

Partner profile - Shikhar

Shikhar is a start-up microfinance institution (MFI) based in Delhi, northern India. Operating in urban slums where poverty is rife and microfinance services are scarce, Shikhar aims to assist communities to become resilient against potential financial and social risks. Shikhar offers community-focused products to the ultra poor and currently serves over 13,000 clients.

Shikhar was established in September 2007, with a strong mission to instigate social transformation amongst its clients.

Staff and structure

Shikhar's CEO, Satyavir Chakrapani, has 15 years' experience in development and microfinance, including World Vision India and One World South Asia. Satyavir is supported by staff and Board members with extensive experience in microfinance, investment banking and health.

Shikhar was previously structured as a Public Charitable Trust. In 2009, Shikhar converted to an NBFC (Non Banking Financial Company) which enables improved access to funding, including bank finance, and thereby facilitates Shikhar to expand its outreach to more people living in poverty.

Geographic and client focus

Shikhar currently serves clients in the urban slums of Delhi and in the neighbouring states of Uttar Pradesh and Haryana. Shikhar also plans to expand into nearby districts in the state of Rajasthan.

With a population density of 9,340/km² (compared to 2,058 people per square kilometre in Sydney) and thousands of migrants arriving daily, Delhi is a microfinance market with huge potential for growth. Of the city's population of over 13 million, estimates suggest that nearly 45% live in unauthorised colonies and *jhuggi jhoparies* (slum households).

shikhar—Hindi for 'peak'



Source: Multimap

Slums are densely populated and characterised by substandard housing, a lack of basic facilities and land insecurity. Unhealthy living conditions are common, often with only one latrine per 190 people and one water pump per 1,000 people. The land on which Delhi's slums are built is owned mostly by the government, and as such, is vulnerable to new developments. Hundreds of slum homes were razed as part of Delhi's preparations to host the 2010 Commonwealth Games.



A Shikhar loan officer with Sushma, a client. Sushma used a small loan to buy extra ingredients to cook more food to sell from her shop. As a result, her daily income has increased from Rs. 150 (A\$4) to Rs. 250 (A\$6.60).



Shikhar's CEO, Satyavir Chakrapani (left) with Opportunity International Australia's CEO, Robert Dunn.

Within this market, Shikhar has identified great potential to serve large sections of low income individuals who struggle without access to financial services, but are not considered destitute. The majority of Shikhar's clients are women involved in producing handicrafts, trading and related livelihood activities (eg vegetable selling).

Products and services

Shikhar offers loan products for income generating purposes ranging from Rs.5,000-20,000 (A\$114-455). Loan repayments are made monthly, which is a key differentiator from other MFIs in Delhi, whose clients must repay weekly.

Shikhar clients form loan groups of 5-10 people and meet every fortnight. At alternate meetings, clients share with the loan officer and group members how their businesses are progressing and discuss any challenges they are facing. In the future, Shikhar will include interactive financial literacy lessons during these meetings.



Shikhar to Shikhar

¹Exchange 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.

"...endeavour to ensure the financial viability of the under privileged, by providing flexible, easy to access financial services."

Shikhar's mission statement

Shikhar has introduced a 'refresher' loan, enabling new clients to join existing client groups in higher loan cycles. The loan term for clients on their second and subsequent loan cycles is two years—the refresher loan allows especially capable new clients (who usually have a 12 month loan term) to benefit from joining more experienced client groups.

Investment management

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

Performance indicators	June 2011
Active borrowers	13,889
Outstanding loan portfolio (A\$000) ¹	2,702
Number of branches	13
Operational sustainability*	118%
PAR** > 30 days	2.66%

Sources: India Brand Equity Fund, 'India razes slums, leaves poor homeless' CNN, Shikhar, Yamuna Action Plan—Government of India, Centre for Civil Society India.