



TRANSFORMING LIVES

SOCIAL PERFORMANCE
REPORT 2018



SPM TRANSFORMING LIVES 2017-18

From urbanization to the creation of jobs for millions of people, the challenges we face in reducing poverty can only be solved using approaches that take both complexity and local context into account. Our approach – with its emphasis on people’s freedoms and opportunities, has inspired informed solutions and policies across our network. This Social Performance Report gives evidence of our commitment to supporting our partners in their efforts to make their products more sustainable

Despite overall progress, large pockets of poverty and exclusion persist. India, with 176 million poor people living below the \$1.90 poverty line, accounted for nearly a quarter of the global poor in 2015 as per report published by World Bank. Poverty is more entrenched and harder to root out in certain areas, particularly rural areas. There is evidence that the rate of poverty reduction has slowed between 2013-2015 showing that the road to end poverty

will be difficult. Poverty is deep rooted and multidimensional. To end poverty, we need more investment in building human capital. Promoting opportunities for women and improving access to education and health services is vital.

The social data we collect from our partners demonstrates that each of our partners have social goals aligned to sustainable development goals of United Nations. Our partners have introduced products and services aligned to their social goals.

Technology is paving the way for innovative solutions to providing services, creating value for both institutions and clients. With the competition from banks, small finance banks and other players, MFIs must now redouble efforts to distinguish themselves by focusing on client outcomes and serving as labs of innovation in product design and delivery. They will need to adopt new

innovative technology such as digital finance and financial technology, improve their governance as innovation increases the risks and continue to build social value in support of their clients.

This publication highlights our effort to bring social performance to the heart of microfinance activities, which are growing in scale and scope. As we move ahead in providing technological products and services, social performance will play an even more significant role. All efforts will need to be made in infusing client protection principles into the delivery of digital products and services. Often the most basic principles client protection can be compromised in the race for innovation and adoption of higher technology and lower touch models. Our goal is to ensure this is not the case for our partners. We will provide support to our partners to strengthen their SPM with digital finance and technology.

Below is a snapshot of the top five United Nations Sustainable Development Goals that our partners pursue through their provision of financial and non-financial services:

Partner*	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITY	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
Adhikar	Yes	Yes	–	–	Yes	–	Yes	Yes	–	–	–	–	–
Cashpor	Yes	–	Yes	Yes	Yes	Yes	–	–	–	–	–	–	–
ESAF SFB	Yes	Yes	–	Yes	Yes	–	–	Yes	–	–	–	–	–
Go Finance	Yes	–	–	–	Yes	–	–	Yes	–	Yes	–	–	Yes
Margdarshak	Yes	Yes	Yes	–	Yes	–	–	Yes	–	–	–	–	–
PRAYAS	Yes	–	Yes	Yes	–	Yes	–	–	–	–	–	–	–
NESFB	Yes	–	Yes	Yes	–	Yes	–	Yes	–	–	–	–	–
Pahal	Yes	–	–	–	Yes	–	–	–	–	–	–	–	–
Sambandh	Yes	–	–	–	Yes	Yes	Yes	Yes	–	–	–	–	–
Samhita	Yes	–	–	–	Yes	Yes	–	–	–	–	–	–	–
Satya	Yes	–	–	–	Yes	–	–	Yes	–	–	–	–	–
Shikhar	Yes	–	–	Yes	Yes	Yes	–	Yes	–	–	–	–	–

* Partner SPI4 reports

OPPORTUNITIES CREATED IN 2017-18

BUILD HEALTHY COMMUNITIES



NEED

2.3 B

people worldwide lack access to basic sanitation.

732 M

people in India without access to basic sanitation.

RESPONSE

- ❖ Training women as health leaders who teach their community basic health and hygiene practices.
- ❖ Providing access to loans for building toilets and clean water supply.
- ❖ Providing access to health services through Mini Health Clinics

OUTCOMES

4,236

health leaders trained

5.3 M

people reached

65,157

clients benefitted from Cashpor Mini Health Clinics

ACCESS TO EDUCATION



NEED

120 M

children worldwide of primary school age do not reach Grade 4.

31 M

children in India of primary school going age are illiterate.

RESPONSE

- ❖ Providing school fee loans to parents for children to attend school.
- ❖ Providing remedial Education through Cashpor
- ❖ Providing Vocational Training, giving salaried job opportunities to clients' children

OUTCOMES

33,439

education loans disbursed by 8 of our partners

17,249

children receiving remedial education through Cashpor's Education Center

661

candidates enrolled for vocational training

ACCESS TO SUSTAINABLE CLEAN ENERGY



NEED

1 B

people worldwide do not have access to electricity.

RESPONSE

- ❖ Providing Clean Energy loans available through four of our partners
- ❖ Conducting carbon audits through our partners

OUTCOMES

2,53,708

clean energy loans disbursed

3,45,731

tonnes of carbon have been replaced by our partner ESAF SFB

ENHANCE IMPACT



NEED

736 M

people worldwide live on less than \$ 1.90 per day of which 224 M live in India.

RESPONSE

- ❖ Our partners target the poor, excluded and disadvantaged, working in the poorest states and districts in India

OUTCOMES

4.1 M

individuals using microloans provided as funding support from Dia Vikas



Manda, ESAF client

THE NEED: ARE WE REACHING THE PEOPLE IN POVERTY?

Who do we reach?

At Dia Vikas, our mission is to provide opportunities for people living in poverty, helping them transform their lives. We achieve this by providing financial and technical support to our partners, who operate:

- ❖ In the poorest, largely underserved, mostly rural regions of India, serving a market that exhibits a gap.
- ❖ Our partners use innovation and partnerships to be compliant with strict regulations on product provision in microfinance while providing both financial and non-financial services aiming to serve the needs of the clients driven by their mission and vision by

using learnings about the factors causing poverty – and providing innovative products and services to holistically meet their needs.

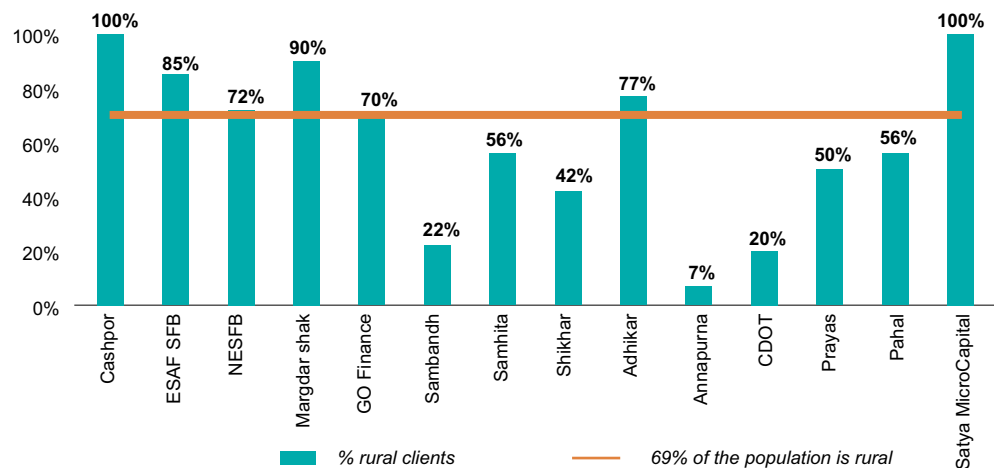
- ❖ Incorporating to technology to provide these services efficiently, reducing the turnaround time and improving the overall experience of the client with our partner MFI, with our partners moving towards cashless disbursements and repayments.

Across our portfolio, 99.9% of our clients are women; over 83% live in rural areas; 76% belong to scheduled caste, scheduled tribe and other backward classes and 23.1% are illiterate.



Geeta

Percentage of rural clients as of 31 March 2018



WHAT HAVE WE LEARNED?

Four out of five of our clients live in rural areas. The result shows successful targeting by our partners in reaching the rural population.

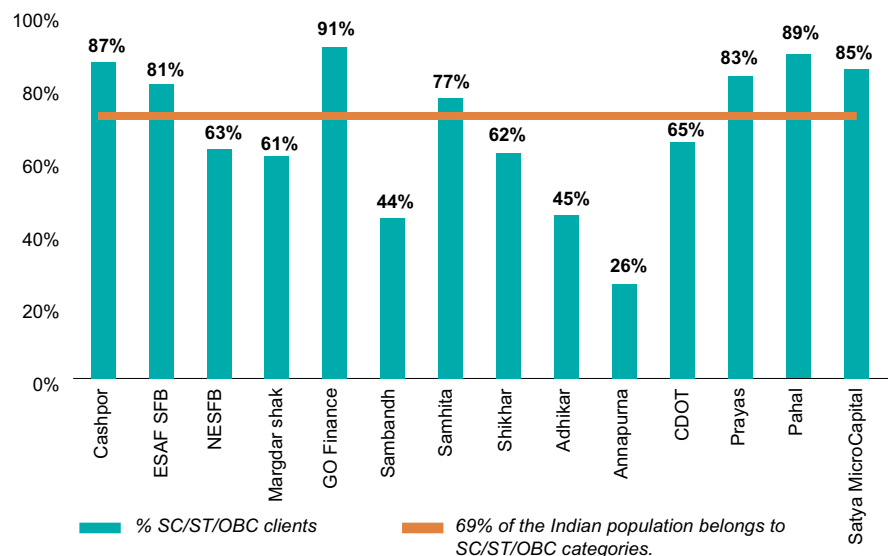
WHY DOES THIS MATTER?

69% of the population of India is rural.³ It is well known that the rural population typically encounters greater constraints in financial inclusion. There is a large variation in the rural outreach of the partners due to differences in the geographical distribution of rural population. In India, over 363 million people are living below the National Poverty Line (Rangarajan methodology), of which around 72% are living in rural areas.

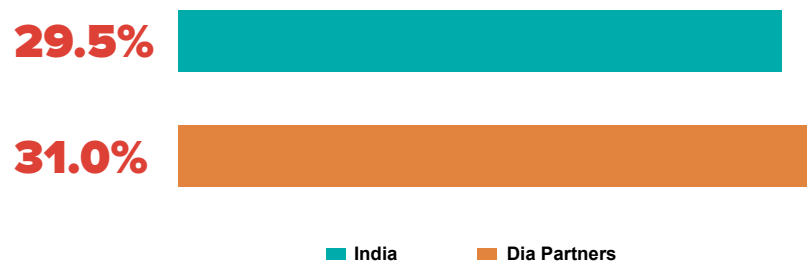
³ Census 2011

Who do we reach?

Percentage SC/ST/OBC clients as on 31 March 2018



Percentage of clients living below National Rangarajan poverty line



WHAT HAVE WE LEARNED?

Three out of four of our clients belong to scheduled caste (SC), scheduled tribe (ST) and other backward classes (OBC).

WHY DOES THIS MATTER?

These groups account for 69% of the population of India⁴ with 19.7% of the population belonging to scheduled caste, 8.5% belonging to scheduled tribes and 41.1% belonging to other backward classes. As per the Planning Commission report on poverty based on 2011 data, 43% of ST, 29.4% of SC and 20.7% of OBC fall below the Tendulkar poverty line. Only 12.5% of people belonging to forwards castes live below the national poverty line.

Some differences in targeting the marginalised clients can also be attributed to differences in the population in the different geographical regions. Most of our partners are targeting clients at the bottom of the pyramid and define their target clients as excluded, poor and disadvantaged, making it useful to see their performance in this area.

WHAT HAVE WE LEARNED?

Approximately 31% of our clients are living below the National Rangarajan poverty line which is higher than the national average. Differences in outreach to low income clients among our partners reflect both the extent to which the partners are targeting poorer clients and differences between population poverty levels in the states where our partners work.

