



Institute for Financial Management and Research

Centre for Development Finance

Working Paper Series

October 2006

**Some Thoughts on Access to Markets
as a Strategy to Address Poverty**

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1 Introduction

Poverty has many root causes and therefore any effort to alleviate poverty could start at many places.¹ This paper tries to outline the thought process driving ICICI Bank's work in building access to finance and access to markets for the poor in India. A key and almost axiomatic belief underlying ICICI Bank's work on poverty alleviation is that almost all regions of India possess a set of economically viable² occupations (such as buffalo rearing, running a rural provision store, fruit and vegetable vending and engaging in simple home based craft) that even the very poor can almost immediately engage in without the need for any specialised inputs or skill building. Since these occupations essentially rely on 'free' public goods (such as public grazing lands) to provide raw materials and 'in-home under-employment' to provide labour, at the margin they have very high rates of return - well in excess of 100% per annum.³

In ICICI Bank's view the only input required to leverage these economic opportunities, is access to basic financial services, which include savings, credit, insurance and tools for risk management. This is in contrast to the view that access to financial services can impact poverty alleviation only if accompanied with other complementary inputs, typically training and skill development interventions. For example, micro-loans (typically amounts less than USD 250 per household), in a region as poor as the Mirzapur District of Uttar Pradesh, can allow families, too poor to afford even two meals a day, to start with extremely low-skilled occupations such as buffalo rearing and gradually reach a level where they can afford minimal meals and withdraw their children from the work-force for attending school.¹ Even where the micro-loans are not used to finance new income generating activities but to refinance higher cost debt, this immediately releases new resources for the household to finance existing consumption or incremental production activities.

¹McCaston (2005).

²In the sense that they can enhance the living standards of the people engaged in them without the need for any direct and ongoing subsidies.

³Helms and Reille (2004).

2 Universal Access to Basic Financial Services

If one accepts the premise of the centrality of 'access to finance' in providing a pathway out of poverty⁴ for several households, then the first challenge to be addressed would be how such access may be universalized with every individual being able to avail a basic set of essential financial services.ⁱⁱ To provide this access,⁵ the following steps would be necessary:

1. Development of a network of community based financial institutions, which have the ability to provide these financial services. This network of institutions could include Cooperative Banks, Non-Banking Financial Companies (NBFCs), local bank branches of commercial banks, Civil Society Organizations or Producer Cooperatives, as the case may be. The requirement is that these institutions are able to develop operating models that draw on local information and operationalise sufficiently low cost structures that make the business of serving poor sustainable⁶ over the medium term. Within India, the belief is that a network of 200 such entities, each with the capability to serve a million households, would be needed.⁷ This does not appear infeasible because already there are at least two entities⁸ that have more than 500,000 clients and several are expected to cross this number by the end of March 2007.
2. The participation of one or more (but even one would suffice) main-stream financial institutions that are willing to partner with these 200 entities to provide:
 - (a) Financial resources for on-lending: ICICI Bank has developed the 'partnership model' which uniquely leverages the local presence of these entities with the

⁴Centre for Micro Finance at IFMR in Chennai, India (<http://ifmr.ac.in/cmfi>) is engaged in the task of researching this carefully. For example, it is undertaking a rigorous impact evaluation of Spandana's (one of India's larger Micro Finance Institutions) micro-credit program in the urban areas of Hyderabad, in collaboration with Professors Duflo and Banerjee (MIT). It is also conducting an impact evaluation of the rural microcredit program of Grameen Koota (another large Micro Finance Institution) in Karnataka, in collaboration with Professors Mullainathan (Harvard) and Karlan (Yale).

⁵Mor (2006).

⁶The question often raised here is that of the eventual cost of money faced by the borrower. If one accepts the argument that the rates of return at the margin are in excess of 100% per annum then even adjusting for risks, a rate under 30% per annum should be viable from a borrower's point of view. In India it is found that most small lenders are able to viably operate with total costs of under 30% - in countries such as Peru, rates of interest as high as 70% have been observed.

⁷For more details on the rationale for 200 entities see Ananth et al (2004).

