

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)

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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 for-profit 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



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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?

Netherlands based, 100% cashless, using Mpesa in Kenya, bank licence in process

5 branches, 6000 borrowers, \$1.4 mn portfolio

Uganda next in line

Funded by individuals, + Oxfam-Novib, RABO, Hivos etc.

DAHABSHIL 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