

## Partner profile - EMFIL

EMFIL is the microfinance branch of the Evangelical Social Action Forum (ESAF) based in Kerala. With a focus on the empowerment of women through microfinance, EMFIL delivers a broad range of services to clients, including business development, training and advocacy. EMFIL currently serves over 300,000 clients, 99.7% of which are female.

EMFIL began its microfinance program in 1995 in Kerala and has since opened branches in five other states. In the future, EMFIL hopes to expand and establish a national presence.

### Staff and structure

Paul Thomas, CEO of ESAF and Managing Director of EMFIL, founded ESAF in 1992 to respond to the economic needs of poor and marginalised people in India. His experience travelling across India working for a fertiliser cooperative motivated him to help communities find sustainable ways to work their way out of poverty. Paul has extensive experience in rural development and microfinance. Under his leadership, ESAF's development program and microfinance initiatives have thrived.

EMFIL is a regulated NBFC (Non Banking Financial Company), a structure which improves access to funding, including bank finance, thereby facilitating outreach to more potential clients.

EMFIL's parent organisation, ESAF, is a Society. ESAF implements a variety of community programs including research and development, health care, disaster relief and natural resource management.

### Geographic and client focus

Based in the state of Kerala, known as the 'spice garden of India', EMFIL serves clients across seven states: Kerala, Tamil Nadu, Maharashtra, Chhattisgarh, Haryana, New Delhi and Madhya Pradesh.

*"To impact poverty by bringing mainstream services to the poor and envision a just and fair society."*

EMFIL's vision statement



Source: Multimap

Kerala is one of the most progressive and educated states in India, with an average literacy rate of 88%, compared to the national average of 65%.

However, despite its high educational levels, the region has not been able to provide its educated population with enough jobs. In 2003, unemployment was at 11.6% in rural areas and 12.2% in urban areas. A 2002 study estimated that 10% of Kerala's workforce was employed overseas, mainly in construction jobs in the Persian Gulf.

As a result, the state's economy is particularly dependent on remittances (money sent home to families from migrant workers).



Tommy is employed at one of ESAF's nursery cooperatives.



Paul Thomas, Managing Director of EMFIL.

Before the global economic crisis caused widespread redundancies, remittances accounted for approximately 25% of Kerala's GDP. Now thousands of migrant workers are returning home and the incomes of poor families will be placed under extreme pressure. Microfinance will play a crucial role in supporting returned migrant workers and their families.

#### Products and services

EMFIL currently offers a wide range of financial services, including credit, savings and business development services such as training and consultation. EMFIL aims to provide its clients with sufficient resources to enable them to operate economically productive businesses.

EMFIL offer five loan products to clients: a general loan, income generation loan, trader's loan, house construction loan and house repair loan. For general and income generation loans, clients form groups which meet weekly to make repayments. Depending on the loan cycle, the loans range in size from Rs.3,000-50,000 (A\$68-1,136).

EMFIL also support clients through insurance policies, skills training, production and marketing services.



<sup>1</sup>Exchange rate used is A\$1: Rs. 48.1295

\***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.

#### Financial literacy

A recent United Nations study on financial literacy among people living in poverty mentioned the success of ESAF's financial literacy program. The report highlighted that through the program, participants improved their awareness of, and willingness to participate in, savings and insurance programs. Improved financial literacy among microfinance clients helps to increase the productivity of their businesses and the effective use of loans.

#### A leader in Social Performance Management

In the Indian microfinance sector, EMFIL is widely regarded as a leader in Social Performance Management (SPM). For the second consecutive time, EMFIL was awarded a Category Silver award for Social Performance Reporting from CGAP (Consultative Group to Assist the Poor), the Michael and Susan Dell Foundation and the Ford Foundation. In addition, EMFIL is one of only three MFIs globally to be accredited by Grameen for effectively using the 'Progress Out of Poverty Index'.

#### Investment management

Opportunity International Australia and our subsidiary in India, Dia Vikas Capital, manage our investment in EMFIL in several ways. A Dia Vikas staff member is appointed as Relationship Manager with EMFIL, providing a primary point of contact for all communication between the two parties. The Relationship Manager also sits on the Board of EMFIL, 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 EMFIL and we receive detailed monthly operational and financial reporting.

Performance indicators	June 2011
Active borrowers	305,830
Outstanding loan portfolio (A\$000) <sup>1</sup>	37,046
Number of branches	148
Operational sustainability*	135%
PAR** > 30 days	2.18%

Sources: Centre for Development Studies, Kerala India; ESAF; Government of India; 'Kerala's Gulf Connection'; KP Kannan and KS Hari, March 2002; 'Kerala's remittance economy under threat', George Joseph, Rediff India Abroad