

## Partner profile - Margdarshak

Margdarshak is a start-up microfinance institution (MFI) based in Lucknow, Uttar Pradesh—the most populous state in India. The state is a centre of handicraft and perfume production, and many of Margdarshak’s 23,000 clients work in these industries. Margdarshak aims to use microfinance to expand the avenues and sources of income available to the poor and marginalised.

Margdarshak was established in 2004 as a consultancy business, providing training, research and technical services to the development sector. Margdarshak also implements field projects that foster the economic development of disadvantaged communities. However, its current focus is on providing microfinance operations.

### Staff

Margdarshak’s microfinance operations are guided by a management team with a wealth of knowledge and experience in social and economic development in the current Indian environment.

Margdarshak’s CEO, Rahul Mittra, has more than ten years of experience in the development sector, with extensive knowledge of microfinance and micro enterprise development. Rahul is supported by a team of experienced professionals, with backgrounds in microfinance, business development services and gender issues.

### Geographic and client focus

Margdarshak is located in northern India, where poverty rates are high and microfinance services are scarce. Margdarshak serves clients in the districts of Lucknow, Barabanki, Unnao, Hardoi, Bareilly, Moradabad, Shahjahanpur, Pilibhit, Basti, Aligarh, Baharaich, Kannauj, Orai, Lakhimpur Kheri and Faizabad.

*Margdarshak—Hindi for ‘guide’ or ‘those who show the way’.*



Source: Multimap

Uttar Pradesh is the most populous state in India, home to 190 million people. In 2003, the World Bank reported that 29% of the population of Uttar Pradesh was living in poverty, with rural areas particularly affected.

Margdarshak is targeting a range of clients. The majority of clients are agricultural workers, while others are artisan workers who produce internationally acclaimed crafts, including *chikan* (embroidery) and leather goods. *Chikan* workers have traditionally been exploited, paid unfairly for their work by middlemen and large businesses.

The districts in which Margdarshak operates were chosen because of their potential for enterprise financing. All fifteen districts have a large number of microentrepreneurs and artisan workers.



Shanno, a *Chikan* (embroidery) worker and Margdarshak client.



*Dia Vikas Capital Relationship Manager Saneesh Singh with Rahul Mitra, CEO of Margdarshak.*

#### Products and services

Prior to loan disbursement, Margdarshak provides orientation to prospective group clients on the available loan products, interest charges, credit discipline and group responsibilities. Once the group has been assessed to ensure they understand the terms of the transaction, loans are disbursed.

Margdarshak has begun to implement livelihood interventions in agriculture and handicrafts, to address existing structures that prevent clients from being paid fairly for their work.

A unique electronics repair training scheme has also been implemented, providing affordable skills training for young people and the opportunity to apply for an enterprise loan from Margdarshak.

Margdarshak is currently piloting a livestock loan designed for families who already have one buffalo and includes livestock insurance. Margdarshak recently hired a veterinarian to support the program.



*“Establishing a sustainable and up-scalable model of livelihood and enterprise financing for poor and marginalised communities in north India.”*

Margdarshak's vision statement

Margdarshak is also developing a specialty loan which will foster the development of beekeeping as a cottage industry in Uttar Pradesh. Clients will be provided with beekeeping equipment, business development services and technical training.

#### Investment management

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

Performance indicators	June 2011
Active borrowers	23,142
Outstanding loan portfolio (A\$000) <sup>1</sup>	2,472
Number of branches	26
Operational sustainability*	104%
PAR** > 30 days	0.29%

*Sources: Margdarshak, United Nations Human Development Report 2007/2008, World Bank*

<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.