Inafi INDIA

Annual Report 2011

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Chairperson's Message

INAFI India demonstrates principles of Microfinance in action. Members are reaching-out to unreached poor and linking them with mainstream banks. Besides members, INAFI reaches to small NGOs with capacity building events and includes them as associate members. Networks are also now included as associate members. Development content of microfinance is given top priority to address poverty and democracy. INAFI takes lead in Micro insurance, Migration, Millennium development goals, Social impact measurement and Gender equality.

INAFI stands for Innovation, Native, Alternative, Facilitation and Inclusive values and fight against exploitative practices of markets, exclusion, domestic violence, social evils and corrupt practices. Banks and Insurance companies are working closely with INAFI members as an effective way of financial inclusion. New thoughts and models are shared by INAFI members with their creative efforts to shape the microfinance sector. Continuous interaction with policy makers provides a distinct space and contribution for evolving policy framework.

We acknowledge the support of many institutions and individuals for the growth of INAFI-India.

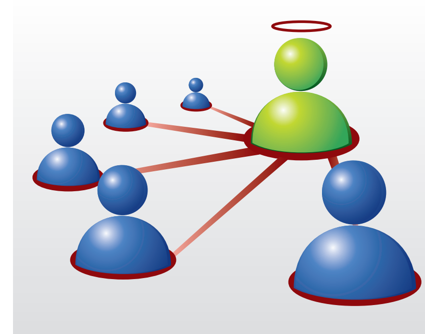
M .P. Vasimalai
Chairperson
INAFI India

Foreword

Microfinance is increasingly seen in negative light for some time now by the stakeholders and public alike owing to the fact that a few players have brought disrepute to the nationally important emerging sector in addressing poverty. The general perception is one of microfinance having descended from sublime to ridiculous. The exploitation of clients and unfortunate episodes including suicides in the state of Andhra Pradesh and elsewhere have prompted many people to ask what has gone wrong with microfinance?

A collective responsibility is now cast on the stakeholders involving demand, supply and enabling stream - of Clients, Commercial Banks, Governments and Regulators to put the microfinance back on the right track of development. The home grown SHG model has really shown the way and two decades of engagement with SHGs has led to transformational impact on the poor. The task is to build on, strengthen and spread to geographies where the SHG movement has not attained its own steam. Inafi network and its members who have been part of this SHG movement are committed to carry forward this work of sustaining the SHGs by leveraging microfinance for larger development purpose. In tune with this agenda, Inafi would focus on localizing the MDGs, advancing financial inclusion and expanding micro insurance and remittance services. Inafi has developed Social Impact Measurement (SIM) tools - simple, field friendly, to take stock of the development work through microfinance which should be useful to the sector. The support of our partners - Oxfam Novib, Ford Foundation and Hivos is gratefully acknowledged.

M.Kalyanasundaram
Chief Executive
Inafi India
Madurai



Directors' Report

Your Directors are pleased to present the 8th Annual Report of your Company for the year 2010-11. It has been a year of distraction and disruption from development stand point, thanks to some of the MFIs. The acts of omissions and commissions of some of the MFIs, have engaged our attention in protecting the customers much less development. As a consequence, microfinance sector in India has been in a state of flux and ferment. In fact, it has been a difficult testing times for the SHGs bank linkage programme. While we witnessed lending excesses by some of the MFIs driven by the motive of crass commercialization and profiteering, the Banks have not been enthusiastic, in fact, shown slack in SHG bank linkage. The banking system seems to prefer bulk lending to MFIs rather than seeking out to linkage with the SHGs. This is so even in the southern states where SHG movement has emerged stronger. We also witnessed unfortunate/grave developments in the sector where unhealthy practices of some of the MFIs have led to clients committing suicides, particularly in the state of Andhra Pradesh. The State Government had to intervene with a legislation to curb these practices and it has been a shocking revelation that some of them are charging even 60% inclusive of interest and other charges. This development has a negative impact on the process of financial inclusion as the clients are moving away from the banking system and the banks have been unwittingly accentuating the process. RBI has responded by appointing a committee of members of their Central Board under the Chairmanship of Mr Malegam to address the three major issues arising out of MFIs-charging high interest rates, excessive lending and undesirable recovery practices. It is a matter of gratification that Inafi's suggestions for capping interest and the spread/margin have been accepted by the Committee. The committee has come out with the broad regulatory framework for NBFC/MFIs to address the issues.

Members are aware that under the enabling framework of promoting and nurturing the SHGs, the role of development NGOs has been acknowledged to be quite crucial. We have been emphasizing the need for mainstream funding (other than donors and philanthropies) to have large scale intervention to promote SHGs across the country. In this respect, it is a happy augury that Central Government has announced a major initiative with the setting up of women's SHG Development Fund with a corpus of Rs.500 crores for promoting and nurturing SHGs. It follows then that Inafi India needs to engage with the Central Government for the proper allocation of the resources to the development NGOs.

Another significant development which has a greater bearing on the SHG movement is the NRLM mission and the strategy in initiating and expanding livelihoods across the country. NRLM has given a pride of place and primacy to the SHGs as the basic grass roots structures in improving the livelihoods for implementing the mission. This has given a shot in the arm not only for SHGs but also for development NGOs to advance livelihood intervention work for moving SHGs into higher economic orbit and thereby facilitating long term sustainability.

1. Building Knowledge and Capacity

INAFI INDIA has been mandated for capacity building of not only members but also of the sector besides providing member specific professional services. The capacity building programmes include MP3 / MP3++, Training of Trainers, Training programme on Micro Insurance and the Road shows. While the Road show showcases the excellence to not only the professionals of the members but also the sector, MP3 is a primer programme for the small and upcoming NGOs focusing on principles, practices and perspectives. An advanced version of MP3 called MP3++ has been launched for the upcoming NGOs on a larger outreach mode / up scaling. This course aims at exposing the small NGOs to the networking of SHGs and there by building federations creating critical client base for introducing micro insurance services.

While the Road Show benefited 25 staff members / professionals of network and other stakeholders, MP3++ have reached 30 small NGOs.

2. Thematic Thrust

Inafi India has focused on the following thematic areas in advancing development agenda through micro finance interventions:-

- Micro Insurance
- Remittances
- Millennium Development Goals
- Social Impact Measurement
- Gender and microfinance
- Livelihoods

2.1. Micro Insurance

Capacity Building

Micro insurance is increasingly compelling the attention of the sector, as there has been a wider realization that micro insurance is vital for addressing risks and vulnerabilities and an essential part of financial inclusion agenda and together with savings and credit it forms a fundamental tripod. It can be said that the micro insurance is now in the stage where savings and credit were more than a decade ago. This calls for quite lot of investment in building capacities, systems, process, literacy about the insurance as being a risk product, etc.

Two national level trainings/workshops have been organised for the benefit of the NGOs on the microinsurance - one covering life, health and asset insurance and another one with specific focus on **crop insurance in association with AKRSP at Ahmedabad.**

As a lead agency for micro insurance within the network, Inafi India is also reaching out to partner organizations in other continents to initiate and provide knowledge and clarity about micro insurance practices and programmes. In keeping with this mandate, Inafi India joined Dhan Foundation in organizing an international training programme on micro insurance in December, 2010 and enabled the participation of Inafi Africa and Community Development Foundation, a member organization of Inafi Africa, Nigeria.

Different stakeholders in the microfinance sector have been exposed to right kind of practice (already demonstrated by Dhan Foundation) about the system, products, mapping risks and vulnerabilities, process, etc. Inafi India through training programme jointly with Dhan Foundation has been able to promote micro insurance through advocacy efforts not only with the stakeholders but also with the regulators and policy makers. Training materials and literature on micro insurance have been prepared and used for the programme. Different stakeholders have been exposed to three kinds of intervention approach for micro insurance- connecting with the insurance companies for availing an MI product, mutual/cooperative insurance and a hybrid of combining the two as required by the context.

2.2. Remittances

Research Study

India is a country with huge migration within and without. It is estimated that 1/3 of the Indian population is migrant in search of greater economic opportunities and better living conditions. Among the migrant population, large segment of unskilled workers who are largely illiterate have been excluded from the formal banking system for remittance services. These migrant workers are in fact on the losing side when it comes to transfer of money from their place of destination (work place) to home. While there have been several migration hot spots, the state of Orissa is a leading region for out bound migration. It is, therefore, felt necessary to do a study in collaboration with one of our member PREM based in Orissa to understand migration pattern and mode of remittance with a view to develop a remittance corridor in future. Accordingly, a study was initiated in concert with PREM and has been completed. The study report is being finalized and would be released in the early part of 2011.

Based on the study findings, it has been proposed to formulate remittance project for the migrant workers from the state of Orissa in association with banking system adopting the BC/BF model.

2.3. Millennium Development Goals

INAFI India took the initiative to introduce the thematic area of MDGs for the INAFI Network as a whole as part of larger pursuit of social agenda through alternative paradigm approach. Following the International workshop organised in 2007 at Bangkok by INAFI India in association with INAFI Asia and INAFI International and other country chapters namely INAFI Bangladesh, INAFI Phillipines, INAFI Nepal and with view to make the Bangkok declaration actionable, INAFI India worked closely with the UN Millennium campaign at Bangkok and brought out the foundation document connecting microfinance with MDGs and shared widely the global platforms the stakeholders. Further INAFI India also launched the joint campaign with UN Millennium campaign for India during Feb 2008 at New Delhi.

In fact, it may not be an exaggeration to mention that INAFI's engagement with MDGs brought global attention to the network and its work on poverty reduction with focus on social agenda through microfinance interventions and many development practitioners are now expressing interest to have collaborative endeavours.

Keeping up the momentum, Inafi India has organised a National Conference on connecting Micro Finance and MDGs for the stakeholders of the micro finance sector including the members, non-members, policy-makers, academia, governments, etc. The conference provided an opportunity to look at the experiences and current practice of development NGOs in capitalizing on the social capital generated by micro insurance programmes for connecting with MDGs. The work relating to addressing health particularly child health and maternal health, role of micro insurance in maternal health, education and gender economic empowerment by the NGOs have been shared for the benefit of the participants. The conference has spurred a lot of interest and the opportunities available to utilize micro finance as a platform for achieving millennium development goals.

