



## **A Closer Look at Consolidation: The Sonata-Jeevika Acquisition**

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March 2009

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Special thanks are due to Mr. Anup Singh, Mr. Rakesh Dubey and Mr. Ashish Gupta at Sonata Finance Private Ltd. for their generosity and time. The authors greatly appreciate the hours spent with them openly discussing the acquisition. Moreover, the authors would like to extend their thanks to Mr. B.V. Narisimham and Mr. R. Venkatram Reddy at the Bellwether Fund, and to Mr. Ajit Verma for their expertise, thoughts and time. Justin Oliver, Doug Johnson and Dan Kopf at CMF provided valuable inputs in designing the study. Theresa Chen, Alexandra Kobishyn and Sushmita at CMF provided very helpful edits and comments.

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## Executive Summary

As of December 2008, there have only been two instances in which a microfinance institution (MFI) has acquired another functioning MFI in India. In both instances, Bellwether, a microfinance private equity fund, played a key role in financing the acquisitions. Also, both acquisitions consisted of a non-banking financial company (NBFC) purchasing the loan portfolio of a non-profit MFI. This paper takes an in-depth look at the first acquisition in Indian microfinance, Sonata Finance's purchase of Jeevika Livelihood Support Organisation's entire microfinance operations in August 2007. To explore this acquisition, and the insights it may have for other microfinance practitioners, the authors cover the following topics within this case study:

- The acquisition process: From initial discussions to the valuation process
- The integration process
- Evaluating the acquisition

To help frame the study, provided below is a summary of the key findings. This section is followed by facts and figures that provide insight into the acquisition's effect on Sonata's growth and financial success.

## Key Findings

### **Acquisitions in microfinance can help create a base for further expansion**

Although this conclusion may seem intuitive, prior to this acquisition there had never been a formal acquisition of a fully functioning MFI in Indian microfinance. This transaction demonstrates that acquiring a well-run microfinance operation outside of an MFI's current area of operations, whether a non-governmental organisation (NGO) or NBFC, can propel future growth.

### **Private equity can play a key role in consolidation in Indian microfinance**

Bellwether Microfinance Fund played a key financing role in the Sonata-Jeevika acquisition, and one year later financed another loan portfolio buyout of a non-profit MFI in India. The Fund sees value in consolidation when the microfinance operation under consideration to have its loan portfolio purchased has a combination of the following: 1) strong senior management, 2) experienced staff, 3) a quality portfolio, and 4) a strong customer base in a given district or city.

As Bellwether investments principle Venkatram Reddy explains, "such acquisitions help the acquiring MFI increase its outreach in terms of portfolio size, experienced staff and number of customers, thereby increasing its overall value proposition in the market."

### **There is a large difference between an NBFC purchasing a loan portfolio and an NBFC acquiring another NBFC**

The analysis found on page 13, and the insights provided by the interviewees for this case study, help demonstrate the large difference in regulatory steps. When an NBFC purchases a loan portfolio, whether from an NGO or an NBFC, there is relatively little regulatory supervision. Accordingly, working with stakeholders such as banks and clients become the main challenges in completing a loan portfolio purchase. If and when an NBFC purchases another NBFC, the regulatory process would be the same as a traditional corporate

acquisition. Regulatory steps would include 1) need for 30 days public advance notice, 2) approval from RBI, and 3) new registration and notification with the Registrar of Companies.

### Synergy plays a key role in the success, or failure, of microfinance acquisitions

With the Sonata-Jeevika acquisition, both entities needed additional senior management expertise. Sonata, based in Allahabad, Uttar Pradesh (UP), sought senior management with livelihoods experience, and Jeevika needed further microfinance operations expertise. Through this acquisition, both parties received the additional benefits they were seeking in addition to a broader platform for growing microfinance operations.

That said, finding the right partner is not easy. It is possible that private MFIs will not be interested in taking on new senior management or a broader NGO mission. Private MFIs may also only be interested in purchasing a loan portfolio and gaining client relationships. Accordingly, future microfinance acquisitions should be based on synergy, whether it is in operations style, need for senior staff or another area, and a realistic agreement for progressing as a single entity following the acquisition.