WHY DOES THIS MATTER?

Dia Vikas' partners are focused on the seven low income states (as noted on Page 9), increasing outreach to those living below the poverty line.

Five of our partners are reporting data based on the poverty probability index (based on the most recent 2011 PPP lines). Other partners are also migrating to the new PPI in the coming financial year.

The PPI is used to measure poverty outreach, improve the performance of intervention among the poor and the poorest and track poverty levels over time.

Besides the Poverty Probability Index, our partner Cashpor is also using the Cashpor Housing Index to determine the level of living of its clients.

4 Census 2011

UNDERSTANDING OUR CLIENTS

Being poor is not defined just by lack of income. Other aspects of life are critical for well-being, including education, access to basic utilities, healthcare and security. Increased income alone is not always sufficient to guarantee access to these other basic human needs.

Sanitation

WHAT HAVE WE LEARNED?

One in three of our clients do not have access to sanitation facilities.

WHY DOES THIS MATTER?⁵

Globally 2.3 billion people – almost one in three – live without access to basic sanitation service. Almost 892 million people practice open defecation. Today, only 68% of the world's population has access to basic sanitation, and only 39% of the people have access to safely managed sanitation (which includes containment through safe collection, treatment and end use/disposal).

A lack of decent toilets and clean water causes diarrhoeal diseases that, on average, claim the lives of 800 children in the world everyday – one every two minutes. Female biological needs make a lack of toilets particularly harmful for women and girls. Girls who don't have decent toilets at school or near home have to defecate in the open or use unsafe, unhygienic toilets; often shared with boys. Aside from the health risks, this is uncomfortable, embarrassing and puts them at risk of verbal and even physical abuse. One in three women around the world do not have access to decent toilet of their own. The health impacts of poor sanitation trap people in poverty and make it difficult to get an education or to work to support their families.

India, the world's second largest country by population, has 732 million people (56% of the Indian population) who lack access to basic sanitation, 355 million of which are women. Around 522 million i.e (39.8%) practise open defecation.

But this is changing. There has undoubtedly been immense progress made in improving access to sanitation by working with the Swachh Bharat (Clean India) Mission – with 52 million household toilets built between October 2014 and November 2017, according to Government data. India also ranks in the top ten countries for reducing open defecation and improving access to basic sanitation.

To address health and safety issues associated with open defecation, our partners provide sanitation loans to help clients with construction of sanitation facilities.

SATYA MICROCAPITAL

87,976
loan clients

SHIKHAR

42,149
loan clients

CASHPOR

8,72,770
loan clients

PRAYAS

26,187
loan clients

PAHAL

1,20,761
loan clients

SAMHITA

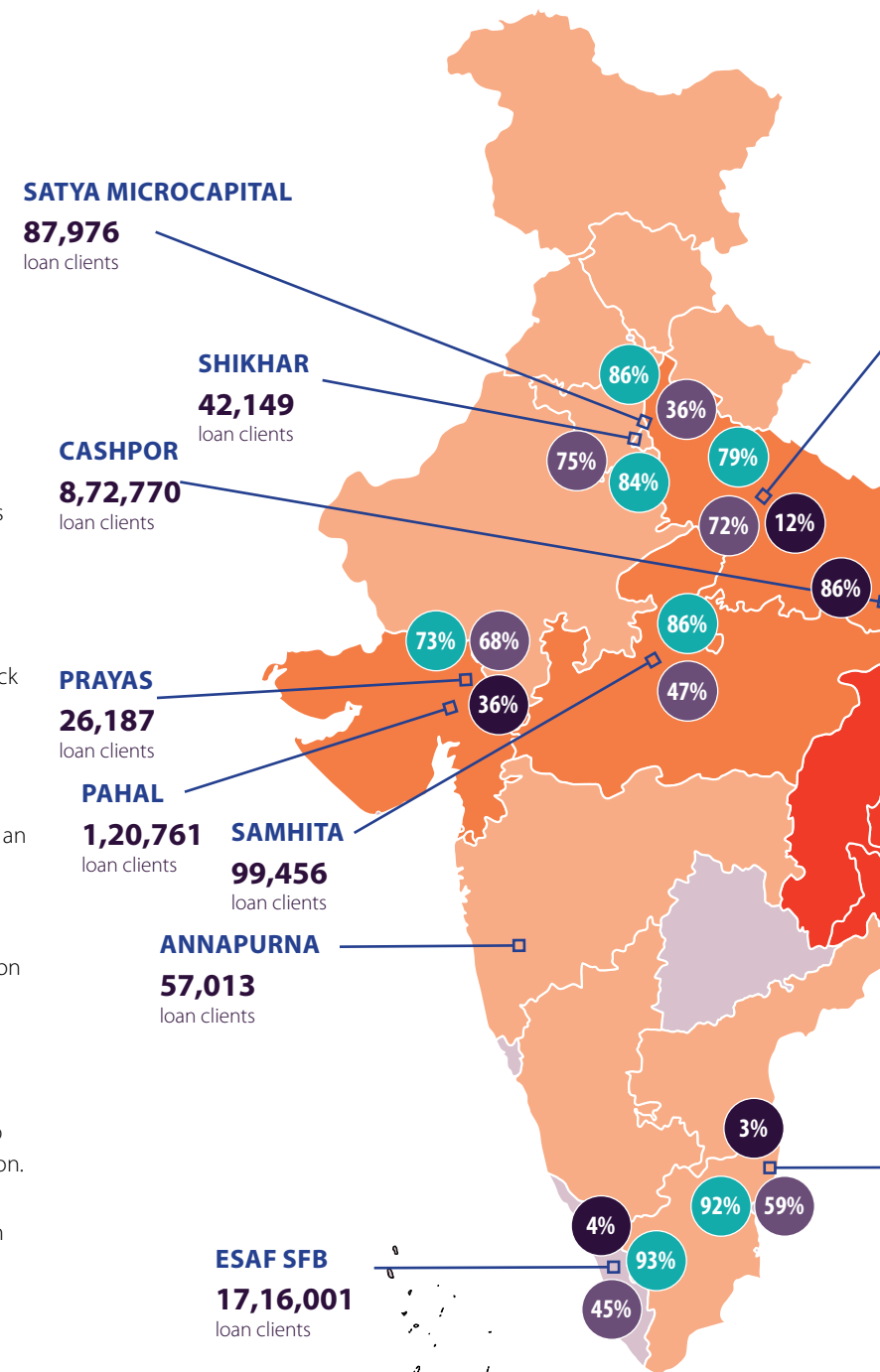
99,456
loan clients

ANNAPURNA

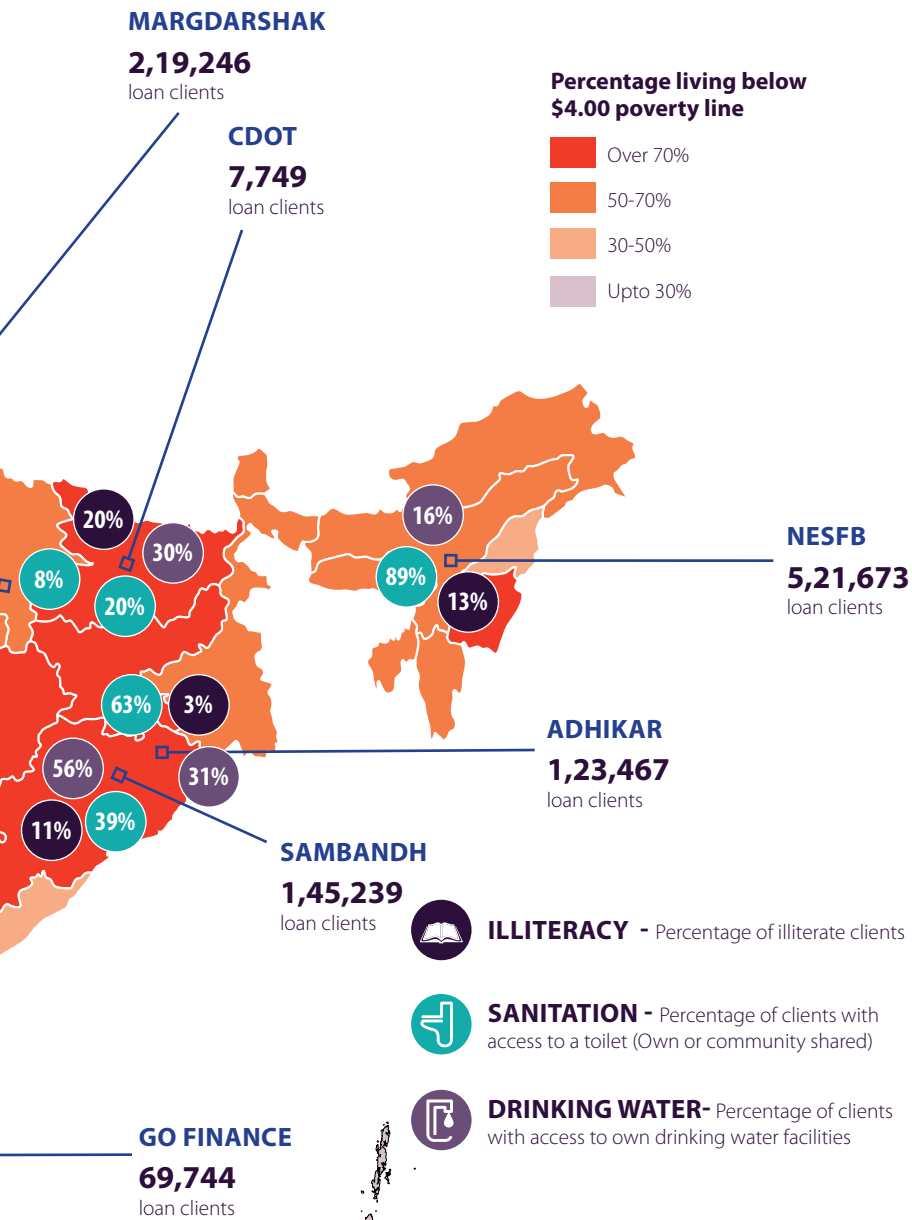
57,013
loan clients

ESAF SFB

17,16,001
loan clients



⁵ Out of Order, The State of World's Toilets 2017, Wateraid



Drinking Water

WHAT HAVE WE LEARNED?

Two in five of our clients do not have access to their own drinking water facilities.

WHY DOES THIS MATTER?

89% of the global population (6.5 billion people) have access to an improved water source within 30 minutes' round trip to collect water. Around 844 million people worldwide lack this access to basic drinking water, and 263 million people spend over 30 minutes per round trip to collect water from an improved source.⁶ In India, 88% of the population have access to basic water services, 96% in urban areas and 85% in rural. A total of 163 million people lack access to safe water in India.⁷

While the health hazards of poor-quality water are readily apparent, the time spent by on water collection by women can also be a severe hardship as it takes away the hours that could be used for productive activities like work or school. Over 60,700 children under 5 years die every year due to diarrhoeal diseases caused by poor sanitation among children aged under 5 years.⁸

To address the health and safety risks associated with drinking water unfit for consumption, our partners provide water loans to their clients.

Education

WHAT HAVE WE LEARNED?

One in five of our clients are illiterate. A large percentage of these clients belong to our partner Cashpor, with operations in some of the poorest states – Uttar Pradesh, Bihar, Jharkhand, Chhatisgarh and Madhya Pradesh.

WHY DOES THIS MATTER?

When a large part of the population is illiterate, it hinders the economic and social development of the country. The lack of adequate education is largely responsible for the cycle, causing uneducated families to pass poverty on to the next generation.