As a lead agency, Inafi India has taken the initiative to disseminate and do advocacy in respect of connecting microfinance and millennium development goals in other countries. As a part of this strategy, Inafi India has organised MF MDG Round Table for the benefit of Inafi Africa members in Nairobi in February, 2010 and for the Philippines in November, 2010. The Round Table brought the microfinance practitioners and policy makers and provided critical knowledge inputs and clarity as to how the microfinance programmes could be effectively used as a platform for addressing the important goals under MDG concerning health, education and gender.

Different stakeholders in Africa and Philippines have been influenced to look at MF+ approach to address MDGs. Success stories of Dhan Foundation in connecting MF and MDG have been disseminated as a part of this advocacy.

2.4. Social Impact Measurement (SIM)

Inafi as a global network has been committed to realize social development objectives through microfinance interventions in addressing poverty. This covers multiple dimensions of poverty from economic and social perspective touching wide range of issues such as livelihoods, income, health, education particularly aligning with some of the goals related to health, education and gender under MDG.

Inafi India continued its work in developing social impact measurement tools to bring out empirical focus of the impact on the socio economic plane. Having initiated the design workshop for developing SIM tools, Inafi put behind the setbacks in developing the tools and worked with IT team of Dhan Foundation to finalise the SIM tools. Accordingly, the SIM tools have been developed by the IT team of Dhan Foundation and the SIM tools package, let us say Version-I, have been developed for dissemination. The tools have been tested by three MOs of Inafi India network – GDS, Dhan, SKDRDP and endorsed in a workshop at SKDRDP.

SIM tools are now ready for dissemination among the members and also in the sector.

2.5. Gender

During the year 2010, Inafi pursued its capacity building efforts in educating different stakeholders in the sector in effectively utilizing microfinance programmes for gender mainstreaming. In keeping with this plan, two national level microfinance gender workshops have been organised for the benefit of the microfinance programmes run by NGOs, MFIs in India.

Stakeholders in microfinance sector have been exposed to gender mainstreaming framework in microfinance context. Literature on gender mainstreaming through MF intervention and with case studies have been developed and utilized for the workshop. Greater appreciation and acceptance generated among the NGOs and MFIs in effectively leveraging MF for WEMAN (Women Enterprise Mainstreaming and Networking).

2.6. Micro Finance Livelihoods

Road shows have been organized to expose the members of the network to excellence in microfinance interventions in South and Western India. Diverse models and approaches are at work in these areas and about 50 programme staff and officers of the member organizations could get the opportunity for a glimpse of principles, concepts of various microfinance programmes in South and Western India. They had exposure at DHAN Foundation, SKDRDP, Kudumbhashree Project. More importantly, two road shows organized during, February/September 2010, provided the focus to the participants to look at the promotion of livelihoods through micro finance intervention.

The road show has exposed the participants to various kinds of successful micro enterprises in different context and broadens their horizon to adopt and adapt similar enterprises to suit their context of work. The road show also provided good opportunity to look at the size and scale of livelihood promotion and how the backward and forward linkages including marketing and warehousing are getting organized with the enabling support of the NGOs and MFIs. Another important learning for the participants is the various types of bank linkage with mainstream financial institutions and apex financial institutions for providing credit support to enhancing livelihood opportunities.

Further, an MF livelihood workshop has been organised for the members and non-members on the organised livelihood systems supported by microfinance interventions with particular accent on collective farming on "aggregator model" under the producer company framework. This workshop has helped the members to enhance their understanding about the role of microfinance generated social capital in enabling and enhancing organised livelihood systems and the significant benefits of scale accruing for marketing and other backward and forward linkages.

It created greater awareness about direct and indirect benefits of utilizing the MF intervention under the beyond microfinance approach. Greater outreach for economic opportunities generated.

3. Resource Mobilization:

Inafi India is supported so far by trinity of donors – Oxfam Novib, Ford Foundation and Hivos. Oxfam Novib and Hivos have expressed their inability to continue the funding, stating the reason that they have other priorities and also the fact that there is a substantial cut in the grant provided by the Dutch Government. Ford Foundation has also communicated the tie-off funding ending June, 2012.

Total grant received from the three donors was Rs.49.44 lakhs during the year 2010-11. The grant amount spent was of the order of Rs.62.52 lakhs. The corpus amount set aside has gone up to Rs.22.37 lakhs as compared to the previous mark of Rs.12 lakhs.

4. Auditors

The Auditor, M/s Charles & Fernando, Chartered Accountants, Madurai, will retire at the forthcoming Annual General Meeting. Having regard to their quality of inputs and professional excellence, we recommend to the General body for its consideration, the resolution re-appointing M/s Charles Fernando & Co, Chartered Accountants, Madurai, as our auditors for the current year (2011-12) on a suitable remuneration to be decided by the Board.

5. Directors Responsibility Statement (Pursuant To Section (2AA) Of The Companies Act, 1956)

The directors' confirm:

1. That in the preparation of the annual account, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
2. That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state affairs of the company as at March 31, 2011 and the excess of income over expenditure of the company for that period ended on that date.
3. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and
4. That the directors have prepared the annual account on a going concern basis.

6. Acknowledgement

In the first place, active participation and support of member organisations are greatly appreciated.

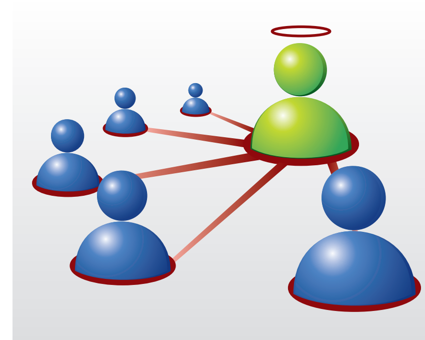
The Directors place on record its deep sense of gratitude to Oxfam Novib, Netherlands, Hivos, Netherlands and Ford Foundation, New Delhi for their continued support to your company.

The Directors also acknowledge the support and cooperation of RBI, NABARD, and Income Tax authorities, Canara Bank, Auditors in conducting the affairs of the company.

The Directors acknowledge the efficient work of the core team at national secretariat in running the affairs of the company.

Place: Madurai — For and on behalf of the Board of Directors

Date: 21st June, 2011 — Chairperson



Inafi India Micro Finance Summit

Globally microfinance has emerged as an inalienable part of strategies to address poverty. From concept to commissioning, microfinance has development underpinnings. Since the advent of microfinance, millions of poor are getting access to microfinance services and thereby wider choices in opportunities for development and to address poverty. Microfinance is seen as alternative finance to the mainstream finance, which is still inaccessible to large number of poor as well as to informal system which is exploitative. In contexts like Africa and Americas, microfinance institutions have been established to deliver micro credit, whereas in India, the mainstream banking system mandated for social lending have reached out to the SHGs for financial linkage.

Microfinance as a hub for inclusive development

There is a greater concern across the globe that microfinance programmes have been drifting from the original purpose and moved away from the primary objective of addressing poverty rather more concerned with the sustainability resulting in crass commercialization with its attendant impact of chasing profits at the expense of clients and hence increasingly we are asking the question what has gone wrong with microfinance. However the alternative perspectives of community ownership, building social capital through microfinance and leveraging microfinance for larger development process and outcome have been expressed well in many microfinance programmes across the globe, particularly in Asia. The expanding microfinance eco system with larger social capital has not been leveraged adequately for promoting and advancing inclusive development. Through social development intervention around microfinance involving health, education, livelihoods, gender empowerment in mainstreaming, etc.

The Alternative MF Summit

This Alternative MF Summit organized by Inafi India in association with NRLM and SERP at Hyderabad, India, from 21st – 23rd June, 2011, has set the tone and marks the beginning of the process towards mainstreaming the MF and thereby inclusive development.). The conference was attended by participants of all development and microfinance stakeholders including Governments, Development NGOs and MFIs, Central Banks, Regulators, Policy Makers, Networks, Academia, Commercial Banks, Insurance Companies, etc. from countries including India, Bangladesh, Nepal, Sri Lanka, Phillipines, Afghanistan, China, USA, Netherlands.

Hon'ble Chief Minister of Andhra Pradesh Shri Nallari Kiran Kumar Reddy delivered the inaugural address. Followed by opening remarks made by Shri R Subrahmanyam, IAS, Principal Secretary, Rural Development, Government of Andhra Pradesh, Shri T.Vijay Kumar, IAS, Joint Secretary(SGSY) & Director, NRLM, Ministry of Rural Development, Government of India, Smt. Angoori Lakshmi Sivakumari,Member of Legislative Council, Government of Andhra Pradesh, Dr Humaira Islam, Founder Executive Director, Shakti Foundation, Bangladesh, Shri B.N. Yugandhar, IAS, Former Member, Planning Commission, Government of India and Smt V Sunitha Laxma Reddy, Minister for Indra Kranti Padham, Women, Children, Disabled, and Juvenile Welfare, Government of Andhra Pradesh, Dr Veerendra Heggade, Dharmadhikari, Dharmasthala, Karnataka. Shri Jairam Ramesh, Minister of State (Independent Charge) for Environment and Forests, Government of India delivered the keynote address.

On the final day, Mrs Usha Thorat, Director, Center for Advanced Financial Research and Learning(CAFRAL), Reserve Bank of India, delivered valedictory address.

Declarations

The summit has reinforced the guiding principles of microfinance and deliberated upon a host of operational and policy issues in many of the topical issues concerning microfinance. The declarations listed below captures the principles and purpose of microfinance programmes and also covers the policy leads and recommendations. The summit further resolved to commend the declarations to the world of microfinance including the practitioners, Governments, regulators and policy makers.

1. The basic and universal purpose of microfinance should be poverty reduction and the development outcome from this perspective should be guiding the provision of microfinance services. Holistic development approach with social and financial intermediation, livelihoods enterprise promotion, integration with mainstream for civic intermediation with proper sequencing, graduation, context and member specific interventions shall guide the microfinance programmes.
2. The summit recognizes the unique advantage of social capital model focusing on building people institutions especially federations of SHGs based on mutuality and solidarity and it's proven potential for leveraging multi dimensional development interventions such as connecting with MDGs, Livelihoods, ensuring social security and entitlements, Gender empowerment and mainstreaming.
3. Microfinance programmes shall start with savings first approach for long term stability and sustainability and shall involve development credit for livelihoods and health / education, Microinsurance including pension for social security, remittances

Policy leads and recommendations

1. Leveraging the social capital of microfinance programmes, the priority shall be for integrating Livelihood promotion into microfinance programmes with focus on sub sector economic development such as farming, dairy and fisheries.

