

# VAMA's Microfinance

## An Impact Assessment

An assessment of the long-term, sustainable impact on women, households and communities of VAMA, Microfinance



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## BACKGROUND

### Bal-Mahila Vikas Samiti (VAMA)

Bal-Mahila Vikas Samiti (VAMA) is a non-profit organization, registered under Madhya Pradesh Societies Registration Act 1973. It works for disadvantaged social groups such as Dalits, tribals, women, working children and other deprived classes.

"To establish an egalitarian society based on rights so that the poor, marginalized and dalits - especially women, have equal participation in all spheres."  
– VAMA Mission Statement

### MICROFINANCE PROGRAM



- Operational in 119 villages and urban slums of Gwalior district since 2006
- Loan portfolio: Rs. 3,00,20,205, average loan size of Rs. 7443
- No of groups: 1323; Active clients: 4033, members: 8658

### SOCIAL DEVELOPMENT PROGRAMS



- Women Empowerment
- Financial Literacy Health & Nutrition
- Natural Resource Management
- Livelihood Promotion
- Rural Education
- Female Feticide
- Domestic Violence

### VAMA GROUP OF COLLEGES



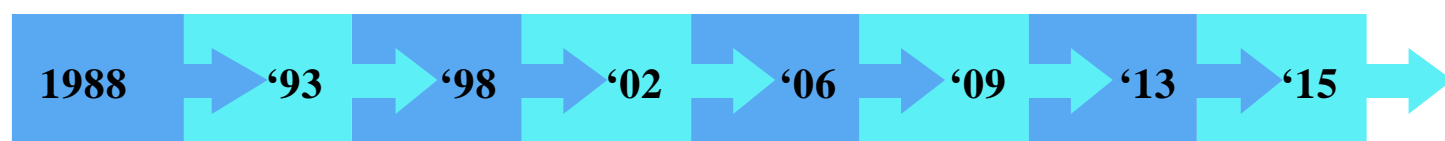
- Colleges offering BBA, BCA, B.Com, B.Sc (Bio)
- ANM nursing school in Datia district for training women to be nurses

## Milestones

Established VAMA as an NGO in Gwalior

Start of VAMA's Microfinance Program

Started JLG model and process of converting JLGs to SHGs



Started JLG model and process of converting JLGs to SHGs

### AREA OF OPERATION: GWALIOR – CHAMBAL REGION

The Gwalior – Chambal – Bundelkhand region is a backward, drought affected part of Madhya Pradesh. The Head Office of the organization is in the historic city of Gwalior. This office serves women from urban slums and villages in Gwalior, Morena and Bhind district.

## VAMA Microfinance

VAMA gives loans to women for the following purposes: dairy, agriculture, microenterprises, services and house repair & maintenance. Currently the marketing for the microfinance program is through grass root marketing, word-of-mouth and client recommendations.

## Microfinance Impact Survey

### SURVEY OBJECTIVES AND DESIGN

This report focuses on the long term, sustainable changes in the lives of the clients, and on other units of analysis such as households, organizations, communities and other identifiable units for which the intervention was directed. Impact can be either positive or negative but equally important (Blankenberg, 1995).

Our approach to impact assessment combines both qualitative and quantitative techniques. Standardized data was collected as part of the Impact Survey while in-depth dialogue with clients and case studies were used as qualitative tools of assessment.

### METHODOLOGY

The issues with measuring impact of microfinance programs is selecting a suitable method, defining variables and indicators and defining identifiable units of analysis for impact assessment. There are several methods for measuring impact of microfinance on the target population such as poverty proxies, counterfactual, control and comparison groups (Nagayya and Rao, 2010).

Also, one of the major disadvantages of using the target versus the control group is that the “entrepreneurial and enterprising capability of participants is unique” hence biasing the results. However, in our survey the control group respondents have either already formed groups or are in the process of forming groups (hence any characteristic thought to be unique to VAMA members applies to them as well) but the loans have not yet been disbursed or have been disbursed for fewer than two months. The assumption is that those choosing to join the program are similar to existing clients in terms of demographic characteristics, motivation, and business experience and thus offer an appropriate and easily identified comparison group.