⁸According to Mix Market data (as at March 31, 2006), the two institutions with active borrowers above the half a million mark are SHARE Microfin Limited (814,156) and Spandana (772,775).

ability of the bank to diversify risk and provide wholesale lending funds in large quantum.⁹

- (b) Access to equity capital for growth.¹⁰
- (c) Financial engineering (securitization¹¹) and product development (health insurance, rainfall insurance,¹² savings, risk management).
- (d) Direct links with capital markets as the entities mature.¹³

3. Creation of an enabling environment that can support the continued growth in the number of entities that make-up this network in India. The following steps have thus far been taken:

- (a) Creation of Venture Capital Funds engaged in the task of identifying and providing equity finance, and mentoring new entrepreneurs desirous of creating such entities.¹⁴ This combined with Takeout Finance offered by ICICI Bank, where ICICI Bank is prepared to automatically partner with a successfully created entity and permit it to repurchase the equity invested by the Venture Capitalist (VC) at a pre-agreed minimum rate of return to the VC. Once the process of creation is successfully completed, for financing continued growth, it is ICICI Bank's belief that its Mezzanine Equity product referred to earlier, is a cheaper and a more appropriate source of equity for successful entities relative to equity capital being provided by VCs.
- (b) Creation of specialized institutions such as the Centre for Micro Finance (CMF) at IFMR in Chennai (<http://www.ifmr.ac.in/cmfi>) and the Centre for Insurance and Risk Management (CIRM) also at IFMR in Chennai (<http://www.ifmr.ac.in/cirmi>), to provide research training and product design capabilities both at a basic level and at an advanced level.

⁹See Ananth (2005), Harper et al (2006) and Reserve Bank of India, Report of the Internal Group to Examine Issues Relating to Rural Credit (2005).

¹⁰ICICI Bank's partnership model provides Mezzanine Equity at 10% Return on Equity (RoE) along with debt to support growth of these entities.

¹¹Also check http://www.economist.com/displayStory.cfm?story_id=2413549.

¹²For more details see Hess (2003) and Sinha (2004).

¹³For more details check http://www.gfusa.org/programs/india_initiative/grameen_capital_india/.

¹⁴ICICI Bank has recently tied up with three venture capital funds to extend seed capital to start-up microfinance institutions. These three funds include Bellwether Microfinance Fund (<http://www.bellwetherfund.com>), Avishkar-Goodwell Fund (<http://www.aavishkaar.org>), and Lok Capital fund (<http://www.lokcapital.com>).

- (c) Launch of the MFI Strategy Unit (MSU) within the CMF to provide a broad range of consulting and training services to these entities.
- (d) Launch of FINO, an Application Services Provider (ASP) that seeks to provide front-end (smart card, point-of-sale terminals), back-end (banking software, performance management and reporting, MIS) and information services (credit bureau) to these institutions.¹⁵
- (e) Launch of MicroFinanceJobs.com to provide access to human resources to these entities¹⁶ so that their expansion is unconstrained.

It is expected that with these three broad strategies it should be possible to scale the access to finance quite rapidly. Operating with this three pronged approach, ICICI Bank, in close collaboration with the Centre for Micro Finance (CMF) at IFMR in Chennai, has catalyzed the creation of over 100 micro finance partners and in three years has been able to go from USD 1.2 million in micro-loans extended to about 20,000 clients to over USD 522 million being provided to about 3 million clients by March 2006.¹⁷ Operating through 200 partners, the bank hopes to take this number to 25 million clients by 2010 with total assets outstanding going to USD 10 billion by 2010 (10 by 10).¹⁸ It expects an equally rapid growth in the provision of savings, insurance and risk management services.

3 Addressing Other Missing Markets

Financial services for the poor have long been considered a 'missing market' owing to the information constraints that characterise it. Once the 'access to finance' challenge has been overcome through the mechanism described in the previous section (and even while it is in the process of being overcome), the belief is that most of these households would be able to come up to a minimum level of subsistence. A basic premise of the first phase of work described earlier, is to let individuals choose a set of activities based on their capabilities and the context in which they operate and focus exclusively on the rapid

¹⁵<http://www.fino.co.in>

¹⁶<http://www.microfinancejobs.com>

¹⁷Anand (2006).