The adult literacy rate in India is 69.3% with the female adult literacy rate at 59.3%⁹ far below; the global adult literacy rate of 86% in 2016. As per UNESCO's report, 750 million adults, two thirds of whom are women, still lack basic reading and writing skills. Of this around 36% or 283 million adults reside in India. Data also suggests that the higher the level of education of the head of the household, the lower is the chance of the family living in poverty. According to 2011-12 data, approximately 33.5% of the illiterate population is living below the Tendulkar poverty line in India. This compares to 2.8% of the population having completed higher education living below the Tendulkar poverty line.¹⁰

6 Progress on Drinking Water, Sanitation and Hygiene- 2017; WHO Unicef JMP

7 Water.org

8 Washwatch.org

9 Census, 2011

10 Poverty by Social, Religious and Economic groups in India and its Largest States 1993-2011-12, Arvind Panagariya

HOW ARE WE HELPING?

The microfinance industry in India has seen poor people's needs for financial services simply as "credit for enterprise" only. But our partners, having a social mission and vision, offer more than just financial products to cater to the needs of their target clients, which are mostly people at the bottom of the pyramid. Our partners understand that poor people also need access to lump sums of money to send their children to school, to buy medicine, to respond to shocks and emergencies that beset their households, for social and religious festivals, and to save up for old age. Thus it is increasingly clear that poor people need a range of "financial services" – not just the traditional mono-product working capital loan. The typical 12-month working capital loan, repayable in equal, immutable, weekly instalments, does not adequately reflect the changing realities of poor households, whose income and expenditure flows can change significantly according to the season, the advent of festivals or with shocks to the household economy. Many of our partners are launching innovative microfinance products that combine flexibility features with financial discipline.



SAVINGS: Saving helps families build resilience and plan for the future, enables them to take advantage of profitable investment opportunities, and allows them to smooth consumption when income is unpredictable to insure against emergencies. Two of our partners, ESAF SFB and NESFB, offer savings products to their clients directly. As at 31 March 2018, both SFBs have opened 2.4 million savings accounts and garnered deposits of ₹33,093 million.

Four of our partners provide savings product to their clients through the business correspondent model. Under the business correspondent model, the MFIs open savings accounts with commercial banks on behalf of the clients. As a result, clients are able to access a secure interest bearing savings account. As at 31 March 2018, 4.7 million clients are able to access a secure interest – bearing saving account with the commercial banks.



INSURANCE: Clients identify some of the most common causes of declines in their well-being as the death, injury or illness of an income earner, natural disasters, and theft. Micro insurance provides them with protection against these risks at a cost lower than self-insuring through savings. All our partners provide credit-life insurance to their clients. The SFBs are now also offering insurance cover with savings products as well. As at 31 March 2018, 6.3 million clients were provided life insurance cover.



PENSIONS: Pensions help people living in poverty to support themselves financially and live with dignity in the later years of their life. Dia Vikas partners have been offering a micro pension product since 2010 through the government of India's NPS Lite Pension Scheme. Currently, three of our partners are offering the product – the MFIs collect the payments from clients and put their deposits into the government approved pension fund. As at 31 March 2018, 6,10,067 clients were enrolled under the scheme.



WATER AND SANITATION LOANS: Lack of access to clean water and sanitation facilities create significant costs in terms of illness, lost time and productivity. Access to improved water and sanitation brings dignity, safety and privacy to households, especially for women, children and elderly. Eight of our partners are providing loans for building of water and sanitation infrastructure in homes and communities. These loans fund the construction of toilets, household water connections, water purifiers, water tanks, water pumps and toilet repair. As at 31 March 2018, our partners had 61,719 water and sanitation loans outstanding.



HOME IMPROVEMENT LOANS: Housing demand among low income groups are influenced by various complex factors such as current housing condition, rising

income level, purpose of housing, available housing credit family structure etc. Housing is one of the most significant expenses for the family on account of high land prices, complicated and completely absent land titling processes, costly building materials and low savings. It provides safety against natural calamities and protects them from adverse weather conditions. It is also a social need to have a decent home to earn respect within the community. The home improvement loans offered by ten of our partners are designed for those households without access to formal mortgage loans and who wish to expand or improve their dwellings, or to build a home in incremental steps, relying on sequential small loans. As on 31 March 2018, our partners disbursed a total of 20,327 home improvement loans.



ENERGY EFFICIENCY INITIATIVES: A large section of the population does not have access to electricity and clean cooking options. To provide access to sources affordable, reliable, safe and environmentally safe energy sources for lighting and cooking purposes, four of our partners offer loans to finance solar lights, LPG connections and biogas stoves. As at 31 March 2018, our partners had disbursed a total of 2,53,708 energy loans.



HEALTH TRAINING: Our partner Cashpor has recognised that a large proportion of its clients suffer from poor health practises and health

outcomes, caused by lack of awareness and understanding of basic and lifesaving health knowledge. Through partnership with Healing Fields Foundation, 4,236 local women have been trained as health leaders. After six months of training, the women go on to deliver health advice to over 200 families each and have reached 5.3 million as of June 2018. Cashpor also assists sick clients through Cashpor Mini Health Clinics with support of qualified registered medical practitioners so that they can remain healthy and can minimise their expenditure on health.



EDUCATION LOANS: The need for capital to finance their children's education is one of the most essential struggles clients face to break the inter generational cycle of poverty. Families are provided loans to finance the school fees of their children and also to meet their direct costs such as purchase of books, stationery etc. As at 31 March 2018, a total of 33,439 have been disbursed by our eight of our partners.



EDUCATION FUND: Our partner NESFB has also launched the children's education fund, a savings product helping parents meet future expenses incurred by clients on the education of their children.

The product offers a guaranteed interest rate and flexibility in the amount and number of installments, instant loans can also be taken for meeting short term financial needs.



WOMEN EMPOWERMENT SERVICES: One of our partners, Samhita, conducts a Legal Rights Awareness Program (LRAP) for women. This awareness-generating program covers the concepts of gender, patriarchy, legal protection under Pre-Conception and Pre-Natal Diagnostics Techniques Act (PCPNDT), Protection of Women Against Domestic Violence Act (PWDVA), and Sexual Harassment At Work Place (SHWP). The program also includes member visits to local agencies (WCD, Women's police

station, Shelter Home etc) that work in this area to acquaint them with the services provided. As of 31 March 2018, 45,105 members were covered under the LRAP program.



FINANCIAL LITERACY TRAININGS: Financial education is necessary to provide people with the tools to make informed financial decisions and prevent them from falling prey to financial frauds.

This training can help customers understand the importance of savings, or how to compare interest rates and terms between two financial institutions. Courses cover a range of topics, including understanding financial services at the enterprise level by educating individuals about maintaining accounting records for their small businesses. During the 2018 Financial Year, a total of 1.1 million members have benefitted from the financial literacy training conducted by nine of our partners.

PRODUCTS AND SERVICES (As at March 31, 2018)

Partners	Loan clients	Savings accounts	Pension accounts	Insurance holders	Income generating loan	Sanitation loan	Water loan	Education loan	Agriculture loan	Energy loan	Home Improvement Loans	Financial literacy training	Health training
Adhikar	1,23,467	-	-	2,46,934	√	√	√	√	-	√	√	√	-
Annapurna	57,013	92,870	-	2,56,880	√	-	-	√	-	-	√	√	-
Cashpor	8,72,770	3,56,376	1,83,637	16,58,263	√	√	√	-	√	√	-	√	√
CDOT	7,749	42,42,658	-	15,498	√	√	-	-	-	-	-	-	-
ESAF SFB	17,16,001	24,28,780	4,02,079	16,98,059	√	√	√	√	-	√	√	√	√
GO Finance	69,744	-	-	1,39,488	√	-	-	√	-	-	√	√	-
Margdarshak	2,19,246	8,705	-	4,38,492	√	-	-	-	-	-	√	√	-
NESFB	5,21,673	10,501	-	9,07,862	√	√	√	√	-	-	-	√	√
Pahal	1,20,761	-	-	2,41,522	√	-	-	√	-	-	√	-	-
Prayas	26,187	-	-	26,187	√	√	-	√	√	-	√	-	-
Sambandh	1,45,239	-	-	2,90,478	√	√	-	-	-	√	√	√	√
Samhita	99,456	-	24,351	1,61,945	√	-	-	√	√	-	√	√	-
Satya MicroCapital	87,976	-	-	1,75,952	√	-	-	-	-	-	-	-	-
Shikhar	42,149	-	-	84,298	√	-	√	-	-	-	√	-	-
	41,09,431	71,39,890	6,10,067	63,41,858	36,34,850	59,793	1,926	33,439	5,57,976	2,53,708	20,327	11,10,293	2,86,762
Overall percentage change as compared to 2017	29%	55%		37%									

BUILDING NEW RELATIONSHIPS



Pahal Financial Services Private Limited



Vision

- To reach micro finance services to 500,000 clients at competitive rates.
- To achieve internationally acceptable returns of investments to attract mainstream capital in the services of the segment at the bottom of the pyramid.

Mission

We endeavour to provide sustainable services for financial inclusion in rural and urban areas with proficiency, at an affordable price while maintaining dignity, honor and transparency with all our customers.

Pahal Financial Services Private Limited (Pahal) is an Ahmedabad based NBFC- MFI and has completed seven years of operation in microfinance activities. Pahal is dedicated to providing sustainable financial services for rural, urban, and semi urban clients.

Pahal has adopted the Joint Liability Group method for its microfinance operations and is largely investing in technology. Most of the disbursements are made in cashless form by direct transfer to clients' bank account. Pahal uses BR.NET as its core banking software.

Designing products and services to meet client needs

Pahal has a wide range of financial products which are designed to suit the needs of their clients, which are primarily women.



GROUP LOAN

Joint Liability Group Loans are given to individuals in a group of 4-7 women.



INDIVIDUAL LOAN

Individual loans are given to customers with a proven credit history.



CATTLE LOANS

Cattle loans are given to our existing customers as well as in the open Market, based on proven credit check process.



TWO WHEELER LOAN

Loans are given to existing or new customers to support the purchase of a 2 wheeler.



HOSPI-CASH LOAN

The hospi-cash loan is a unique product that covers the wellness of their clients when their health doesn't permit them to provide for basic medical expenses

1,20,761 clients

₹2,230 M portfolio

4 states

69 branches



CASE STUDY: Hansaben Budhabhai Prjapati lives in a humble house in the Ahmedabad city in Gujarat with her husband, a son and a daughter. In March 2010, she took her first loan of ₹5,000 from Pahal when she was running a humble business of a telephone booth. She graduated to a ₹25,000 loan in three loan cycles. With these loans, she bought a sewing machine and also ventured into cutlery business. As a result, her monthly income doubled.

In February 2016 she qualified for an individual loan of ₹1,50,000. Hansaben then invested half the borrowed amount in her cutlery business and bought three lathe machines for her husband (who is skilled operator of lathe machine) and started work for the company. This

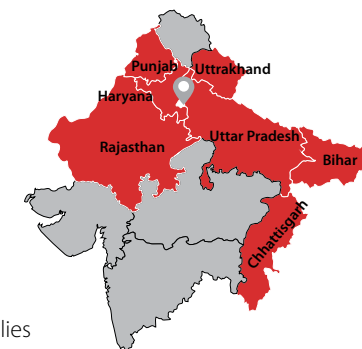
resulted in their family income going up by another ₹15,000 to ₹20,000 per month.

