

Partner profile - BFL

In 2004, the Boxing Day tsunami devastated communities and destroyed livelihoods in Tamil Nadu and the Andaman and Nicobar Islands. Through microfinance, the Bullock-cart Workers Development Association Finance Limited (BFL) played a key role in the economic rehabilitation of these communities and continues to provide opportunities to over 98,000 borrowers.

BFL was established in 2003 as the microfinance division of Bullock-cart Workers' Development Association (BWDA). BWDA was created in 1985 to provide opportunities for bullock-cart workers and their families to save money securely and efficiently.

One of BWDA's key activities was to help women (from bullock-cart worker families) form Self Help Groups (SHGs). SHGs usually have 15-20 members who pool their savings and extend credit to members. Group members are jointly responsible for timely repayments. SHGs are the only affinity groups in India that are allowed by the Reserve Bank of India to collect deposits.

Staff and structure

Mr. Joslin Thambi, Managing Director and founder of BFL, has a strong affinity with the disadvantaged communities BFL exists to serve—his father was a bullock-cart worker. The challenges Mr. Thambi faced during his childhood inspired him to help other families break the cycle of poverty.

Desiring a separate and more formal legal entity to implement microfinance, BWDA acquired a Non Banking Financial Company (NBFC) license in 2003 and created BFL. The NBFC structure improves access to funding, including bank finance, thereby facilitating outreach to more potential clients.

Geographic and client focus

BFL is based in the southern state of Tamil Nadu, where 14.6 million people live below the poverty line. BFL also has branches in Puducherry and the Andaman and Nicobar Islands. Due to their remote location in the Bay of Bengal, the islands are underserved by microfinance.



Source: Multimap

BFL's services mean that women on these islands have the opportunity to start or expand their own small business.

The Andaman and Nicobar Islands were severely affected by the 9.0 magnitude earthquake and subsequent tsunami on Boxing Day 2004. The second-largest earthquake in recorded history caused aftershocks that can still be felt on the islands today.

Following the disaster, 20% of the population of the Nicobar Islands was estimated to be dead, injured or missing. The surviving population was cut off from rescue efforts for several days. The devastation affected the islands' economy, which was previously dependent on farming and fishing. While the community has attempted to rehabilitate their economy since the disaster, they still need a great deal of assistance.



BFL clients at a Self Help Group meeting.



BFL provides additional training to its borrowers.

Products and services

The majority of BFL clients use loans to purchase animals, including goats, cows and buffalo. A smaller proportion use their loans to grow or establish small enterprises.

BFL currently offers 10 loan products. To access the most common loan, the SHG loan, members must make small savings contributions for 1-3 months before the loan is sanctioned. The loan, divided between 12-20 group members, ranges from Rs.100,000-500,000 (A\$2,000–10,000), depending on the loan cycle and the amount the SHG has saved.

BFL has also recently started lending through the Joint Liability Group (JLG) model to attract more clients in urban areas. JLGs typically consist of five members who co-guarantee each other's loans. There is no savings component. Other loan products offered by BFL include emergency and seasonal loans.



Sources: Times of India, Andaman.org, The Hindu

¹Exchange rate used is A\$1:Rs.49.9384

***Operational sustainability** is the ability of an organisation to cover the costs of its lending program with the revenue earned from its lending program.

****Portfolio at risk (PAR)** is a stringent measure of an MFI's loan portfolio quality. It calculates the total value of outstanding loan balances for loans with at least one payment being overdue by more than 30 days. PAR is used to highlight potential future repayment problems.

"A poverty free, sustainable, and equitable society, making strides towards empowerment and prosperity."

BFL's vision statement

In association with its parent organisation BWDA, BFL participates in several community development programs. These include training on health and sanitation, education and gender awareness.

In addition, BWDA runs three educational institutes— an Arts and Science College, a Polytechnic Institute and a Resource Centre. While these educational services are designed to be affordable for low-income families, children of BFL clients also receive a 25% discount on fees and subsidised accommodation.

Investment management

Opportunity International Australia and our subsidiary in India, Dia Vikas Capital, manage our investment in BFL in several ways. A Dia Vikas staff member is appointed as Relationship Manager with BFL, providing a primary point of contact for all communication between the two parties. A Dia Vikas staff member also sits on the Board of BFL, ensuring the partner remains committed to its social mission, achieves good governance and is well placed for future expansion. Opportunity and Dia Vikas staff frequently visit BFL and we receive detailed monthly operational and financial reporting.

Performance indicators	December 2011
Active borrowers	98,711
Outstanding loan portfolio (A\$000) ¹	16,320
Number of branches	39
Operational sustainability*	110%
PAR** > 30 days	9.65%