#### ECONOMIC



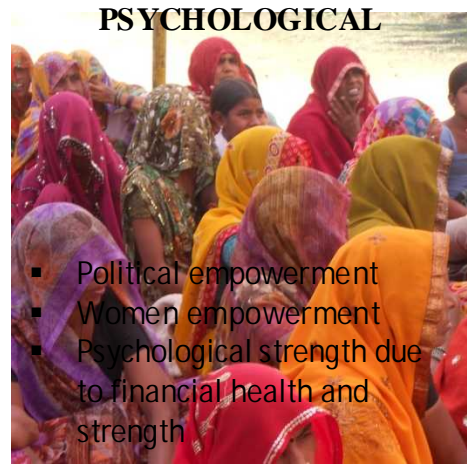
- Income changes
- Vulnerability reduction
- Asset growth
- Outcome of level of enterprises

#### SOCIO-POLITICAL / CULTURAL



- Change in power relationships (status positions)
- Shift of economic decision making from men to women

#### PERSONAL / PSYCHOLOGICAL



- Political empowerment
- Women empowerment
- Psychological strength due to financial health and strength

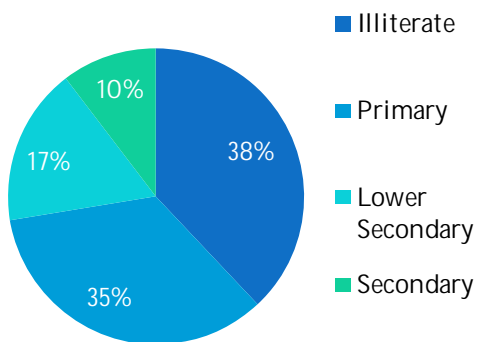
A total of 107 (Target group: 57; Control group: 42) from a representative set of villages and urban slums of Gwalior district participated in the survey. The participants were informed of the purpose and the voluntary nature of our survey which was conducted in Hindi. All the data entered into the forms was self-reported data by the respondent and no action has been taken to verify such information. Thus, there is a risk of inaccuracies due to problem of recall, insufficient knowledge of the respondent etc.

## PROFILE OF SAMPLE POPULATION

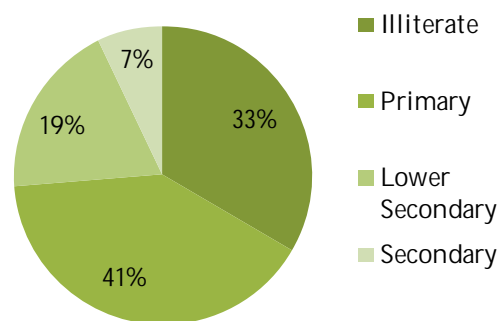
The profile of the sample population – both from the target and the control group, is as follows:

### LITERACY LEVELS OF RESPONDENTS

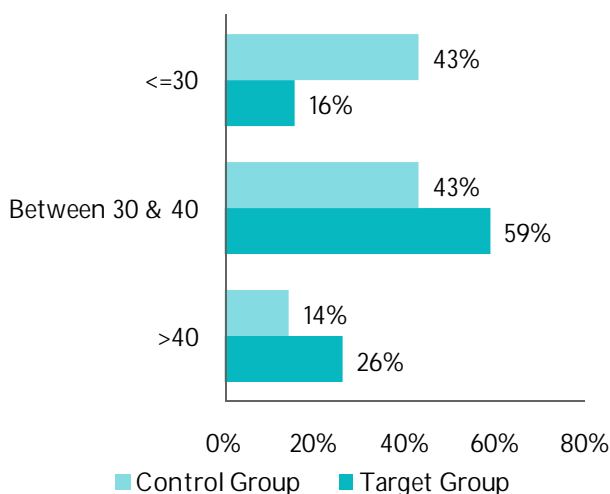
Target Group



Control Group



The target group has 73% of illiterate and only primary-schooled women while the control group has 74% of women with these qualifications. The average number of years in school for both the groups is four years. Since the literacy rates for both the groups are similar they aren't expected to significantly bias comparisons between these groups.