¹⁸Karmali (2006).

universalisation of the provision of financial services. However, it is very likely that such households would continue to be poor and therefore vulnerable to even moderate levels of systemic shocks to their economic environment.¹⁹ This is when ‘missing markets’ in other services for the poor start to become important. These may be in several areas including skill building, quality control and productivity improvement. In ICICI Bank’s view taking clients to the next level of economic activity needs a much more concerted effort and one that builds on the fact that a large population of economically active poor now have access to basic financial services and have ‘revealed’ their ‘preference’ for certain economic activities through actual choices of occupations that they engage in once they are freed from credit constraints. For example almost 40% of ICICI Bank’s 3 million clients are engaged in dairying. Given this, any intervention in dairy productivity enhancement, while being consistent with ICICI Bank’s business objectives, also provides access to such services to those clients that have already indicated their willingness to undertake this activity. Along the same lines, it may now be possible to think of other interventions that, while not being distortionary, improve value realisation within the occupations that individuals are already engaged in.²⁰ The fact that clients are willing pay for these value-added-services by taking loans provides a powerful signalling device to providers. Traditional models of technical assistance and livelihood development are unable to resolve whether the phenomenon of clients not paying for the services delivered is due to affordability constraints or lack of perceived value. Towards this goal of addressing missing markets for livelihood services to clients, ICICI Bank has taken the following steps:

1. Creation of a series of specialized ‘Network Companies’ (NCs), which will be able to build links between the poor and larger markets. ICICI Bank is in the process of incubating and/or partnering with NCs in areas that can add targeted services to the livelihood that clients are already engaged in and a few that create new skills. This includes areas such as handicrafts,ⁱⁱⁱ dairy, other foods,^{iv} village-based tourism,^v skills training combined with assistance in job placements^{vi} and village-based Business Process Outsourcing.^{vii} Each of these institutions is building links with mar-

¹⁹Khanna (2006).

²⁰The opportunity that ‘access to finance’ affords in allowing the observation of the unconstrained occupational choices of individuals may yet prove to be the most powerful tool in the hands of development professionals. This data may enable the design and execution of tightly tailored development interventions.

kets, helping solve supply chain problems, building brands and ensuring adequate supply of finance in collaboration with ICICI Bank and its micro-finance partners.

2. Developing carefully structured partnerships between grass-roots organizations^{viii} and large companies so that at terms of trade that are fair, inputs such as commodity marketing and hedging services, cattle feed supply and fruit and vegetable procurement services can be provided to the clients of these grass-roots organizations. Once again, the belief is that clients will be willing to pay for these services if the links to price realization are directly apparent. The scalability of micro-enterprises of micro finance clients is often limited by credit constraints faced by the individuals/enterprises higher in the value chain. ICICI Bank has been engaged in the development of business models to provide finance to Small and Medium Enterprises on a very large scale.^{ix} Such simultaneous financing might serve to increase the market potential of the entire chain.
3. Working closely with micro-finance institutions (MFIs) and other grass-roots organizations on health and productivity interventions that are paid for directly or indirectly by the MFI's client. Examples of interventions in this category include distribution of smokeless cooking ovens,^x treated bed nets^{xi} and iron pills to cure anaemia.^{xii} While these have been viewed as important interventions for several years, the mechanism of distribution through MFIs has the advantage of being able to meet financing requirements to pay for these interventions as well as leverage the high frequency of contact that MFIs enjoy.

The presumption here is that it should be possible to develop these interventions without a strong continued reliance on subsidy because essentially what is sought to be provided are 'private goods' which have been 'revealed' to be in short-supply and therefore the those that benefit from its provision should be willing to pay for them. These 'goods' are sought to be supplied using specialised national level interventions, staffed by high quality professionals, instead of being integrated at the grass root because once again the belief is that in order to provide these 'goods and services' at a scaled level and to actually deliver value to both ends of the supply chain, highly competitive and large entities would be required which would seek to link small rural producers and service providers with

some of the largest markets in the world (both domestic and international).