2. In building livelihoods systems, connecting the poor with technologies and markets, community ownership in the form of producer and marketing companies with professional management shall be promoted with innovative and appropriate credit products.
3. The summit calls for public investment for capacity building for enabling and demand streams with adequate grant and soft funds support and in creating livelihood common infrastructures (cold chain, transport, processing etc.,) that support value and supply chains, ICT infrastructures etc.,
4. Mainstreaming microfinance through linkages with the banking system shall promote financial inclusion to provide access with affordability for the poor. The banking system shall respond to the microfinance clients with timely credit and appropriate financial products.

Summary of recommendations

1. The summit recognizes the two decades of SHG programme and its significant contribution in connecting poor with banking system facilitating savings and beyond microfinance addressing the social development issues. SHGs have demonstrated the potential and provide enabling space for sustainable livelihoods, connecting with and achieving MDGs, much larger and deeper empowerment process. Considering the remarkable development work of SHG programme, the Summit commends primacy and priority for promoting, strengthening and advancing SHGs and its Federations, in the national poverty alleviation strategy, for not only access to financial services but to reap larger development dividends in addressing poverty.
2. Microfinance has been conceived as development instrument for poverty reduction, the development outcome connecting with millennium development goals, ensuring social security and entitlement should be guiding the provisions of microfinance services. While microfinance is not a charity, it is not pure commercial business. It should be a business with compassion duly considering the state of target groups and the purpose. Holistic development approach with social and financial intermediation, livelihoods / enterprise promotion, integration with mainstream for civic intermediation with proper sequencing, graduation, context and member specific interventions shall guide the microfinance programmes.
3. The social capital model of microfinance should get the primacy and the priority attention in the development process as it provides immense scope and potential for multiple development interventions. The social capital model of microfinance shall focus on building institutions founded on mutuality and solidarity, specifically federations of SHGs, and specialised institutions on health, education, livelihood for technical support to SHGs.
4. The microfinance programme which leverages social capital for larger development work shall get special support and incentives from the mainstream institutions including Government and Commercial Banks. The SHG development fund set up by Government of India should reach out through NABARD and Commercial Banks for promoting and nurturing Self-help Groups and networking them as Federations.
5. Microfinance programmes shall endeavour to deliver financial services at their place for encouraging maximum participation and sustaining the access to financial services over long haul.
6. Microfinance shall go beyond credit and shall include 'Savings-first' approach with

differentiated savings products for livelihood, health, education and life cycle needs; insurance and micro pension for social security, remittance services for migrants, micro justice for conflict resolution.

7. Keeping in view the special features of micro insurance services being number of clients and cost aspects, special purpose people institutions needs to be promoted for viable and sustainable delivery of micro insurance services to the poor. Similar need based institutions shall be established for credit, etc.
8. Leveraging the social capital of microfinance programmes, the priority shall be for integrating Livelihood promotion into microfinance programmes with focus on sub sector economic development such as farming, dairy and fisheries.
9. In building livelihoods systems in connecting the poor with technologies and markets, community ownership in the form of producer and marketing companies with professional management shall be promoted with innovative and appropriate credit products.
10. The summit calls **for public investment for capacity building for enabling and demand streams with adequate grant and soft funds support** and in creating livelihood common infrastructures (cold chain, transport, processing etc.,) that support value and supply chains, ICT infrastructures etc.
11. With a view to support the community owned and managed microfinance programmes, enabling legal framework shall be in place for facilitating robust growth of the people institutions. Some of the areas where legislative support is required in terms of income tax and service tax provisions, etc. are listed hereunder:
    - Like Banks, NPO-MFIs should enjoy general exemption from the provisions of money lending laws.
    - If an entity is treated as charitable under the Income Tax Act or is licensed under section 25 of the Companies Act, Service

Tax should not apply. Uniform definition of charity is to be applied.
    - Foreign Contribution (Regulation) Act, 2010 - SHGs are beneficiaries. So are the Federations of the SHGs. Contributions to SHGs and Federations of SHGs should be treated as utilisation. Specific reporting may be sought. Prior approval is to be specifically dispensed with.
    - Income Tax Act – The proviso targets only the residuary limb. Educational institutions and hospitals charge for their services. How can NPO-MFIs not charge the borrowers? As long as the activity is one of poverty relief, Section 12AA and exemption should apply to NPO-MFIs. The law is clear but its administration is the problem. CBDT could clarify the issue of NPO-MFIs through a circular.
    - Direct Taxes Code – Activities to alleviate poverty whether by NPO-MFIs or Federations of SHGs should be charitable purpose. Federations of SHGs work for their members for specific reasons like peer pressure, homogeneity, geographical proximity etc. These are not commercial associations seeking to promote the commercial business interest of their members. The provision is to be dropped.
    - The RBI – Loans to Federations of SHGs should be permitted without limit. The purpose is not to be specified in the notification. Repayment of high cost loans will contribute as much to the welfare of

the poor as running a business enterprise.

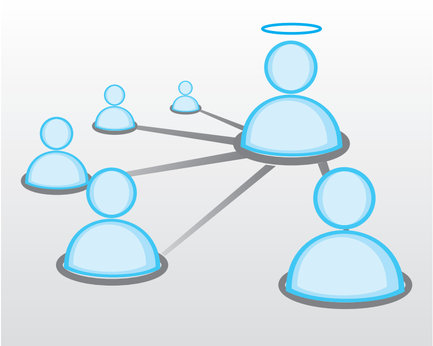
- Mutual Associations – A separate law governing mutual association or a separate chapter under the Companies Act like on producer companies is essential. The law /provision should cover definition, characteristics, rights, liabilities, exemptions and governance. This is more urgently required due to the proposed DTC excluding them from the purview of NPOs. Mutual associations of the poor should be exempt. Mutual Associations of the poor fulfilling definite criteria should be exempt from income tax.

12. Consumer protection is an important and indispensible element of the good microfinance eco system, whereby safety and security of savings of the poor preventing exploitation of the borrowing clientele, and those availing micro insurance and remittances, etc. should be the role of enabling and supply stream and their responsibilities need to be delineated and internalised.

13. Self-regulation process shall be a part of the microfinance programmes, which would promote growth with quality. The SHG Federations shall draw a road map and set standards for governance, financial and social development aspects according to their age and contexts and evolve action plans for implementation.

14. Gender empowerment and mainstreaming shall remain the core of the microfinance programmes with primary focus on social and economic aspects.

15. Mainstreaming microfinance through linkages with the banking system shall promote financial inclusion to provide access with affordability for the poor. The banking system shall respond to the microfinance clients with timely credit and appropriate financial products.



Policy notes

Inafi India is engaged in policy dialogue with RBI, NABARD and IBA to promote enabling policy framework for the development focused, pro-poor microfinance programmes. The policy notes setting out the views/suggestions and recommendations of Inafi India are furnished hereunder for the information of development stakeholders.

I. Y.H.Malegam Committee of Reserve Bank of India on MFI Sector : Views and suggestions of Inafi India, a Network of Development NGOs in Micro Finance

Globally micro finance has been recognized as an instrument to address poverty and access to micro finance services shall be promoted and enabled with affordability. Micro finance being the most important component of financial inclusion, access and affordability should go hand in hand. While being run on business lines for sustainability micro finance need to be ring fenced from the commercial onslaughts with high profit motives. In other words, not for profit approach shall be the guiding principle in micro finance and there is no conflict of interest with the micro finance being a business and also being run on not for profit motive. This calls for micro finance institutions to pursue low cost models focusing on just cost coverage and a socially acceptable profit levels. And more than ever, the country needs such a strong policy statement coming out of Central Government and the Central Bank.

The following views were placed before the Committee:

1. **The definition of micro finance** should articulate unambiguously their focus being poor and the **purpose being poverty reduction** and should be in **the realm of "not for profit segment".**

Micro finance institutions be it NBFC or MF NGO/ Section 25 companies are delivering credit only. As financial services encompass many services including savings, credit, insurance, remittances and pension, etc., it is misnomer to call institutions delivering credit only as MFIs rather the appropriate nomenclature would be micro credit institutions. Further, the extant guidelines of RBI talks about indicative amount upto Rs.50,000 as micro finance/ micro credit per individual. Therefore, whenever the MFIs/MCIs are involved in high value big ticket loans, they need to be derecognized as a MFI/MCI and accordingly dealt with.

2. **Interest rates and other lending practices and the need for supervision:**

The SHG bank linkage has been the predominant micro finance programme in the country with the participation of commercial banks and the poor women/clients have access to affordable credit through SHGs. Given the constraints and inherent limitations of the banking system and also the fact that there has been lopsided growth of SHGs, micro credit institutions in different legal forms have emerged and expanded as a complementary delivery mechanism to the banks and has been playing a useful role in filling the access gap for the poor. Drifting from the purpose, unfortunately, they (not all MFIs) started poaching and disrupting the

SHG system itself with frequent and excessive loans to build their portfolios at the expense of clients. Further, it is unfortunate and condemnable that the deregulated interest rate policy environment has been abused with exorbitant interest rates for microcredit ranging between 30 to 60%.

With the greedy private equity seeking higher returns, besides charging higher rates of interest, unacceptable recovery methodology and also multiple lending practices have compounded the problems. As MFIs have not changed their ways and did not conduct the business responsibly, the regulatory whip need to be lashed against these MFIs. In other words, there is a regulatory regime, but there is urgency for enforcement. There is, therefore, a need to have a surveillance and supervisory mechanism for the lending practices and interest rates in place. An indicative range of interest rate which is aligned with the **base rates of commercial banks** duly reckoning the reasonable spread for the MCIs shall be announced and revised given the movements of rates.

In any case, the interest rate (let us say effective cost of borrowing including all charges) should not exceed 15-18% for the clients. In order that, MFIs are enabled to work within this interest slab of 15-18% (declining basis simple), the system should make the funds available adequately at either base rate or slightly below that. The resources can be redirected from the outdated DRI lending and also not parking funds with NABARD wherever the shortfalls occur in priority sector lending/ agricultural lending in the banking system. When there is a need for more funds, we should find/raise from appropriate soft windows. Having put in place these funding arrangement for MFIs which is a sort of **challenge credit lines** if the MFIs are not able to work with the spread of 10-12%, they have no place to exist in the micro finance dispensation and to this extent a clear policy statement should come from Central Government/Central Bank.

