The ever-smiling poor







The Long March of BASIX and the Indian Microfinance Adventure

BASIX' Long March from Credit to Livelihood Services (The Livelihoods Triad)

Savings and Credit Forum

Bern, 11 May 2012

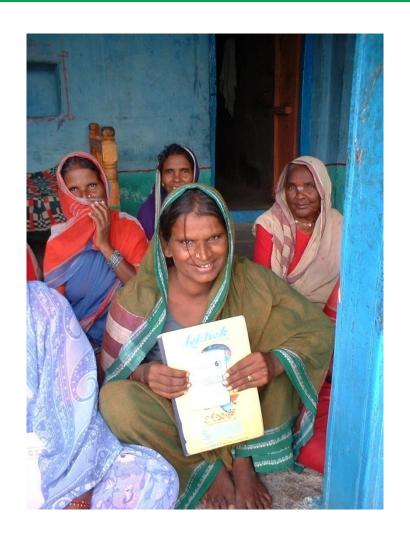
Malcolm Harper

602 Pacific Square, 32nd Milestone NH8, Gurgaon 122 001 INDIA malcolm.harper@btinternet.com Tel: +91 124 230 9497, 230 9707 Fax: +91 124 230 9520





Microfinance, should it be more than happy ladies in groups?







BASIX basic history

- 1996 started operations, funded by SRTT, SDC, and Ford Foundation
- 2001 14,000 clients, \$4 mn assets, \$28,000 profits, 140 staff
- 2007 200,000 clients, \$36 mn assets, \$650,000 profits, 1100 staff
- 2010 1.1 mn clients, \$300 mn assets, \$ 7 m profits, 2,000 staff
- 2011 1.6 mn clients
- 2012 hanging in, debt restructuring...





BASIX – What's so Special?

- It's not India's largest MFI
- It was not India's first MFI
- It is not India's most profitable MFI

BUT

BASIX is NOT just another big Hyderabad-based MFI





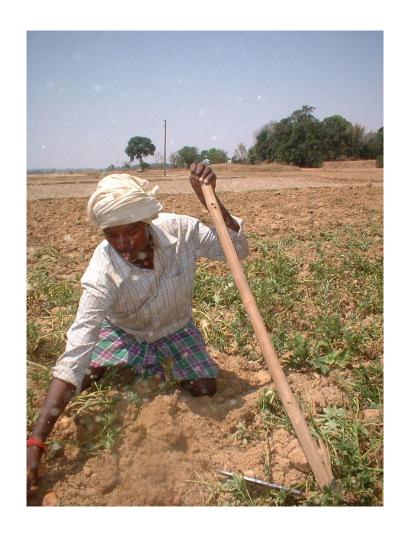
BASIX is a pioneer

- It was India's first commercial for-profit MFI
- It was the first Indian MFI to raise a loan from a commercial bank
- It was the first MFI to raise finance by a portfolio securitisation
- It started KBSLAB, India's first MF bank
- It offered the first viable small farmer crop insurance product





An insured farmer







BUT, even more important....

BASIX is the world's first for-profit livelihoods promotion institution.

2001 – impact evaluation study of BASIX's typical MFI credit-only programme:

- 48% of clients no income increase
- 23% incomes unchanged
- 25% lower incomes
- Poorest least likely to benefit





Hence - Livelihoods Promotion

- The 'Triad' livelihoods, institutions and finance
 NOT merely finance
- 650,000 clients are buying non-financial services, about half BASIX total clients
- Financial services only one of the 'five capitals' of livelihoods – natural, physical, human and social capital may be more necessary





FINANCING LIVELIHOODS PROMOTION

- Vital 'firewall' between subsidised experiments, and 'real' for-profit livelihoods promotion
- Indian Grameen Services, the NGO member of the BASIX group - Supported by the SDC Livelihoods Triad Fund
- Proven livelihood products handed over to forprofit company for scaling up





Integrated pest management







Value chain interventions

- Milk Reliance
- Potatoes Pepsi/Frito Lays

Paid for by fees from corporate buyer, margins on inputs and interest on credit

NOT 'CSR'





The 'Lac' Value Chain in Jharkhand







Individual business interventions

- Local grocery shops 55,000 clients
- Tailors 120,000 clients
- Mushroom growers 25,000 clients
- Mehndi artists, teashops, soy bean farmers...

Training, inputs, supply + market information

Paid for by the business itself, flat one-off fee





Help with marketing







Conclusion – Livelihood services need not be 'bundled' with credit

 BKSL – separate company to sell livelihoods services, to BASIX borrowers and others

 Shivia – partnership with BASIX, selling \$10 poultry and mushroom 'livelihood packages' with NO credit attached





BASIX staff with a happy (male) client







The Long March of BASIX and the Indian Microfinance Adventure

BASIX's role in developments in the microfinance industry, leading up to the crisis





BASIX and the Andhra Pradesh mess

- 35% of loan portfolio in AP
- On-time recoveries 98% went down to 84%
- Debt restructuring in process
- KBSLAB, the BASIX bank, partly in
- AP, but very little affected





BASIX and the build up to the mess

- Vijay Mahajan personal pain, as newcomers overtook BASIX
- Lingering staff failure to accept the Triad and resulting slower growth
- Hired new ambitious Citibank man to build Samruddhi's figures
- Matrix USA investors looking to IPO





The charismatic leader problem

- Repeated departures of CEO
- Founded MFIN, to reform Indian MF
- Too late, BASIX was different, but was linked to the errors of the industry as a whole





Alternative routes to microfinance in Africa

Kenya and Somaliland

Mobile microfinance: Musoni and Dahabshiil





Mobile phone penetration – 2009

World 68%

India 45.4%

Kenya 49.1%

Somalia 7% (but...)

(Switzerland 119.5%)

WB, 9.11.2011 data





Adult use of mobile money transfers:

Kenya – 68% Somalia – 33% Brazil, Argentina – 1%

The Economist, 28.4.2012





Why is Africa ahead of India?

- Technological leapfrogging –
 bank branch coverage and landlines
 are worse than India
- More private players reduced role of government





MUSONI IN KENYA?





DAHABSHIIL of SOMALILAND

Africa's own remittance company
In-house mobile phone company + licensed bank +
mpesa look alike
+ 300 branches
Propose to start mobile-based microfinance
Shariah-compliant, savings-led
Funded by ???





WHAT CAN INDIA LEARN?

- Recognise phone based finance
 - Exploit forthcoming UID
- See that microfinance is more than an opportunity for subsidy
 - Get away from groups