### AGE PROFILE OF THE RESPONDENTS

The respondents of the target group are older than those of the control group. One of the reasons behind this difference in the "> 40" category could be because only women under 50 are allowed to form groups, but women in existing groups can continue even if they turn older.

Older women can be said to have more experience, more time to accumulate skills and assets. This may be an external factor that biases our results in favor of the target group.

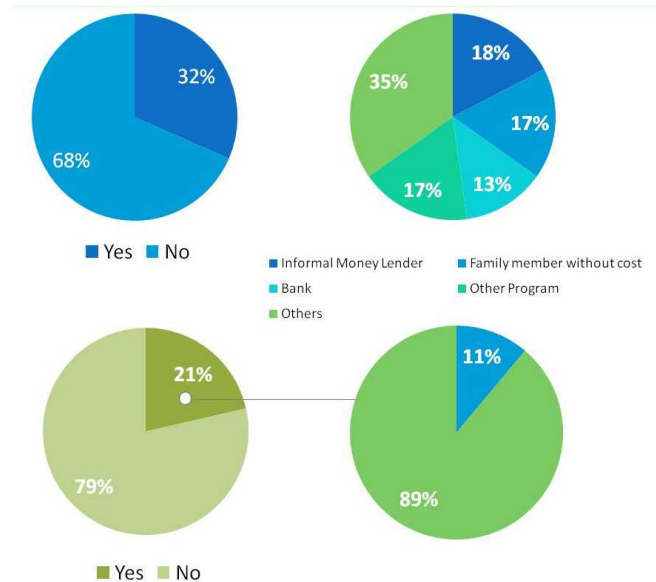


## CREDIT SOURCE

Loans from sources other than VAMA are an external factor that could bias our impact study as the positive or negative effects observed could be due to these loans and not necessarily because of VAMA's microfinance program.

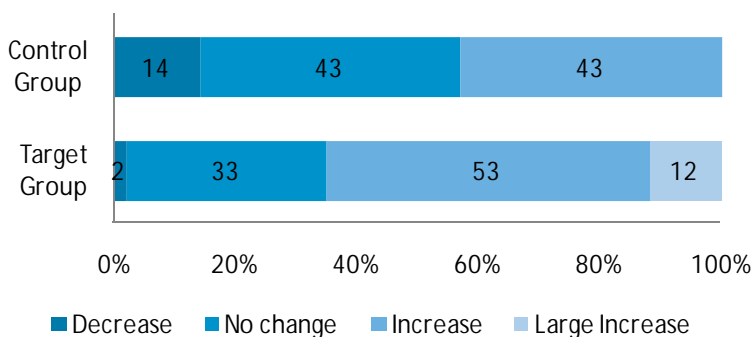
Most of the respondents in either of the groups currently do not borrow from any other source, and the ones that do usually depend on friends (part of "Others") and family members. Households that are currently members of VAMA's program are also reaching out more to other sources of finance – banks and other microfinance institutions (Samhita MF).

However, higher levels of indebtedness, especially if unsustainable – i.e. not supported by proportionate income generation, is harmful for the household in the long run. The average loan size for the target and control group is Rs. 7906 and Rs. 2967 respectively.



## ECONOMIC FACTORS: Income changes, Vulnerability Reduction, Asset Growth, Outcome level of enterprises

### INCOME CHANGES



Change in income as compared to previous years

65% of the target group reported an increase / large increase in their incomes over last year as compared to 43% of the respondents from the control group.

Even if we assume that this reported increase in income is not directly caused by VAMA's loan, we can see that there is

increased confidence and optimism about their household incomes over last year.