Here, we would like to stress the greater role that could be played by **Lead Bank Offices** in conjunction with NABARD and RBI, not to speak of the role of commercial banks, the main source of funding for MFIs, could play. Therefore, there is a greater need to discipline the sector players with tough deterrent action by the combine of RBI, NABARD and commercial banks, rather than putting in place a stifling rule based regulatory system. As for instance, the Government/RBI/NABARD/ commercial banks in close concert through the mechanism of SLBC could have, monitored the practices and behaviour of MFIs and disciplined them rather than letting them scot free till the flash point is reached. In other words, the rogue MFIs should have been asked to close the shop.

Well, like the policy re-think on regulating cooperative banking system (State Government being relieved of this responsibility) it would be better in the interest of the orderly development of the whole financial system to repose faith in RBI's capacity for doing thorough professional regulatory job.

In any case, if there is a regulatory lax, State Government will always have over riding authority when bad practices of MFIs go against public interest and that is the trigger point for the State to step in.

High cost model with indecent salary levels for the CEOs and top management of the MFIs

The supervisory frame work should address the **unacceptably** high levels salary across MFIs and down the line within the MFIs starting from the top which in fact, has distorted the micro finance sector crowding out the low cost players.

Role of Networks

The associations in the micro finance sector like Inafi India recognize their role for promoting transparency and disclosures in their lending practice of their members and shall promote self-regulation in the sector with sanctions for non compliance. More importantly, they should also play the whistle blowing role and bring to the notice of the supervisors and regulators the undesirable and unethical lending practices.

Classification of loans to MFIs as priority sector lending

Policy stance here should align itself with the guiding policy and principles set out for micro finance being for poverty reduction purpose and not for profit. If the MCIs do the business within this policy ambit, it should qualify for priority sector lending, otherwise it should be bracketed with non-priority and commercial loans and deleted from the micro finance sector.

Appropriate sizing of MFIs

Inafi India acknowledges the responsive work of RBI for having come out with the regulatory guidelines for NBFC MFIs in the interest of consumer protection. In fact, as the recent experiences in India and elsewhere, not to speak of unsavory episodes of some private banks in dealing with credit cards, tell us, the compulsions are far greater to take care of the debtors'/borrowers' interests in the same breadth as that of systemic stability and depositors' interest in the regulatory scheme of things. Keeping this backdrop, RBI responded admirably despite the pressures from the market forces.

Be that as it may, when we are in the process of designing the architecture for the NBFC MFIs, we cannot help appreciate the relevance of the principle of Small is Beautiful. This is all the more necessary not only from the client perspective in terms of access and comfort but also from the perspective of contagion effect on the larger financial system. The much talked about **Too Big to Fail** principle could not be more appropriate for NBFC MFIs given the current happenings.

Therefore, the orderly growth of microfinance sector would be greatly served by **appropriate sizing** of the MFIs. Already there are strong and growing evidences on the ground that operations of the some other big MFIs are spinning out of control with its inimical impact not only on the microfinance sector but also with serious systemic implications for the financial system. There has been too much concentration of risk with large exposure of commercial banks funds to big MFIs.

Therefore, it is time that MFIs shall not be allowed to become too big with country-wide operations raising their stakes very high. Like **RRBs and LABs**, RBI would do well to have a policy and regulatory framework whereby MFIs could be **state level** players or at best **regional level**. **Let hundreds of small MFIs are nourished to bloom** which would serve the ends of financial inclusion more effectively by larger outreach and also rooting such institutions among the communities in the most cost effective way with local employment opportunities.

II. Contemporary / emerging issues

Policy Context

Microfinance is at the cross roads now. It is the crucial sub segment of financial sector specifically assigned to address the poverty through financial inclusion. Of the different approaches of MF interventions, SHG Bank linkage is crucially important as it has been serving a great deal the objectives of financial inclusion, than any other models, by connecting poor women to the banking system. Whereas, the MFIs who are and can continue to play a useful role are facing a serious credibility issue, thanks to unhealthy and unethical practices of a few large MFIs. MFIs fill the void where banks remain unresponsive and falter. The consumer/client protection due to acts of omission and commission in the supply stream of MFIs and Banks has become a very serious issue to be addressed in the sector. It sounds familiarly similar in microfinance sector as happened in the not too distant past in retail loan segments and credit card business of private commercial banks. This calls for a hard regulatory intervention to protect the interests of the micro credit clients in the same vein as in the case of depositors' interests.

1. Consumer Protection

One of the emerging and serious c oncern in the micro finance sector is the issue of protecting consumers of credit comprising of large poor mass particularly women, who are charged with unacceptable interest rates for the micro credit by MFIs, their gullibility being exploited with multiple loans being led to debt trap situation. The competition in the system particularly among the MFIs instead of driving down the interest rates, has seen either interest being high or interest being made to appear as low but disguised in other charges and still making the cost of the micro credit at unacceptably high rates. The argument that rates running between 30-40 and above charged by MFIs are still lower than the Shylock rates of money lenders is being sold to the commercial banks to get bulk lines of credit (as commercial banks have emerged as the large suppliers of credit to MFIs). Therefore, issue of high interest rates brooks no delay and calls for fiat from RBI to commercial banks to put a check on the exploitative practice as a signal service to the issue of consumer protection.

2. Lead Banks as watch dog bodies

As the commercial banks have emerged as major supplier of credit to the microfinance sector and the MFIs, they are required to play a critical role in disciplining the errant players in the microfinance sector. We reiterate our suggestions made earlier for a watch dog body at the district level under the auspices of the Lead Bank to prevent delinquent MFIs to exploit the clients.

3. Dedicated fund for microfinance sector with commercial banks

The microfinance equity and development fund with NABARD has not been funded adequately to meet the growing demands from the microfinance sector. Besides, the small ticket equity support, the fund is largely meant for the capacity building. There is an urgent need to set up debt funds to meet the requirements of MFIs.

In the extant scheme of things, where commercial banks fall short in fulfilling priority credit mandate, the shortfalls are parked with NABARD under the RIDF, which is essentially infrastructure oriented. Whereas, it would be in the fitness of the things if the funds generated through shortfalls in achieving priority credit could be channeled to set up microfinance challenge credit fund. The fund could make available credit lines on soft terms for access by MFIs at 6-7% and with the application of margin cap, the ultimate interest rate to the clients should not exceed 16-17%.

These funds should be set apart and kept with the respective commercial banks which do not fulfill the priority sector requirements and utilized for bulk lending to MFIs. This must be an effective mechanism as the commercial banks would be more efficient and effective in utilization of the funds which can be monitored by the Reserve Bank.

4. Challenge Credit lines to MF Sector

India chose multiple approaches/models for micro finance programmes in due deference to its diversity and it is working. One of the beauties of the let thousand flowers bloom approach is the emergence of community based Section 25 not for profit micro credit delivery institutions, whose focus is on outreach to more poor at an affordable interest rates rather than portfolio build up and profitability. In other words, these companies practice micro finance as it should be.

As they address the twin objectives of financial inclusion of access and affordability, there is a compulsive need for the banking system and the policy makers to respond to their growing credit needs to lend at soft interest rates (that is not commercial). We as a network promoting, facilitating and supporting such initiatives urge upon the RBI to pave the way for challenge credit lines to such MFIs at **base rates.** This would set off a positive trend in the micro finance sector, with community focused 'not for profit work' would be encouraged and facilitated and not to speak of the immense benefits that would accrue to the clients at large.

5. Linking urban poor with banks

There is an increasing realization that SHG Bank linkage process need to be strengthened and expanded where it matters most. The importance of SHG Bank linkage has also been re-emphasized from the perspective of financial inclusion by Malegam Committee. The urban poor in the slums whose population have been growing at a faster rate and the tribal context suffer from inadequate attention of the banking system. This is more experienced in North and East India. So much so, SHGs are even struggling to open bank account much less availing credit. The nodal agency for microfinance, NABARD, need to expand the scope of their work to include urban poor also and engage with commercial banks to facilitate the process of connecting the urban poor with banks.

6. Bulk loans to Panchayat level SHG Federations

In some of the states banks are being urged upon by the state to provide bulk loans to Panchayat level Federations for on-lending to SHGs, which brings a disruptive dimension to the whole process of SHG bank linkage. The Panchayat level Federations have not evolved well and they suffer from lack of structure, systems and process. The SHGs are cobbled together in village and called PLFs not to speak of the serious governance and management deficit. Although some of the banks have expressed reservation and are not keen to participate, the state is nudging the banks to provide credit to the PLFs. This is bound to have a negative impact on the SHG eco system. In the interest of the orderly development of SHG bank linkage we seek RBI's intervention in this matter to discourage loans to PLFs.

7. Recognizing social capital of community based organizations

There are two streams of delivery channel in India for Micro credit and other financial services. The predominant being SHG bank linkage and the other channel MFIs chipping in as complement to the banking system. That Microfinance institutions are attracting the attention of the Commercial Banking System is a positive development and banks are opening lines of credit to MFIs. This is a welcome evolution as main stream funds flow to the sector. Among the MFIs we have both 'for-profit' and 'not–for–profit' types. Many 'not-for-profit' MFIs have either guarantee capital (virtual capital) or very low capital base depending upon the legal form. Banks being what they are, they look at the capital in the conventional sense and reckon as important criteria to assess the loan requirements.

In the context of micro finance, social capital is of critical importance and the number of clients that MFIs serve matter rather than the pure capital or equity that we traditionally look at. Strong social capital with significant savings port folio shall be the determining criteria for assessing loan requirements. Savings First Approach in Indian Micro Finance Programmes – SHG, Bank linkage has mobilized substantial local resources from poor themselves. It may be recalled that H R Khan Committee of RBI has recommended that savings of the poor with SHGS / village cooperatives shall be treated as quasi capital (like tier II capital) for the purpose of assessing the quantum of capital. There is, therefore, a need for policy re-orientation in Commercial Banks that if **Federations of SHGs /MFIs** are otherwise strong in Governance, Management, Systems and Professional capacities the capital should not be a constraining factor for Commercial Banks to open or enhance the credit lines.

