



GRAMEEN KOOTA
Micro Finance Services

GRAMEEN KOOTA:

Tracking Clients' Progress out of Poverty

Introduction

Grameen Koota (GK), a division of Grameen Financial Services Pvt. Ltd — a well-known microfinance institution (MFI) operating in India, is the first MFI in that country to fully integrate into its operations two Grameen Foundation tools that have helped it understand the poverty levels of its clients and track their movement out of poverty over time.

Grameen Koota began as a project of the T. Muniswamappa Trust, an NGO. In 1999, GK launched independent operations in Karnataka with a Grameen-style group lending methodology. By 2011, the MFI had grown to more than 450,000 clients and almost 2,000 employees, and developed many non-financial products as well as an individual lending program. GK now has operations in four states in India.

GK's mission is twofold: to transform and uplift the lives of poor and low-income families with microfinance and other developmental services, and to be a sustainable and trusted provider of affordable, need-based services. GK's commitment to proactive data collection and management, as well as its investment in technology, has enabled the MFI to discover important trends in its clients' movement across poverty lines during their time with the institution.

A long-term partnership with Grameen Foundation led to GK's early adoption of two key tools that have contributed to the MFI's current capacity to collect and analyze client data on poverty levels. First, in 2007, GK started using Mifos¹, a dynamic open-source management information system (MIS) developed by Grameen Foundation to help MFIs centralize data management functions. The Mifos platform has several advantages — including flexibility, scalability and centralization — all of which support GK's innovative data management and analysis activities. These advantages were fundamental to enabling GK to compile its poverty data in a way that helps reveal its clients' movement up the economic ladder.

Client Data Underpins Strategic Analysis

In December 2008, when GK began collecting the poverty status data of its clients using Grameen Foundation's Progress out of Poverty Index® (PPI®), it was the first MFI in India to do so. GK is now the first fully certified user of the PPI in that country. PPI certification demonstrates that the MFI is using the tool correctly, and ensures the accuracy of its results.

¹ Grameen Foundation has begun plans to turn the management of Mifos over to the strong open-source community that helped to create and build it over the last five years. That transition should be complete by November 2011.

GK collects PPI data from its clients at client intake, each time the client renews an income generating loan, and at drop-out, if the client leaves the MFI. Once collected, the PPI data is stored in the Mifos platform, which GK has tailored to meet its specific information needs.

Given its commitment to data collection, GK has collected PPI data for more than 300,000 clients in the last two years. More than 48,000 of these clients now have data from at least two PPIs, which enables the institution to begin to track its clients' movement out of poverty. At the end of each month, required data is extracted out of Mifos into Excel and a rigorous data cleaning and validation process is carried out. Once the data set is ready, analysis and reporting follow. The data is representative of the MFI's clients regionally

and at the branch level and therefore can help the institution begin to set targets based on this information. Another advantage is that the data aids in the segmentation of GK clients according to various client characteristics, such as urban/rural location, religion, branch affiliation, etc. to help the MFI tailor its products and services more precisely to its clients' needs.