4 Complementary Infrastructure

There is however, no doubt that there will be a need for additional interventions which have more of a 'public goods' character without which attempts to build 'missing markets' would falter. The final step therefore would be the creation of larger scale infrastructure which will allow the economic environment of the poor to be changed through the provision of better roads, health care infrastructure, government and private schools, electricity, clean water, etc. Empirical evidence suggests that carefully targeted investments in rural roads, improved water and sanitation services and rural energy have a direct impact on the poor.²¹ Here the need is to work in close collaboration with local actors such as local self-governments, district and state level administration and the private sector to fill these gaps. ICICI Bank, as a part of its rural expansion, is in the process of creating a Development Strategy Group²² which will place at least one highly trained person in each of its clusters²³ (each comprising approximately three districts and covering a population of about 6 million people) who will be charged with the responsibility of identifying and developing these partnerships.^{xiii} ICICI Bank plans to provide all the necessary financial resources on a sustainable basis, turning to the Government only if absolutely necessary for covering the gap between the economic rate of return of a project and the financial rate of return of the same project.²⁴ Again the belief is that with first-hand information regarding the viability of local enterprises and constraints to growth within particular regions, the bank and its partners would be able to diagnose the exact nature of infrastructure investment required.²⁵

²¹Jones (2006).

²²Development Strategy Group (DSG) would identify and analyze economic and human development gaps in specific geographies in India; build strategies to bridge those gaps by leveraging the strengths of existing stakeholders and resources, and facilitate the effective implementation of the strategies, and measure their impact.

²³For more details on the ICICI Bank Clusters, see Gupta (2006).

²⁴The Centre for Development Finance (CDF) at IFMR in Chennai is providing intellectual assistance for this work (<http://www.ifmr.ac.in/cdf>).

²⁵Given the high capital intensity of infrastructure project, poorly timed infrastructure investments can either slow growth down considerably or waste scarce resources on a colossal scale if made too early.

5 Role of Development Organisations

Given this overall approach, an important issue that needs to be addressed, is the role of external actors such as the Government, Civil Society Organisations, Multi-Lateral Institutions and Donor Agencies - collectively referred to as Development Organisations. It would be incorrect to assume that they have no role to play. However, the current model in which these agencies act on the front-line without being acutely conscious of the fact that in order to deliver value addition to a country as large as India, subsidies need to be used with great care and in a purely catalytic manner otherwise they could end up delaying the development of internally sustainable outreach and business models - sometimes by considerable lengths of time, would need to change. Some thoughts on how this may be done are given below:

1. In order to ensure that the process of universalisation of access to finance proceeds apace, as has been argued earlier, there is a strong need to build a network of new institutions in many parts of the country. Providing necessary risk capital to venture capitalists engaged in this task and organisations such as FINO and MicroFinance-Jobs.com so that they may be able to better withstand the initial delays and shocks, could become an important contribution by Development Organisations. This is very different from providing cheap (or “free”) loans and equity capital or extending subsidised guarantees to well established MFIs. The former effort fills a gap and accelerates a much needed process while the latter delays the entry of commercial markets / commercial players that are able to do this at scaled levels.
2. A few organisations are directly engaged in the task of incubating new Micro Finance Institutions (MFIs) in difficult geographies - where even social venture capitalists may hesitate to go. Once these MFIs have reached a certain level of maturity, they are being linked to mainstream institutions such as ICICI Bank.^{xiv} Given the extremely high quantum of the underlying risks involved, these organisations would need to be supported through the provision of grants. Since the underlying MFIs would be commercially sustainable, the only role that grants are playing is that of absorbing the risk of failure in a difficult geography at the initial stages.

3. Helping build local research, training and product development capabilities by supporting efforts such as the various centres at IFMR in Chennai.²⁶ Without these capabilities it becomes impossible to design products and interventions to deliver the maximum impact and to ascertain whether there is any impact at all. And, while commercial institutions could be expected to assume a part of these costs, the expenses and the time frames involved are such that these are ideally best borne by Development Organisations.
4. Providing the necessary level of financial support and expertise to create NCs which fill-in the missing markets gap.^{xv} The process of building market linkages is likely to take longer and involve a large amount of effort than would be the case for commercial enterprises where the various factors of production are directly addressable by the entrepreneur. Here there would be a significant amount of long-range work such as community mobilisation, education and training that would be required which would need very patient capital to be deployed - often available only with Development Organisations.
5. Acting as a global knowledge-sharing platform so that best practices from one part of the world may be immediately made available to other parts of the globe where they may be required. This is work that can easily be carried out by internationally active Development Organisations.