Again due to her excellent track record with Pahal, Hansaben became eligible for an individual loan of ₹200,000 in 2018. She utilised a part of the borrowed amount in buying more lathe machines and the remaining amount in her cutlery business. With her increased earnings she was also able to renovate her house and provide good education to her children. Overall, the family benefited not only in establishing their business but in growing socially in last 9 years. Her aspiration is to purchase two more adjacent shops and make her shop a big grocery hub, while continuing to support her husband in expanding his existing business.



Satya Microcapital Limited

Satya, based in New Delhi, is a new generation MFI which started working in October 2016.



Vision

Be a catalyst for the socio-economic upliftment of 5 million households by year 2025.

Mission

Be a preferred choice for the people at bottom of pyramid in creation of their enterprise and livelihood through holistic approach.

Designing Products and Services suited to the needs of the client

Satya's group loan has a unique feature: a festival holiday period for its customers. Customers usually find it difficult to meet their repayments in festival periods due to other expenses being incurred in celebrations and festivities such as buying gifts for their families and close relatives, decorating their houses and buying sweets and savouries for their families. This initiative to introduce holiday period for four Indian festivals was a welcome step for both the clients and employees alike.

 <p>LIMITED LIABILITY GROUP LOANS ₹25,000 to ₹35,000; 2 year Tenure, Bi Weekly Repayments</p>	 <p>INDIVIDUAL MICRO LOANS ₹50,000 to ₹1 Lakh; 3 year Tenure, Monthly Repayments</p>	 <p>CONSUMER DURABLE LOANS ₹5000 to ₹15,000; <1 year Tenure, Bi-weekly Repayments</p>	 <p>LIMITED LIABILITY GROUP LOANS 25,000 to 35,000; 2 year Tenure, Bi Weekly Repayments</p>
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87,976 clients
₹2,188 M portfolio
7 states
42 branches

Using Technology to enhance efficiency

Satya has achieved 100% cashless disbursement to clients and 35% cashless collection in 2017-18. In moving towards cashless collections, they have implemented Aadhaar Enabled Payment System (AEPS). Under the system, a field staff member enters the Aadhaar number of the client, authenticates and enters the amount collected. Based on biometric verification, the bank account of clients is debited and the funds are received from the client into Satya's bank account.

Women Empowerment

Satya has pioneered a complete Women Zone in Eastern Uttar Pradesh by opening 8 branches where all the employees, from branch to zonal business team, are females. These women are the catalyst for socio-economic upliftment of poor and vulnerable women's households.



CASE STUDY: Seema Devi is 36 years old and lives with her husband, who is bedridden, and three children, a daughter and two sons. Seema operates a salon and a general store with the help of a loan of ₹30,000 from Satya in her home town of Behrod, in the north of the country.

With these businesses, she is able to live a quality life and educate her children. As her income grew further, she decided to expand her business. Through her hard work, savings, and loans, she was able to accomplish this expansion. Her daily

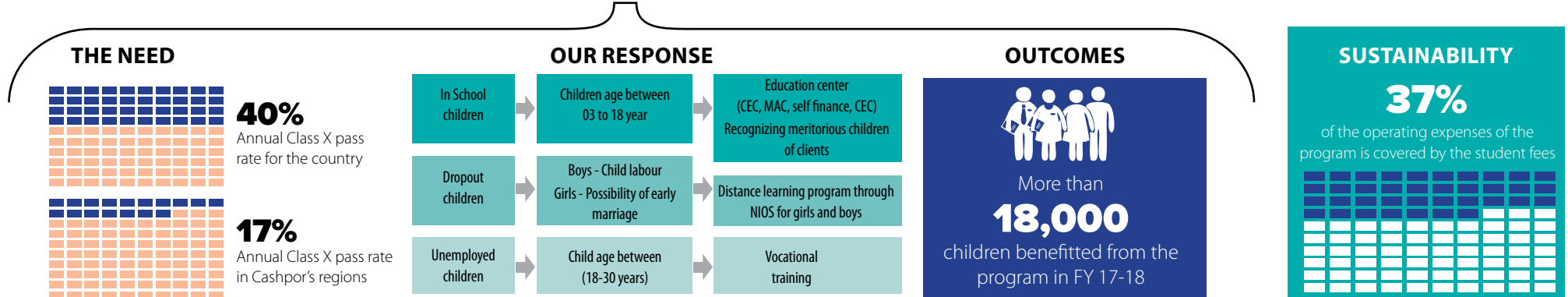
income is close to 1,000-1,500 INR & she is able to buy new lifestyle commodities and save money for her family. They are now able to afford more nutritious food and private school education for their children. Moreover, she has generated employment for 4-5 locals to support her in sales and delivery.

Seema will use further loans as well as profits from her business to invest in technology. This will help her further expand her business, as well as create more jobs in her village, particularly for women.

INCREASING ACCESS TO EDUCATION

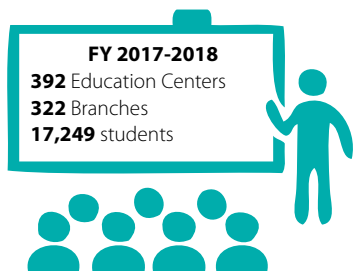
CASHPOR'S EDUCATION SERVICES

"Our mission is to identify and motivate BPL women in rural areas of eastern Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand and Bihar, and to deliver financial and other vital Health and Education services to them in an honest, timely and efficient manner, so that our Vision is realized, and CASHPOR itself remains a financially sustainable microfinance institution for the poor."



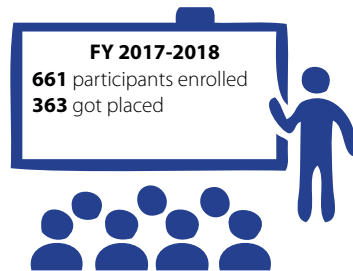
CASHPOR EDUCATION CENTER

In these education centers, the children of clients receive remedial education before and after regular school, by teachers trained, provided with teaching material and monitored by PRATHAM, the well-respected Indian Education NGO. Parents pay small fees to cover a third of the cost, Cashpor supplies another third from its annual surplus, and Cashpor's BC Banks provide the final third from their CSR funds.



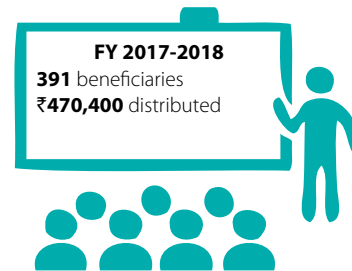
VOCATIONAL TRAINING

To provide a salaried job opportunity to client's children, Cashpor facilitates different vocational courses in association with PRATHAM (PACE) Academy and ICICI (Gift a Livelihood) Skill Academy, where they are trained in trades like hospitality or electrical course.



SCHOLARSHIP

Under this program clients' children are awarded scholarship to help them of purchase books, stationery and other essential education material.



HONOURING MERITORIOUS CHILDREN OF CLIENTS

This program encourages talented and diligent students and incentivises high performance in their academic studies. Under this program, Cashpor honours clients' children who score 80% or above in their 10th or 12th Board Examination.

The students are honoured during the Cashpor clients Centre Meetings, where they are awarded prize money, an appreciation certificate signed by the Managing Director, and an academic book.



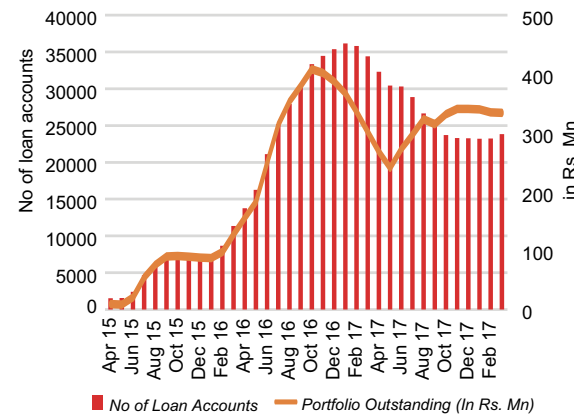
EDUFINANCE PRODUCTS OF PARTNERS

Access to affordable schooling is more limited in developing countries, which account for the vast majority of the 265 million children currently out of school globally. The number of years of schooling that a child of school entrance age can expect to receive can vary from 16.3 years and above, defined as 'very high human development' by the UNESCO Institute of Statistics, to 9 years and below, considered 'low human development'. In addition to discrepancies in the number of years of schooling, the quality of education provided in developing countries is typically lower, further reducing opportunities for those living in poverty. The World Bank calculates a 'learning adjusted years of school' by country to account for variations in quality of education between countries.

In India, children can expect to receive 10.2 years of schooling on average. However, after adjusting for quality of education, this equates to just 5.8 learning adjusted years of schooling. This shows the enormous potential welfare and development benefits from providing quality education services and edufinance products in India.

Eight of our partners are providing school fee loans to their clients to cover the direct and indirect cost of education. Our partner ESAF SFB provides Vidya Jyoti loan to its existing clients who have relationship with ESAF SFB of at least six months. The ticket size of the loan ranges from ₹5,000 - ₹50,000 and the tenure of the loan is from 6 months to 24 months.

Growth of Edufinance loan- ESAF SFB



CASE STUDY: VIDYA JYOTHI LOAN CASE STUDY- MINI THOMAS, THRISSUR



Mini Thomas lives in Thrissur district of Kerala with her husband and two sons. She is associated with ESAF for the past 12 Years. They have a small house which they have inherited from their parents. In spite of the challenges that they face, she wanted to ensure that her children receive good education. Her elder son, Manu wanted to pursue his studies for the Lift Technician course at NIFE in Thrissur. To realise her son's dream she availed ₹40,000 under Vidya

Jyothi Loan Scheme. The remaining expenses were met out of her savings and help from friends and relatives. "Our dream of sending for higher studies would not have become possible without the financial aid provided by ESAF SFB. It was a timely help from ESAF SFB" she thanked. She proudly said that her son soon will be placed in a private company and will earn ₹10,000 monthly for the family. After years of experience he can go abroad and make their lives better.



CASE STUDY: Archana Verma, daughter of Cashpor client Ms. Malti Devi is a 17 year-old girl from village Jagdishpur in Mirzapur district of Uttar Pradesh. She successfully completed her high school with a good percentage with remedial classes from Cashpor Education Center (CEC). Her family income is barely sufficient to meet the needs of six people, including her three younger sisters. But, Archana's zeal towards education motivated her to pursue her goal of getting good education.

Archana learnt about CEC from Cashpor staff and immediately decided to join the support classes. She was not only happy with quality of education provided but also with the cost incurred, which at ₹75 was cheaper than the ₹250 that she incurred earlier in a nearby coaching center. With the help of her tuition classes in CEC she was able to score 72% marks. Now, she looks forward to better career opportunities that

can provide her a good salaried job so that she can support her parents.

INTERVIEW OF THE MOTHER:

Q: What are the problems you have faced in providing good education to your children?

Reply: As you know we are very poor and we earn daily wages. From these small earnings we try our best to give quality education to our children so that they don't fall back into the vicious circle of poverty. To provide them quality education we have to send them to schools further away from their home to more expensive schools which was difficult for us to bear.

BUILDING HEALTH KNOWLEDGE AND WELL BEING

CASHPOR HEALTH SERVICES AND HEALTH AWARENESS PROGRAMS

Building Health Knowledge – Community Health Facilitators

Approximately 70% of common illnesses in developing countries are preventable — lack of access to health services and knowledge mean many preventable illnesses continue to prevail. Open defecation is common in India, leading to pollution and the spread of diseases meaning preventable diseases such as diarrhoea can be deadly. Over the last five years, Opportunity's partnership with Healing Fields Foundation has trained health leaders to deliver education within their communities.