8. Financial Inclusion - Addressing the unintended consequences Microfinance programmes particularly SHG Bank linkage is spearheading financial inclusion process by connecting large number of excluded poor women through SHGs. Financial inclusion emphasizes individuals getting connected with and having bank accounts. When SHG members who are already having accounts with the self help groups are encouraged / insisted upon to open individual bank accounts the process of weakening the group concept / solidarity begins and poses threat to the sustaining of financial inclusion process itself. The current practice and system of the members of the group having relationship with the bank through the group account needs to be recognized as part of financial inclusion so that the self help groups are not disrupted or made dysfunctional. As a natural process of evolution when the SHGs advance and mature and become more financially aware and literate, the women members could be counted upon to keep accounts with SHGs and also separate individual bank accounts. Therefore, RBI could advise the banks suitably in this regard.

9. Financial Inclusion of migrant poor

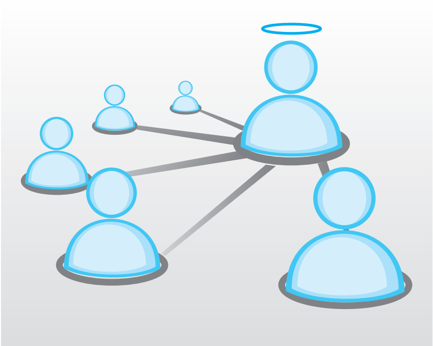
Helping Poor Migrants to Connect with the Banks India experiences huge domestic migration and 1/3 of the population, as the survey reveals, is migrating largely for better economic opportunities. The unskilled migrant workers do face lot of hardships in the destination centers. One of them is the banks' apathy and even negative attitude to poor migrant workers, when they approach banks for opening savings accounts. Banks are unhelpful citing the KYC norms. They are not adopting pragmatic and empathetic approach which calls for a specific policy directive on how to open bank accounts for migrants. The following ways could be adopted to help migrants

a. Accepting the identity proof of home centres such as ration cards, etc.
b. The bank account proof at home centres
c. Identity card issued by NGOs or Introduction by NGOs who are working with migrants
d. Any other proof which the RBI / Banking system deems fit

10. Controlling / Curbing Supply side excesses

Microfinance sector is facing new challenges from the supply stream. Largely, it relates to the unhealthy lending practices of some of the MFIs, though, many MFIs are doing quietly well complementary role to the commercial banking system. Commercial Banks are unwittingly playing into the hands of these MFIs by providing large and liberal credit lines.

Multiple lending and credit excess are queering the pitch leading to a debt trap like situation for the clients. In fact, PONZI like culture is building up in many places. There is a need to decry and discourage and control such practices. The commercial banks have a important role to play with prudent lending practices. RBI could put in place a monitoring mechanism to curb these practices by keeping a tab on the bulk lending practices of commercial banks to MFIs.



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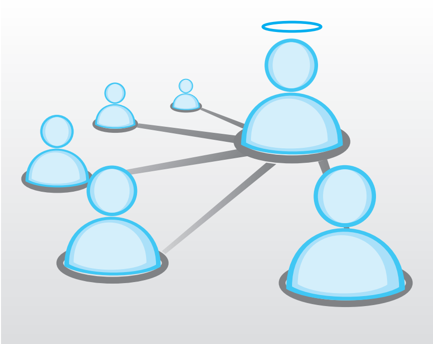

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Microfinance Profile of Members as on 31 March, 2011

Name of Organisation	Outstanding Savings as at 31.03.2011		Outstanding loans as at 31.03.2011		Micro insurance			
					Type of risk cover and its coverage			
	Number of savings account with SHGs/ Coops/ Banks	Amount of savings Outstand-ing (In million)	Number of loan accounts	Amount of loan outstanding (In million)	No. of people covered Under Life Insurance	No. of people covered Under Health Insurance	No. of coverage under Livestock insurance	No. of coverage under Crop insurance
Action for Social Advancement (ASA)	--	0.56	3,800	14.8	6,100	Not yet	Not yet	Not yet
Aga Khan Rural Support Programme (AKRSP)	7,900	4.6	6,100	10.5	Not yet	Not yet	Not yet	Not yet
BAIF Development Research Foundation	90,597	87	90,957	110	3,042	2407	Not yet	Not yet
Centre for Community Development	7,533	6.6	4,569	22	412	Not yet	Not yet	Not yet
Dhan Foundation	446,000	1,721	454,580	3,149	576,000	93,700	8,300	19,140
Grameen Development Services (GDS)	--	15	7,470	18	Not yet	Not yet	Not yet	Not yet

Microfinance Profile of Members as on 31 March, 2011

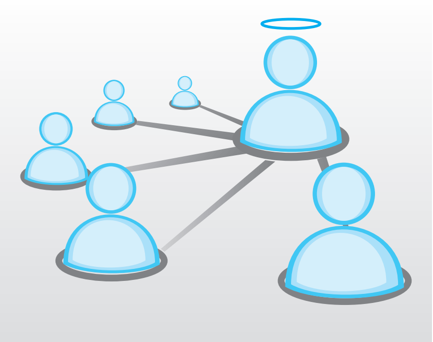
Name of Organisation	Outstanding Savings as at 31.03.2011		Outstanding loans as at 31.03.2011		Micro insurance: Type of risk cover and its coverage			
	Number of savings account with SHGs/ Coops/ Banks	Amount of savings Outstand-ing (In million)	Number of loan accounts	Amount of loan outstanding (In million)	No. of people covered Under Life Insurance	No. of people covered Under Health Insurance	No. of coverage under Livestock insurance	No. of coverage under Crop insurance
Integrated Village Development Project (IVDP)	136,288	1800	Sangha Loan: 130000 Bank loan: 99,016	1,480 1,680	All people covered	Not yet	Not yet	Not yet
Institute for Integrated Resource Management	792	0.5	1,715	5.7	600	600	500	Not yet
Jan Chetna Sansthan	766 (SHGS) 9,190(Coops)	8.3	1,778	11.4	1,778	Not yet	Not yet	Not yet
Kutch Mahila Vikas Sangathan	5,500 with Coops	8.5	1,190	9.5	2,500	Not yet	300 groups	Not yet
Margdarshak Sewa Sansthan	3450	0.56	30	0.01	Not yet	Not yet	Not yet	Not yet
MYRADA (Sangha-mithra)	--	--	1,26,750	795	Not yet	Not yet	Not yet	Not yet

Microfinance Profile of Members as on 31 March, 2011

Name of Organisation	Outstanding Savings as at 31.03.2011		Outstanding loans as at 31.03.2011		Micro insurance			
					Type of risk cover and its coverage			
	Number of savings account with SHGs/ Coops/ Banks	Amount of savings Outstand-ing (In million)	Number of loan accounts	Amount of loan outstanding (In million)	No. of people covered Under Life Insurance	No. of people covered Under Health Insurance	No. of coverage under Livestock insurance	No. of coverage under Crop insurance
Nav Bharat Jagriti Kendra (NBJK)	8,400	25	7,200	57	1500	Not yet	Not yet	Not yet
People's Education and Development Organisation (PEDO)	37,281	103	17,157	88	Not yet	Not yet	Not yet	Not yet
Peoples Rural Education Movement (PREM)	41,854	43	39,752	10	978	Not yet	Not yet	Not yet
Pragathi Seva Samithi	18,600	.02	20,230	189	18,500	Not yet	Not yet	Not yet
Shramik Bharti	3,200	36	15,270	44	1,800	Not yet	Not yet	Not yet

Microfinance Profile of Members as on 31 March, 2011

Name of Organisation	Outstanding Savings as at 31.03.2011		Outstanding loans as at 31.03.2011		Micro insurance			
					Type of risk cover and its coverage			
	Number of savings account with SHGs/ Coops/ Banks	Amount of savings Outstand-ing (In million)	Number of loan accounts	Amount of loan outstanding (In million)	No. of people covered Under Life Insurance	No. of people covered Under Health Insurance	No. of coverage under Livestock insurance	No. of coverage under Crop insurance
Shri Kshethra Dharmasthala Rural Development Project (SKDRDP)	134,000	1,376	5,120	4,893	2,79,825	16,60,185	18,882	Not yet
South Indian Federation of Fishermen Societies	4,728	10.9	4,354	97	15,225	16,60,185	18,882	Not yet



Members' Development Brief

Members of the Inafi India network, particularly development NGOs engaged in addressing poverty through multifarious interventions and one among them is microfinance services. Members don't run pure financial services institution for delivery rather establish alternative financial institutions based on community ownership such as Self Help Groups (SHGs) and cooperatives and promote bank linkage. Members adopted either microfinance + plus or plus microfinance approach with microfinance preceding other development work or development interventions succeeding microfinance intervention. Members also recognize that the microfinance programmes have been contributing a great deal to the continuity, stability and sustainability of the development operations. What is more, it is building and strengthening social capital. Leveraging social capital generated by microfinance operations has been the distinct feature of the Inafi members' work for larger development intervention involving health, education, gender empowerment, livelihoods, etc. It is, therefore, not fair nor just to capture only the microfinance numbers on the portfolio which would not be a true reflection of the members work in addressing poverty. It is felt necessary to write about the members work briefly beyond microfinance.

Aga Khan Rural Support Programme(AKRSP)

(www.akrspindia.org)

AKRSP is working in 1600 villages in three states – Gujarat, Madhya Pradesh and Bihar with major emphasis on natural resource management and farm based livelihoods is agricultural programme covering vegetable cultivation and dairy remains flagship programmes. AKRSP is also engaged in promotional health programme with a project on potable drinking water. They are also working in education programme with learning support centers for children at the age group of 6-11 years. The agricultural livelihood programme reaches more than 20,000 farmers.

Action for Social Advancement (ASA)

asaindia.org

A is essentially livelihood promoting organisation for the poor people through natural resources development and farm based livelihoods. It operates in states of Madhya Pradesh and Bihar covering more than 1000 villages with outreach of 1,20,000 families. Microfinance is embedded in the water resources development through minor irrigation, system of rice intensification (SRI), agri business promotion for small and marginal farmers through Producer Company and capacity building of poor communities in the livelihood systems. So far, 6 producer companies have been promoted. ASA is also involved in irrigation management through participatory approach and runs farmers' field school.t

BAIF Development Research Foundation (BAIF)

www.baif.org.in

BAIF is primarily focused on promoting and advancing rural and tribal livelihoods. Microfinance programme based on SHG and cooperative system has been initiated to support main activity of livelihood. BAIF is working in -9 states with its celebrated Wadi model for tribal population which is an orchard component and marks the significant contribution to the development sector. Cattle improvement programme, gender empowerment and mainstreaming, value addition for farm products and marketing support are among the important development interventions.

