WASH Microfinance Operations in India: Assessment of challenges and successes

Tim Foster\textsuperscript{a,b}

\textsuperscript{a}Skoll Centre for Social Entrepreneurship, Oxford University

\textsuperscript{b}Institute for Sustainable Futures, University of Technology Sydney

India, USA, Australia
Evaluation aimed to identify factors that enhance and hinder the performance of water and sanitation microfinance in India

Evaluation approach

1. **Interviews**
   - 8 Water.org team members
   - 14 WaterCredit partners

2. **Structured questionnaires**
   - 10 WaterCredit partners

3. **Review of internal documents**
   - Proposals, progress updates
   - Evaluations, financial analyses

4. **Analysis of monitoring data**
   - WaterCredit loan database
   - Post-construction surveys
Water.org has been implementing WSS microfinance programs in India for more >10 years

**2004:**
- Partnership with Gramalaya

**2008-11:**
- WaterCredit Phase I
  - 5 MFI partners

**2011-15:**
- WaterCredit Phase II
  - 14 MFI partners, 12 states
Diverse range of MFI partners offering a variety of WSS products and terms

**No. active borrowers**

- Bandhan: 6523113
- SKDRDP: 3439628
- GVMFL: 865784
- Grameen Koota: 854188
- EMFIL: 335449
- AMPL: 566872
- Sanghamithra: 147722
- Hand in Hand: 58479
- Asomi: 44912
- Adhikar: 39856
- BWDA: 35778
- GUARDIAN: 25777
- Gram Utthan: 25120

**Loan products and terms**

- **Products**: Water connection, toilet, well with handpump, water filter
- **Interest rates**: 15-26% (avg 21%)
- **Avg. loan size**: $30-270 (avg $134)
- **Tenure**: 5-36 months (12-24 months most common)
- **Payment frequency**: Weekly-monthly
By 2015, more than half a million loans disbursed, benefitting 2.1 million people

WaterCredit in India arguably one of the most successful WSS microfinance programs ever implemented
Some key pillars underpinning success

**Mature microfinance market**

Active borrowers by region (m)

- India
- South Asia (excl. India)
- Latin America & Caribbean
- East Asia and Pacific
- Africa

**Supportive government agenda**

- Swachh Bharat
  - एक कदम खुश्चता की ओर

**External support organisation**

water.org
Outreach and sustainability of WSS portfolios varied across MFIs

- **Outreach**
  - WSS loans per month
  - Range: 117 to 5,643

- **Subsidy per loan**
  - Chart showing subsidy per loan over time

- **Self-sufficiency**
  - Categories: Very unprofitable, Somewhat unprofitable, Break even, Somewhat profitable, Very profitable
  - Distribution: 22%, 67%, 13%, 38%, 25%
MFI performance influenced by a range of factors

<table>
<thead>
<tr>
<th>Category</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>• Loan capital</td>
</tr>
<tr>
<td></td>
<td>• Subsidies</td>
</tr>
<tr>
<td></td>
<td>• Operational costs</td>
</tr>
<tr>
<td>Technical</td>
<td>• Availability of piped water systems</td>
</tr>
<tr>
<td></td>
<td>• Sanitation value chain</td>
</tr>
<tr>
<td></td>
<td>• Quality control &amp; loan utilization</td>
</tr>
<tr>
<td>Institutional</td>
<td>• Relationships with local authorities</td>
</tr>
<tr>
<td></td>
<td>• Commitment of senior MFI management</td>
</tr>
<tr>
<td>Operational</td>
<td>• Branch network</td>
</tr>
<tr>
<td></td>
<td>• Motivated field officers</td>
</tr>
<tr>
<td>Environmental</td>
<td>• Climate (drought)</td>
</tr>
<tr>
<td></td>
<td>• Groundwater (quality, depth)</td>
</tr>
<tr>
<td>Social</td>
<td>• Attitudes related to open defecation</td>
</tr>
</tbody>
</table>
Financial factors impacting performance include access to loan capital, smart subsidies and operational cost drivers

<table>
<thead>
<tr>
<th>Loan capital a constraint for half the partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Affected smaller MFIs</td>
</tr>
<tr>
<td>• Banks reluctant to lend</td>
</tr>
<tr>
<td>• Range of strategies</td>
</tr>
<tr>
<td>• WSS portfolios now PSL</td>
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</tbody>
</table>

### WSS portfolios incur additional costs

<table>
<thead>
<tr>
<th>Additional Cost</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Cost of technical support</td>
<td>75%</td>
</tr>
<tr>
<td>Cost of stimulating demand</td>
<td>50%</td>
</tr>
<tr>
<td>Cost of monitoring utilisation</td>
<td>25%</td>
</tr>
<tr>
<td>Small loan size</td>
<td>5%</td>
</tr>
<tr>
<td>Loan is non-recurring</td>
<td>5%</td>
</tr>
<tr>
<td>Low interest rates</td>
<td>25%</td>
</tr>
<tr>
<td>Cost of training MFI staff</td>
<td>75%</td>
</tr>
<tr>
<td>Cost of market research</td>
<td>50%</td>
</tr>
<tr>
<td>RBI margin cap</td>
<td>25%</td>
</tr>
<tr>
<td>Cost of capital</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Loan volumes correlated with smart subsidies

![Graph showing correlation between smart subsidies and loan volumes](image)
Prevalence of piped water systems, sanitation value chains and construction quality all played a role…

**Water loans related to availability of piped systems**

![Graph showing the relationship between water connection loans per district per month and % households accessing water from public tap.](chart)

**Technical support provided to loan recipients**

<table>
<thead>
<tr>
<th>Service Description</th>
<th>All clients</th>
<th>Majority of clients</th>
<th>Minority of clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final inspection upon completion</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Initial site inspection/feasibility assessment</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Supervisory visits during construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advise client on technical design</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advise client on construction materials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advise client on govt subsidy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advise client on construction cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assist client in accessing govt subsidy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide client with contact details of masons</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negotiate price with masons</td>
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</table>
... as did the operational footprint of MFIs and prevailing attitudes towards open defecation.

Expansive branch network an advantage

Demand lower in areas with open defecation >50%
Case study: Grameen Koota & Navya Disha

Standout performer 2011-15
- 276,000 loans
- $36.6m in financing
- Subsidy of $1.3 per loan
- OSS surpassed 100% by 2013-14

Success factors
- Strong support from senior mgmt
- 5% of profits to Navya Disha
- Large operational footprint
- No loan capital constraints
- Targets for branches & credit officers
- Operational areas suited to WSS loans
- Broader growth in loan portfolio
- ‘Light touch’ technical support

![Graph showing cumulative WSS loan disbursements for Water and Sanitation](image-url)
Summary

WaterCredit in India one of the most successful WSS microfinance programs ever implemented

• >500,000 loans benefitting >2million people
• Grameen Koota a standout: 276,000 loans and a profitable WSS portfolio
• Other MFIs disbursed <10,000 loans with greater dependence on subsidies

Scalability and sustainability of WSS portfolios shaped by a range of factors:

• Financial: Access to capital; smart subsidies, higher unit costs
• Technical: Piped water systems, sanitation value chain, construction quality
• Institutional: Relationships with local authorities
• Operational: Size of branch network; motivated field officers
• Environmental: Climate; groundwater conditions
• Social: Attitudes and behaviours towards open defecation
Thank you
For more details:

Email: tim.foster@uts.edu.au