4,236

health leaders have been trained as Community Health Facilitators

5.3 M

people reached

Health Livelihoods

215 health leaders are completing further training to become Community Health Entrepreneurs. The health entrepreneur pilot aims to equip health leaders with high-demand but hard to access health products – including sanitary napkins, hand wash, dishwashing liquid and toilet cleaner. The health leaders are then provided with a stock of these products to sell in the communities they serve.

Basic Care Providers are health leaders trained in first-response emergency care. Their training was completed using a curriculum designed in collaboration with Stanford University.

53

health leaders actively assisting families in their community

1,530

people consulted a Basic Care Provider, who can use her tablet application to access remote medical care, including prescription of basic medicines.

Access to Health Services- Mini Health Clinics

The clients spent a major portion of their savings on treatment of illness. Recognising their clients' heavy expenditure on treatment of their families, by the clients, Cashpor is now providing health checkup / treatment facilities in remote areas. Specialist doctors on rotational basis provide medical cover to sick clients and their families on regular basis.

81

mini health Clinics spread in five states

65,157

clients

17%

of clients had made use of Cashpor's Mini Health Clinics



CASE STUDY: COMMUNITY HEALTH FACILITATOR

Sashikala, lives with her husband, three daughters and son in a small village in Uttar Pradesh. She has been married since 1996 and their primary occupation is agriculture. She has been associated with Cashpor for the past eight years.

In her community, there has been very little planning around sanitation and drinking water facilities, as a result of which there were many water-related illnesses, diarrhoea, typhoid etc. She saw people dying of these illnesses which motivated her to do something for her village, particularly with regard to open defecation. She signed up for Cashpor's health training program for women where she learned different health modules as a part of the training. She is now able to pass on the knowledge to her

children and women in her neighbourhood as a result of her training as a Community Health Facilitator (CHF). She sells pads to women and young girls along with teaching them hygiene practises related to using of sanitary pads.

Concerned about her family's health, she decided to construct a toilet in her house and used her own bricks and personal savings of ₹10,000 to construct the toilet. She is happy that that her family is now using their own toilet and they do not have to face the difficulties related to defecating in the open, especially in the rainy season. She has also facilitated the construction of four toilets in the region, where she says convenience is the main selling point for these families. She aspires to bring around more positive changes in the community with improved health and hygiene practises, including proper drainage.

ESAF SMALL FINANCE BANK'S HEALTH AWARENESS PROGRAM

AROGYA MITRA

More than 80% of the customers of ESAF Small Finance Bank live in rural areas and do not possess enough knowledge on the prevention of illnesses making them vulnerable to various diseases. ESAF SFB has always focused on the holistic progress of its female associates and their families. To facilitate holistic health, ESAF SFB launched the Community Health Project - AROGYMITRA in the year 2015-16 in Kerala. As non-communicable diseases are the major concern of the health scenario of the State, the first phase focused on awareness sessions and health camps to identify the symptoms of diabetes and hypertension. The activities were led by ESAF SFB self help groups by community volunteers (Arogymitras). As the project was found to be very effective, the decision was taken to introduce the project to the Northern states of India, where ESAF SFB has a presence.

The second phase of Arogymitra was launched on 1st June 2018. The project activities are implemented locally by a dedicated Community Health Worker who functions under the guidance of a team comprising the Project Manager (based in Kerala), Mentors (3

ESAF SFB Staff based in Nagpur) and the Bank branch staff.

This project is implemented in Umred in Maharashtra, Shahpur in Madhya Pradesh, Pakur in Jharkhand and Mungeli in Chattisgarh where **5,000 low income customers** have been reached.

The project begins with selection of Arogymitras from interested community women. Out of the four arogymitras selected, three of them must have formal training in Health Care and one is a graduate in science.. One Arogymitra will cover minimum of 1,000 beneficiaries conducting regular health education sessions in SHG meetings with Information, Education and Communication (IEC) materials procured from a reputed organisation in health education. Apart from this other activity are also there in the one-year programme plan.

Future Plans:

- ❖ Continuing Health awareness sessions
- ❖ Anaemia Camp
- ❖ Demonstration of Iron rich food
- ❖ Village level Health exhibition, Inter SHG competitions



Arogya Mitra- Sheetal Bala (Left) with an ESAF SFB client who availed a WATSAN loan on Sheetal's advice and used it to construct a toilet.

BUILDING FINANCIAL AWARENESS FOR FUTURE FINANCIAL FREEDOM

BALA JYOTI: A FINANCIAL INCLUSION PROGRAM FOR SCHOOL CHILDREN LAUNCHED BY ESAF SFB

Introduction

A study done by SPM department of ESAF Small Finance Bank among 100 school children (50% urban and 50% rural schools) aged 13 to 15 years revealed that out of 63% children who had an account with the bank only 30% boys had active transactions, while only 10% girls had active accounts. These accounts were managed by their parents and the children had never had any training on money management, safe banking or safe financial practises. Financial education is not included in the school curriculum.

Small Finance Bank facilitated ESAF BALA JYOTI 2017 as part of the Global Financial Inclusion Week (30th Oct 2017 to 3rd Nov 2017) and Children's Day. The campaign ran for over a fortnight.

ESAF SFB conducted a financial literacy lecture for the school children in rural and remote parts of the country. The session, titled 'Money, Me and Bank' ran at select schools across seven states in India.



Rationale

With the objective of actively involving children in the financial inclusion landscape, the Sustainable Banking department of ESAF



8,500
children attended the financial education lecture



96
teachers and parents attended the lecture



315
bank accounts were opened for children



SAMBANDH FINANCIAL LITERACY TRAINING

Suboti Kerketta, a 35-year-old woman, has been a client of Sambandh since 2016. She is unmarried and lives with her mother, a younger sister and a younger brother, shouldering the responsibilities of the house after losing her father at a very young age. Suboti was interested in learning tailoring and she looked at it as an opportunity to earn and provide for her family. She joined tailoring classes along with her sister under a master tailor. They decided to open a grocery shop and buy a sewing machine of their own to start their business, taking a loan of ₹25,000 from Sambandh, for starting their own business.

They were now able to meet their daily needs easily but had not made any savings, budgeting or investment plans for the future. Both the sisters

attended the Financial Literacy and Women's empowerment training organised by Sambandh where they learnt how to make financial decisions that would help them achieve their life's goals.

Suboti and her sister started saving in a bank account and soon availed for "Pradhan Mantri Suraksha Bima Yojna". Soon after she applied for second cycle loan of ₹35,000 and invested in the grocery shop adding more products as per customers' requirements, as well as buying a second tailoring machine to help increase their efficiency. After so much hardship, the family has now experienced happiness. Suboti has plans to build a beautiful house and expand her grocery shop and looks forward in getting her brother married.

MAKING AN IMPACT THROUGH SUSTAINABLE DEVELOPMENT

Climate change is one of the largest and most complex problems the development community has ever faced. The impacts of higher temperatures, variable precipitation, and extreme weather events have already begun to impact the economic performance of countries and the lives and livelihoods of millions of people in poverty.

India is among the countries most vulnerable to climate change with one of the highest has one of the highest densities of economic activity in the world, it is home to a very large population of people in poverty who rely on natural resources for their livelihoods. By 2020, pressure on India's water, air, soil, and forests is expected to become the highest in the world.

Our partner ESAF SFB has adopted a framework that incorporates three dimensions of performance: social, environmental and financial.

A triple bottom line measures the degree of social responsibility, its economic value and its environmental impact. Environment protection is one of ESAF SFB's core programme areas. ESAF SFB is supporting its clients towards this goal through advocacy programmes, financial access to avail clean energy products, monitoring/audits etc.

CLEAN ENERGY PRODUCT AWARENESS TRAININGS

ESAF SFB is partnering with FMO, in a project on clean energy promotion. ESAF SFB staff conducted various demonstrations to raise awareness on clean energy products in sangam meetings across India. During the reporting period, more than 2 lakh sangam members were reached through 10,266 such meetings.

CLEAN ENERGY PRODUCT PROMOTION

PRODUCT PROMOTION

During the reporting year, clean energy products like solar lanterns, cooking stoves and water purifiers were promoted to sangam members through ESAF RETAIL Pvt Ltd. across all regions. 70,291 families benefited with various clean energy products during the reporting period with around 3,32,532 members benefitting so far with various clean energy products.

PILOTS-NEW CLEAN ENERGY PRODUCTS

Efforts were made to introduce and pilot new clean energy products to its clients during the reporting period. New products piloted during the reporting period were solar fan, roof top-solar on-grid systems and solar water heaters. Technical guidance on design and installation of rooftop systems have been given to various institutions and individuals during the reporting period. Three rooftop solar off-grid systems (10 KW) and two solar water heaters were piloted during the reporting period.

CARBON CREDIT PROGRAMME

ESAF is partnering with Micro Energy Corporation for carbon credit programme under UNFCCC. All clean energy products promoted through ESAF are registered for carbon audit and an external agency accredited by UN conducts audits on the usage of these products. Two carbon audits were conducted during 2017-18 with 3,45,731 tonnes of carbon replaced. Our partners Adhikar, Cashpor and Sambandh also provide clean energy loans to their partners.

ADHIKAR SOLAR LOANS

KRISHNA MAJUMDAR lives in the small village of Kendiguda and owns a small factory where she makes and sells fried snacks. She is now able to work for longer hours and with more precision having installed solar powered lights in her factory. Krishna is able to make fried papads & crispy snacks very efficiently now. She sells snacks with the help of her husband in Kotpad, Jagdalpur and Jeypore areas. She now has a reliable source of light and electricity which has been made possible with a loan of ₹5,000 from Adhikar. Adhikar supports several other small businesses like Krishna's including, self help groups accessing reliable source of electricity and lighting allowing them to increase their monthly income.



SHANTILATA GUPTA lives in the small village of Motahand in the state of Odisha. Shantilata owns a diesel & petrol shop,

but due to frequent power cuts in the evening she uses kerosene lamp and lantern to operate her shop, which is very risky when working with explosives. Now it has become easier for her to operate the shop safely as she has installed solar lighting system at her shop. She does not worry about accidents anymore, thanks to the solar loan which she took from Adhikar. Her children can also read at night when there are power cuts and Shantilata says that her daily household work is hassle free with help of solar lighting system.

CREATING OPPORTUNITIES WITH A SMALL BANKING LICENCE



Vision

To be the most trusted and accessible financial service institution for the entire North East, promoting financial inclusion and creating value for all its stakeholders.


Mission

Preferred banker for all financial needs by providing suitable products and services in a timely, convenient and responsible manner, through doorstep banking and use of technology, thereby leading to sustainable growth of the community at large.

NESFB commenced operations on 17th October, 2017, as the first Small Finance Bank of North East India, after its conversion from RGVN (North East) Microfinance Limited, which had operated as a microfinance institution in the north eastern region of India for 20 years NESFB contributes to the development of the people in this region by facilitating better access to health, education and livelihood opportunities. After becoming a bank, NESFB changed its mission and vision to incorporate the varied financial needs of its clients.

In order to uplift and promote the various traditional economic activities practiced in this region, like agriculture, weaving, brass and bell metal craftsmanship, cane and bamboo crafts in addition to wood carvings, they have extended a major portion of their loan portfolio towards agriculture and other allied activities so as to support the poor farmers, empower them and thus make them financially independent.