### The Numbers – Looking Inside the Acquisition

The numbers below illustrate the growth of Sonata’s operations following the acquisition of Jeevika’s microfinance operations [*From this point forward, Jeevika’s post-acquisition microfinance operations will be referred to as “Sonata’s new Madhya Pradesh (MP) operations”*]. In the one-and-a-half years following the increased financing resulting from the acquisition, Sonata’s new MP operations increased the number of loan clients from 1,760 to 15,825, and the outstanding loan portfolio from INR 5.66 million (~USD 115,000) to nearly INR 70 million (~USD 1.43 million). Moreover, although Sonata’s UP outstanding loan portfolio has grown an impressive 300% since the acquisition, Sonata’s new MP loan portfolio has grown by about 450% over the same timeframe (Sept. 07 – Nov. 08).

#### Sonata’s new Madhya Pradesh Operations

	Mar-06	Sep-06	Mar-07	Sep-07*	Mar-08	Sep-08	Nov-08 <sup>^</sup>
Active Loan Clients	0	250	1760	4429*	8971	14542	15825
Outstanding (mill. Rs)	0.00	1.09	5.66	15.43*	38.52	64.43	69.84
Field Staff	0	4	14	33*	49	97	90
Disbursement (mill. Rs)	0.00	1.16	7.64	25.68*	69.51	140.10	160.62

\* MP operations officially part of Sonata Finance

<sup>^</sup> Note that while 6 months elapsed between each of the other columns, only 3 months have elapsed between September 2008 and November 2008 due to the timing of this report and availability of data.

#### Original Uttar Pradesh Operations

	Mar-06	Sep-06	Mar-07	Sep-07	Mar-08	Sep-08	Nov-08 <sup>^</sup>
Active Loan Clients	692	4091	11393	24571	35416	47393	59241
Outstanding (mill. Rs)	3.15	15.93	49.83	101.17	192.54	284.07	309.04
Field Staff	88	86	155	234	220	378	392
Disbursement (mill. Rs)	3.54	25.12	84.71	210.61	436.48	766.02	883.66

<sup>^</sup> Note that while 6 months elapsed between each of the other columns, only 3 months have elapsed between September 2008 and November 2008 due to the timing of this report and availability of data.

### Sonata Operations (UP & MP)

	Mar-06	Sep-06	Mar-07	Sep-07*	Mar-08*	Sep-08*	Nov-08**^
Active Loan Clients	692	4091	11393	29000	44387	61935	75066
Outstanding (mill. Rs)	3.15	15.93	49.83	116.60	231.06	348.50	378.88
Field Staff	88	86	155	267	269	475	482
Disbursement (mill. Rs)	3.54	25.12	84.71	236.29	505.99	906.13	1,044.29

\* MP operations included in Sonata numbers

^ Note that while 6 months elapsed between each of the other columns, only 3 months have elapsed between September 2008 and November 2008 due to the timing of this report and availability of data.

## Introduction

As credit in global and domestic financial markets tightened in late 2008 and early 2009, many microfinance sector leaders predicted that consolidation would increase within the sector. In a November 2008 article in the *Mint*, an Indian business daily owned by the *Wall Street Journal*, Vikram Akula, founder and former chief executive officer of SKS Microfinance, surmised that “in the current environment, capital is flowing to quality and this is affecting the small and medium microfinance institutions (MFIs). Banks are lending only to large MFIs. We are in a strong position. We are holding discussions with MFIs who are facing strain and helping them by taking over their clients.”<sup>2</sup>

Whether it is increasingly difficult for smaller MFIs to find funding sources is difficult to verify. However, to Akula’s latter point, there have been two recent acquisitions within the microfinance sector. The first occurred in August 2007, when Allahabad-based Sonata Finance Private Ltd. purchased the loan portfolio of Jeevika Livelihoods Support Organisation, a Jabalpur-based livelihood non-profit. The second acquisition occurred in the fall of 2008, when Annapurna Financial Services acquired Maxwealth’s loan portfolio for INR 193 million (~USD 3.94 million).

Bellwether, a private microfinance equity fund based in Hyderabad, currently holds significant equity in both Sonata and Annapurna. Jeevika and Maxwealth, both non-profits, approached Bellwether for support. Jeevika was looking for funding to help grow their microfinance operations and to explore becoming non-banking financial companies (NBFC), while Maxwealth approached Bellwether for help in selling its microfinance portfolio to allow Maxwealth to focus on its other activities. In both instances, Bellwether

<sup>2</sup> Mint article written by Anita Bhoir. Accessed on January 5<sup>th</sup>, 2009 at <http://www.livemint.com/2008/11/25003211/Big-microfinance-firms-taking.html>

connected the non-profits with current client NBFCs, who eventually decided to go forward with their respective acquisitions.

