, and evaluation of projects funded by IFAD, DFID, GTZ etc. She has also provided technical assistance to several microfinance institutions.

Mr. G K Banerjee, General Manager, Punjab National Bank

Mr. Banerjee is the General Manager of Priority Sector and Lead Bank at the Punjab National Bank.

Mr. Jatinder Handoo, Consultant, FINO

Mr. Handoo is a professionally trained agricultural technocrat at the undergraduate level and holds a Master’s degree in Public Policy from the School of Public Policy, Hyderabad (ICFAI University). At present he is based out of Mumbai and works on the business strategy team at Financial Information Network and Operations Ltd and works on direction setting and strategy development for financial inclusion through the business correspondent (BC) model. As an Ex-banker he has worked in agribusiness teams in State Bank of India and HDFC Bank Ltd. In addition, he has handled short-term research projects at Centre for Policy Research (CPR), Oiko credit India Ltd, Andhra Pradesh Mahila Abhivruddhi Society (APMAS), Centre for Civil Society (CCS) and the Centre for Research on Innovations and Science Policy (CRISP). Mr. Handoo’s research work has focused on assessment of NREGA implementation and issues of agriculture labour shortage in Andhra Pradesh, livelihoods security and institutional arrangements for marginal cheese kalari farmers in hills of Jammu and Kashmir, emergence of retail chains in farm sector and implications for farmers around Hyderabad and capacity building of partner MFI of Oiko credit India Ltd.

Dr. Jonathan Morduch, Professor of Public Policy and Economics, NYU and Managing Director, FAI

Dr. Morduch is Professor of Public Policy and Economics at New York University's Wagner Graduate School of Public Service. He is also Managing Director of the Financial Access Initiative (<http://www.financialaccess.org>). His research focuses on international development, poverty, and financial access. Morduch is co-author of *The Economics of Microfinance* (MIT Press 2005, 2nd edition 2010) and *Portfolios of the Poor: How the World's Poor Live on \$2 a Day* (Princeton 2009; <http://www.portfoliosofthepoor.com>). Dr. Morduch has taught on the Economics faculty at Harvard University, and has held fellowships or visiting positions at Stanford, Princeton, and the University of Tokyo. Dr. Morduch has been chair of the United Nations Committee on Poverty Statistics and been a member of the UN Advisors Group on Inclusive Financial Sectors and the World Economic Forum Global Agenda Council on Financial Empowerment. He advises Pro Mujer and the Grameen Foundation and is a member of SafeSave in Dhaka and the Editorial Boards of the *World Bank Economic Review*, *Journal of Economic Perspectives*, and *Journal of Globalization and*

Development. He holds a Bachelor's degree from Brown and PhD from Harvard, both in Economics. Dr. Morduch was awarded an honorary PhD from the Université Libre de Bruxelles in December 2008 in recognition of his work in microfinance.

Mr. Justin Oliver, Executive Director, Centre for Micro Finance at IFMR

As Executive Director of the Centre for Micro Finance at IFMR, Mr. Oliver oversees more than 30 researchers working on across India, in partnership with a wide range of MFI's and other development organizations, international academics, and donors. Mr. Oliver joined the Centre for Micro Finance in July 2008. He was previously the Ghana Country Director for Innovations for Poverty Action, overseeing research projects related to microfinance, community development, and education. Prior to this, he worked at the Brookings Institution as a Foreign Policy Research Analyst and at Ernst & Young Investor Group Services. He also spent two years in Mauritania as a small enterprise development specialist for United States Peace Corps. Mr. Oliver has a Master's in Public Policy from the Harvard University's Kennedy School of Government, and Bachelor degrees in Anthropology and English Literature.

Mr. K Manohara Raj, Senior VP and Business Head, Microfinance Division of HDFC Bank

Mr. Raj is Senior VP & Business head of the Microfinance Division of HDFC Bank. With over 24 years of banking experience in different capacities in diverse geographies he was assigned the responsibility of designing the Microfinance business of the bank in 2003. He has been instrumental in introducing the Business Correspondent model in HDFC Bank. Mr. Raj is a management graduate from the Madras University and has also completed the CAIIB from Indian Institute of Bankers.