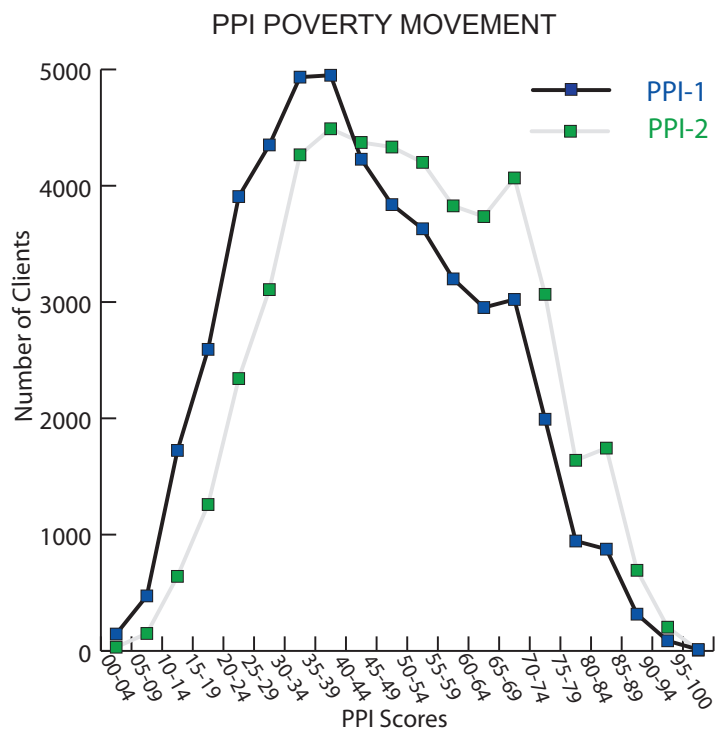
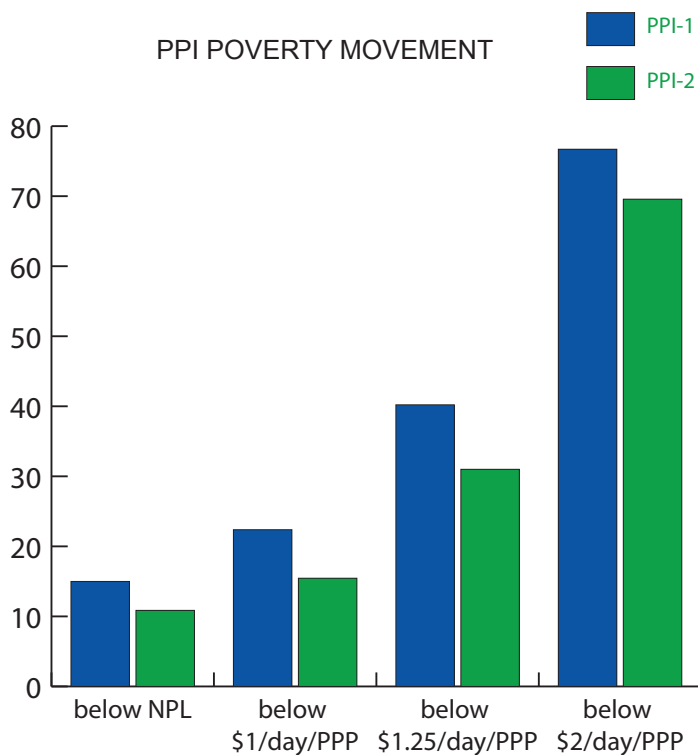
Demonstrating Progress out of Poverty

Analyzing clients with data from at least two PPIs enabled GK to understand more precisely the poverty profiles over time of groups of clients vis-à-vis several variables, such as age, loan amount, loan purpose, region and use of

Highlights of Grameen Koota's Poverty Data

GK has analyzed the data for more than 48,000 clients who have at least two PPIs, with the following results:

- **Movement Out of Poverty** – Poverty levels of GK clients with data from two PPIs have improved consistently across all poverty brackets for the duration of the loan: 23% of the clients who were below the \$1.25/day/PPP line and 9% of the clients who were below the \$2/day/PPP line during the first PPI dataset have moved above their respective poverty lines.
- **Location Matters** – Rural clients are poorer on average than urban clients and rural clients' movement across poverty lines is slower than urban clients: 21% of the clients who were below \$1.25/day/PPP line in rural areas have moved above that line, versus 26% for urban areas.
- **Repeat Clients** – When PPIs were collected across loan cycles, it was found that poverty rates decreased with the increasing number of loan cycles and that a similar reduction in poverty rate occurred during each loan cycle. PPI data analysis cannot rationalize this finding, and there could be several reasons, such as clients benefiting from the loan or loans becoming larger to attract and retain relatively better-off clients as the number of loan cycles increase. Therefore, further research is necessary to understand this finding more fully.
- **Microfinance Plus** – GK financed pilot loans to fund the purchase of water/sanitation devices and more efficient cooking stoves. Based on the data from these clients' PPIs, it was found that clients with loans for water and sanitation had lower poverty rates than general credit clients, and were able to move up the economic ladder in significant numbers.



	Below National Poverty Line	Below \$1/day/PPP	Below \$1.25/day/PPP	Below \$2/day/PPP
National Poverty Rate (% of Total Indian Population)	17%	25%	43%	75%
PPI - 1	15%	22%	40%	77%
PPI - 2	11%	15%	31%	70%

