

SHIVIA Microfinance Christmas Newsletter



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Dear Friend of Shivia,

Welcome to our first newsletter!

And a Merry Christmas to you.....

We are delighted to share with you what we have been up to over the past year.

The economic climate has definitely posed some fund-raising challenges but we are very grateful to those of you who have kindly donated. We are particularly thankful to:

Asif Rangoonwala for being our first supporter and funding the entirety of Shivia's start up costs.

Tony Bloom for being our first donor for operations in Nepal.

Stewart Newton for supporting us to set up our infrastructure in India.

Apax Partners for being our first partner to support our operations in West Bengal.

We would also like to thank our pro-bono partners for their continuing support: **A4ID**, **Clifford Chance** and **EFG Private Bank** for our office space.

In 2010, we hope to raise £200,000 for our existing partners to operate in India and Nepal and to enable us to work with new partners too.

This Christmas please give generously to Shivia so that we can provide life-changing loans to those who don't have the choices and access to finance that we have. Please visit: www.justgiving.com/Christmas-Shivia

Just to remind you, the average size of a loan is £120! These are life-changing loans which have huge knock-on effects to the communities...

Thank you,

Olly Donnelly
Director



"I believe that Shivia is a fine and effective model reaching the poorest communities in India and Nepal. It deserves support and I am sure it will be a great success."

James D. Wolfensohn, Former President of the World Bank

"This deserves to succeed because of the passion and commitment the founders have for it. It is a great cause."

Lord Mervyn Davies, Trade Minister, UK

In this newsletter:

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New Team members:

Tim Neslen came on board as a Director of Shivia in August. Tim works for Europa Capital. He has a superb background: he is both an Oxford University geographer and an ex-Goldman Sachs banker.

Aurelie Nordlinger is helping Shivia as a volunteer. Aurelie used to work for Lehman Brothers.

Ines Gramegna also volunteers for Shivia. She attends the LSE and is currently director of a new project: Student Microfinance Development Initiative www.smdi.com

Departures:

Sheetal Mehta is no longer a Director of Shivia; we wish her well in her new venture.

General News...

February

We held our official launch at the House of Lords where we invited a wide range of friends, old and new. Amongst guests were Lord Mervyn Davies, Lord and Lady Sheikh, Baroness Flather and Lord Matthew Evans. We had support from all our UK pro-bono teams including Clifford Chance, EFG Private Bank and Portland PR. Jayanta Roy, President of SARS our partner in West Bengal, attended the event and spoke about the power of microfinance at a grass-roots level. Bang and Olufsen kindly donated a limited Beo Sound System for us to auction.



Jayanta Roy, President of SARS – Shivia's partner in West Bengal - speaking at the House of Lords

The Projects...

West Bengal, India

Shivia India has been set up as a Trust enabling overseas donations to reach our local partners. Vasant Subramanian and Brooke Johns are the two Trustees and the Trust is registered in Kolkata.

Shivia is in the process of becoming the first Limited Liability Partner in West Bengal. This will put us in a unique position to raise funds in the UK, transfer the money to Shivia India, on-lend money to our local partners and *repatriate the funds if necessary* to the UK. Vasant Subramanian will be Shivia's India's local lead.

Apax Partners has generously funded Shivia in our operations in West Bengal for the next 3 years. In this partnership, our local partner is SARS. SARS work with the poorest of the poor in the villages of West Bengal and has been involved in microfinance projects since 1993. The staff lives and works in the villages and help those who are otherwise denied all access to finance and other basic human rights.

We are looking to raise a further £100,000 to scale up our efforts in West Bengal by working with both new partners in urban and rural areas as well as our existing partner SARS.



Balaposh quilt-making



Basic financial literacy classes

2. Western Nepal

We would like to thank **Tony Bloom**, a dear friend, who made an incredibly generous donation to Shivia in May. Since then 300 women have already received loans with 5-6 dependents on each. With these loans, the women have set up a range of businesses including kitchen gardening, mills, shops, goat-raising and pig-raising. The women have all committed to invest 1% of all they earn into their children's education.

Olly and Garlinda Birkbeck visited Western Nepal in March. Garlinda is an old friend of Olly's and a superb photographer. On 9th-12th February, Garlinda will be holding a photographic exhibition in London to raise awareness about Shivia's work in Nepal. All proceeds from the

sale of photographs and postcards will be donated to Shivia. Please visit Garlinda's fund-raising page at: www.justgiving.com/Nepal-photos to donate.

We would like to thank **Peter Sebastian** who spent six weeks over the summer volunteering in Western Nepal for our local partner BASE. Peter is a qualified accountant from KPMG.

In August we had three interns out in the field: **Cosmo Fielding-Mellen**, **Candida Balfour** and **Aurelie Marrier**.

Upcoming Events: Photographic Exhibition

Date: 9th – 12th February 2010

Opening Evening: 9th February, 6.30-8.30pm

Location: Indar Pasricha Fine Arts, 22 Connaught Street, London W2 2AF

Following Garlinda Birkbeck and Olly Donnelly's trip to Nepal in March, Garlinda will hold a photo exhibition, "People of Nepal" and all proceeds will be donated to Shivia.

The exhibition aims to show the livelihoods of those in Western Nepal where Shivia's local partner, BASE, is located. The women in these areas are particularly vulnerable due to the ten year conflict inflicted on them where many lost their husbands and family members.

