

The Hyderabad Declaration

RESULTING FROM
THE CONVENTION OF SOCIALLY AND DEVELOPMENT-ORIENTED
MICROFINANCE INSTITUTIONS IN INDIA ORGANIZED BY OIKOCREDIT
MAANAVEEYA HOLDINGS & INVESTMENTS PRIVATE LIMITED
AND
SOCIAL EQUITY FOUNDATION

The Declaration is a **COMMON RESOLVE** of all the participants attending the Convention on Socially and Development –Oriented Microfinance in Hyderabad on 11th and 12th February, 2011.

The Convention was called to discuss the present crisis in the microfinance sector in India as an opportune moment to reflect and learn from what has gone wrong and to translate these reflections into new perspectives for microfinance where poor clients are once again at the centre as partners.

WE HAVE COME TOGETHER FROM DIFFERENT PARTS OF INDIA AND ABROAD TO DISCUSS:

- The relationship between Mfis and the partner clients and how the Mfis choose to articulate this relationship in terms of their active participation, involvement and ownership of the poor clients as partners
- The bottlenecks, challenges and opportunities that Mfis see in their path of growth and transformation with regard to client empowerment and client graduation out of poverty and with regard to the resources and supports they need.
- The efforts made to achieve client-value maximization models while being financially sustainable.

WE CONCLUDED THAT SOME OF THE MAJOR REASONS OF THE PRESENT CRISIS IN THE MICROFINANCE SECTOR IN INDIA ARE RELATED TO:

- The accelerated rate of growth that proved to be unsustainable
- The over emphasis on profit maximization rather than on financial sustainability
- The lack of embeddedness in the local settings and the local communities
- The dysfunctional relationship of Mfis with their partner clients
- The disconnect between policy and procedures at the institutional Mfi level and the actual implementation on the ground
- The role played by Promoters in the Mfis, Lending Institutions and Private Equity Investors
- The basic lack of clarity and transparency with regard to the understandings on social impact and social returns

As a result of our discussions, THE PARTICIPANTS AT THE CONVENTION FIRMLY REINFORCE THE ORIGINAL INTENT OF MICROFINANCE:

- That the rights and interests of the poor clients as partners need to be at all times at the centre of the microfinance initiatives
- That the primary focus and purpose of microfinance is not only access to financial services but above all, value-maximization for poor member clients that is sustainable in the long run
- That the interests and interventions of all other stakeholders be in support of poor client's empowerment, participation, involvement, ownership and livelihood improvement.

WE REAFFIRM AGAIN OUR INTENT TO HAVE THE CLIENTS AS PARTNERS AND TO DO SO, WE ARE COMMITTED TO SUPPORT THEM AS OWNERS OF THEIR OWN DESTINY.

TO DO SO, THE MICROFINANCE INSTITUTIONS AND INITIATIVES NEED TO INTROSPECT AND INNOVATE IN ORDER TO:

- Develop products specifically suited to clients' needs in relation to their entrepreneurial and livelihood activities and financial needs
- Ensure client-friendly and client-involved delivery systems and fair collection practices supported by appropriate internal control, transparent audits and grievance redress systems
- Establish strategic and innovative alliances with social investors and bankers to achieve meaningful financial inclusion and client say
- Restore a healthy balance between partner clients, promoters and investors by enabling joint ownership and meaningful participation in profit sharing and governance of mfis

FURTHER, TO DO SO, INVESTORS AND FINANCIAL INSTITUTIONS NEED TO INTROSPECT AND

- Work together with the Mfis on delivering social and developmental returns
- Make available long-term patient capital as partners in sustainable development
- Provide Financial Literacy and Financial Counseling to strengthen Clients' position

Endorsed by the Participants of the Convention on socially and development-oriented microfinance institutions in India, Oikocredit, Maanaveeya and the Social Equity Foundation.