Throughout the entire note it has been argued that it is possible to build value in a sustainable way using the internal resources and capabilities of the poor themselves by focussing on removing the constraints under which they operate. However, it is important to note that the very poor may suffer from a lack of 'basic capacity' in a deeper sense and very long-term work may need to be done which would almost certainly not be financeable by any actors other than Development Organisations - particularly in areas such as health and education. ICICI Bank believes that without building these capacities the poor may remain completely excluded from the larger economy^{xvi} and while it has been working hard to address these gaps, this is a task essentially for Development Organisations (particularly Governments) in which ICICI Bank can at best play a partnership role.

²⁶Check "Centres" on the homepage of <http://www.ifmr.ac.in/>

6 Conclusion

In the preceding paragraphs it has been argued that there exist a set of market based approaches, which use subsidy and grant resources in a parsimonious manner but have the potential to address poverty on a scaled basis. At the heart of this approach is building universal access to financial services as a starting point. It is suggested that such access is best provided in a commercial and sustainable manner through creative partnerships between banks and a network of local financial institutions. The information gained from observing the unconstrained livelihood choices of clients, the scale of financial access created and the implementation capability of local financial institutions then provide the unique opportunity to conceptualise well targeted livelihood enhancement interventions for this population. The belief is that interventions that build on 'access to finance' and subsequently include both 'access to markets' as well as creation of systemic infrastructure have the potential provide large positive income shocks. The appeal of this approach is that it has the potential to scale and reach millions of people due to the fact that it is fundamentally rooted in a commercial proposition for the participating client as well as for the providers (both financial and non-financial).

In the last section, since the original speech at Talloires was delivered to a gathering of the CEOs some of the largest Development Organisations, a few suggestions are made on how these organisations may best assist in accelerating the process. The over-riding theme in this section is that Development Organisations must strive to play a catalytic role and to build local capacities for thought and action and should resist the temptation to get directly involved in the delivery of 'economic services'. However, where the fundamental capacities of the poor are impaired - particularly in the areas of health and education, it is argued that Development Organisations may have a continuing front-line role to play in both financing and providing essential services.

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Endnotes

- i. In 1996 Cashpor Financial and Technical Services began providing microcredit in the Mirzapur District of Uttar Pradesh. David S. Gibbons, Managing Director, Cashpor Financial and Technical Services illustrates how the poor can make interest payments and still have surplus income to pull themselves out of poverty- "As we all know, in microfinance loans are small. Even relatively 'high' interest rates on them still result in relatively small (in amount payable) instalments, especially if these are paid frequently; say weekly, over a medium length loan term, say one to two years. In India a moderately yielding, say 4kg per day, milch buffalo can be purchased pregnant for around INR 4000 (about USD 100). If a loan of the whole amount is made available for that purpose to a very poor woman at 20% interest (flat) for a term of 2 years with 100 equal weekly instalments of principal and interest, each payment would amount to INR 52.8 as per the following calculation (remembering that the 20% for the second year will be charged only on the outstanding balance at the year's beginning). This is calculated to be 2400, as $INR\ 32 \times 50$ instalments = INR 1600 in principal would have been repaid in year 1. The interest on the balance of 2400 for year 2 will be INR 480 added to the INR 800 for year 1, this gives a total interest payable over two years of INR 1280 and a total amount payable of INR 5280 divided by 100 weekly instalments this comes to an average of 52.8 per week (just over one USD). The 4kg milk could be sold for INR 12 a kg. This means that the weekly repayment money of INR 52.8 could be earned in little over one day, leaving the income from the other 5 to 6 days to reduce the poverty of the household. The risk of the buffalo dying can be covered by livestock insurance at a premium of INR 4 per INR 100 of the animal's value per year or a total of about INR 160, which could be paid easily from the sales of the milk". For more details of this discussion refer to <http://www.fao.org/DOCREP/004/AC154E/AC154E03.htm>.
- ii. Data on the Indian micro finance market are hard to come by. One estimate puts the demand for these basic micro-loans with an average size of no more than USD 200 per loan at over USD 20 billion annually in India with close to 100 million households without access to these loans. There is no comprehensive database or directory of microfinance institutions. M-CRIL, a leading micro-credit rating agency provides a conservative estimate of the size of the market at INR 480 billion (USD10.7 billion) calculated for 60-70 million poor families at average household credit demand of INR 8000 (less than USD 200). A more recent estimate comes from the prominent microfinance practitioner, Vijay Mahajan. He pegs annual micro-credit demand at USD 30 billion. Thus, India accounts for about 10% of the estimated global aggregate demand of USD 300 billion.
- iii. One such initiative is Sandhi – a not-for-profit organization that aims to build sustainable livelihood opportunities for artisans and handicraft producers across India. The handicrafts sector is largely unorganized, and Sandhi's work is centred on addressing the issues relating to production and supply of products, so that producers can deliver consistently to market requirements. The key areas where Sandhi works are: improving product design, efficient sourcing of raw material, order management,