	Average annual household Income (Rs.)	Average annual household income per person (Rs.)
Target Group	183441.38	38668.95
Control Group	144119.05	36490.79
Difference	39322.33	2178.16

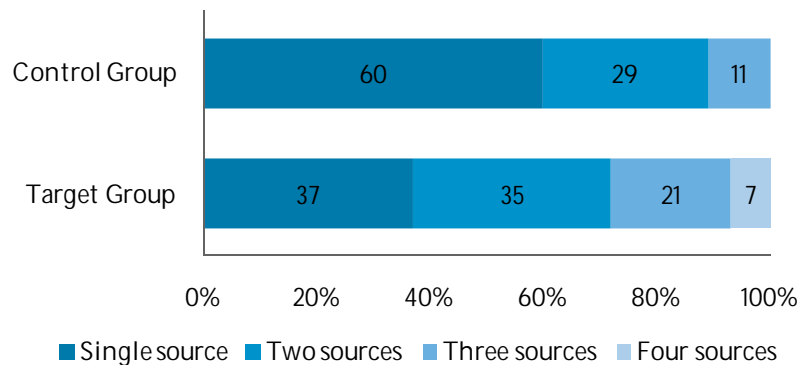
The average annual household income is considerably higher for the target group, so is the per capita income of their households.

## VULNERABILITY REDUCTION

### Diversifying income and vulnerability reduction

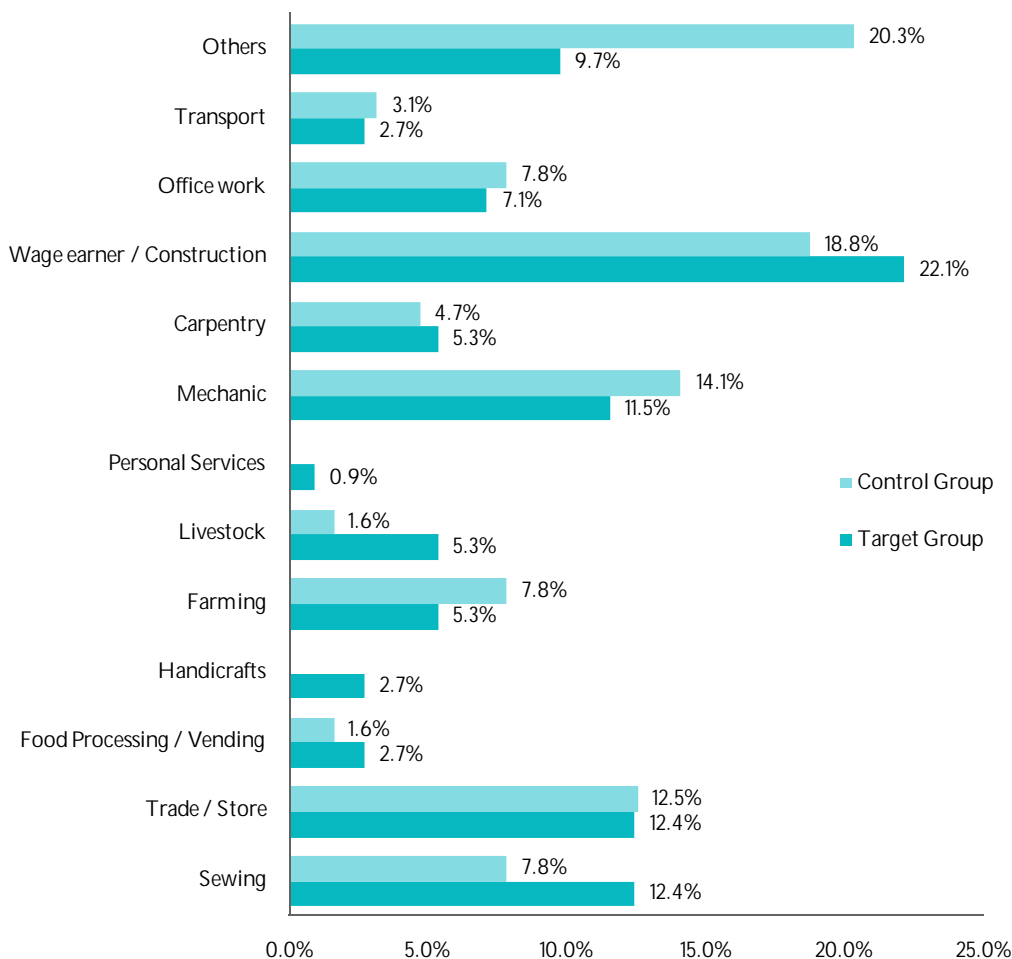
In the Bundelkhand region, there is a period of drought every two to three years. Hence, income from farming is vulnerable in these lean years. Income from other sources in these rural households becomes especially important. Even in urban households, an extra source of income reduces vulnerability to shocks such as the bread-earner falling ill.