## **1. Acquisition Process: From Initial Discussions to Valuation**

During the fall of 2006, Mr. Ashish Gupta, the Founder and Executive Director of Jeevika Livelihoods Support Organisation, a Jabalpur-based livelihoods non-profit, approached Bellwether Microfinance Fund with a proposal to scale up Jeevika's microfinance operations in Madhya Pradesh (MP). Bellwether reviewed Jeevika's microfinance operations and loan portfolio, and was convinced of Jeevika's operational and financial soundness. At the same time, Bellwether was hesitant to invest directly in Jeevika. As Bellwether investments director B.V. Narisimham recounts, "Jeevika's small portfolio size, around Rs. 50 lakh in early 2007, and its conservative growth plans resulted in a very low capital requirement. Therefore, it did not make sense for Bellwether to directly invest."<sup>3</sup> Additionally, to receive commercial equity Jeevika would need to go through the time-consuming and red-tape-laden process of becoming an NBFC.

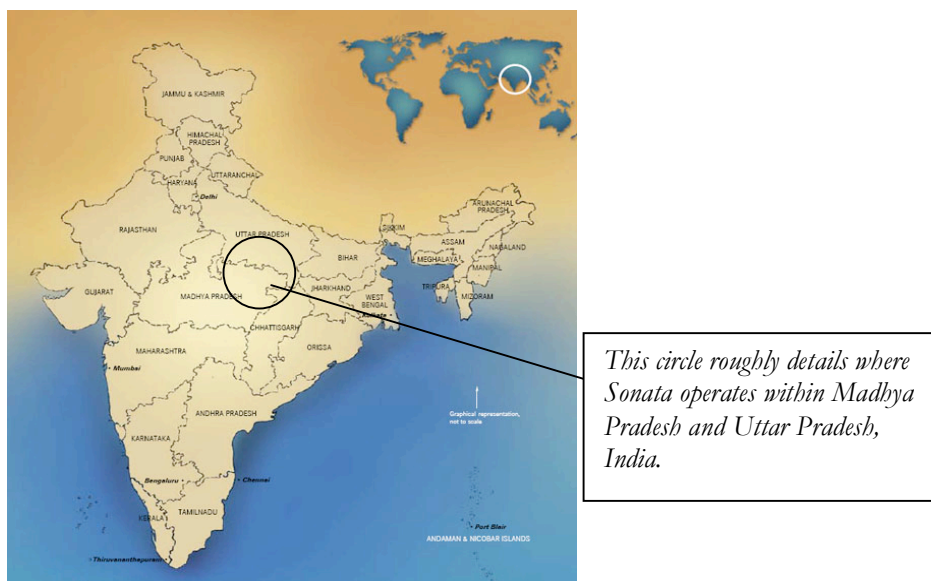
Sonata Finance Private Ltd., a recipient of Bellwether equity funds, began its operations in January 2006 as an NBFC. Bellwether's funds were critical to Sonata's launch as Bellwether is Sonata's majority shareholder. Sonata is based in Allahabad, UP and initially focused its operations in the Allahabad district, though it has gradually expanded operations to several surrounding districts. With Sonata's rapid growth, the two founders, Chief Executive Officer (CEO) Mr. Anup Singh and Chief Financial Officer (CFO) Mr. Rakesh Dubey, began to consider expansion and discussed this idea with their partners, including Bellwether.

Though it had not done so in the past, Sonata's senior management team was open to the idea of expanding to other states. Through 2006, Sonata used a radial expansion approach, where it expanded into new districts within UP that bordered districts in which they already operated. As Allahabad district borders on the Northern MP district of Satna, eventually expanding into MP made sense for Sonata. Clients would have a relatively similar profile to those in Allahabad, and if successful in Satna, Sonata could expand into MP from that base. On the next page, we provide a map of India to help contextualize where Sonata operates within the country.

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<sup>3</sup> From authors' interview with Mr. Narisimham, director of investments. Full text provided in Appendix I.

