

For many of India's poor, entering a commercial bank is like stepping into a completely different universe. Complicated paperwork and bureaucratic procedures are understandably frustrating for those who have received little or no education. But that doesn't mean people living below the poverty line in India cannot benefit from the services offered by financial institutions. Common banking products such as savings accounts, insurance coverage and credit can spark economic opportunities that may help the poor better manage their families' finances and shake off poverty's tight grip.

Since 1978, Working Women's Forum (WWF) in India has been reaching out to the poorest women in India's rural villages and urban slums to provide access to tiny loans that are used as seed money for small entrepreneurial ventures. These women are part of a population segment typically overlooked by the formal financial services sector because most banks have not developed specific products, suitable credit-assessment models or new distribution methods for such potential customers.

However, over the past three decades, WWF has redesigned some of the traditional conventions and products offered by commercial banks to create an innovative microfinance model that addresses the unique conditions of the poor. The products are easy

for the poor to understand and apply, and personalized to their specific credit, savings and insurance needs. To date, WWF has benefited 370,000 borrowers with more than 1.2 million loans worth \$27.3 million; it has achieved this with low operational costs and repayment rates that are impressively higher than the average commercial banking levels.

The success of microfinance institutions (MFIs) such as WWF has attracted increasing interest from large multinational banks such as Citigroup, which recognize the viability of well-managed MFIs and see an opportunity to partner with them to effectively reach out to a larger client base. In July 2004, Citigroup linked with WWF to provide microloans to WWF members. Under this business

partnership, each player brings its own unique strengths to the table: WWF provides efficient frontline operations and on-the-ground expertise to work closely with loan recipients, analyzing clients' credit risk, making loan decisions and collecting repayment. For its part, Citigroup provides the financial backing for each loan, taking on the full credit risk and compensating WWF for its role in originating and servicing such loans. With such a powerful partnership, India's poorest women can now receive business loans from a trusted local MFI that are personally tailored to their specific situations and backed by the world's largest financial group.

"This commercial credit initiative with

Citibank is a positive reaffirmation of our long-held belief that women in the lower economic spectrum are bankable and creditworthy," says Dr. Jaya Arunachalam, WWF's founder and president. "Through this partnership with Citibank, we have opened new vistas in the customer-sensitive area of financial services for a segment with special needs. This intervention empowers these women and helps achieve a lasting impact on the reduction of poverty."

Encouraged by the success of this and similar partnerships, Citigroup has created a corporate division specifically to seek out similar relationships with the best MFIs around the world. Robert Annibale, global director of the Citigroup Microfinance Group, says: "If MFIs are going to become significant providers of

financial services to the poor and underserved, then they also need wider access to financial markets, and institutions like Citigroup need to interact with them on a commercial basis. Together, we can make a huge impact on increasing access to vital financial services.

"Established in 2005, the Citigroup Microfinance Group works commercially with selected MFIs, microfinance networks and investors, as partners and clients. Its activities include hedging foreign exchange risks, transaction banking and raising financing from local capital markets. Citigroup also works with MFIs to design appropriate banking products, including savings, insurance and remittance services, and to explore the application of relevant banking technologies to MFI operations.

'Women in the lower economic spectrum are bankable and creditworthy'



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Dr. Jaya Arunachalam, founder and president of Working Women's Forum (India).