Mr. Mathew Titus, Executive Director, Sa-Dhan

Mr. Titus is the Executive Director of Sa-Dhan, the Association of Community Development Finance Institutions, based in New Delhi. Sa-Dhan works with existing community development financial institutions in identifying areas of work that will contribute to the development of the sector. This includes the organizing of training programmes, identifying and building industry standards, and bringing together policy initiatives. Mr. Titus is a member of the board, Microfinance Development and Equity Fund, National Bank for Agriculture and Rural Development (NABARD) in Mumbai, and also a member of the advisory committee of Insurance Regulatory and Development Authority (IRDA). Some of his recent publications include: Expanding "Secular Growth": The role for innovations in microfinance and Financial Inclusion: - Does MF demonstrate any lesson for public policy? Mr. Titus has conducted post-graduate research with the Department of Economics and International Development at the University of Bath, England, and has a Master's from Jawaharlal Nehru University, New Delhi

Dr. Mudit Kapoor, Assistant Professor of Economics, Indian School of Business

Dr. Kapoor is a graduate of the University of Delhi and Delhi School of Economics, where he earned a Bachelor's and Master's degree in Economics. He earned a PhD from the University of Maryland in Economics in 2004. Currently he is an Assistant Professor of Economics at the Indian School of Business. His research interests include Spatial Econometrics with application in the fields of marketing, urban and development economics.

Mr. N Srinivasan, Consultant, and Author of State of the Sector Report

Mr. Srinivasan has more than 30 years of experience in the Indian financial sector, including five years with the Central Bank (RBI) and 24 years with Apex rural development bank (NABARD). He

left NABARD from a senior position (chief general manager) to take up a consulting practice, which provides services to World Bank, CGAP, IFAD, UNDP, UNOPS, ADB, GTZ, MicroSave, and the Government of India. He is involved in many significant initiatives in rural finance; institutional development and strengthening; product development, training, and capacity building; design, implementation, and supervision of rural development projects; and financing of rural infrastructure. He managed a portfolio of \$ 900 million in development finance in one of the largest provinces in India and led a programme linking more than 200,000 SHGs to the banking system within a three-year period in the Maharashtra province of India. He has been part of many important policy making efforts, such as an expert group on farmers' indebtedness, an expert group on reform of cooperative banking, the planning commission task force for estimation of agricultural credit flow, the technical committee on restructuring of cooperative sugar mills, and the technical group on revamp of supervision over rural financial institutions.

Mr. P Satish, Chief General Manager, NABARD

Mr. Satish is the Chief General Manager and heads the microfinance portfolio at the National Bank for Agriculture and Rural Development (NABARD). He holds an MBA from Osmania University

Ms. Padmaja Reddy, Founder and Managing Director, Spandana

Spandana was founded in 1997 by Ms. Padmaja Reddy. A chance encounter with a rag picker prompted Ms. Reddy to start microfinance in the urban slums of Guntur. Since then Spandana's microfinance programme has grown tremendously and the organisation is now one of the largest and most rapidly growing MFIs in India. Ms. Reddy is currently the Managing Director. She was instrumental in the conceptualization and implementation of the first randomized control trial of micro-credit, implemented with the Centre for Micro Finance and the Poverty Action Lab (JPAL).

Dr. Rohini Pande, Professor of Public Policy, Harvard University's Kennedy School of Government

Dr. Pande is a NBER Research Associate and serves on the board of the Bureau for Research and Economic Analysis of Development (BREAD) and the Committee on the Status of Women in the Economic Profession (CSWEP). Her research focuses on the economic analysis of the politics and consequences of different forms of redistribution, principally in developing countries. Prior to joining the Kennedy School of Government, she was an Associate Professor of Economics at Yale University. She has taught at Yale University, MIT, and Columbia. A Rhodes Scholar, she is the recipient of several National Science Foundation and other research grants. She holds a Master's degree and PhD in Economics from the London School of Economics, a Master's in Philosophy, Politics and Economics from Oxford, and a Bachelor's degree in Economics from St. Stephens College, Delhi University

Mr. Sachin Sachdeva, Head (Health Portfolio), SDTT and Founding Trustee, Aajeevika Bureau

Mr. Sachdeva has more than 20 years of work experience in the development sector. Currently, he heads the health portfolio of Sir Dorabji Tata Trust (SDTT). Prior to SDTT, Mr. Sachdeva was the Executive Director of ARAVALI (Rajasthan). During his tenure at ARAVALI, he was the key facilitator between Government and NGOs and, executed a number of development projects on various aspects including community-based microfinance. He also set-up the Centre for microfinance (CmF), Rajasthan, a resource centre that works to provide an enabling environment to community-based microfinance programme in the state by engaging government, NGOs, donor,

banks and all other stakeholders. Mr. Sachdeva is the Founding Trustee of the Aajeevika Bureau, a NGO works for migrant laborers.