### Sonata's Area of Operations



After evaluating Jeevika in January 2007, Bellwether initially approached Sonata to determine whether Mr. Singh and Mr. Dubey would help mentor Jeevika. Specifically, Sonata's co-founders agreed to speak with Mr. Gupta to help him through some of Jeevika's operational challenges and the NBFC licensing process. Soon after, due to this agreement, Mr. Singh and Mr. Dubey attended a Bellwether Investment Committee meeting focused on Jeevika. During the meeting, committee members expressed that Jeevika, aside from receiving financial assistance, would also benefit from additional senior management operations experience. The senior management at Sonata had about 10 years of experience at Cashpor, a leading Indian MFI. Accordingly, the committee members asked Sonata's co-founders if they would be interested in helping Jeevika skip the NBFC licensing process by buying Jeevika's loan portfolio. If Sonata was interested, Bellwether would channel the equity Jeevika required through Sonata.

#### Bellwether's Perspective on Acquisition

*"The strong microfinance background of Mr. Singh and Mr. Dubey would benefit Jeevika's operations. And with Sonata's ambition to expand, as well as Mr. Gupta's (Jeevika's Executive Director) possible fit into Sonata's senior management with his livelihood experience, Bellwether thought the acquisition could also make sense for Sonata."*

– BV Narisimham, Bellwether Investments Director

## 1.1 Assessing the Benefits and Drawbacks of the Acquisition

From mid-January until March of 2007, Sonata and Jeevika discussed possible partnership. Following these discussions, Bellwether organised a joint workshop in Jabalpur (Jeevika's base location). Bellwether played the role of mediator and facilitator during the workshop, which followed a brief tour of Jeevika's Jabalpur operations. During this workshop, the two discussed 1) whether the acquisition would be sensible for both parties and 2) possible challenges that would keep the partnership from being successful if the acquisition were to occur.

### 1.1.1 Jeevika's Perspective: The Benefits and Drawbacks of the Acquisition:

The Executive Director of Jeevika, Mr. Ashish Gupta, detailed the following benefits and possible drawbacks he considered when deciding whether to participate in the transaction with Sonata:

#### **Benefits**

##### **1) Expanding the senior management team**

Mr. Gupta respected the two Sonata founders, Mr. Anup Singh and Mr. Rakesh Dubey, and also valued their microfinance operations experience from working at Cashpor. As Mr. Gupta explained, "Three experienced people running an organisation sounds better than one".

##### **2) Receiving NBFC status through being acquired by Sonata**

Jeevika's NGO status limited its ability to receive funding, particularly if it wanted to rapidly expand its microfinance operations. By joining Sonata, Jeevika would receive NBFC status as well as gain Sonata's experience in fundraising, which would enable Jeevika's microfinance operations to grow more quickly. Moreover, the increased funding could help improve loan product features for customers (e.g., eliminating the need for cash deposits).

##### **3) Operations support**

Jeevika was relatively new to microfinance, as its operations only started in June 2006 and it had only a few employees with extensive experience in the field. Joining Sonata, which had a core group of members each with about 10 years of microfinance experience, could be very helpful.

##### **4) Re-alignment of Jeevika's mission**

Jeevika was established as a specialised livelihoods support organisation in central



India. It started its microfinance operations to provide financial support to further support the livelihoods of the poor. However, as one of MP's first microfinance organisations with fast growth to meet demand, clients started to recognize Jeevika less as a livelihoods institution and instead as a specialised MFI. Such expectations resulted in, and were expected to continue to result in, microfinance operations consuming most of Jeevika's resources and energy. Accordingly, transitioning its microfinance operations to Sonata would allow Jeevika to realign its activities with the non-profit's mission to provide holistic livelihoods support.

### **Possible Drawbacks**

#### **1) Employee sentiment regarding the acquisition**

Jeevika's microfinance team took pride in its operations and organisation mission. Going forward with the acquisition could hurt employee morale. Later on, employees actually asked Mr. Gupta not to go through with the merger. During the transition, two of the three senior employees with the most responsibility left the organisation. Staff members were afraid of how the acquisition would affect their roles, and how it would affect operations.

#### **2) Ability for Mr. Gupta to continue being "entrepreneurial"**

On a personal level, Mr. Gupta feared losing the freedom to innovate and implement his new ideas. He started Jeevika from scratch, and feared that the acquisition could translate into him ceding control of its microfinance operations.