quality control, training on an on-going basis and meeting credit requirements through appropriate financial linkages with banks and other financial institutions. Sandhi works directly with artisan groups and NGOs who work with them.

- iv. ICICI Bank has initiated the process to find ways to fill up the current missing gaps in the value chain of food produce. The bank is negotiating partnerships with MFIs, NGOs and cooperatives to provide the necessary strategic expertise, financial and technical support to interested groups serviced by these partners and will shortly be spinning-off an organization similar to Sandhi focussed on this sector.
- v. Village-based tourism is an initiative that endeavours to leave visitors with a greater understanding of village life and livelihood, nature, rural realities, need to protect wilderness and to encourage people to support organic projects. It caters to travellers with special interests who prefer to be part of the real environment of a place and want to learn more about the authentic natural, cultural and historical aspects of the locality they are visiting. To see an example of such an effort, visit <http://www.villageways.com>.
- vi. ICICI Bank is in the process of forging a relationship with DRF's (Doctor Reddy's Foundation) corporate centre, which undertakes Livelihoods and Business Skills (LABS) model in Pune and Annapurna Mahila Mandal, an Urban NGO, which is in community development as well as Micro finance. Annapurna will identify unemployed youth from slums for skills development and provide them financial assistance (loans) to fund the cost of training; DRF will be involved in training and placement. DRF through its LABS initiative (mentioned above) unlike other skill/ vocational training institutes actually ties up the job-end first in a particular area and then selects appropriate local students. With the partnership between DRF and Naukri.com (one of India's largest online placement agencies) DRF's LABS initiative can be carried out on a much larger scale. The Naukri.com portal is expected to provide DRF sound expertise and a national platform for placing its students.
- vii. GramIT is a rural Business Process Outsourcing Model initiated by Byrraju Foundation. This model focuses on wealth creation through employment and entrepreneurship. According to this model the Village BPO operated and/or owned by the residents of a village provides quality services at a competitive price to Companies and the government. For more details refer to Choudary and Soami (2005).
- viii. One such example is the partnership between ICICI Bank and Spandana, wherein, with the help of the Bank, Spandana negotiated with different cattle-feed companies for improving the yield of buffaloes and therefore the income of poor households. For more details refer <http://ifmr.ac.in/cmfr/newsletter/CMF-EOMF-01.pdf>.
- ix. IFMR has set up the Small Enterprise Finance Centre (SEFC) (<http://www.ifmr.ac.in/sefc>) to overcome the limited and untimely access to finance for SMEs. SEFC is working in partnership with several banks

