

8th August 2008

Visit to Arohan Financial Services Ltd.

Interview with Chandan Kumar Phukan – Manager Operations.

Chandan can you tell us a little bit more about Arohan?

Well, our society is only two and half years old, but we are already able to cover most of the area around Kolkata thanks to our 27 branches, in five different districts. Our founder Subhankar Sengupta is an out of the box thinker; aware of the huge rural market micro credit potentialities, on the other hand he saw that urban poor were very much disregarded by this high potentiality development tool.

What kind of background do you have and why did you choose to join a micro finance institution?

I studied engineering; during my early thirties I was selling technology to the rural farmers in rural areas. As you can see from my background, I have always been concern about developing and empowering people. I noticed that micro credit is an extremely useful tool to take people out of poverty and give them the chance to grow with their own potentialities. I am truly amazed by the speed and the concreteness with which these little loans are making a big change in our society. That's why I chose to work here.

Totally agree with you! So which kind of products is Arohan offering to urban poor?

We have three kinds of products: two different kinds of loans, and life insurances that are actually outsourced. The first type of loan is called Saral; it is a Bengali word meaning simple. Its targets are only women and it must be used for income generating activities. The first loan is always 7500 Rupees and every year it can be increased of 2700. We ask for 24.13% interest rate but we are using at the same time the diminishing principle method. According to this method, there is a fix amount of money that have to be returned every week (in our case is 150). A part of this money goes to return the loans and the other part goes to pay the interests. If the payments are always on time, the part of the amount which is taken to return the loan (called principal) increases, while the amount of the interests decreases. In this way the loaner eventually finish to pay a lower interest that could possibly go down to 13%. The loan has to be solved within 57 weeks and if the mother is willing to, after the fortieth week she can give all the loan back and apply for another one.

Our last product is called Bazar, which, as you probably know means market in our language. Mainly male loaners use this kind of loan and it aims to develop the market. Methodologically speaking Bazar is very similar to Saral, but it start from 10000 Rupees and the interest rate is 27%. Two of our twenty-seven branches are offering only Bazar, while the others 25 are all offering Saral.

What about the numbers of the members for micro credit group, do you provide any savings services?

Differently from the rural market, the number of members per group is very lower. In fact only five people take part in every group. This is because is more difficult to find people willing to be faithful to big groups in urban areas.

No we decided not to take any saving from our members.

You have a very smart and adaptable way of running micro credit. What about your organization structure?

Starting from the bottom we have the people in charged to find new members. We call them Field Officer; there are six of them for every branch and on average they manage 600 members. From 7 a.m. to 11 a.m. they work on the field, collect the repayments and disburse new loans. When they come back to their own branch, from 11 a.m. to 1p.m. they input all data into our software provided by Safal Software Solutions.

In the afternoon the Branch Head check all the data and consequently send them here, to our headquarter. The next step of our organization is the Area Manager whose role is to supervise the work of the different Branch Heads and Field Officers. In addition to that the Area Managers hold monthly meeting with their Branch Heads manager to take stock of the situation. Finally there is me, the Operations Manager.

You just mentioned that you are using a software, how difficult was to implement this solution in Arohan?

We needed six months time and 10 lakhs to make it happen, but now we are happy with it and no irregularities can happen in our process.

Really, no irregularities?

Yes, the only irregularities we find out sometimes are in our internal expenses. Meaning that it can happens sometimes our staff make the office or transportation expenses bigger, but is very limited and we usually find it out pretty soon.

Ok, what was is the biggest challenge in Arohan works?

Without doubt our biggest challenge is to recruit staff. We really need good people we can trust. It is difficult to find them out especially when you need many of them, and we need hundreds of field officer. We face it slowly making our people going through several interviews and after six months if we are happy with them, then they are in. Another thing we are doing, is to move our field officer away from their residential area in order for them not to be influenced during their work.

Do you pay them the market prize?

We pay them slightly more. Because we really want our staff to be happy with us and to keep the turn over as lower as possible. So the starting salary is almost 3500 Rupess but the most important things are the benefits they receive. The most important benefit is probably psychological and is the warranty of permanency so if after six months they are in then the contract has no time limit.

Who are the investors of this company?

Basically, private households and foundations. Our most famous investor is Dell Foundation. We are planning in the future to be listed in the stock exchange.

So, if I would like to invest in your company, what dividends percentage can you offer?

Obviously it depends on several factors, but on average I would say between 10 and 20 per cent.

Thank you very much for this interesting talk. I can see that private and profit oriented micro finance institutions like yours, are very efficiently organized. You are doing a great job, congratulations.

Amar Dekha Obe

Thank You and See you next time.