63% of the target group households have more than one source of income, while only 40% of the control group falls in the same category.



### Sector of activity

Most of workers from both groups are either wage earners or work in the construction industry. Some of the most popular occupations are constructing roofs, sewing and trading (small kirana stores).



## ASSET ACCUMULATION AND GROWTH

The difference in asset accumulation of the target and control groups is most significant in assets of modest value (radio, cycle, chair/table, gas/stove, bed with frame), less significant in assets of moderate value (fridge, TV, Motorcycle) and almost negligible in assets of high value (car / pickup truck, tractor). One of the limitations of the survey was not recording other assets such as cell phones, coolers etc, which were more common to these households than bed with frame and radios.

	Moderate Value	Modest Value	High Value
Target Group	2.45 / 5.00	1.95 / 3.00	0.03 / 3.00
Control Group	1.75 / 5.00	1.46 / 3.00	0.05 / 3.00

For the target group, 41% of the assets of modest value, 50% of assets of moderate value and 33% of assets of high value were acquired when they were a member of VAMA Microfinance.

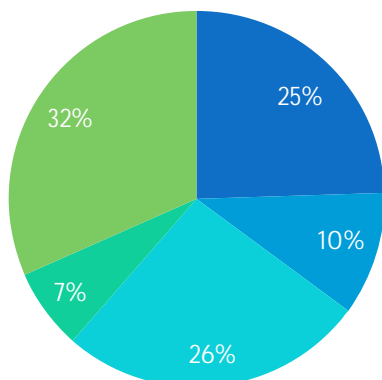
### Use of loan by target group

The loan amounts are not large enough to start certain kinds of enterprises but do help in starting microenterprises such as bangle shops, chaat stalls, broom making, sewing. For bigger enterprises, such loans help in getting working capital for the enterprise.

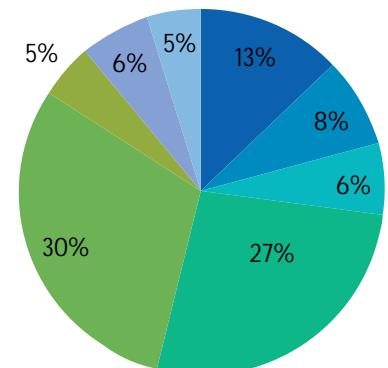
### Use of loan from VAMA

Sector-wise use of loan from VAMA

- Commercial / trading/ retail
- Manufacturing
- Service
- Agriculture
- Non-income generating expenditure



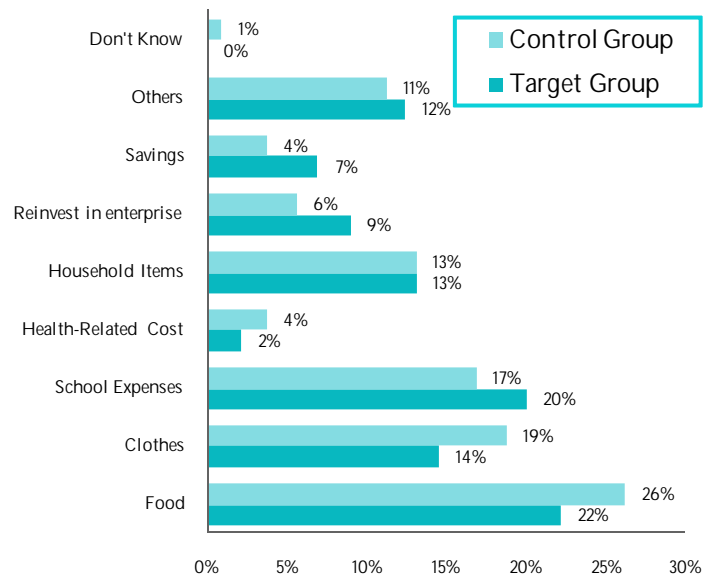
- House maintenance and repair
- Build latrine / washroom or house extensions
- Start a new business
- Materials for existing business
- Machinery/Capital for existing business
- Marriage, Hospital and other expenditures
- Farming/Livestock
- Others