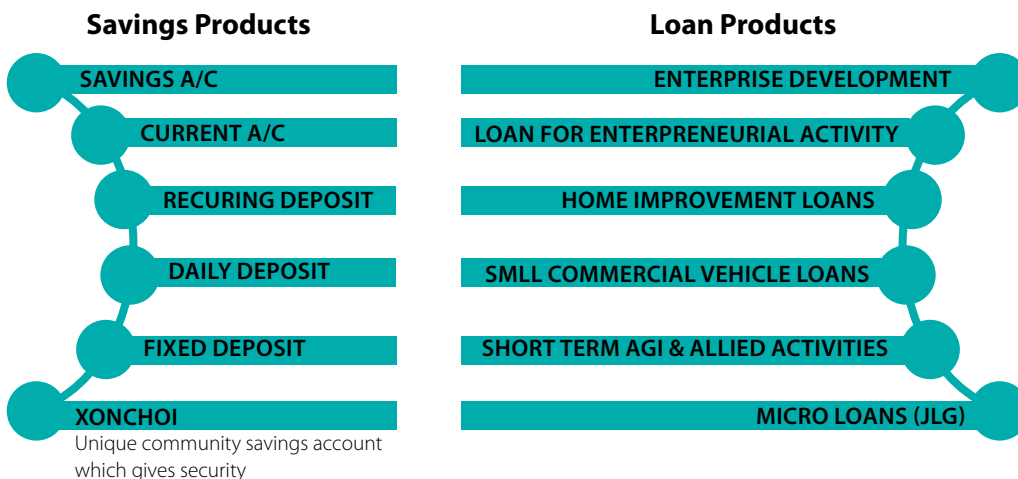
In the initial years, the bank will primarily focus its operations in North East India, creating better opportunities for livelihoods and means of small savings. Their goal is not only to provide affordable financial services to all, but to make all clients financially literate and help them make better and well-informed financial decisions.



Leveraging Technology

- ❖ Debit Card
- ❖ Digital Channels
 - Retail internet banking
 - SMS Banking
 - Mobile Banking
- ❖ Cheque Truncation Systems
- ❖ RTGS/NEFT Payment Systems

NESFB will now be able to provide a wider range of products and services including liability products suited to the needs of their clients.



Sabita Changmai and her husband Amar Pran Changmai live in Tengabari, and took an initial loan of ₹9,000 from NESFB (previously RGVN (NE)) in 2009, using the funds to expand their mushroom cultivation business. Sabita Changmai took seven loans, each time increasing the amount as her business grew. Encouraged by their endeavor, more families in the region have been engaged in mushroom cultivation and are moving towards a sustainable livelihood. Besides, Amar Pran now also owns a farm school and is a resource for other farmers and agriculture specialists.



PROVIDING DIGITAL BANKING EXPERIENCE TO ALL

The technology initiative of ESAF Small Finance Bank was innovative in its approach to enhance end-to-end customer experience and scope. ESAF SFB attempted to explore the use of technology to improve the users' experiences and minimize risks in the business. The initiative **was implemented in more than 300 microbanking outlets spread across 10 provinces in the country, with over 2,500 field staff servicing more than 1.5 million customers.**

DIGITIZING PROCESSES TO IMPROVE USER EXPERIENCE

ESAF SFB's technology initiative transformed the entire processes of customer onboarding including:

- ❖ Capturing account creation request (on Tablet using texts & pictures),
- ❖ Financial literacy training (queue management, using Tablet, multimedia content),
- ❖ Customer appraisal including house verification visit & group recognition test (queue management, GPS capture, using Tablet),
- ❖ Loan application appraisal (automated straight-through processing through an external Credit Bureau and in-house business rules engine),



- ❖ e-KYC verification (using biometric identity and Aadhaar database) and AML (automated screening against the negative list).

Once loans are sanctioned, Pre-generated Kits (PGKs) with debit cards are allocated and the pack of documents is auto-printed from the system. The customer is scheduled to come to an outlet where she signs the pre-generated document and the funds are electronically transferred to her savings account. She is given a debit card to use at any ATM of her choice and withdraw money. For ongoing repayments, transactions are captured on a Tablet which talks with Core Banking Software (CBS) on a real-time basis. **The process from loan application to approval and disbursement takes one day, a process which used to take over a week earlier.** This has raised customer satisfaction rates.

INCREASING EFFICIENCY

By increasing staff efficiency ESAF has reduced various types of risks within the institution. It has reduced the hassles for staff with paper based applications, poor database management due to multiple stages of data capture, operational risks associated with significant cash in-transit, process deviations and customer dissatisfaction on account of long processing time



etc. It facilitates fast decision making by supervisors due to easy availability of data and visibility at various stages in the process.

CHALLENGES IN IMPLEMENTATION

Training staff to adopt the change was a major challenge, most staff have been poorly educated and have exhibited less technology affinity. A well-structured training program has been devised to overcome this challenge.

The time taken to transition had caused disruption in service delivery. Weakness in at least one technology module to handle huge volume also added to the problem. Business growth was affected for almost 3 months. During these three months ESAF SFB worked to stabilize the new technology and make the staff comfortable with it. Dedicated help-desk and tech-support system was created to provide quick guidance to staff on all aspects of the new solution and processes.

Reluctance to adopt new methods was a challenge within the ESAF SFB team. Many argued to allow the digital system to co-exist with old paper-based, largely manual method to foster an easier transition over 6 months to 1-year period. The Founder MD of ESAF SFB was determined to roll out the change rapidly which resulted in ESAF's current digital practices.

Emboldened by the success in achieving a large-scale technological transformation, ESAF SFB wishes to continue to assess ways and means to improve customer experience using technology. The possibilities are immense.

ESAF Small Finance Bank was the runner-up in European Microfinance Award 2018 as the theme of the award was FINANCIAL INCLUSION THROUGH TECHNOLOGY.

DELIVERING INNOVATION AND SERVICE EXCELLENCE

Bringing digital solutions to communities without computers, internet or even electricity poses significant challenges. Overcoming these challenges, in addition to low-literacy levels and gender-based cultural barriers, will involve creative and innovative solutions.

Digital financial services (DFS) have an estimated 90% cost savings to the bank compared to traditional financial services. DFS can help increase outreach and enrich the client experience.

CDOT is based out of Patna, Bihar. It is doing commendable work in the field of financial inclusion and offering various financial services to bottom of the pyramid clients as business correspondent organisation (BCO) which appoints, trains and manages a network of business correspondent agents (BCAs). It started the program in the year 2011. It is currently working with eight banks, in ten states, covering more than 300 districts. It works through more than 3000 BCAs, both in urban and rural areas. CDOT as BCO has so far facilitated opening of more than 3.5 million savings accounts.

Through this agent network, CDOT has been able to deliver remittances, payments for MNREGA (a government employment scheme), old age pension and other Govt. support to the poor. Under the guidance of CDOT, BCAs are offering a full suite of financial products to the clients which includes credit, insurance and mutual fund products.

CDOT is specifically focussing on recruiting and capacity building of women business correspondence agents in the rural areas. It has selected 250 women agents and providing them intensive capacity building support in using digital financial tools to provide efficient and timely services to clients. This will help in reaching out to other women, adding the element of trust for women who are not as comfortable using digital finance tools. We are supporting CDOT for this programme and also for developing mobile based technology to effectively monitor the programme and make it more efficient.



SPREADING AWARENESS THROUGH TECHNOLOGY

AWAAZ.DE - AUDIO COMMUNICATIONS SYSTEM

Overview

Sambandh has entered into a partnership with Awaaz.De, an Ahmedabad-based innovator developing products that target rural areas. Awaaz.De is developing story-based modules (in Hindi and Odia languages) to enhance understanding of financial planning, household budgeting, developing savings/banking habit, benefits of investment and insurance for all of Sambandh's clients.

The story based modules aim to increase the level of financial literacy among Sambandh's customers as well as gauge the level of satisfaction and the feedback from their customers regarding the loan application process. This solution will initially target all of their customers (approximately 1.1 lakh) on a monthly basis.

Scope of Work

This program covers the following:

Four story-based financial audio modules in 2 languages, Hindi and Oriya around the following topics:

- ❖ Financial Planning
- ❖ Budgeting
- ❖ Savings and Banking
- ❖ Investment and Insurance

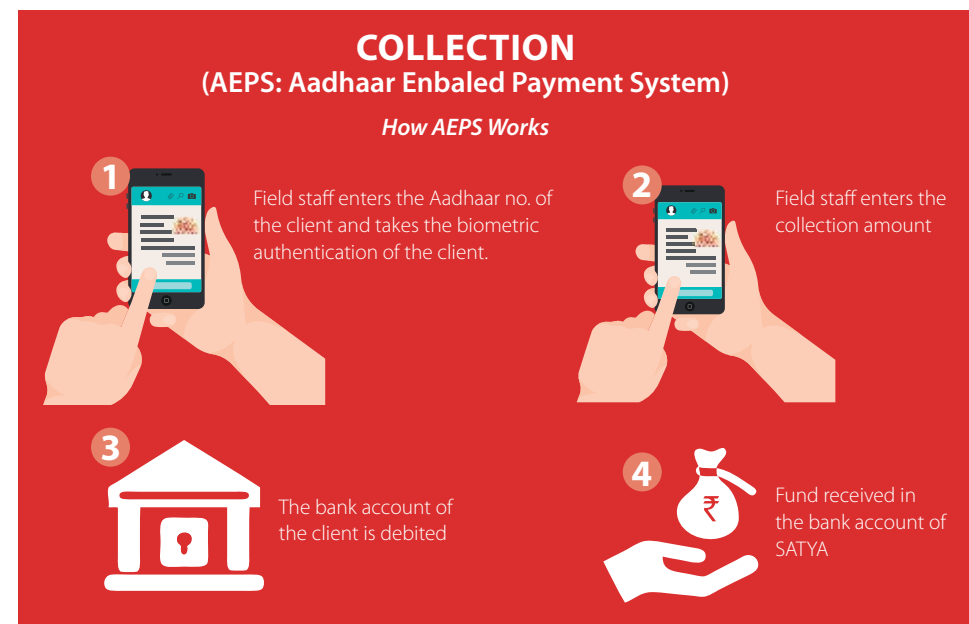
The message content will be delivered to the clients' mobiles through Interactive Voice Response (IVR) technology. Every month one story-based financial literacy audio module will be sent to everyone in the target group.

Sambandh is already spreading awareness among its 40,000 clients on topics listed above. With the implementation of this new approach, they will be able to share this training with their entire client base.

SATYA MICROCAPITAL – CASHLESS MICROFINANCE

Satya has used demonitisation in India as an opportunity to move towards cashless disbursement. They adopted the process of disbursing the loan amount directly in the bank account of the borrower through NEFT. This year they have been able to achieve 100% cashless disbursement through NEFT.

With the objective of moving towards cashless collections, they have implemented Aadhaar Enabled Payment System (AEPS). Under the system, the field staff member enters the Aadhaar number of the client and takes biometric authentication. Based on the biometric verification, the client receives the specified amount deposited directly into their bank account. Satya has been able to proceed towards 35% cashless collection.



USING TECHNOLOGY TO INTERACT WITH CLIENTS



Sambandh Finserv Private Limited (SFPL) believes in “treating every client as a preferred client” and in delighting them with their service quality. Sambandh has established a robust, simple and easy Grievance Redressal Mechanism (GRM) within the organization to ensure that the redressal is prompt. The Grievance Redressal Mechanism aims to enable the clients to lodge their grievances, clarify queries, provide their feedback and suggestions and gather information through an established channel.

