

MicroSave India SPM Case Study 2

Nirantara – Building a Sustainable Social Enterprise

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The founders of Nirantara strongly believe in building a sustainable social-enterprise which will focus and work to achieve a positive social-impact on women living within the margins of poverty.

Introduction

Nirantara Community Services (Nirantara) was founded in 2006 by a team of like-minded microfinance professionals led by its energetic founder and CEO, Mr. Niranjan Sheelavant. It began operations in 2007 as a Society, with a vision to provide need-based and cost-effective financial services to underserved women within the Bidar district of Karnataka. From its headquarters on the Deccan plateau, Nirantara has since expanded to serve over 9,000 clients with microcredit and micro-insurance, using a modified Grameen model. It presently manages a Rs.55 million portfolio and works in peri-urban and urban areas of three districts of Karnataka (Bidar, Gulbarga and Bijapur).



Nirantara's Mission: *To provide financial services to the underserved segment of the population to improve their living standards.*

A Focus on Clients

In March 2009, MicroSave conducted a Social Performance Management (SPM) exercise with Nirantara to help the organisation better align its operations and strategy with its social mission. Nirantara, like so many Indian MFIs, had leveraged a single product to fuel its growth and now sought to build a more durable relationship with its clients and differentiate itself from other MFIs. Hence, the SPM visit was tailored to focus on the organisation's primary interest areas: client needs and preferences. This required use of an array of customised, qualitative market research tools like focus groups and product attribute ranking (to understand client product and service needs) as well as customer service surveys and relative preference ranking (to understand how to forge a competitive advantage).

Meanwhile, demonstrating its own commitment, the CEO and Area Manager accompanied the team during field visits to listen for themselves to clients and staff, and thus better understand their respective needs.

Strengths

The SPM visit highlighted several of its existing social

performance strengths. Nirantara currently works with un-banked populations in the 3 districts and has a clear social mandate evidenced throughout all levels of staff. To reinforce this mandate, the leadership team has devised 8 key social goals to guide the efforts of staff and likewise enable Nirantara to measure *achievement of its mission*. As part of a holistic strategy to address client needs, Nirantara has also begun providing non-financial services (education) to supplement microfinance and help to strengthen its relationship with the community.

Figure 1: Nirantara's 8 Key Social Goals

1. The client's family lives in own house worth Rs100,000 (with at least a tin/asbestos roof, 2 rooms and latrine)
2. Family members have access to pure drinking water and sanitation facilities
3. All children in the family are going to school and/or have completed at least primary grades
4. The family should have additional income sources – at least two different sources within the family
5. The family maintains an average of Rs5,000 as savings
6. Customer is capable to pay a minimum weekly instalment of Rs1,000 or more
7. The family is out of the clutches of moneylenders and no member of the family is a defaulter
8. If any member of the family falls ill, the family can afford to take all necessary steps to seek adequate healthcare

Internally, Nirantara has recently expanded and improved its training for staff, including an emphasis on the organisation's mission and vision, but equally on ensuring proper treatment and transparency with clients. This – based on focus group discussions with a sample of 50 clients from two regions – has seemingly translated into satisfied customers. In field visits, clients routinely said that they value the quick, professional and friendly service offered by staff as well as the on-time centre meetings. Likewise, Nirantara's efficient systems and strong documentation have helped staff to feel more confident about their role and improved productivity – thus helping Nirantara to steadily grow.

Key Issues and Challenges

Some of the key challenges identified during the SPM diagnostic include:

- **Socio-economic data** was collected during the loan application process but not analysed in their MIS, thus missing an opportunity to keep track of social data / progress in client household income, education, etc.

- **High staff desertion rate** and the difficulty of finding qualified personnel persist, but these may be improved with a strong staff incentive scheme and through better recruitment and screening.
- **Client targeting** was not well understood at various levels (senior management, field officers) and was not always aligned with mission (e.g. the underserved). Likewise, the poverty assessment tool was mistakenly classifying clients with low-middle incomes as 'poor'.
- **Risk of over-indebtedness** is present since many sampled clients admitted to have multiple loans (often between 2-4) from other providers.

Actions Taken

The SPM diagnostic, rather than focus solely on the poverty level of clients or the elusive quest to demonstrate impact, gave Nirantara a more *actionable* understanding of how well its systems, policies and practices were aligned with its social goals. Furthermore, incorporating senior management's active participation in the SPM visit ensured that Nirantara *itself* would decide what its priorities were and what adjustments to make – though an action-planning exercise.

"MicroSave provides a good exposure to SPM. The exercise gave us a lot of important insights"

– **Niranjan Sheelavant (CEO of Nirantara)**

This exercise, coupled with follow on technical support, helped Nirantara take steps to re-calibrate its client targeting – first getting clarity on the issue amongst senior management and then explaining to its staff the typical client profile (poor *and* vulnerable non-poor). There is now a more rigorous assessment process – which not only helps ensure clients are not over-indebted, but also limits risk to the institution. Furthermore, Nirantara has recently adopted MIFOS software and used it to develop a capable, new MIS which also allows for analysis of various social indicators, including poverty status and income level, as well as the social status and education level of its clients.

Nirantara has since developed and piloted a new, more balanced staff incentive scheme that places emphasis on quantity *and* quality. Social performance is now translated into increasing client participation in meetings, investigating client dropout instances and implementing important client protection elements like proper communication (and understanding) of terms and conditions. The organisation has likewise hosted more staff development and training workshops in 2009-10 and recently introduced a mentor assessment system. These concrete steps have resulted in increasing levels of staff performance with staff productivity rising 28% from August 2009 to today (from 476 borrowers per field officer to 611). Furthermore, client retention rates are on the rise in 2010 – suggesting more satisfied customers and impacting both the social *and* financial bottom lines.

Nirantara Kids

While fortifying the social performance aspects of *microfinance operations* is at the core of an SPM visit, Nirantara has decided to also pursue non-financial services to complement credit and insurance – as well as to build and maintain a deeper relationship with its clients and communities. As such, the Nirantara Foundation was set up to spearhead social development initiatives, the largest of which being *Nirantara Kids*.



Nirantara Kids – started in May 2009 – offers quality and affordable preschool education to low-income families at \$5 per month (compared to others offering the same at \$6-25 per month).

Financial Literacy Programmes

As part of its efforts to be a responsible lender and to address the growing trend of multiple borrowing in the region, Nirantara organised a series of Financial Literacy programmes in January-February 2010, reaching more than 7,000 of its members. The programmes built awareness around:

- Savings for life-cycle needs and investments
- Life insurance instruments for securing family needs
- Balanced financial planning and management within both the house and their micro-business
- Planning for education of children, investment in business, housing and life-cycle needs (marriage)

The Road Ahead

Nirantara is poised to expand operations throughout Karnataka and will soon cross the 10,000 borrower threshold. Its success is underpinned by an incremental growth strategy, an emphasis on doing things 'the right way', and an ability to attract a diverse mix of commercial funders (from 8 institutions in 2009 to over 14 today!). While it still faces challenges – to attract and retain staff, to limit multiple borrowing and to thrive in a competitive MFI landscape – Nirantara represents an enterprise that has effectively woven both business and social principles into its organisational DNA. Furthermore, it demonstrates the importance of social performance interventions that draw a clear link between social *and* financial performance and that provide both concrete action steps and follow up support.