

MicroSave India SPM Case Study 1

Asirvad – The Balance of Social Aspirations and Financial Realities

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Asirvad's mission: *to organise groups of committed poor women and provide innovative financial services in a sustainable manner with a view to eradicate poverty through viable income generation activities*

Introduction¹



Asirvad Microfinance Private Ltd. (Asirvad) is an NBFC-MFI operating in 14 districts of the South Indian state of Tamil Nadu. Headquartered in Chennai, the company aspires to develop and make use of innovative technology to deliver its services and enrich the community at large. In a little more than two and a half years, Asirvad has grown to nearly 139,542 clients with a Rs.63 crore portfolio outstanding and has set itself an ambitious target of lending a minimum of Rs.1 billion in the next three years to the people of urban and rural India. Asirvad has already built a reputation as a reliable institution, having a high level of transparency and a systematic and professional approach to microfinance. In 2009, Lok Capital (Lok), a social venture fund, became a partner to Asirvad by subscribing to 24% of the equity and placing a member on the board.



Challenges of a Start-Up

Asirvad was founded by a promoter and board chairman, Mr. S.V. Raja Vaidyanathan, who possesses a banking background and a clear social vision. Mr. Vaidyanathan recalls, "We always wanted to be more than just another moneylender". In the fiercely competitive urban spaces of Chennai and districts of Tamil Nadu, Asirvad had to manage the natural challenges that arise with any MFI start-up: how to fulfil its social aspirations while ensuring that it could sustain and build its business. While Asirvad's leadership focused on putting in place strong and sustainable operations – witnessed today in efficient and impressive systems, from internal audit and accounting to its loan procedures and branch network – it also ensured that the organisation remained well grounded in its mission. It did so by promoting professionalism and minimising operational costs across the organisation as a way to satisfy clients with quick, low cost and high quality services. By expanding outreach to underserved villages and districts, including being the first MFI to enter an area in many cases, Asirvad upheld its commitment to reach the unbanked. Furthermore, from the beginning, the promoters of Asirvad have stressed transparency with both clients and

funders, and have taken steps to ensure this happens – allowing funders to access up-to-date information on their funds/clients and ensuring proper communication with clients on product terms.

SPM in Phases: A Question of Timing

In late 2009, Asirvad began to take additional steps, with assistance from Lok, that have had a clear impact on both its financial and social performance, including: creating active committees (management, compensation and audit) that kept the Board involved and up-to-date; reiterating the importance of client/group discipline and attendance; and passing on its cost savings to clients by changing from a flat to declining interest rate. After passing the 125,000 client mark – while maintaining an impressive 160% operational self-sufficiency rate and 0.02% portfolio at risk – Asirvad was ready to take its social commitment to the next level. In April 2010, Asirvad and Lok brought in *MicroSave* to undertake a comprehensive social performance management (SPM) diagnostic and action-planning exercise. The diagnostic (based on the criteria promoted by the Social Performance Task Force) focused on how and where social aspects reinforce operational ones and lead to improvements in overall performance.



A rapid, but rigorous, SPM diagnostic was conducted over five days and employed a mix of field visits, focus groups with staff and clients, interviews with senior staff, and reviews of documents and systems. More than simply a clear look at where Asirvad stood in regards to achievement of its social mission, the diagnostic also helped it identify and prioritise key areas of improvement, and provided concrete steps to enable implementation. Equally remarkable was that, in the context of a very competitive environment, suggested action items (e.g. offering products according to client needs, aligning staff incentives with client retention goals) showcased the overlap between social and financial performance. This allowed Asirvad's top

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management and key stakeholders to clearly see the benefits of ensuring an effective balance therein.