BAIF is reaching more than 4.4 million families spread over 80,000 villages in 16 states from Maharashtra to Tripura, Bihar to Punjab and its cattle improvement programme has reached almost 1 million cows and buffaloes. Its water conservation programme covering 3.4 million hectares and benefiting 1.2 lakh families has resulted in improving crop production by 30-35%. Under Wadi programme 62,500 hectares have been upgraded and transformed into fruit orchards reaching 2 lakh tribal families in 9 states.

BAIF is adopting holistic approach for rural in creating, enhancing and sustaining livelihood opportunities by maximizing utilization of locally available resources. Besides Wadi, sericulture has been promoted for tusser silk in Maharashtra. Another significant initiative under livelihood is the agri business with the promotion of Producer Company called Vasundhara

Agri - Horti Producer Company Ltd (VAPCOL) with the membership of 49 tribal producer cooperatives in Maharashtra, Karnataka, Rajasthan, Madhya Pradesh and Chattisgarh states. Women empowerment with special focus on health care, sanitation and capacity building is being promoted and the SHG members take part in this process. Community health services are being promoted in rural areas by BAIF focusing on health education of women and children.

Centre for Community Development (CCD)

www.ccdindia.org

Centre for Community Development is working in Gajapathy district of Odisha, reaching out to 673 tribal and rural villages especially focused on promoting livelihood for women and their economic empowerment. CCD is promoting women enterprises. It is also involved in natural resource management.

DHAN Foundation

www.dhan.org

Dhan Foundation seeks to address poverty through multiple development programmes. The Foundation is working in 13 states reaching nearly a million poor. Microfinance and water are the two flagship programmes of Dhan. Kalanjiam Community Banking programme is a microfinance centric developmental model with emphasis on organizing unorganised poor, building institutions of SHGs and federations, promoting bank linkage for financial services and initiating other development interventions to address multiple dimensions of poverty. The Self-help Groups and federations of Kalanjiam Community Banking programme, besides, microfinance including savings, credit and insurance, have been focusing on livelihoods, promotion and deepening health intermediation, total sanitation. The health intermediation has following components:

- Reducing anemia among mothers and adolescent girls
- Reducing malnutrition among children
- Reducing morbidity among mothers and children
- Increasing health seeking behavior among poor households involving self-help governance process and linkage with the primary health centres and sub-centres more importantly behavior change communication.
- As part of health programme, sustainable health care advancing scheme (Sugam) has been initiated for providing quality and timely health care services at affordable cost.
- They have opened two hospitals one at Theni and other at Madurai. For this purpose, with people ownership.

Health intervention also covers HIV/AIDS awareness, prevention and treatment under the ART framework. The federations of Kalanjiam Community framework are working with DRDA for promoting total sanitation project and for clean water.

Grameen Development Services (GDS)

www.gdsindia.org

GDS is essentially livelihood promoting organisation for the rural poor working in the states of Uttar Pradesh, Rajasthan and Bihar. The basic framework for livelihood promotion depends on the SHGs and its networking as federations. As a part of livelihood initiative, GDS is also propagating SRI system of rice intensification. Gender empowerment and mainstreaming is another important part of development intervention of GDS while working with SHGs and its federations. GDS acts as a livelihood resource institution for many small and upcoming NGOs in eastern UP, Rajasthan and Bihar.

Institute of Integrated Resource Management (IIRM)

www.iirmne.org

IIRM is working in two northeastern states of Assam and Arunachal Pradesh with its primary objective being science and technological support for livelihood, particularly farm based and also welfare programme for the poor. SHG framework is adopted for the microfinance programme for sustaining the livelihoods. As part of its livelihood initiatives, IIRM is supporting dairy units, piggery and duck rearing. Technology based livelihood support programme, particularly vermin compost supporting improved agronomy practices for medicinal plants, community forest and also low cost technology transfer for sustaining agriculture. As part of the welfare programme, it runs family counseling centre to facilitate women to address the issues of health and education. It is also involved in promoting handicrafts programme in two clusters in Assam for encouraging local artisans.

Integrated Village Development Project (IVDP)

www. ivdpkrishnagiri.org

IVDP seeks to address the poverty of women through socio economic development process under the SHG framework for women. Besides the livelihood focus for the SHG members, IVDP is working on water, sanitation including safe drinking water, hygiene and housing for poor. Under the livelihood initiative, it is focusing on promoting micro enterprises for women. Under its primary education initiative, IVDP runs a school for 200 children comprising mostly of girl children from deprived and marginal community of scheduled tribe. As many as 1 lakh houses have been constructed and renovated for SHG women. During the year 2010-11, scholarship and educational materials, accessories support programme amounting to Rs.2.5 crores have been distributed.

Jan Chetna Sansthan (JCS)

www.janchetna.org

JCS is working in 106 villages of Sirohi district of Rajasthan state with women empowerment as primary focus. Livelihood, panchayat governance are other priority areas besides microfinance under the SHG federated framework. Leveraging the social capital of the SHGs, JCS is promoting farm based livelihoods, particularly horticulture and dairy for the women members of SHGs. The goal of the dairy is to have a network of producer companies connected through a supply and value chain and under the horticulture, JCS is aiming to encourage members for value addition of the horticulture produce for better marketability and pricing. The empowerment is focused particularly on economic empowerment and strengthening the governance with its SHG members in predominant tribal areas.

Kutch Mahila Vikas Sangathan (KMVS)

www.kmvs.in

KMVS works for the holistic empowerment of women in Kutch district of Gujarat and support right based approach for empowerment. Building life oriented literacy, reproductive health with focus on reducing maternal and infant mortality rates, health awareness and literacy focusing institutional delivery for women and capacity building of women involved in preserving and advancing the traditional skills particularly embroidery are the interventions. KMVS works with more than 1500 artisans to promote the traditional art and livelihood. Recently, KMVS has initiated a district level platform for urban women namely Sakhi Sangini to raise their voices so as to work on the priority issues. Housing for urban poor is also the focus and part of this work. Another important initiative is on fisheries related livelihood activity and 4 federations namely Ujjas Mahila Sangathans have been promoted.

Myrada/Sanghamithra Rural Finance Services

www.sanghamithra.org

Sanghamithra is the part of Myrada family which is a well-known development organisation with long track record of development work across the development spectrum - natural resource management, livelihoods, health and education programmes. Sanghamithra is delivering micro credit services to the self-help groups promoted by Myrada and also other NGOs. Sanghamithra Rural Financial Services is involved in financial access for micro credit for both urban and rural contexts with specially designed programmes and packages focusing on development. Sanghamithra is working in the states of Karnataka, Tamilnadu and Andhra Pradesh, reaching more than 20,000 self-groups. Myrada has been working on graduated self-help groups and its federations as a localized resource centres for further group promotion and expansion.

Nav Bharat Jagriti Kendra (NBJK)

www.nbjk.org

NBJK is pursuing integrated model of development, focusing on the deprived communities touching upon livelihood, education, health services and leadership. It is operating in states of Jharkhand and Bihar. In education, NBJK runs a Bridge Camp School for the benefit of girls students of scheduled Caste and Tribes, 100 remedial coaching centres in 69 villages benefiting around 4000 students. Further, 9 primary education centres have been started in Patna slum area, besides its Spandan initiative for providing education to children with cerebral palsy and mental retarders. As part of its health programme, NBJK established two eye hospitals namely Lok Nayak Jayaprakash hospital in Paherd village of Hazari Bagh district and another one in Santal village of Pargana district providing quality eye care services. Through its PRAYAS programme, NBJK seeks to provide improved sexual reproductive health status and to reduce vulnerability to HIV of children. Clean water, sanitation, hygiene are part of its health programmes to improve the overall sanitation and civic amenities. As a part of its sustainable livelihood promotion, farm based/well construction system of rice intensification, vermi composting, lac cultivation, horticulture plantations for tribals and social forestry. The livelihood activities reach out to more than 700 families in the district of Hazari Bagh.

People's Rural Education Movement (PREM)

www.prem.org.in

PREM is working in 4 states – Odisha, Chattisgarh, Jhakhand and Andhra Pradesh reaching more than one lakh poor families. As its name suggests – PREM is committed to and involved in promoting education among the unorganized and marginalized poor people, particularly tribals for creating awareness, developing skills and to foster talents. As for education, PREM is implementing Child Centered Community Development in partnership with PLAN for more than two decades in the tribal pockets of Odisha. Microfinance is an important element of organizing the communities under SHG framework and building financial sustainability. Besides vocational education for the wards of the PREM's programme participants, PREM is also involved in disaster preparedness. Another major initiative is in the health front where clean water and sanitation has been integrated with community microfinance eco system. Livelihood initiatives for the tribal people has been another focused area, wherein PREM organises tribal oriented activity and products and help them in marketing their products.

Pragati Sewa Samiti (PSS)

www.pragathi.org

PSS is working in 286 villages of Warangal district of Andhra Pradesh with focus on livelihood activity, particularly farm based, women empowerment and education programme. Water shed development for soil and water conservation, thereby promoting sustainable agriculture receiving priority attention under the livelihood promotion and so far 11 water sheds have been developed and conserved. Women empowerment is the primary objective of the microfinance programme whereby beyond micro credit, whereby PSS has been focusing on leadership development, governance and economic social empowerment of women. Networking the SHGs as federation has given the needed social capital for the scale advantage under livelihood promotion and also in empowerment process. Under the education programme, PSS is supporting financially the students studying 10 + 2 by giving scholarship of Rs.6000 per year. So far, 2400 students have been benefited. As part of livelihood promotion, dairy development programme has been initiated recently for ensuring income security for the women members of the SHGs.

South Indian Federation of Fishermen Societies (SIFFS)

www.siffs.org

SIFFS adopts multi disciplinary approach to promote and protect the livelihood of fishermen with traditional artisanal crafts. It is a sort of end-to-end solution/ support for the artisanal fishermen in providing boats, supply of inboard and outboard engines, nets and other fish gears, marketing and organizing financial services. The supply of inputs and fish marketing by SIFFS has come to liberate fishermen from the clutches of middlemen, merchants and money lenders. SIFFS works in 5 states and reaches more than 30,000 fishermen by organizing village cooperatives and district level federations.

SIFFS is involved in building and advancing the skills of the fishermen and their wards for alternative occasions also particularly the computer education with the computer skills. Further, as a measure of alternative employment for fishermen families, SIFFS is also working on promoting and strengthening the fisherwomen livelihoods to diversify their economic activity at individual and community level women self-help groups and their federations has been formed and alternative livelihood activity is encouraged.