### **1.1.2 Sonata's Perspective: The Benefits and Drawbacks of the Acquisition**

Mr. Singh and Mr. Dubey felt that the acquisition, being the first of its kind in India, posed real risks, including the integration of another organisation's operations. Ultimately, Sonata's two leaders decided the possible benefits outweighed these risks. Benefits that would stem from the acquisition included:

#### **1) Strengthening Sonata's senior management**

Sonata is a relatively young organisation that needed to add strong people to its senior team. Mr. Gupta, with his experience working in BASIX, a livelihood-focused MFI, and starting his own livelihood institution in Jabalpur, would bring a valuable set of skills to Sonata. Also, he would bring expertise with regards to working in Madhya Pradesh.

## **2) Base for expansion into Madhya Pradesh**

Sonata had already been considering expansion into a neighboring state, and Jeevika's microfinance operations and staff could serve as Sonata's base in Madhya Pradesh. Sonata was impressed with Jeevika's 20 microfinance staff members, and thought that Jeevika's team would enable Sonata to skip steps in the growth process.

### **1.2 Tackling the Possible Barriers to a Successful Partnership**

During the Bellwether-led workshop, both sides expressed confidence that the acquisition would be beneficial to their respective organisations. The group then began outlining the issues that should be addressed prior to integration. For Mr. Gupta, there were many topics to address. "When the organisation you started is being acquired, every issue can become personal."

Accordingly, Sonata and Jeevika outlined all that needed to be resolved prior to the finalisation of the acquisition. For Mr. Gupta at Jeevika, the top three issues were:

- 1) How would the two organisations integrate operations (e.g., accounts, management information system, human resources)?
- 2) What would be the legal requirements?
- 3) What would be Mr. Gupta's role and the Jabalpur office's role within Sonata?

Issues raised by both parties are included in the summary illustration found on the next page:

### **Pre-Merger Issues to be Resolved**

*Summary of Actual Issues Outlined by Jeevika and Sonata*

#### **1. Legal**

- ◆ Drafting a Memorandum of Understanding (including premium, new responsibilities, etc.)
- ◆ Outlining an employment agreement for Jeevika employees to join Sonata
- ◆ Inducting Mr. Gupta into Sonata's Board
- ◆ Transferring liabilities of existing Jeevika clients from Jeevika to Sonata
- ◆ Handing over Jeevika's audited financial statements to Sonata

#### **2. Funds**

- ◆ Providing Jeevika with necessary funds for loan disbursements, administration expenses, and external loan repayments through July 2007 – Rs. 60 lakh total
- ◆ Paying a premium to Jeevika of about Rs. 10 lakh
- ◆ Scheduling Mr. Gupta's investment into the equity of Sonata following Reserve Bank of India (RBI) formalities – to occur post-merger, mid-August

#### **3. Operations**

- ◆ Refining Jeevika's loan product to match Sonata's, including increasing loan sizes and including door-to-door visits in clients' joint liability group (JLG) training
- ◆ Agreeing on loan documentation
- ◆ Implementing standard branch reporting, including staff changes, outreach numbers, and financial information
- ◆ Working towards agreed upon business plan (i.e., growth of MP operations)

#### **4. Accounts**

- ◆ Streamlining accounting practices, with the goal of beginning this task prior to merger's official completion
- ◆ Providing an exposure visit for Jeevika accounting staff to Sonata headquarters in July 2007

#### **5. Human Resources**

- ◆ Processing resignation letters from Jeevika staff and giving them appointment letters to work at Sonata by July 31<sup>st</sup>, 2007
- ◆ Conducting new recruitment at field and head offices to help meet growth plans
- ◆ Revising and standardising remuneration structure for staff

To facilitate the integration of Jeevika with Sonata, Mr. Gupta (Jeevika's Executive Director), became part of Sonata's Board and the Chief Operating Officer (COO). Along with CEO Mr. Singh and CFO Mr. Dubey, Mr. Gupta became one of the three members of Sonata's senior management team.

#### **1.2.1 Barriers to Acquisitions in Microfinance**

Sonata's senior management team stressed that acquisitions in microfinance could be difficult to execute both at the deal-making and integration stages. As CEO Mr. Anup Singh explained, "we have looked into other acquisitions following the Jeevika acquisition, but we have cut off talks pretty early in the process. There can be problems with senior

management leadership, loan portfolio quality, or staff expertise, and these problems often mean we [Sonata] cut off discussions pretty quickly.”