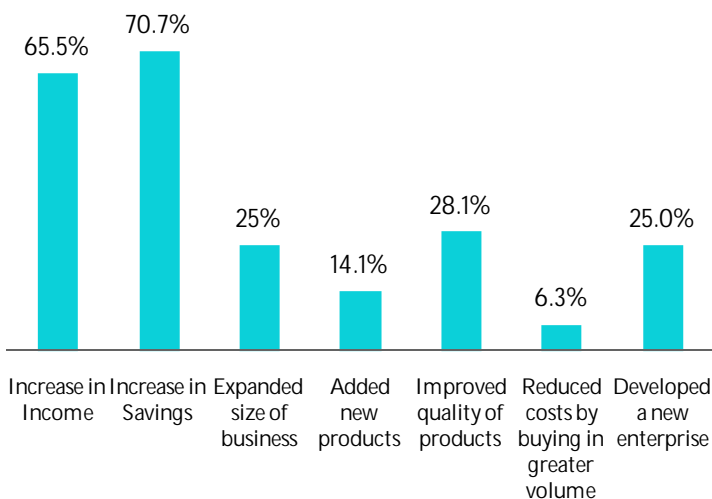


## Household Expenses

Most respondents from the target group and the control group quoted food as the most important household expense. For the target group, the second main priority was school expense followed by clothes. For the control group, the second highest expense was clothes followed by school expenses.



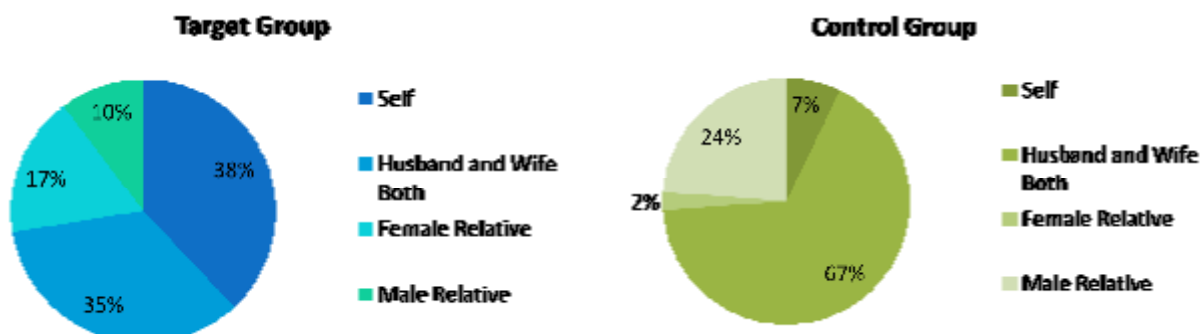
## Impact of Investment



The analysis of investment impact shows that majority of VAMA borrowers perceived a positive impact on their investment. The impact mainly shows in terms of increase in income and savings. 65.5% of the respondents have noticed an increase in their income and 70.7% noticed an increase in their savings.