The Importance of Process

The process itself (of the SPM diagnostic and action planning exercise) offers several important lessons to structuring similar interventions with investors, MFIs and technical assistance (TA) providers:

1. **Partnership = Ownership:** an overarching element of success is ensuring that all parties involved – the MFI, donor/investor and TA provider – see themselves as equal partners. This is accomplished by effective communication early on and by taking the time to listen to the goals of each partner in order to build buy-in.
2. **Strategy & Planning:** To help forge this partnership and better tailor the approach to Asirvad's context, *MicroSave* and Lok met with the promoter of Asirvad well before the visit to discuss international SPM standards and ways to relate them to Asirvad's own priorities. This was followed by written and phone communication with the CEO/COO; identification of a point person at Asirvad; and participatory planning that laid the stage for an effective SPM diagnostic.
3. **Participation:** The SPM diagnostic visit also involved participation of all parties. Asirvad's CEO, Head-Operations, Head-Process, and Lok staff accompanied *MicroSave* consultants *at each stage* – from the introductory meeting, interviews and field visits, to the focus groups with staff and clients, and finally at the closing debriefing.
4. **Action-Plan:** Critical to longer-term success, and short-term traction, was the action-planning exercise scheduled two weeks after the diagnostic to allow time to develop recommendations. The parties reassembled to prioritise action items, *together*, and to define the way forward, including selecting areas to address in more detail. The follow-up action planning session concluded with choosing action items, concrete next steps, timelines and persons responsible.

The above SPM diagnostic planning and execution process – coupled with effective action planning – is precisely what is necessary to carry out an effective SPM exercise and one which, importantly, yields results. Furthermore, follow through on action items is assured by Asirvad's ownership of the process, as well as by the oversight structure in place through Lok's presence on the Board and its quarterly/annual reporting format (which includes both financial *and* social indicators).

The Need for Action Planning

The follow up/action planning exercise is a critical element of an SPM exercise designed not just to 'prove' but to 'improve' social performance. The difference lies in not only focusing on capturing a snapshot of social performance to date but also, regardless of how the MFI is doing, what it can do to improve social and operational performance even further for the benefit of

clients and overall sustainability. Throughout the SPM visit, the three parties were in continuous dialogue, communicating expectations and findings along the way. This helped not only to ensure that there were no surprises but also to calibrate recommendations. As a result, the way forward reflects items across the operational spectrum (from HR to Internal Audit to MIS and Governance). This was in addition to and even before providing a comprehensive report. Indeed, steps already taken or planned at Asirvad following the SPM visit include: raising travel allowances in response to feedback from field staff; focusing on hiring more women and ensuring the most conducive work environment; strengthening human resource management to ensure high staff satisfaction and performance; recruiting a social performance / marketing 'champion' to liaise with clients, staff and the Board; reconfiguring the organisation's MIS to report on a few select social indicators; and, even reporting on social performance to the Mix Market.

Beyond these operational changes, the parties also

"This is as much an operational review (with a social lens) as anything else" – Lok Capital

tackled difficult policy challenges. For example, although competitors in Chennai are relaxing client attendance to boost retention, Asirvad decided to maintain its strict group discipline policy. While it risks losing some clients, it should be able to maintain strong portfolio quality and expand outreach. Instead, the SPM visit helped Asirvad realise that it can compete by improving its value-addition in the realm of product offerings such as by offering a new top-up loan requested by clients, integrating client protection elements into its internal audit checklist, and aligning staff incentives with its client retention goals.

Conclusion

One of the key ingredients in a successful SPM exercise is the importance of responding to an MFI's key priorities – particularly as they relate to its organisational form, stage of growth, operational context, staff and leadership capacity—as well as its financial realities. While as a start-up, Asirvad focused on its top-level social priorities (transparency, professional quality services, and sustainability with a goal of increasing outreach to the unbanked). Now a more mature organisation, Asirvad is able to focus on additional areas that further reflect its social aspirations. Furthermore, by integrating SPM into its management 'dashboard' and reporting, listening to and responding to client needs and preferences, and ensuring staff satisfaction and appropriate incentives, Asirvad will be able to see the financial benefits as well. These steps, each essential to Asirvad's quest to better balance its social and financial performance, were made possible by a partnership approach (investor/MFI/TA provider), tailored SPM process, and strong emphasis on follow-up action planning.