From the perspective of a prospective acquiring organisation, the three problems that Mr. Singh outlined could be significant deciding factors. With loan portfolio quality, if repayment rates are low upon acquisition, it could be difficult for an acquiring NBFC to instill discipline in the repayment process. If staff lack expertise, then the acquiring NBFC might struggle to grow operations from the newly-acquired base. If the senior management is not particularly strong, operations on the ground may be more disorganised and tracking client repayment may also be difficult. Moreover, senior management may have a very different perspective on how to run an MFI. Mr. Singh and others involved in the process think the compatibility found in senior leadership at Sonata and Jeevika was quite unique.

### Sonata’s CEO on Acquisitions

*“Leaders often have different beliefs on how to run a microfinance institution, and it can be hard to successfully combine these approaches. Common vision and strong potential for synergy is important.”*

– Anup Singh, Sonata CEO

There are also barriers from the perspective of the senior leadership of the MFI that would be acquired. For Mr. Gupta, the founder of Jeevika, the future direction of Jeevika’s microfinance operations and its staff were very important. On a broader level, leaders of the institution potentially being acquired may have several concerns, including: 1) the roles that the acquiring MFI would offer to senior staff, 2) loan product changes, and 3) the effect on current clients of new or altered loan products. Therefore, overlap in leadership vision as to the growth of the proposed new institution is necessary, particularly if the acquired company’s senior leaders stay involved. Without such agreement, acquisitions could be quite difficult to agree upon, let alone execute.

Additionally, for non-profits that conduct microfinance, it may not always be in the senior managements’ interests to stay involved in microfinance operations. Instead, these leaders may want to focus on other parts of their organisation’s mission or purpose. For instance, when Annapurna acquired Maxwealth’s loan portfolio in the fall of 2008, senior management at Maxwealth did not shift over to Annapurna. Instead, they stayed at their non-profit ICFAI and used the sale of its microfinance loan portfolio as an opportunity to refocus on their non-profit’s other activities and goals. Selling the loan portfolio can be an

exit strategy for senior management of non-profits or private MFIs that no longer want to spend significant time and energy on microfinance operations.

### **1.3 The Valuation Process**

According to the three senior leaders, the valuation process was not a critical component of the acquisition decision-making process. After Sonata and Jeevika decided to proceed with the acquisition, the two parties and Bellwether discussed valuation and the liquidity requirements for Jeevika. At this point, Bellwether agreed to indirectly provide the funding for the acquisition through Sonata. There were two main components to the liquidity provided to Jeevika. First, there was the INR 10 lakh (~USD 20,400) premium which Sonata gave to Jeevika to purchase its microfinance operations and loan portfolio. The second and larger sum was the Rs. 60 lakh (~USD 122,400) provided to Jeevika during the transition period from agreement on the acquisition to completion of the process (April 2007 to August 2007).

Mr. Dubey, Sonata's Chief Financial Officer, explained that at the time of discussions in late January, Jeevika had about 600 clients and INR 30 lakh (~USD 61,200) of outstanding loans. The two sides took less than a few weeks to evaluate the value of Jeevika's assets, clients and loan portfolio. According to a recent CGAP analysis, traditional valuations in private equity transactions typically centre on price-to-book value (P/BV) multiples, which is the ratio of the market price per share to the book value per share (Book value = Total liability – total assets).<sup>4</sup> Since Jeevika had only been in operations for a year and a half, and as a non-profit did not have a formal price per share value, Sonata based premium size on Jeevika's number of clients. The premium amount per clients was approximately INR 1,666.66 per client (INR 1,000,000/600), which according to Mr. Dubey lies within the typical valuation for individual microfinance clients in India of INR 1,600 – 2,400 per borrower.

Though the acquisition was not formalized until July 31<sup>st</sup> 2007, the premium amount did not change, partly because Sonata began to secure funds for Jeevika operations in April. After the acquisition had been agreed upon, Jeevika knew it would struggle to find funding from banks during the transition period; banks would be very hesitant to provide loans to an entity that would not exist in four months. Since Sonata now possessed a vested interest in

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<sup>4</sup> CGAP Paper "Shedding Light on Microfinance Equity Valuation: Past and Present," written by Elizabeth Littlefield et. al. Accessed on February 25<sup>th</sup>, 2009 at <http://www.cgap.org/gm/document-1.9.9021/OP14v3.pdf>

Jeevika's success, they began to provide financing for Jeevika's operations and disbursement of new loans. Between April and July 2007, Sonata provided INR 60 lakh (~USD 122,400) to Jeevika, which helped Jeevika grow its client base to about 3000 and its loan portfolio to 70 lakh (~USD 142,850) by July 31<sup>st</sup>. Jeevika also used part of the Rs. 60 lakh (~USD 122,400) to pay off its term-loan liabilities to banks that had provided Jeevika loans prior to the acquisition.