Sambandh's system provides opportunity to:

- ❖ Address the clients' queries, grievances and feedback on people, product and service delivery in a structured way
- ❖ Take necessary corrective action based on data with respect to people, product, process and delivery
- ❖ Educate clients about giving feedback and suggestions
- ❖ Measure satisfaction level of our service quality
- ❖ Identify shortcomings in product features and service delivery



By implementing the automated customer GRM, the process for resolving the complaints has become more streamlined. The head office receives calls from the clients and informs them when their query or complaint will be resolved. The ticket is assigned to the respective branch manager and he is expected to resolve the issue within standard timelines as per the grievance redressal policy. As a result of this ticketing system, the head office is well informed of the complaints that are being raised by the clients. The reports can also be used to measure the quality of service provided by the branch and field officers. The central helpline desk has a total of three staff that manage the complaints raised by clients. These staff also check whether the client is satisfied with the resolution of the complaints. If a ticket is not resolved within the stipulated timeframe it is automatically escalated to the next level. As a result of introducing the GRM, Sambandh have been able to more quickly address client complaints and better monitor staff performance at the field level.



THE IMPACT: STRENGTHENING FAMILIES AND BUILDING STRONGER COMMUNITIES

IMPACT ASSESSMENT- ESAF SFB AND GO FINANCE

Habitat for Humanity International's Terwilliger Center for Innovation in Shelter commissioned an impact assessment study of two microfinance institutions – ESAF Small Finance Bank (ESAF SFB) and Growing Opportunity Finance (India) Private Ltd (GOF). These organisations received investments from MicroBuild India, a housing finance company established by Habitat for Humanity International, to fund the development of housing microfinance product lines.

There are a range of outcomes in the lives of urban and rural clients of ESAF SFB and GOF. Impacts are particularly evident in the domains of:



In both MFIs, clients took out home improvement loans to undertake a variety of home repairs and improvements. Improving the physical condition of their homes led respondents to report they felt an increased sense of security. Clients in rural areas from both MFIs were better shielded during the monsoon season and could live in their homes without fear of being flooded. Improved housing

conditions also created an increase in social status, and as a result, increased feelings of self-worth and pride.

Extending the dwelling provided some of ESAF SFB's urban and rural clients with enough space for all family members, resulting in improved family relations and increased privacy. In addition, some of GOF's urban respondents could begin or expand their home-based small businesses, resulting in increased income and more financial security.

Taking a loan enabled women to be part of a savings group, which yielded other personal and social benefits. Several clients reported having increased their confidence by being a member of a self-help group and felt that they had an opportunity to discuss and share problems with others. Being part of a group made them feel more confident of themselves and in managing financial matters.

The majority of respondents felt that they had better access to funds and/or credit, which brought distinct benefits. Several of ESAF SFB's clients said that having better access to loans gave feelings of increased financial security, as it was simple and easy to take out loans and no security was needed to access them. The majority of GOF's clients from both urban and rural cohorts pointed out that an increased presence of MFIs in the area and the greater availability of loans had resulted in changes in their borrowing habits, and that they had stopped borrowing money from local moneylenders.

CASE STUDY: HOME IMPROVEMENT LOAN ESAF

Indira Sivan, a member of ESAF's 'SAHRUDA' Self Help Group, knew that in order to build a better life for her children, they would need education as well as safety and security. Indira and her husband are among millions of Indian couples who work hard every day to provide these things for their family. To fulfil their dream, they purchased a piece of land in hopes that they would build a home of their own. They started construction, but did not get enough funds to complete their home. They could only complete the kitchen and a bedroom, the rest of the foundation was left uncompleted. This was very little space to live with her husband and two children. They were reluctant to mortgage their land title deed for additional funds.

ESAF's Home Improvement Loan was introduced around this time. After receiving a Home Improvement Loan of ₹75,000 from ESAF SFB, paired with other funds they raised, the family was able to continue construction upto 800 sq. ft. Though it is not a finished house, she is happy that her family is safe and they don't have to pay rent anymore.

Indira's continuing relationship with ESAF SFB has helped her pass through different loan cycles. She has taken financial support through a General Loan of ₹60,000 to meet some additional construction expenses.

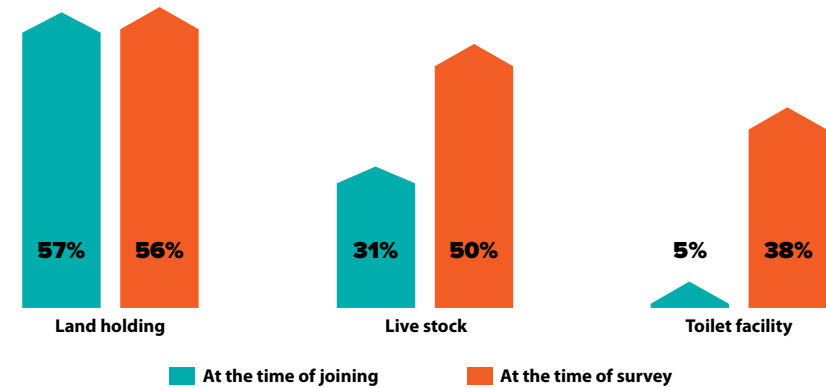


ARE WE TRANSFORMING THE LIVES OF OUR CLIENTS?

Cashpor conducts an impact survey every year to study Cashpor's impact in the lives of their clients and undertake suitable measures for improving their programs. To conduct the survey for the financial year 2017-18, a total of 16,430 clients were interviewed from 12 mature regions of the organisation, across 179 branches. The sample of clients have completed at least 5 cycles with Cashpor. The findings are as follows:

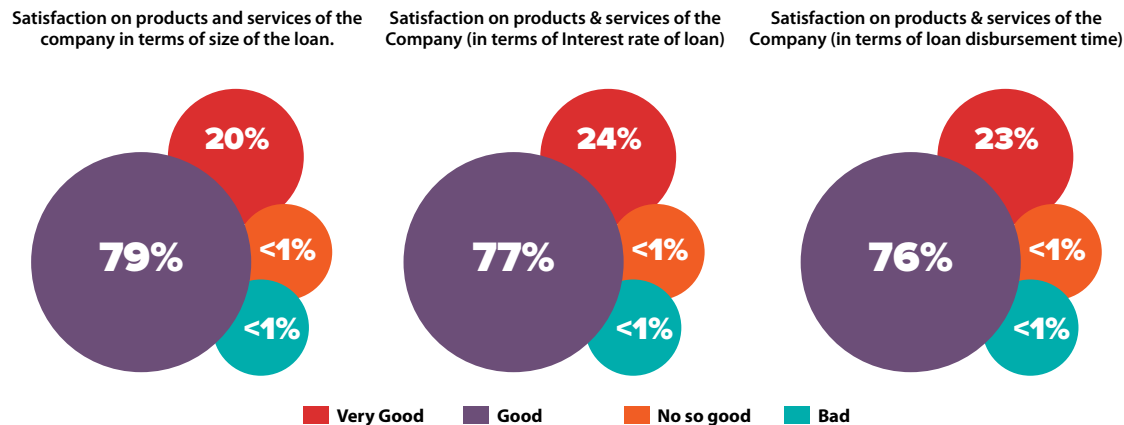
- ❖ Cashpor uses its Housing Index to assess the poverty levels of their clients. A higher CHI score implies an improvement in the housing conditions of the clients. In the survey, it was found that 33% of the clients had showed an improvement in the CHI score, 6% recorded a decline in their score, and 61% recorded no change. The clients were also questioned on whether they have seen any improvement in their housing conditions since they joined Cashpor, to which 42% responded 'Yes'.
- ❖ Before joining Cashpor's programs only 59% of the clients were involved in taking financial decisions in the family. At the time of survey, 96% of the clients responded that they were participating in the financial decisions of the family.

- ❖ Other indicators used to gauge the level of living of the household are – increase in land holding, increase in live stock value and availability of a toilet facility.

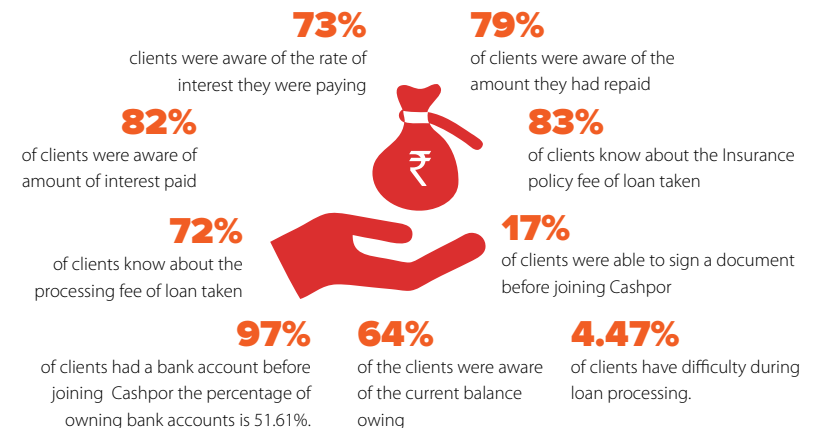


ARE WE MEETING CLIENTS' NEEDS?

Our partner Cashpor conducted a satisfaction survey to determine the satisfaction levels of its clients with respect to the products and services offered. To conduct the survey for the financial year 2017-18, a total of 16,430 clients were interviewed from 12 mature regions of the company, across 179 branches. The sample of clients have completed at least 5 cycles with Cashpor. The findings are shown in the diagram below:



Awareness about products and services is also related to the satisfaction levels of the client with those products. If customers have access to information which is reliable and objective, customers will have more confidence to purchase the specified financial product and service. Clients who were directly involved with the usage of the loans were more aware about the current outstanding amount, the number of weeks they repaid, their installments and the rate of interest on the loan.



EXAMPLES OF SOCIAL PERFORMANCE DASHBOARDS

ESAF SFB

Parameters	Qtr 1	Qtr 2	Qtr 3	Qtr 4
No of branches	284	284	284	309
No. of branches in backward district	82	82	82	85
Rural clients	85.1%	85.5%	83.3	86.1%
Urban clients	14.9%	14.5%	16.7	13.9%
SC/ST	21.2%	31.3%	31.5%	30.6%
OBC	57.2%	49.6%	49.5%	52.7%
People with Disability	0.4%	1.1%	1.5%	0.4%
% of New Clients in Poverty [\$3.10]	22.1%	26.1%	27.8%	24.6%
% of Existing Clients in Poverty [\$3.10]	21.5%	21.2%	20.5%	23.9%
% of Clients who live in Own House	96.6%	91.8%	95.2%	94.8%
% of client having access to Own Toilet	90.9%	91.0%	82.7%	82.3%
% of clients having access to own drinking water source	78.5%	82.3%	70.4%	68.7%

Parameters	Qtr 1	Qtr 2	Qtr 3	Qtr 4
% of Clients Employed	71.1%	81.4%	81.3%	85.1%
% of Clients Self-Employed (women owned enterprises)	13.3%	17.5%	16.8%	16.6%
% of Clients Involved in Household enterprises (jointly run by family members)	23.8%	20.0%	19.8%	26.3%
% of Start-up business exclusively after ESAF loans	22.2%	21.2%	28.6%	34.2%
% of clients who received at least one non-financial training (financial literacy, skill development)	33.4%	36.8%	30.6%	27.9
No. of clients reached with Client Education and Empowerment Program	20751	218497	105095	481506
% of Clients who have invested in buying livestock from the loans of ESAF	23.8%	26.6%	24.1%	25.9%
% of clients who have invested in buying land/building/machinery from the loans of ESAF	13.4%	18.0%	12.3%	13.3%
% of clients who have invested in buying silver/gold from the loans of ESAF	17.9%	22.7%	15.6%	16.5 %
% of Clients who live in Own House	96.6%	91.8%	95.2%	94.8%
% of client having access to Own Toilet	90.9%	91.0%	82.7%	82.3%
% of clients having access to own drinking water source	78.5%	82.3%	70.4%	68.7%

