I. Background

BASIX is a “livelihood promotion institution” that employs an innovative, integrated and multi-facted approach to creating sustainable livelihoods.

The BASIX approach is fascinating because it is both holistic and unprecedented. The holding company (BASICS Ltd.) is comprised of two microfinance institutions (MFIs) with almost 2 million clients, a consulting division that deals with energy, environment, climate change and carbon credits, a non-profit “livelihood school” that builds and disseminates knowledge on livelihood promotion, a non-profit company that conducts research for the entire BASIX operation, an academy for vocational training aimed at impoverished client communities, another academy that provides fresh undergraduates with livelihood and microfinance training, and a consultancy that provides technical assistance to entities interested in building an MFI.

The BASIX strategy can be summarized using the following diagram:

**Financial Inclusion Services:**
- **Savings** (direct and as business correspondent)
- **Credit** (agricultural, allied and non-farm activities, loans for housing, water & sanitation, vocational training)
- **Insurance** for lives and livelihoods, health, crop, livestock, micro-enterprise assets
- **Money transfer** for migrant workers
- **Micro-pensions**
- **Warehouse receipts**
- **Financial inclusion services** as business correspondent of banks
Agricultural and Business Development Services:
Productivity enhancement through increase in yields or reduction in costs
Risk mitigation (other than insurance) - such as livestock vaccination
Local value addition through processing- such as cotton ginning or milk chilling
Alternate market linkages- input supply, output sales
Diversification from farm to allied and non-farm activity

Institutional Development Services:
Individual level awareness, skill and entrepreneurship development, building solidarity and trust
Formation of groups, federations, cooperatives, mutual benefits, etc. of producers
IT-based accounting and management information systems
Collaboration building to deliver a wide range of services
Sector and policy work- analysis and advocacy for changes/reforms.

The rationale behind the “livelihood triad” strategy is that microcredit by itself is helpful for the more enterprising poor people in economically dynamic areas. Less enterprising poor households need to start with savings and insurance before they can benefit from microcredit because they need to cope with risk. However, in backward regions, poor people, in addition to microfinance, need a whole range of agricultural and business services. To offer these services in a cost-effective manner, it is not possible to work with poor households individually and they need to be organized into groups, informal associations and sometimes cooperatives or producer companies. The formation of such groups and making them function effectively requires Institutional Development Services.

II. BASIX Consulting Services

The division of BASIX that we will be collaborating with directly is their consultancy. This consulting division is engaged in a wide range of activities including policy research, feasibility studies, strategic advisory (institution building, insurance, IT solutions, etc), and more. Most importantly, BASIX Consulting Services makes use of the entire BASIX structure and gamut of resources in order to create customized solutions for each specific case. BASIX Consulting Services has applied its expertise on livelihood creation extensively in India as well as internationally, in East Timor, Papua New Guinea, Bhutan, much of South Asia, and is currently exploring assignments in Africa. These assignments have been carried out through partnerships with both government and non-government entities.

Given the demonstrated and groundbreaking outreach and capacity of BASIX in the realm of livelihood creation, BASIX would be the ideal partner to collaborate with for the formalization and institutionalization of our microfinance initiatives in Central Java. The institutional development services provided to RMF/KOMPIP would include the following:

Research and Studies: institutional assessment and diagnosis; recommendations on legal forms; assessment of IT-MIS (Information Technology-Management Information Systems) requirement
Operational: Techno-Managerial support; capacity building; promotion of grassroots activities; hardware and software installation and support
Strategic Consulting: Vision/mission; guidance for institutional transformation; business process re-engineering; governance and management support; IT-MIS strategy.
Such a comprehensive approach will contribute immeasurably to the success of our young MFI.

III. Case study

One of the BASIX microfinance client communities that we visited is an excellent representation of the kind of operation that our MFI has the promise to become. Referred to by BASIX as “community-based microfinance institution,” or CBMFI, this initiative has certain hallmarks of our NEF model.

**NBFC**- non-bank financial company, such as a *cooperative* in our case

---

**“Mutual Benefit Trust”** is a district-level unit and is made up of many clusters. Here, there is an “apex committee” comprised of 10 to 12 people (2 from each of 5 districts, or *mutual benefit trust* units, and up to 2 people from the implementing institution, i.e. KOMPIP). The apex committee is responsible for business expansion, investing and other macro-level decisions

---

**Cluster**- 10 villages (with 2 representatives from each village organization, each cluster has 20 people which comprise a committee). These 20 people are divided into three sub-committees; one for each of loan appraisal, loan sanctions, and recovery

---

**Village organization**- each of these has between 2 and 20 SHGs and two representatives

---

**SHG** (Self-help group, such as our “RT” or neighborhoods)- each of these has 10-20 members and 2 elected leaders. Each SHG also has a bank account, mandatory savings, regular meetings, and bookkeeping. These people are mutually accountable for outstanding loans
There are also full-time staff positions peripheral to the above-mentioned hierarchy. Each cluster has paid field staff, there is one field executive for every two mutual benefit trust units, and each district has a unit manager. There is also a transaction assistant that acts as the backbone for all full-time staff.

Additional comments:
• The NBFC is the only legal entity in the entire structure
• Each mutual benefit trust unit has a branch office
• Each district (mutual benefit trust level) also has its own bank account
• Each district receives a nominal amount from each SHG which acts as membership fees as well as equity
• SHG loans for consumption come from the collective SHG savings account while loans for productive purposes come from the NBFC
• The NBFC has no access to SHG bank accounts
• All leadership/representative positions are held by women, with the exception of field staff
• All members and borrowers are also women

I had the opportunity to attend one of the cluster level meetings and was even able to ask questions of the representatives. Suffice to say that I was fascinated by the empowerment, economic and otherwise, that these women spoke of.

Cluster meeting in a rural district outside of Latur, Maharashtra, India
The women responded enthusiastically when I asked them by show of hands if the CBMFI had changed their lives.

One of the district-level representatives explains the latest financial information to us.
The cluster field staff handles bookkeeping with the help of CBMFI members