Mr. Sanjay Sinha, Managing Director, Micro-Credit Ratings International Limited

Mr. Sinha is Managing Director of Micro-Credit Ratings International Limited (M-CRIL) – a company established to carry out professional assessments (ratings) of microfinance institutions (MFIs) and provide research and other services designed to promote the flow of investments into microfinance. He has 30 years of economic and development research experience in Asia. He has specialized in sub-sector analysis of activities of relevance to the livelihoods of poor people, micro-enterprise promotion, and BDS in addition to microfinance. Most recently he led the M-CRIL team that undertook the India country case study for the IAIS-CGAP project on micro-insurance regulation. M-CRIL has recently launched a pioneering effort to develop a rating system for private schools aimed at the low income market in developing countries. Mr. Sinha has an MPhil in Economics from Oxford University, UK. In 1983, he co-founded EDA Rural Systems, which is one of the premier development consulting companies in Asia. He was a UN Advisor on Inclusive Financial Sectors during the Advisors Group’s tenure, 2006-2008.

Mr. Shubhankar Sengupta, Promoter-CEO, Arohan

Mr. Sengupta is a seasoned microfinance professional and currently the managing director of Arohan, a microfinance institution based out of West Bengal. He has a PostGraduate Diploma in rural management from IRMA and a Bachelor’s degree in economics from Presidency College, Kolkata. Prior to starting Arohan, Mr. Sengupta was with BASIX, India’s leading livelihood promotion institution for eight years. Starting from a field position, he grew rapidly through the ranks to a senior management position. Mr. Sengupta’s experience encompasses financial services, livelihood interventions, and capacity building of institutions.

Dr. Smita Premchander, Founder-Director, Sampark

Dr. Premchander is the Founder-Director of Sampark, a Bangalore-based NGO. She holds a PhD from Durham University, UK, an MBA in Economics in Miranda House, University of Delhi, and a Post Graduate Diploma in business management from IIM-Ahmedabad. She specializes in rural development with focus on gender, microfinance, financial literacy, micro-enterprise, social protection, and social inclusion. She undertakes evaluations, impact assessment, project and policy advice for NGOs, government, research, donor and international agencies in India and many other countries. She is on the board of Friends of Women’s World Banking (FWWB), an Advisor to Indian School of Microfinance on Financial Literacy, on editorial committee of International Journal of Gender and Entrepreneurship, Ireland, and on the advisory committee of the national Network of Resource Organisations for microfinance. She is a resource person on two knowledge sharing communities (Microfinance and Gender) of the United National Country Team in India, the Solution Exchange.

Ms. Sucharita Mukherjee, Senior VP, IFMR Trust and CEO, IFMR Capital

Ms. Mukherjee led the origination and structuring effort in credit derivatives and structured finance for corporate at Morgan Stanley in London. Her work includes developing innovative asset-backed financing structures in such areas as intellectual property and health-care receivables. She was also part of the credit derivatives team at Deutsche Bank in London, structuring credit-derivatives-linked repackaged investments for financial institutions.

Dr. Sudha Kothari, Honorary Managing Trustee, Chaitanya

Dr. Kothari has a PhD in Sociology and is Honorary Managing Trustee of Chaitanya, an NGO that she founded in 1993 with its operational headquarters in Rajgurunagar, Pune District. She has extensive grassroots-level experience and her vision has enabled Chaitanya to reach out to more than 20,000 rural women through 1400 SHGs (Self-help Groups) in more than 200 villages in three Talukas of Pune District. A keen researcher, Dr. Kothari has published various dissertations and research papers on the empowerment of women. A recipient of several awards and citations, she is on the Executive Committee of the Yashwantrao Chavan Academy of Development Administration, Pune and on the Governing Board of Friends of Women's World Banking (FWWB) and Sa-Dhan. She is a member of the State Level Review Committee of SHG Bank Linkage Programme and is a Trustee for the MicroSave India Foundation.

Mr. Y C Nanda, Ex- Chairman, NABARD

Mr. Nanda is presently working as Non-Executive Chairman of the Agriculture Finance Corporation. In addition, he is also associated with some institutions in the sectors of microfinance, rural development, and management education. He has worked as consultant to international organizations such as the FAO, IFAD, UNOPS, and GTZ and national-level institutions like the NCAER and SRTT. The Planning commission had appointed him as Chairman of the Working Group for the formulation of the 11th plan for agriculture credit and the cooperatives. He completed his Post Graduation from the Delhi School of Economics, securing first division and the first rank in the University.

After working for a short period as a Lecturer in Shri Ram College of Commerce, Delhi and as Probationary Officer in the State Bank of India, he joined RBI as a junior officer. He was appointed as the Managing Director of NABARD and later served as the Chairman. Later, the Government of India appointed him as a full-time member of The National Commission of Farmers.

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