- and NGOs to research the financial needs of SMEs and set up experiments to develop secure and cost effective SME financing products for banks.
- x. CMF at IFMR in Chennai, in collaboration with academics from MIT and NYU, is conducting an impact evaluation of improved chulhas (cooking ovens) program. The project looks at the impact of these chulhas on health and productivity as well as the willingness to use and pay for these chulhas.
 - xi. In collaboration with academics from Stanford and Duke, CMF is also conducting a study with Biswa, an MFI in Orissa, to determine willingness to pay and suggest the best mechanism to encourage uptake and continued usage of insecticide treated nets.
 - xii. In a yet to be conducted study with an MFI in Orissa, CMF intends to assess the extent to which MFIs and their clients' groups can be used as a delivery mechanism for micronutrient or iron pills to improve the health outcomes of group members and possibly family members as well.
 - xiii. For instance the Centre for Development Finance (CDF) at IFMR in Chennai, is conceptualizing a development strategy for the Krishna district using an analytical framework (Hausmann et al, 2005) that identifies the most binding constraints to economic growth in the district. The project will use a mix of quantitative and qualitative data to analyze the reasons for low growth and investments, and using a causal chain will identify priority investments that are needed to address these binding constraints. This prioritization framework will then be replicated in other districts across the country.
 - xiv. The current umbrella microfinance programme of CARE 'CASHE' is one of the largest microfinance promotion programs outside the Government operational in Andhra Pradesh, Orissa, West Bengal and Madhya Pradesh. CASHE has invested in building institutions, and setting in place systems and processes that enable effective management of large-scale microfinance programs by the MFIs. These strong systems, institutional capacities and wide spread outreach that CASHE offers has attracted significant interest from the mainstream financial sector. Currently, UTI Bank, ABN-AMRO Bank, State Bank of India, SIDBI, Indian Bank, United Bank of India, ICICI Bank and UCO Bank are providing bulk lending to CASHE partners. As of December 2005, over INR 550 million has been leveraged by CASHE partners from the mainstream financial sector.
 - xv. For instance VegCARE, Kenya is a partnership between a social investor and a commercial outfit. The social side is CARE Kenya, an arm of CARE International. The corporate side is the Vegpro Group, a Kenyan-based consortium of horticulture companies. It is a union known as a social enterprise: that blends humanitarian intervention with business flair. The scheme links 500 smallholder farmers in Kenya, scaling up to 2,500 in the near future to high-end wholesalers in rich European nations including the United Kingdom, France, Germany and Holland. Smallholder farmers own or lease plots of five acres or less. For more details see McGregor (2006), retrieved from www.embassymag.ca/html/index.php?display=story&full_path=/2006/april/5/foodchain/
 - xvi. ICICI Bank's Social Initiatives Group (SIG) believes that to build the long-term capacity of the poorest of the poor to participate in the larger economy two additional capacities (in addition to access to financial services) need to be focused on, namely, Health and Education. It seeks to address these two problems

by focusing on Early Child Health (nutritional status of young girls, women and children up to the age of three) and Universal Elementary Education (pre-school education from the age of three to the age of six and primary and elementary school education until the age of fourteen). The development of these two capacities are long-term endeavours and the link to permanent income at a individual household level while strong, is subject to such a high level of uncertainty, that it would be difficult to imagine how these efforts may be financed except through the provision of large scale subsidies either through international donors or by national governments financing them through national debt (taxes or borrowings). The development of these two capacities could once again provide a role for development organisations. The SIG, for example, has been working towards improving the health and nutrition of poor women and babies as well as enhancing the quality of schooling received by children. SIG undertakes rigorous analysis of the conceptual and systemic problems affecting large-scale national programs and collaborates with pioneering NGOs to develop effective strategies for the provision of need based and responsive health, nutrition and education services. In this endeavour, it has undertaken and supported relevant primary and secondary research, co-developed and funded intervention projects as well as engaged in networking and advocacy in partnership with NGOs, academic institutions, state and central governments as well as other companies. More specifically, in the area of Early Child Health these activities have translated into a study of food based strategies to improve maternal nutrition based in Mumbai; synergistic community involvement and primary health system reform to impact infant health and mortality in tribal blocks of Ranchi District in Jharkhand and slum clusters of Mumbai; integrating effective health and nutrition strategies into Micro Finance structures in Tamil Nadu; and building state government capacity for scaling community based health worker strategies including the development of appropriate training resources under the National Rural Health Mission. In Elementary Education, the SIG has focussed on improving the quality of education received by millions of poor Indian children through government schools. It has supported the development of five resource centres located in the states of Madhya Pradesh, Chhattisgarh, Rajasthan and Gujarat to undertake research in children's learning and quality education including processes of curriculum development, teacher training, teaching-learning material preparation and assessment. These centres are also working to mainstream such understanding by strengthening the academic support structures set up in India, such as SCERTs and DIETs through partnerships with different state governments, thereby ultimately improving the quality of the teacher-child interaction in the classroom. SIG is now actively considering institutional support to upcoming interdisciplinary centres focussed on Early Child Health and Elementary Education to give overall impetus to research and practice in these areas. Once again there could be a role for Development Organisations in providing support to these centres.