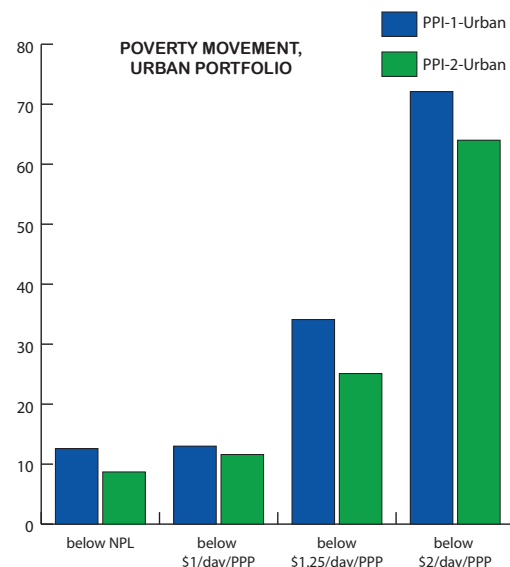
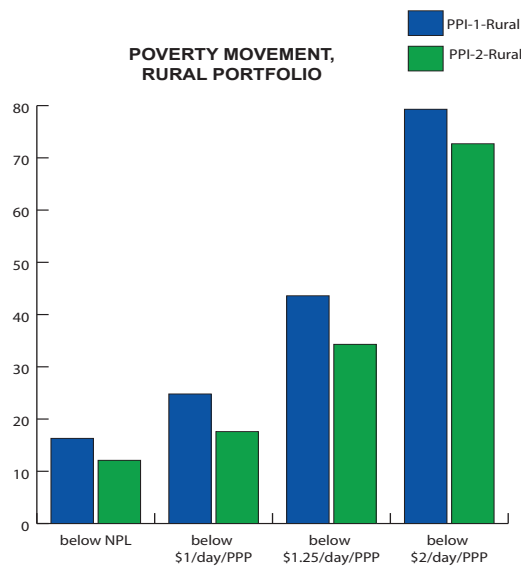
non-financial products. The results are then compared with national and international poverty lines. Time-series data such as this enables GK to understand a client's movement across various poverty lines.

As seen in the charts above, the absolute poverty levels of GK clients with data from two PPIs have improved consistently across all poverty brackets during the course of their loan cycle, as the second PPI was collected at the time of their repeat loan application. For the purpose of this analysis, PPI data are from the set of clients who took loans from GK between December 2008 and November 2010. These data show that 23% of the clients who were below the \$1.25/day/PPP line and 9% of the clients who were below the \$2/day/PPP line have moved above their respective poverty lines.

The lines in this graph show the number of clients in each PPI score bracket for the first and second rounds of PPI data collection at GK. The line shifts to the right for the second PPI scores, meaning that clients generally have become less poor since they joined GK's credit program.

Location Matters

Upon a more detailed analysis of PPI data by location, an interesting ancillary finding emerges. These graphs show that rural clients are both poorer on average than urban clients, and that urban clients advance out of poverty at a relatively faster rate (26%) than rural clients (21%), when analyzed for the \$1.25 /day/PPP poverty line.



Rural/Urban	# of PPIs Assessed	Below National Poverty Line	Below \$1/day/PPP	Below \$1.25/day/PPP	Below \$2/day/PPP
PPI-1 - Rural	30823	16%	25%	44%	79%
PPI-2 - Rural	30823	12%	18%	34%	73%
PPI-1 - Urban	17351	13%	18%	34%	72%
PPI-2 - Urban	17351	9%	12%	25%	64%

90% confidence interval: +/- 0.4% to +/- 0.9% depending on poverty line used for analysis

Poverty Rates Among Repeat Clients

The PPI enables GK to measure poverty rates among those clients who have taken subsequent loans. When PPI data were first collected among repeat clients from various loan cycles, the data revealed that poverty rates decreased with the increasing number of loan cycles. There could be various reasons for this finding and further analysis of the data is necessary to establish causality. Some plausible reasons for this result include:

- Clients benefitted from participation in GK's credit program and have improved their economic well being.
- Higher loan amounts for each consecutive loan cycle enabled GK to attract and retain better off clients.
- Drop-out of poorer clients at the end of each loan cycle, which could be due to a variety of reasons.

% Change in Poverty Levels

	# of PPIs Assessed	90% Confidence Interval	Poverty Rate		Net Reduction in Poverty Rate (%)
			\$1.25/day/PPP PPI-1 (%)	\$1.25/day/PPP PPI-2 (%)	
Loan Cycle 2	725	+/- 4.2%	49	39	21
Loan Cycle 3	23849	+/- 0.7%	47	36	23
Loan Cycle 4	8342	+/-1.3%	37	28	24
Loan Cycle 5 & Above	15258	+/- 0.9%	32	25	22

PPIs for Water Sanitation	# of PPIs Assessed	Below National Poverty Line	Below \$1/day/PPP	Below \$1.25/day/PPP	Below \$2/day/PPP
PPI-1	558	12%	18%	35%	75%
PPI-2	558	9%	12%	26%	67%
Net Reduction in Poverty Rate (%)		26%	34%	25%	10%
90% confidence interval: +/- 3.1% to +/- 5.2% depending on poverty line used for analysis					

When the second round of PPI data collection took place, it showed that poverty rates improved in each loan cycle at largely the same rate. For the \$1.25/day/PPP poverty line, there was a 21%-24% reduction in the poverty rate of clients during each loan cycle.