Sri Kshetra Dharmasthala Rural Development Project (SKDRDP)

www.skdrdpindia.org

SKDRDP is working very intensively in 15 districts of Karnataka reaching 3 million families. SKDRDP as a development organisation is engaged in promoting farm based livelihood as its major intervention and the microfinance under the frame work of self-help groups is integrated into the livelihood programmes and activities. Its multifarious intervention in agriculture encompasses multiple interventions in promoting and supporting farm based livelihoods such as labour share in farming among the smaller and marginal farmers, promoting vegetable cultivation, water shed development programme. Another significant approach of SKDRDP is the SIRI approach (Shri Dharmasthala Siri Gramodhyoga Samasthe). SIRI project has been supporting group enterprises of women in food items, textiles, rexin bags, chemical items including cleaning material, etc. The SIRI initiative has benefited more than 3500 groups. Under the sustainable farming initiative, organic farming, water harvesting and waste land development project are being undertaken alongwith water and soil conservation. As part of its education programme, SKDRDP runs awareness programme on socially relevant issues through camps, campaigns, etc and also provides infrastructure support to rural schools for an enabling environment for education in the primary schools.

People's Education Development Organisation (PEDO)

www.pedomada.org

PEDO is working intensively in the district of Dungarpur, Rajasthan reaching more than 50000 tribals with its programme intervention targeting the predominant tribal population in the district. Women development programme and education for tribal children are early initiative of PEDO in the district. PEDO's education programme has led to starting of day school for children with community participation, which was later linked to the

Government school system. As part of its health initiative, PEDO has undertaken guinea worm eradication programme. PEDO also has worked on a social forestry programme with the objective of restoring severely degraded lands. Both the common lands and –lands were regenerated with the participation of women. Appropriate method of water harvesting and soil conservation measures have been undertaken by PEDO.

Shramik Bharti

www.shramikbharti.org.in

Shramik Bharti based at Kanpur is working in the districts of Kanpur and Ramabhai Nagar of Uttar Pradesh reaching out more than 50,000 families. The mission of Shramik Bharti is empowerment of poor and under privileged realize the mission at works in a three thematic areas – livelihood, microfinance, community health, promoting grassroots democracy. Its livelihood intervention covers sodic land reclamation for bringing more areas under cultivation and productivity improvement, promoting sustainable agriculture, eric silk promotion through SHG approach. The microfinance generated in the SHGs support the livelihood activities and its sustainability. The Centre for Community Health of Shramik Bharti is promoting safe motherhood with the focus on institutions delivery, eye care and rehabilitative, HIV aids awareness, clean water and sanitation, school sanitation and promoting wellness of the girl child. Under the sustainability and land reclamation programme, Shramik Bharti is working with 3000 farmers and Eri silk promotion project reached more than 500 silk worm farmers. Women and leather artisans were supported in the slums for remunerative prices for their products namely whips and hunters. The community health programme reached more than 1500 pregnant women through Village Health Guides for safe motherhood and home based life saving skills for mothers for reducing the maternal mortality. Shramik Bharti is involved in school sanitation and clean water promotion programme in 25 schools covering 4500 children.

Urmul Trust

www.urmul.org

Urmul Trust is operating in the desert districts of Rajasthan with its headquarter in Bikaner. The primary focus of the work has been livelihoods promoting and preserving the local handicrafts, natural resource management, health and education. Urmul Trust has a larger dairy project as a major livelihood activity for the desert districts reaching 30,000 members/farmers. Urmul Trust supports the traditional handicrafts in the desert districts, particularly the embroidery, which is unique. The embroidery work is well received in the domestic and overseas market.

Chattisgarh NGOs

PRERAK

www.prerak.in

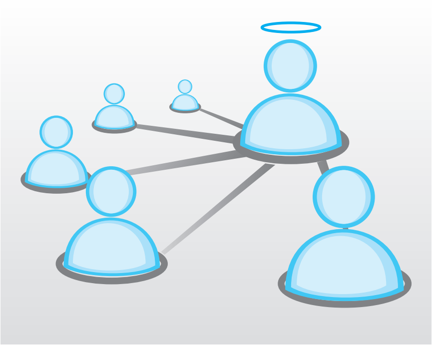
PRERAK is working in 383 villages of Raipur district of Chattisgarh state, primarily focusing on empowerment of women and to meet the basic needs – food, shelter, health and education. To achieve this primary objective, PRERAK has adopted SHG model for organizing the community and now working with 310 self help groups comprising 3600 members and 600 disabled people. Currently, it is running two livelihood related programmes, community based rehabilitative programme and integrated education for visually handicapped people.

Jagriti Sewa Sansthan (JSS)

JSS is working in 135 villages in Raipur district of Chattisgarh state with primary focus on women empowerment through SHG model and access to financial services, better local governance at the Panchayat level through social audit. Promoting livelihoods for the SHG members, particularly animal husbandry based and fisheries has been another important area of intervention. JSS has so far promoted around 300 SHGs.

Margdharshak Sewa Sansthan (MSS)

MSS is working in 230 villages in Sarguja district of Chattisgarh state with multiple development intervention include – promotion of Gram Sabha for self-governance, formation and strengthening of village level people's organisation, promotion of women self-help groups for the empowerment of women, early childhood and primary education, promotion of child rights & human rights, community health with focus on women and children, working with persons with disability, watershed management programmes, development of agriculture, conservation of natural resource for better livelihood & environment etc. MSS is organizing a campaign for meaningful and effective implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), raising awareness in the Gram Sabha on MGNREG and building capacity of the panchayat members and working towards wider transparency and accountability of NREGA work plans. It also conducted campaign for tribals under forests act for their entitlements. As part of the livelihood initiative, MSS is involved in collection of and proper marketing of non-timber forest produce for the tribal communities and is working towards reviving and reinvigorating some of the NTFP tribal societies. MSS has also been spearheading movement for conserving natural resources in the forest area near Kantarori village. The health initiative of MSS is focusing on early childhood care and development. 50 early childhood development centres are run by MSS reaching more than 1000 children of which 450 are girls.



Financials

Charles Fernando & Co.
Chartered Accountants

Auditor's Report to the Members of International Network of Alternative Financial Institutions - India

We have audited the attached Balance Sheet of **International Network of Alternative Financial Institutions - India,** a company licensed under section 25 of the Companies Act, 1956 as at 31st March 2011 and the Income and Expenditure Account for the year ended on that date annexed thereto.

These Financial Statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on my audit.

We conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinion.

1. This report does not include a statement on the matters specified in paragraph 4 of the Companies (Auditor's Report) order, 2003, issued by the Department of Company Affairs, in terms of section 227 (4A) of the Companies Act, 1956, since in our opinion and according to the information and explanations given to us, the said order is not applicable to the company in view of the exemption contained in paragraph 1(2)(iii) of the said order.

2. Further to our comment in paragraph (1) above.

a) We have obtained all the information and explanations, which to the best our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.

c) The Balance Sheet and Income and Expenditure account dealt with by this report are in agreement with the books of account.

d) In our opinion, the Balance sheet and Income and Expenditure account dealt with by this report comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956.

e) On the basis of the written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified from being appointed as directors of the company under section 274(1) (g) of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   i) In the case of the Balance Sheet of the state of affairs of the company as at 31st March 2011 and

   ii) In the case of Income and Expenditure Account of the Excess of Expenditure Over Income for the year ended on that date.

For CHARLES FERNANDO & Co.
Chartered Accountants

Place : Madurai
Date : 21.06.2011.

Proprietor

M.No: 026619

HT 4 Mithra, "AGRINI", 78, TPK Road, Madurai-625 003, Off : 4377335
Mobile : 98421-88321, E-mail : fernandofca@gmail.com

International Network of Alternative Financial Institutions - India
New No.65, First Floor, III Street,
Harvey Nagar, Madurai - 625 016.

Consolidated Receipts & Payments Account for the year ended 31st March 2011

(₹)

Income	Sch	31.03.2011	31.03.2010
Opening Balance		7,112,958	6,213,770
Programme advance - Opening		127,980	-
Specific Project Grants:			
Oxfam Novib, Netherlands		1,576,152	1,876,742
Hivos, Netherlands		1,833,309	1,466,930
Ford Foundation		1,535,760	1,620,358
FD & Savings Bank Account Interest		426,588	472,851
Local Income			
Membership Fees		177,100	154,588
Nomination & Participation Fees		36,000	-
FD & Savings Bank Account Interest		108,640	172,023
Total		**12,934,487**	**11,977,262**
Expenditure			
Programme Expenditure:	F		
Oxfam Novib:			
Capacity Building		2,151,682	1,281,038
Policy, Advocacy & Communication		200,000	193,624
Institutional Support / Administration		541,895	452,455
Capital Expenditure		-	17,990
Sub Total		**2,893,577**	**1,945,107**
Hivos			
Capacity Building		1,087,090	1,470,061
Policy, Advocacy & Communication		230,637	
Member Services		122,044	119,296
Institutional Support / Administration		725,874	640,893
Capital Expenditure		38,800	
Sub Total		**2,204,445**	**2,230,250**
Ford Foundation:			
Capacity Building		633,366	480,245
Policy, Advocacy & Communication		-	64,062
Member Services		50,000	
Institutional Support / Administration		472,650	21,467
Sub Total		**1,156,016**	**565,774**
Admin.-Expenses payable/Audit Fees Payable		**25,000**	
Programme Advance		**88,841**	**109,052**
Tax Deducted at Source			**14,121**
Closing Balance		**6,566,609**	**7,112,958**
Total		**12,934,487**	**11,977,262**

Schedules A to C form an integral part of this Income & Expenditure Account

"As per my report of even date"

For and on behalf of the Board of Director

For CHARLES FERNANDO & Co.
Chartered Accountants

Proprietor

Place : Madurai
Date : 21/06/2011

M.No: 026619

M.P.Vasimalai	**Jacob Thundyil**	**M.Kalyanasundaram**
Chair Person	**Director**	**Chief Executive**

International Network of Alternative Financial Institutions - India
New No.65, First Floor, III Street,
Harvey Nagar, Madurai - 625 016.