## SOCIO-POLITICAL/CULTURAL FACTORS

### Change in Power Relationships (Status Position)



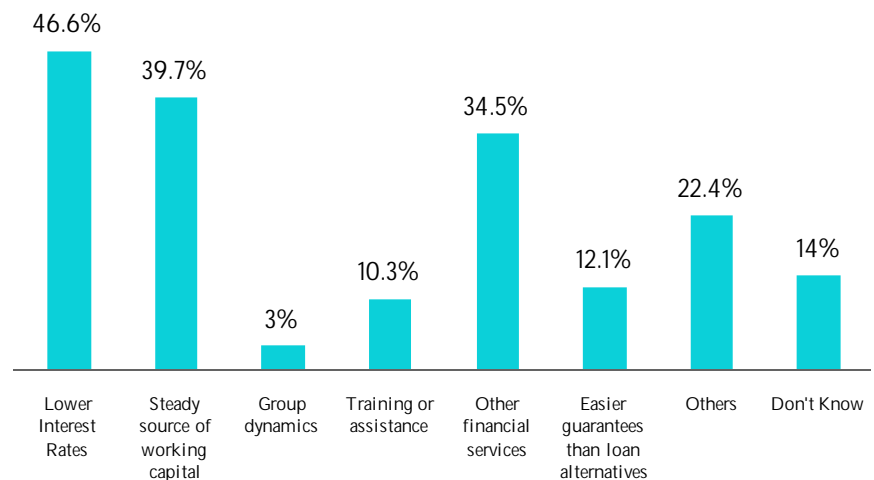
One of

the most positive impacts observed in the target group is the shift in economic decision making in the household from men to women or to joint decision making. It was also observed that women in the target group were significantly more forthcoming and confident in their conversations with the interviewer and other figures of authority.

### Client Feedback

#### Client Likes (%)

46.6% of the clients are most satisfied with VAMA's low interest rates. 39.7% think that VAMA's microcredit is a steady source of capital and 34.5% think that other financial services such as savings account, insurance, etc. are benefitting them.

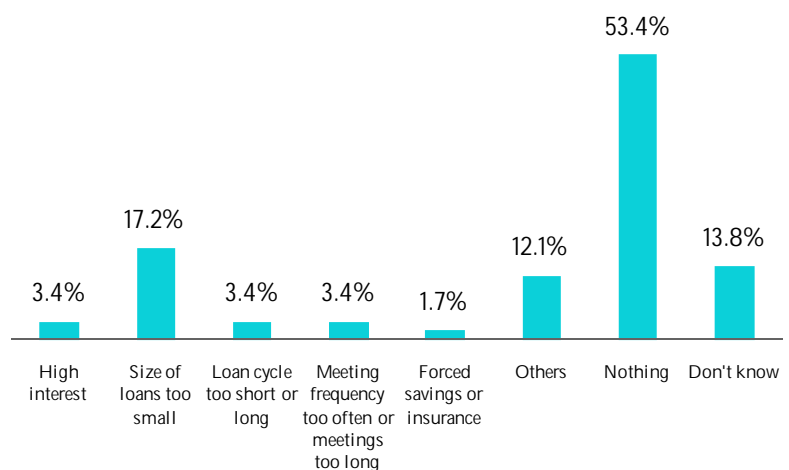


Others include disbursement of loan on time, customer services and collection at home.

#### Client Dislikes (%)

53.4% respondents are completely satisfied with VAMA with no dislikes.

17.2% clients felt that the initial size of the loan was too small and could be increased. 1.7% clients felt that financial services of savings and insurance were forced on them.



## Microfinance Case Study: Badami, Anmol Joint Liability Group

**Badami** (55 years),  
Madhav Nagar, Gwalior.

- One of the oldest clients of VAMA's MF Program
- Head of her nine member household
- VAMA's loans have helped her successfully start her own bangles selling business and save more than Rs. 10,000.
- She now dreams of owning a fridge and building two additional rooms in her house.



*This is a story of how an illiterate, single mother struggled against all odds to work towards her passion. The colorful bangles that now lie before her are testament to her hard work and the life changing impact that a little help can have on the lives of women like her.*

Badami's husband left her and her two sons very early on, leaving her to fend for herself and her family. She worked in an industry as a labour, earning Rs 50 per day for working more than 12 hours. It was hard work and the long commute and work hours left her with very little time with her family. In this time of need, her father built a house for her and her family – the one in which she still lives. Though she was very grateful for the help that she received from her family, she did not feel comfortable in continuing to depend on them.

With the meager earnings her family struggled to meet ends and soon her two sons had to drop out from school – having studied only till classes 5th and 7th. They started working as daily wage earners for constructing roofs. She regrets that she was not able to afford a better education for her sons but says that it was a necessary step to ensure the welfare and survival of her family.

It was in 2006 – when VAMA’s Microfinance program was just being launched - that Badami heard about the organization and its work from Bharti, an Aanganwadi worker from her area. Soon she joined several other women in her community to form a self help group – Anmol. She had never taken a loan from any other source before, so this was a novel experience for her.