Microfinance Plus

Because Grameen Koota is committed to helping transform clients' lives, it is conducting pilot implementation of two alternative products, which are designed not to produce revenue, but rather to improve the clients' quality of life. One of these products offers a loan so that clients who cook over an open fire can purchase a fuel-efficient cooking stove. The other is a loan that enables clients to invest in improved water/sanitation infrastructure for their homes. Currently, these products are only offered in portions of the state of Karnataka, and so the poverty levels of these clients are not representative of GK's client base as a whole.

One trend that is visible from this data is that the clients who took a loan for the water and sanitation product, who are slightly better off than the very poor, were able to move up the economic ladder in significant numbers. Further qualitative research is required to establish the rationale for this preliminary evidence provided by application of the PPI tool to GK's pilot loans.

Challenges and Opportunities for the Application of PPI

Tracking poverty information for hundreds of thousands of clients in rural areas in the developing world is certainly not without its challenges. Some of the main obstacles that GK faces for smoother implementation of the PPI include:

□ Low connectivity

Poor internet connections during the data entry process can lead loan officers to create multiple entries for the same client due to not receiving confirmation that previously entered data was properly saved in the database. These data entry errors are taken care of during the monthly cleaning and validation process; however, this process currently takes one week for each month of data, due to the volume of such errors. GK is currently working to improve its system for data entry and minimize these types of errors.

□ Inconsistent implementation

Currently figures show that loan officers administer a PPI for only 30-50% of the cases where PPI data should be collected from clients (during intake, renewal and exit). Proper loan officer training and enhanced efficiency in implementation of the PPI survey will be necessary to reach GK's goal of 100% consistency in terms of the collection of PPI data for its clients at each of these three points in the loan cycle, especially during client drop-out.

□ *Uneven advancement out of poverty*

While these data show that significant numbers of GK clients are improving their economic well-being and becoming less poor, this is not true of all clients, especially certain categories of clients, such as the very poor who participated in the cook stove pilot. Further analysis and additional data collection should help the MFI understand the differences between those clients who are moving out of poverty and those who are not, which in turn should enable them to better target those clients who need additional assistance to move out of poverty.

On the other hand, collecting and analyzing this type of data creates many unique opportunities for GK to enhance its operations through the strategic application of its PPI data. Some of these opportunities include:

□ Expanded reporting –

Monthly management reports are being created so that GK managers can benefit from timely information on the institution's poverty outreach and its clients' changing poverty status. Reports designed for field officers are also planned, to share relevant portions of this information with those closest to the clients.

□ Strategic planning –

Due to the large size of GK's dataset – more than 48,000 clients have information from multiple PPIs – this data can be used to set targets for the institution and shape GK's priorities and outreach in the future.

□ Improved products and services –

The application of this analysis has not yet resulted in revisions of current products, organizational policies and strategy or the expansion of product offerings. In the future, GK is committed to applying its data-driven knowledge of its clients' poverty levels toward

Brief History of Grameen Koota's Honors

Grameen Koota has won several distinctions over the last few years that demonstrate its commitment to excellence and innovation:

- **Process Excellence** – In 2006, GK won PlaNet Finance's Microfinance Process Excellence Award (MPEA) for India.
- **Forbes Top 50** – In 2007, Forbes magazine ranked GK in the top 50 MFIs worldwide. GK also won a Grameen Foundation Pioneer Award in the same year for its adoption of Mifos, and was the first MFI in India to adopt this open source MIS.
- **Number 1 in India** – The Microfinance Information Exchange (MIX) ranked GK the number one MFI in India in terms of reporting for 2010, and gave the institution 5 diamonds for excellence in disclosure.
- **Listed on Bombay Stock Exchange** – In 2010 and 2011, Grameen Koota sold Non-Convertible Debentures (NCDs) on Asia's oldest stock exchange.

improving the clients' experience with both their financial and non-financial products. Some potential interventions might include: improved product design based on the segmentation of clients through PPI data, increased outreach to poorer regions, or offering non-financial or other complementary products to poorer clients to facilitate their faster movement across poverty lines.■

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To learn more about or contact Grameen Koota, visit their website at <http://www.gfspl.in>.

Photos and graphics inside provided by Grameen Foundation and Grameen Koota.

This case study demonstrates one program's innovative use of the PPI as a tool to advance its social mission, offering valuable lessons for pro-poor organizations.

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