#### **1.4 Comparing Acquisition Types: Acquiring a Loan Portfolio vs. an NBFC**

Taking a step back from the Sonata-Jeevika acquisition, one important point that came out from discussions with Sonata and Bellwether Fund is the difference—particularly with regards to regulation—between purchasing a loan portfolio of an NGO or NBFC and acquiring another NBFC. NGOs are not registered financial companies, and therefore are not regulated by the Reserve Bank of India (RBI). Additionally, if an NBFC purchased the loan portfolio of another NBFC without acquiring the entire company, there would be less regulatory oversight. If an NBFC were to purchase another NBFC, on the other hand, RBI would treat the acquisition similarly to any other company-to-company transaction. Such a process would require more regulatory steps and be significantly more time-consuming.

At this point, there has not been a company-to-company acquisition in Indian microfinance. Annapurna's acquisition of Maxwealth's loan portfolio in the fall of 2008 is another instance of an NBFC (Annapurna) purchasing an NGO's loan portfolio (Maxwealth)<sup>5</sup>. That said, on the next page we outline basic differences in the legal process between the two acquisition types.

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<sup>5</sup> In appendix see interview with Bellwether investments principle, R. Venkatram Reddy

Loan Portfolio Purchase	Acquiring another NBFC
<ul style="list-style-type: none"> <li>• Getting permission or paying off term-loans from banks that provide loans to your company</li> <li>• Receiving approval from the NBFC's or NGO's board of directors for the acquisition</li> <li>• Receiving written consent from microfinance clients to transfer borrower liabilities to the acquiring company</li> <li>• NGOs are answerable to the Registrar of Societies and must share changes in operations or management in prescribed annual reporting format<sup>7</sup></li> <li>• NBFCs are answerable to the Registrar of Companies and must share changes in operations in prescribed annual reporting format</li> </ul>	<ul style="list-style-type: none"> <li>• Need to provide advance public notice regarding the sale/transfer of ownership – 30 days for RBI and other regulators to review the proposed acquisition<sup>6</sup></li> <li>• Public notice should be given in at least one local and one national daily</li> <li>• Offer all depositors the option to discontinue with their deposits under the circumstances of change</li> <li>• Need to file with the Registrar of Companies</li> <li>• May need new licensing for the NBFC, particularly if it's a merger that will change the name of the company. Acquiring an NBFC license is a several month process in itself.</li> </ul>

### 1.5 Working with Stakeholders

As detailed in the table found directly above, Sonata and Jeevika needed to work with their key stakeholders to complete the acquisition. Specifically, Jeevika needed to explain the acquisition to, and get support from, their employees and clients. Sonata focused on securing continued funding from partner banks by explaining the financial benefits of the acquisition.

When Mr. Gupta told Jeevika staff about the possible acquisition in March 2007, the 20 microfinance employees were unhappy and suspicious. They had enjoyed working at Jeevika, believed strongly in the NGO's mission, and feared there would be drastic changes in rules and reporting authorities. Sneha Sahu, the accounts manager prior to the acquisition and currently an MP accounts manager for Sonata said, "at the time, I did not know why Mr. Gupta would want to go ahead with the acquisition. I thought we as a team could reach the same goals without the acquisition."

<sup>6</sup> The RBI guidelines were modified in January 2006, requiring 30 days notice instead of 90 days. [http://www.rbi.org.in/scripts/BS\\_NBFCNotificationView.aspx?Id=3131](http://www.rbi.org.in/scripts/BS_NBFCNotificationView.aspx?Id=3131), accessed January 21, 2009

<sup>7</sup> Registrar of Societies falls under state governments' purview. States have specified the roles and authorities of such offices differently, but responsibilities typically include oversight of trusts and firms registration.

Other team members expressed similar attachment to working with Jeevika and were proud of the growth of Jeevika's microfinance operations. During the transition, two employees in senior management left because of disagreement with the Sonata acquisition and the uncertainty in their future roles. Realising his employees' concerns, Mr. Gupta openly discussed the benefits of becoming an NBFC with Sonata. The prospects for growth could translate into more responsibility for employees, and salaries would increase in line with the Sonata pay scale. Jeevika microfinance employees were still hesitant going into the acquisition, but hearing about these possible benefits did help.