Both photos and postcards will be on sale at the event.

We would like to thank **Indar Pasricha** who has very kindly given us use of his gallery on a pro-bono basis.

We would also like to thank the **ZVM Rangoonwala Foundation** and the **Ellis Campbell Foundation** for their generous donations towards the costs of the exhibition.



Food for thought “Microfinance: lessons for macro-credit”

Accenture Institute for High Performance

The microfinance industry is not immune to the current global financial crisis. That's because as the industry has grown, it has become more closely tied to international capital markets and the formal financial sector.

Some risk-management best practices from large banks may help such lenders survive the financial downturn as the industry evolves toward greater unbundling, more competition, broader product breadth and a more complex funding structure. But at the same time, microcredit offers lessons for mainstream financial institutions.

The micro-lender advantage

Because of the relatively high interest rates micro-lenders charge their clients, these lenders have much higher net interest margins than mainstream commercial banks do (see Figure 1). Moreover, by lending small amounts of money, the microfinance industry reaches people at the bottom of the economic pyramid, creating the potential for a large customer base. These lenders reach clients across both urban and rural regions, often in hard-to-access areas. Customers' increasing use of technology, including mobile phones, promises to make this easier.

Micro-lenders also have a deep understanding of their customers, demonstrated by their use of nontraditional business practices. For example, they make regular visits to clients' businesses, offer group rather than individual loans and guarantees, and use IT to track outstanding debts on a weekly or even daily basis. All this enables them to build strong asset quality (see Figure 2).

Customers, for their part, have a strong incentive to build a good credit history: those who do so get access to larger loans and better terms. Accordingly, repayment rates are 95-99 percent – far higher than for loans made by credit-card companies.

Finally, microfinance institutions also get access to capital by working closely with representative networks and development investors.

Figure 1: Net interest rate margin, 2007 quality (percent)

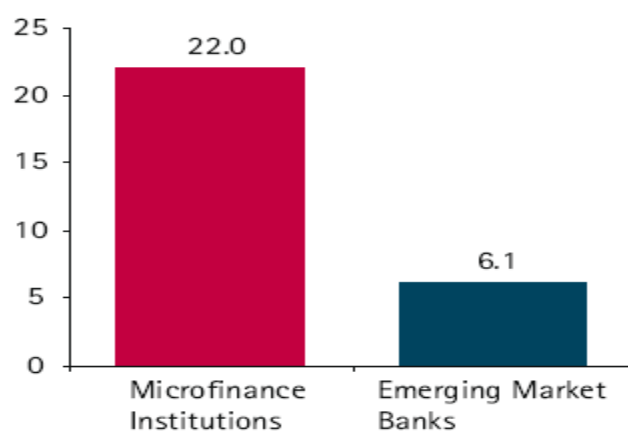
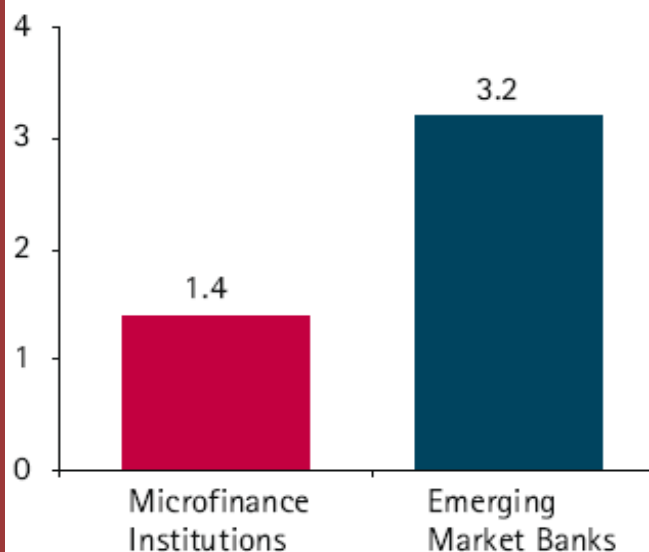


Figure 2: Asset Portfolio at Risk, 90 days (percent)



Notes:

1. Emerging market banks include a cross section of banks covered by J.P. Morgan analysts for emerging markets (except Asia).
2. Net interest margin is the net interest income divided by average total assets (defined as the financial revenue ratio on the MIX website).
3. Portfolio at risk shows the value of all loans outstanding (principal and interest) that have one payment past due for more than 90 days.

Source: CGAP and J.P. Morgan, Shedding Light on Microfinance Equity Valuation: Past and Present, No.14, February 2009, and MIX 2007 MFI benchmark data.

*Your donation is
a gift that keeps
on giving...*

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*Shivia Microfinance
Charity welcomes you
to engage with the
grassroots.*

How to donate...

If you would like to help us or know of other people who might, please donate by either:

1) Making an **online donation** at: <http://www.justgiving.com/Christmas-Shivia>

2) Sending a **cheque** to:

Shivia Microfinance
c/o EFG Private Bank
Leconfield House
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And filling out the Gift Aid form where appropriate which you will find on our website: www.shivia.com. Please send this along with the cheque to the above address.

3) Set up a standing order or online transfer by contacting Olly for the correct bank details: Olly@Shivia.com



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**If you have any questions please feel free
to contact us.**