She received her first loan of Rs 5000. Badami had always wanted to open a bangles’ shop but realized that the current loan amount was too little for starting this business. So she used her first loan to do sewing work, working diligently to pay back the installments and accumulate some savings. With her savings and a second loan of Rs. 10,000, she was able to open a bangles’ shop. Her business grew steadily and she her business generates a profit of Rs.2500 per month. With the third loan of Rs. 15000, she bought more materials for her shop. She sets up shop (on a thela rented for Rs. 20 per day) only three or four times a year – on days of major festivals such as Diwali and KarvaChauth and as and when local melas are organized. She is able to sell the other bangles from her home itself as many women come to her to buy bangles. She is thus able to spend the entire day with her family and especially cherishes the time spent with her grandchildren. Her daughter-in-laws help around with household chores and do sewing work while her sons now have their own business for constructing roofs.

She remembers a time when she did not have any assets besides her house. With her increased income, she was able to buy a television, a cooler and a fan. Though her own sons, as victims of circumstance, could not finish school she has ensured that her grandsons get the very best of education. They now study in a private school. She has more than Rs. 10000 of savings in a Post Office account.

She has talked to many women in her community about the benefits of taking such a loan and of savings. Women look up to her and have often come to her for advice and for help. She encouraged and advised another woman in her neighborhood, who has now started a successful vegetable store.

She now dreams of owning a fridge and building two additional rooms on the roof of her house.

## CONCLUSION

VAMA's microfinance loans have had a positive impact on the following:



As gleaned from our in-depth interview with Badami, successful women play a key role in their communities – they encourage other women to start new businesses, to cut down on unnecessary expenditures etc. Also, as the primary decision makers in their households, they act as role models in their respective communities.

## RECOMMENDATIONS

Based on our findings from this report and our observations from field visits, the following actions can be considered to improve VAMA's Microfinance Program.

### Performance Management System

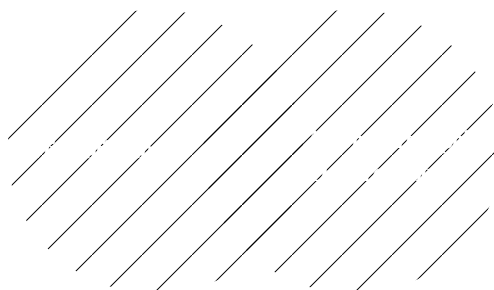
Establish Key Performance Indicators (such as number of new groups formed; collection time) for Field Executives and provide additional incentives such as increments in salary etc based on these indicators. This would arrest the high rate of attrition in the organization, especially at the lower levels. Also, it would motivate the field executives to reach out to more clients, and improve the overall client experience and lifetime value.

### Business Development Services

Currently, VAMA leverages on its brand (developed through the ongoing social development programs in the area). Some existing programs such as Financial Literacy modules can also be offered to existing clients to strengthen the overall microfinance program. Since many of the households are

### Retail Financial Services

- Consumer Loans
- Savings Product
- Insurance Products



### Business Development Services

- Financial Literacy
- Business Training / Technical Assistance
- Access to markets
- Bank Linkages

### Document Management System

Some of the key documents of the organization such as the business manuals have several contradictions and discrepancies in the data. Information such as target number of clients and new processes need to be communicated in a consistent and clear manner. As such, all documents need to be regularly updated with key information and other data points such as “Last updated”, “Prepared by” and “Reviewed by” needs to be included.

### Outreach and Increase of loan amount

The results of this survey showed that 32% and 21% of the target group and control group respectively received credit from sources other than VAMA MFI. VAMA should increase its efforts to reach out to clients and to increase the loan amount given to individual clients.

### Development of new products

As per the survey 65.5% of the clients reported increase in their income and 70.7% reported increase in savings. Therefore, there is a need for development of new products such as savings, insurance, leasing, money transfers, etc.

VAMA should conduct feasibility studies on the development of insurance and leasing products. VAMA need to broaden their current product(microcredit) offerings with the development of new products.

### Enhancing of operational capabilities

In order to increase client volumes, managing larger loan portfolios and to introduce new products, VAMA's operational capabilities have to be enhanced. The productivity of loan officers need to be enhanced through training and incentive programs. The current cost structures need to be reassessed to allow for competitive pricing. Staff training on MIS system is also needed to ensure higher productivity and internal control.



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