

MicroSave India Focus Note 1

The MicroSave-India Market-led Financial Services Programme

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Background

Many challenges to offering effective financial services to low-income people in India persist. Millions of people in rural, and particular urban, India remain without access to high quality, appropriate financial services. Additional, practice-focused research is required to better understand both the needs of the poor for financial services and the details of the cost structures involved meeting these needs. There are also significant opportunities to broaden and deepen the range of financial services (credit, savings, insurance and money transfer) as well as the number and nature of institutions that offer these services. There is a pressing need to test market-led, alternative and innovative products and delivery systems to serve the poor. Finally, the need for capacity building, particularly at the upper middle and branch management level remains a common theme in analysis and descriptions of obstacles to extending financial services to the poor throughout India.

MicroSave has had considerable success in addressing these issues in East and South Africa working through a variety of institutional forms including parastatal banks, private banks/non bank financial institutions and Non Government Organisations (NGOs). The *MicroSave*-India programme is designed to modify and apply *MicroSave*'s approach for the Indian context.



Governance and Management

MicroSave-India has established a charitable Trust, and is overseen by a Board of Trustees (BoT), comprising eminent microfinance experts from India. In addition, a small Programme Management Committee (PMC) comprising representatives from its donors, leading industry representatives and the Programme Director provides advice to the project. The BoT and PMC meet together every 4-6 months to provide strategic direction to the programme including approving the business and annual work plans and reviewing its progress reports. The programme will be subjected to periodic review by a Policy Advisory Committee drawn from leading experts on financial services for the low-income sector.

Programme Overview

The *MicroSave*-India Market-led Financial Services Programme seeks to *create a practice-based centre of excellence designed to research, test and rollout market-led, innovative products/delivery systems and to develop capacity within Indian institutions serving the low-income sector.* The programme comprises three synergistic elements:

1. The Action Research Programme

The Action Research Programme is the core component of the *MicroSave*-India programme and offers two laboratories to test and refine a wide range of innovations. *MicroSave* is working with a variety of partners, drawn from private and public sector banks, cooperatives, non-bank financial companies and NGO-microfinance institutions, to develop and test a variety of market-led, innovative products and delivery systems. Participating organisations are selected on the basis of a request for proposals – evaluated on the basis of the innovations in product design/delivery systems and the institutional ability and commitment to implement them. To optimise the provision of hands-on technical assistance, the Action Research Programme works in two pilot-test areas in Tamil Nadu/Andhra Pradesh/Kerala and a belt running from Rajasthan to the North East. The pilot-test areas comprise contiguous areas embracing the urban, peri-urban and rural environments. Over the 6 years of the programme, a wide variety of products and models (around 20-30) will be tested in these pilot-test areas. *MicroSave* then works with the institutions to facilitate and support the rollout of the successful models nationwide and expects to see millions clients served with new/refined products and delivery systems developed in collaboration with the programme.

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2. The Financial Services Learning Centre

A Learning Centre is being established with the Indian Institute of Management-Lucknow and other interested stakeholders to focus on practice-based learning offered primarily to Indian financial service providers' management, trainers and consultants. The courses are run on a fee-for-service basis, requiring participants to make significant contributions to the overall cost of the courses. The Learning Centre runs some classroom-based training courses, but focuses above all on offering trainees opportunities to use this training in practical settings – either through mentored follow-up into their own organisations or through mentored work opportunities within the Action Research Programme¹. The Learning Centre offers CGAP and *MicroSave* toolkits as core curricula, supplemented by additional training toolkits developed on the basis of the Training Needs Assessment conducted by *MicroSave* in late 2004/early 2005². In addition, the evolving agenda of the Learning Centre is generated by the lessons from the Practice Focused Research and Action Research Programmes. On the basis of this, the Learning Centre is working to develop an “Integrated Curriculum for Microfinance in India” comprising around 30 toolkits and to train around 48 trainers in around 12 regional training centres/consulting companies in these toolkits to support the development of around 160 microfinance organisations/channels across India. To develop and maintain excellence, the Learning Centre draws on both local and international capacity to offer the training programmes and conducts quality control missions to review training offered. The Learning Centre seeks to collaborate closely with leading management and training institutes in India. Finally, the Learning Centre will offer a structured longer-term intern programme to provide hands-on training to young, high-potential people committed to working in the financial services for low-income people industry.