Consolidated Income & Expenditure Account for the year ended 31st March 2011

(₹)

Income	Sch	31.03.2011	31.03.2010
Specific Project Grants:			
Oxfam Novib, Netherlands		1,576,152	1,876,742
Hivos, Netherlands		1,833,309	1,466,930
Ford Foundation		1,535,760	1,620,358
SB & FD Interest		426,588	472,851
Local Income			
Membership Fees		177,100	154,588
Nomination & Participation Fees		36,000	-
FD & Savings Bank Account Interest		108,640	172,023
Total		**5,693,549**	**5,763,492**
Expenditure			
Programme Expenditure:	G		
Oxfam Novib:			
Capacity Building		2,151,682	1,281,038
Policy, Advocacy & Communication		200,000	193,624
Institutional Support / Administration		541,895	452,455
Sub Total		**2,893,577**	**1,927,117**
Hivos			
Capacity Building		1,087,090	1,470,061
Policy, Advocacy & Communication		230,637	-
Member Services		122,044	119,296
Institutional Support / Administration		725,874	640,893
Sub Total		**2,165,645**	**2,230,250**
Ford Foundation:			
Capacity Building		633,366	480,245
Policy, Advocacy & Communication		-	64,062
Member Services		50,000	-
Institutional Support / Administration		472,650	21,467
Sub Total		**1,156,016**	**565,774**
Depreciation	D	40,295	39,064
		6,255,533	**4,762,205**
Excess of Income (Transfer to Appropriation Account)	B	**(561,984)**	**1,001,287**
Total		**5,693,549**	**5,763,492**

Schedules B, D & G form an integral part of this Income & Expenditure Account

"As per my report of even date"

For and on behalf of the Board of Director

For CHARLES FERNANDO & Co.
Chartered Accountants

Proprietor

M.No: 026619

Place: Madurai
Date : 21/06/2011

M.P.Vasimalai
Chair Person

Jacob Thundyil
Director

M.Kalyanasundaram
Chief Executive

International Network of Alternative Financial Institutions - India
New No.65, First Floor, III Street,
Harvey Nagar, Madurai - 625 016.

Consolidated Balance Sheet as on 31st March 2011

(₹)

Sources of Funds	Sch	31.03.2011	31.03.2010
General Fund	A	1,251,574	1,540,617
Corpus Fund	C	2,237,372	1,200,000
Capital Fund - Contra	D	161,325	162,820
Unutilised Specific Project Fund	E	3,235,625	4,544,442
Total		**6,885,896**	**7,447,879**
Application of Funds			
Fixed Assets - Contra	D	161,325	162,820
Current Assets, Loans and Advances			
Cash, Bank Balance & Deposits	F	6,566,609	7,112,958
Programme Advance		88,841	127,980
Rent Advance		55,000	55,000
TDS Receivable		14,121	14,121
Sub Total		**6,885,896**	**7,472,879**
Less : Current Liabilities			
Other payables		-	25,000
Total		**6,885,896**	**7,447,879**

Schedules A, C to F form an integral part of this Balance Sheet.

For and on behalf of the Board of Director

"As per my report of even date"

Place : Madurai
Date : 21/06/2011

For CHARLES FERNANDO & Co.
Chartered Accountants

Proprietor

M.No: 026619

M.P.Vasimalai Chair Person	Jacob Thundyil Director	M.Kalyanasundaram Chief Executive

International Network of Alternative Financial Institutions - India

New No.65, First Floor, III Street, Harvey Nagar, Madurai - 625 016.

Schedules forming part of the Income & Expenditure Account and Balance Sheet for the year 2010-2011

Schedule : A General Fund	**(₹)**
Opening Balance	1,540,618
Less : Transfer during this year	289,045
Total	**1,251,574**

Schedule : B Appropriation Account		
Excess of Expendiutre Over Income		(561,984)
Capital Fund Transfer		1,495
Unutilised Spec.Proj.Fund Transfer		1,308,817
General Fund Transfer		289,045
Corpus Fund Transfer	1,037,372	
Total	**1,037,372**	**1,037,372**

Schedule : C Corpus Fund	
Foreign Contribution Account	323,935
Local Account	1,913,437
Total	**2,237,372**

Schedule : D Capital Fund, Fixed Assets and Depreciation

Particulars	Value as on 01.04.10	Addition		Gross Value as on 31.03.11	Depreciation		WDV as on 31.03.11
		More Than 180 Days	Less Than 180 Days		Rate	Amount	
Furniture & Fixture	72,563		3,000	75,563	10%	7,406	68,157
Net Book & Computer	21,583		30,900	52,483	60%	22,220	30,263
ılti purpose printer	43,330			43,330	15%	6,500	36,830
Digital Camera	9,854			9,854	15%	1,478	8,376
UPS & Inverter	15,490		4,900	20,390	15%	2,691	17,699
Total	**162,820**	**-**	**38,800**	**201,620**		**40,295**	**161,325**

Note : Depreciation provided @ 50% of the normal rate of depreciation for the assets purchased after Sept,2010

CHARLES FERNANDO & Co. CHARTERED ACCOUNTANTS

International Network of Alternative Financial Institutions - India

New No.65, First Floor, III Street, Harvey Nagar, Madurai - 625 016.

Schedules forming part of the Balance Sheet for the year 2010- 2011

Schedule : E Unutilised Specific Project Fund (₹)

Name of the Donor	Balance as on 01.04.2010	Grant Received during the year	Total	Amount Utilised During the year	Balance as on 31.03.2011
Oxfam Novib, Netherlands	2,564,927	1,576,152	4,141,079	2,893,577	1,247,502
Hivos, Netherlands	740,929	1,833,309	2,574,238	2,204,445	369,793
Ford Foundation	1,238,586	1,535,760	2,774,346	1,156,016	1,618,330
Total	**4,544,442**	**4,945,221**	**9,489,663**	**6,254,038**	**3,235,625**

Schedule : F Cash, Bank Balance & Deposits	31.03.2011	31.03.2010
Foreign Contribution Account		
Cash in hand	3,696	
Savings Bank Account - Canara Bank	725,223	716,246
Fixed Deposit	3,561,980	4,466,678
Fixed Deposit - Corpus	323,935	300,000
Local Account		
Savings Bank Account - Canara Bank	-	25,702
Savings Bank Account - Indian Bank	38,338	294,820
Fixed Deposits		409,512
Fixed Deposit - Corpus	1,913,437	900,000
Total	**6,566,609**	**7,112,958**

CHARLES FERNANDO & Co. CHARTERED ACCOUNTANTS

International Network of Alternative Financial Institutions - India
New No.65, First Floor, III Street,
Harvey Nagar, Madurai - 625 016.

Schedule forming part of the Income & Expenditure Account for the year 2010-2011

Schedule : G Programme Expenditure (₹)

Particulars	Oxfam Novib	Hivos	Ford Foundation	Total
Capacity Building				
Thematic Seminar / Workshop/Remittance/NGOs	1,292,853		608,366	1,901,219
Microfinance & MDG Awareness Building od Demand Stream of Clients, Linkage with UN Millennium Campaign	381,884			381,884
SIM Tools Training & Implementation	176,155			176,155
Microfinance & Gender Studies	300,790			300,790
Exposure Visit Micro Finance Roadshow		220,639		220,639
Financial Literacy training programme			25,000	25,000
Self Regulation Review		160,000		160,000
Financial Inclusion Policy Forum & Networking		581,056		581,056
Training for Small NGOs		125,395		125,395
Sub Total	**2,151,682**	**1,087,090**	**633,366**	**3,872,138**
Policy, Advocacy & Communication	**200,000**	**230,637**		**430,637**
Members Services		**122,044**	**50,000**	**172,044**
Institutional Support /Administration				
Salaries / Support Staff	152,892	629,891	284,544	1,067,327
Travel Expenses	85,577	4,000	56,911	146,488
Administrative Expenses	193,026	91,983	131,195	416,204
Computer Consumables	110,400			110,400
Sub Total	**541,895**	**725,874**	**472,650**	**1,740,419**
Total Revenue Expenditure	**2,893,577**	**2,165,645**	**1,156,016**	**6,215,238**
Capital Expendiutre				
Computer / Equipments		**38,800**		**38,800**
Total	**2,893,577**	**2,204,445**	**1,156,016**	**6,254,038**

CHARLES FERNANDO & Co. CHARTERED ACCOUNTANTS

International Network of Alternative Financial Institutions – India
New No.65, First Floor, III Street, Harvey Nagar, Madurai – 625016.

Schedule: H Significant Accounting Policies and Notes on Accounts

1. International Network of Alternative Financial Institutions India (INAFI) is a company, limited by guarantee, incorporated on 20th March 2003 under the Companies Act, 1956 and licensed under section 25 of the Act.

2. The Company basically undertakes the following activities:
   - It promotes and supports the micro finance programmes in India.
   - It also provides capacity building programmes in connection with Micro finance to member organization and also to other stakeholders in the sector.
   - It conducts programmes in policy advocacy work and also research studies in micro finance field.

3. The financial statements are prepared under the historical cost convention on accrual basis and in accordance with provisions of the Companies Act, 1956.

4. Grants received from Donor Agencies were for specific purpose and hence it is shown separately under the head **"Unutilized Specific Project Fund"** to reflect the balance left in hand and to be applied in the following year for the purpose for which it was given. However the grants were shown as income for Income and Expenditure purpose and the excess expenditure has been appropriated towards General Fund, Corpus Fund, Capital Fund and Unutilized Specific Project Fund.

5. Fixed Assets acquired from the project funds were written off as expenditure to arrive the unutilized specific project fund, however depreciation on the fixed assets were charged in the Income & Expenditure Account and the assets were shown in the Balance Sheet after charging depreciation and the corresponding value is shown as contra in Capital Fund Account.

6. Depreciation on the Fixed Assets were charged at the rate prescribed in the Income tax Act,1961.

7. The accounts for the accounting year relate to the period from April 1, 2010 to March 31, 2011 and the corresponding previous year figures have been regrouped/ reclassified wherever it is necessary.

8. Consolidated accounts mean and represent the consolidation of the accounts relating to foreign and local contributions.

For CHARLES FERNANDO & Co.
Chartered Accountants

Proprietor

Place : Madurai
Date : 21.06.2011.

M.No: 026619

M.P.Vasimalai
Chair Person

Jacob Thundyil
Director

M.Kalyanasundaram
Chief Executive

INTERNATIONAL NETWORK OF ALTERNATIVE FINANCIAL INSTITUTIONS-INDIA
(Incorporated as Section 25 not-for-profit Company of Companies Act, 1956)
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