SAMHITA SOCIAL PERFORMANCE DASHBOARD

Board Dashboard

Particulars	Goal	Current
Members: Dropout Rate	<10%	18%
Human Resources: % of Women Employees	≥ 20%	20%
Staff Retention Rate	≥ 75%	79%
Non-Financial Services:		–
% of Members Receiving Fin-Lit Training	100%	100%
% of Members Using Services of Pension	25%	–
New Initiatives:		
# of new financial products introduced	2	0
# of new non financial service introduced	2	0

Board Dashboard

Particulars	Goal	Current
Financial: Return on Assets (ROA)	≥ 2.5%	3.25%
Operational Self Sustainability (OSS)	> 105%	137.8%
Portfolio At Risk (PAR)	< 0.50%	0.58%
Members: Member Awareness Level	> 90%	–
Member Satisfaction Level	> 90%	–
Human Resources: Staff Awareness ⁹ (> 80%)	100%	–
Staff Satisfaction	> 90%	–

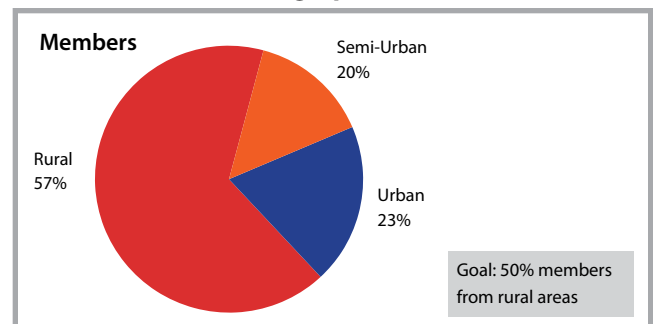
Board Dashboard

Particulars	National Indicators	Goal	Current
Member Income Levels:	Rural < \$ 1.25	36.90%	30%
	< \$ 1.88	72.10%	68.06%
	< \$ 2.50	87.40%	100%
Urban	< \$ 1.25	19.60%	20%
	< \$ 1.88	42.90%	50%
	< \$ 2.50	60.80%	100%

Grievance Redressal

Particulars	Total No. of calls	No. of Calls Received Q4- 2017	Resolved	Pending
Members	223	206	194	29
Employees	3	3	2	1
SHWP	–	–	–	–

Board Dashboard – Geographical Outreach

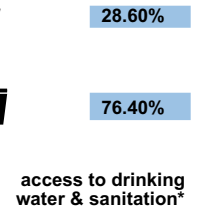
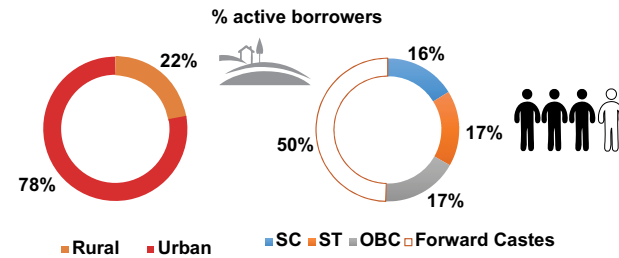
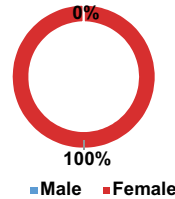


Grievance Redressal - Member

Call Type	No. of calls Received	% Received	Resolved	% Resolved	Pending
Information	6	3%	6	100%	0
Non-Critical	191	83%	172	90%	19
Critical	32	14%	22	69%	10
Total	229	–	200	–	29

SAMBANDH DASHBOARD FOR THE BOARD

OUTREACH		
No of active borrowers	145,239	▲ 19% Q-o-Q
No of new borrowers	23,303	
GLP in ₹ Mn	2,348	▲ 26% Q-o-Q
No of states	3	
No of districts	20	
No of backward districts	9	



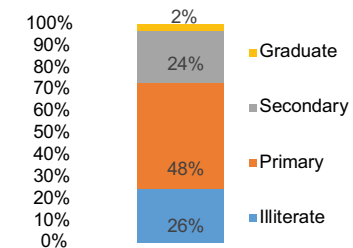
Responsibility to Staff

<p>Staff Turnover Rate</p> <p>15%</p> <p>Staff Turnover</p> <p>All staff 27.0%</p> <p>All staff excluding probationary 15.2%</p>	<p>% employees from the chhota Nagpur region</p> <p>99.78%</p> <p>Benchmark 75%</p> <p>Distribution by Gender</p> <p>Female 26.40%</p> <p>Male 73.60%</p> <p>Women target 50%</p> <div style="border: 1px solid blue; border-radius: 15px; padding: 10px; margin-top: 10px;"> <p>The percentage of female employees has increased from 25.2% in March 2017 to 26.4% in March 2018. We expect to hire more women employees across all departments. The Board is advised to suggest a target for employee turnover.</p> </div>	<p>% of staff complaints resolved Mar'18 quarter</p> <p>100%</p> <p>Benchmark-100%</p> <p>Complaints received 81</p> <p>Complaints resolved 81</p> <p>Average TAT for resolution of complaints</p> <p>1.9 days</p> <p>Top 3 categories of complaints received</p> <ol style="list-style-type: none"> Status of TA release Difference in salary deductions Staff loan Eligibility/Formalities/Approval Status <p>Top 3 areas where complaints received</p> <ol style="list-style-type: none"> Jamshedpur-MF Keonjhar-MF Kuchinda-YBL 														
<p>Exit by Staff level</p> <table border="1"> <tr> <td>MFI</td> <td>Mar'18</td> </tr> <tr> <td>Loan Officers</td> <td>27</td> </tr> <tr> <td>Branch Managers</td> <td>4</td> </tr> <tr> <td>Area Managers</td> <td>1</td> </tr> <tr> <td>Department Heads</td> <td>1</td> </tr> <tr> <td>Support departments</td> <td>26</td> </tr> <tr> <td>Trainees</td> <td>47</td> </tr> </table> <p>Top 3 reasons for staff exit</p> <ol style="list-style-type: none"> NCNS (No Call No Show) Higher Study Career Change 	MFI	Mar'18	Loan Officers	27	Branch Managers	4	Area Managers	1	Department Heads	1	Support departments	26	Trainees	47		
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Gender Diversity*

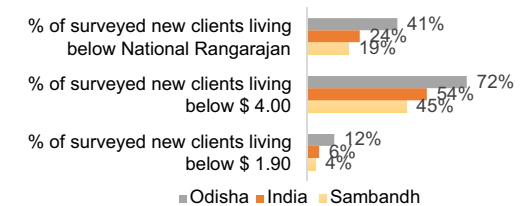
*Annual Targets	
Annual Targets	Mar'18
# of branches completely managed by women staff	4
% of women staff across all departments	50%
# of women board members	1

Education level of clients



*sample of clients

% of incoming/new clients (various poverty lines) *



CONTINUOUS IMPROVEMENT

Continuous learning means continuous improvement of everything we do. Equipped with data collected from our clients, our partners innovate products and services to maximise transformation for families.

Our research and social data provides evidence to answer questions about:

The Need: Are we really reaching the people living in poverty with our services?

The Response: Are we meeting our clients' needs?

The Impact: Are we transforming lives?

Improving Reporting on SPM

The CERISE Opportunity SPI4 reporting tool was introduced to streamline reporting from our partners on social performance. It helps us monitor social performance across our network of partners and helps our partners evaluate their level of implementation of industry best practices (the Universal Standards of Social Performance Management, or USSPM). 12 of our 14 partners are reporting using the SPI4 tool every quarter. Our new partners Satya and Pahal have also begun reporting on SPI4.

Dia Vikas conducted an external assessment at Satya using SPI4 to measure their adherence to the USSPM best practises and the Client Protection Principles (CPP). The results have identified focus areas for Satya around reporting of client data and building Board and management engagement in developing and monitoring of social goals. CERISE is providing technical support to Satya to close the gaps and develop an action plan to improve practises within the organisation.

This year, we worked with CERISE to develop social performance benchmarking reports for partners. These reports help our partners compare themselves with other similar financial providers

in the industry, providing them customised guidance on closing gaps in their practises. Our partners have efficiently used these reports in internal reporting to management as well as reporting to the board, equipping them with a tool to measure their social performance against their industry peers. Comprehensive assessments have helped partners improve understanding and awareness of the principles around social performance management. As a result of these assessments, partners now have a clearer understanding of their strengths and weaknesses in regards to client protection, and each has a detailed plan for implementation of further improvements.

We are now working with CERISE to develop a web application for SPI4 which will make it easier to input data, and enable built-in data validation, among other benefits. This will help us in creating a streamlined system for collecting, storing and reporting social performance data across Dia's network.

Our partner Pahal has undergone an external assessment using the Smart Campaign's CPP assessment tool. The questionnaire provides a framework for evaluating a financial service provider's (FSP) practices principle by principle, focusing on the areas that are most important for determining how effective the organization's systems are in protecting clients.

Towards SMART Certification

In 2018, the Smart Campaign announced that 100 financial service providers have attained Smart Certification, a landmark achievement in responsible financial inclusion. Our partner Cashpor will be undergoing recertification this year, showing its commitment to align its policies and practises with the industry-accepted Client Protection Principles. Cashpor was one of the first six microfinance organisations globally to receive Smart Certification in February 2013.

Building capacities of our partners for adopting best practises on SPM

We provide technical assistance to our partners in order to assist them in aligning their practises as per the USSPM. A key priority of our SPM strategy is to build capacity within our partners to collect, manage and report data as well as to analyse results and inform key management decisions. During the year, we assisted Sambandh in developing social goals for their organisation, as well as social indicators and targets for the year. Based on this, a social performance dashboard for the Board was presented, equipping Sambandh with useful information for decision making and planning.

Following the SPI4 assessment for our partner Go Finance last year, an action plan was developed to assist in improving their policies and practices as per Client Protection Principles. We provided support to Go Finance by conducting a SPM workshop for the team and training department. Social indicators that were already being captured were also reviewed to provide inputs for making necessary changes.

Samhita collects social data through tablets and reports the data at regular intervals to the management and Board for decision making.

We provided financial support to our partner Samhita for building their internal capacities on SPM. They plan to use the allocated funds for conducting SPM trainings for staff, conducting impact assessments, collecting market research for developing new products and conducting a social audit of their branches. Samhita is committed to the SPM journey, believing that collecting and using social data will inform decision making and service delivery.

AND INTO THE FUTURE...

Dia Vikas believes that by understanding the needs of the clients, we can help empower people living in poverty to transform their lives. Our vision is to continually see improving outcomes for clients through the use of consistent and comprehensive social data. This information will allow us and our partners to better understand, improve and reflect on our social performance. We can ensure we are reaching those in need and delivering the products and services they require to transform their lives.

Going forward, as our partners move towards providing digital products and services and leveraging technology to digitise the traditional channels, we need to measure impact by digital

transformation. With digitisation, social performance management will gain more importance as we take reasonable steps to ensure that these services are being delivered safely, ensuring fairness and transparency. One important factor in the digital finance discussion is fraud, which can harm clients and affect the image of the organisation. Providers will need to keep these issues in mind when launching and sustaining these products in the market.

Since transforming from a MFI into a Small Finance Bank (SFB), our partner ESAF has continued to focus on a triple bottom line approach in banking – focussing on the social and environmental bottom lines in addition to finance. They have well defined

social targets developed through a well-developed mechanism for monitoring their performance as per the USSPM. They offer organic, clean energy products to their clients contributing to a carbon offset of more than 182K tonnes. ESAF is living its mission even after transformation to a small finance bank. They are following a conscious strategy of targeting at the bottom of the pyramid, verified by their PPI data, which showed increased outreach to poorer clients.

Social Performance will help our partners differentiate themselves from other microfinance players in the market and help in combating the increasing competition in the market.



Ruma Sikdar, Sambandh client



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