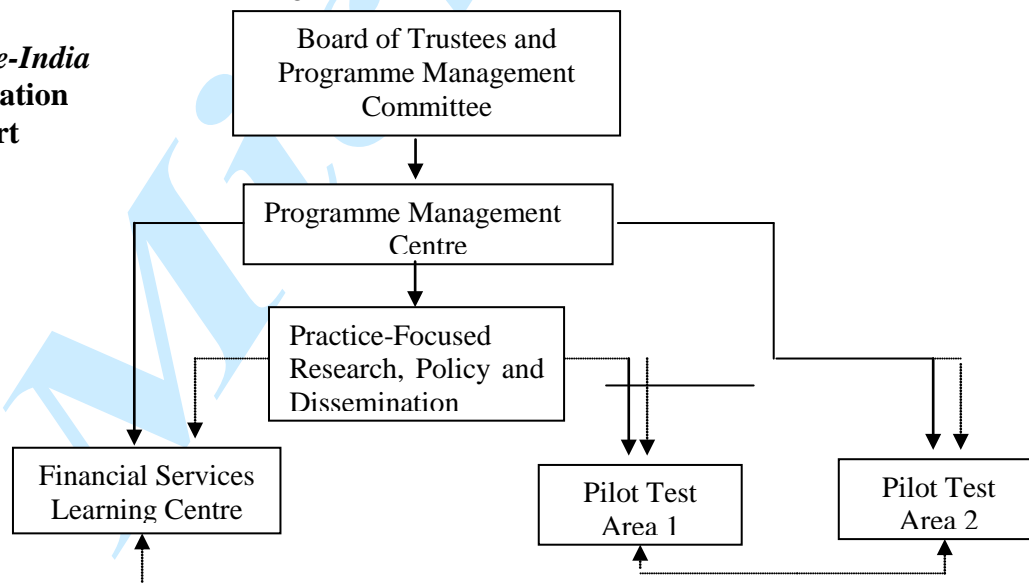
3. The Practice-Focused Research, Policy and Dissemination Centre

Building on existing literature, this centre works with leading research institutions to conduct practice-focused research to inform the development of the industry in India. It focuses above all (but not exclusively) on three key areas: (i) clients' needs/financial behaviour, (ii) cost structures of alternative delivery systems and (iii) delivery of financial services for the low-income sector in the urban environment. It conducts a variety of research activities designed to facilitate the development of sustainable and scaleable financial services for low-income people. The Centre works with existing apex organisations to disseminate and contribute to policy dialogue in the Indian context as well as in the international arena. The Centre's active dissemination strategy uses a website, printed publications (in a variety of languages), workshops and video compact disks. To focus on practical learning, the dissemination activities are also run in close collaboration with the Financial Services Learning Centre.

Administration and Budget

The project is headed by a leading international expert in financial services for low-income people, and three senior Indian experts (to head each of the Action Research Programme two pilot-test areas and the Research & Policy Centre). These are supported by around 20 officers and administrative staff. The project draws extensively on international and Indian consultants to provide technical advice and assistance to the Practice-Focused Research, Learning Centre and Action Research Programmes.

MicroSave-India Organisation Chart



¹ See *MicroSave* Briefing Note # 32 “Beyond The Classroom: *MicroSave*'s Training Philosophy and Strategy”

² See Wright et al. “Catalysing Capacity Development: Micro-Finance in India - Training Needs Assessment”, *MicroSave*, 2005.