In the summer of 2007, Jeevika microfinance employees started talking about the changes with clients in centre meetings. Employees told clients simply that Jeevika was going to change its name. Field officers explained that Jeevika's microfinance operations would now be a company (i.e., Sonata Finance), and with this change, loan sizes would increase and related fees (e.g., processing fees) would decrease. Clients were also told that there would not be any changes in systems or repayment schedules for their existing loans. For regulatory purposes, all clients needed to sign a consent letter to transfer their outstanding loan repayment liability to Sonata.<sup>8</sup> Jeevika employees ran into minimal resistance during this process, although the clients did inquire about the reasons for the change and what the new rules would be.

### Clients' perspective on acquisition

*"We believed in the company and in the staff we knew. We thought that whatever Jeevika was doing would be beneficial."*

– Members of Shivashakti, center at Khitola, Sihora rural branch in Jabalpur, MP

Simultaneous to Jeevika's initiatives, Sonata worked to alleviate concerns of partner banks. Banks that had given Sonata loans had done so prior to the Jeevika acquisition, and given the unprecedented nature of the transaction, many banks were skeptical. As Sonata wanted to continue its relationships with these banks, CFO Mr. Rakesh Dubey met with many of the partners and sent letters to all detailing the process and benefits of acquisition. Attached to the letter, Mr. Dubey requested that if any banks had objections, they should

<sup>8</sup> See appendix III to see Hindi version of consent letter



raise them by a specified deadline. Many of the banks neither condoned nor objected formally, instead letting the specified date come and go.

## 2. Integration Process

Combining any two institutions with different systems of operations, accounts, reporting and operational culture can be a difficult task. Because this transaction was the first of its kind within Indian microfinance, Sonata and Jeevika had few prior experiences or practices to follow. The new Sonata management team had several different areas to integrate and to align including human resource (HR) policies, accounting systems, the management information system, operations (which comprised a set of issues ranging from selecting loan clients to repayment of loans), loan products, interest rates, recruitment policy and reporting.

Therefore, the Sonata team decided to make changes right away in key areas to its new microfinance operations in Madhya Pradesh, and then to strategically compare practices within its new MP operations (formerly Jeevika) and Sonata's original UP operations. In the long-term, the stronger practices, in areas from HR policies to repayment cycles, would be incorporated across Sonata's operations. In the short-term, Sonata's management team decided to make quick changes in the following three key areas: 1) accounting, 2) loan sizes and cash deposits, and 3) salary for staff.

### Sonata's CFO on Integration

*"Merging the balance sheet was not an issue, but aligning operations on the ground, was, and still is, a real challenge."*

– Rakesh Dubey, Sonata CFO

#### 2.1 Immediate Changes in New Madhya Pradesh Operations

After the completion of the acquisition in August 2007, Sonata's new Madhya Pradesh operations needed to make immediate changes in accounting and reporting practices. To prepare for the necessary alignment, the accounts team from the new MP operations visited Sonata's Allahabad headquarters in July of 2007 to learn the format of Sonata ledgers and cash books at the head office and branch levels. Ledgers are primarily used at the head office level, as they include larger transactions, many of which are not made in cash (e.g. inflows coming from banks). Cash books include all the cash transactions made by a given branch or loan officer. For instance, a loan officer would track daily inflows and

outflows (e.g., loan disbursement, client loan repayment) using his or her cash book. The accounting team from Sonata's new MP operations needed to learn the format of Sonata's ledgers and cash books in order to institute common accounting practices.

The loan product also changed immediately in Sonata's new MP operations with the maximum loan size increasing from INR 6,000 to INR 8,000, and then to INR 10,000 within 4 months of the acquisition. Previous to the acquisition, Jeevika took cash collateral of 10% of the loan size from its loan clients. This practice was stopped as soon as the loans started from Sonata's book in August 2007.

Another immediate change was made to the salary structure within Sonata's new MP operations, from the head office in Jabalpur to the microfinance branches. To make the salaries similar across Sonata offices, remuneration for business executives in the new MP operations increased by about 20% during training and by another 16% once these trainees became permanent employees. Salaries of account managers and branch managers increased by about 30%, and health insurance and Provident Funds were also introduced for all permanent staff. Further changes to human resource policies occurred in late 2008 as part of the integration process.

## **2.2 A Strategic Approach to Integration**

After tackling urgent issues, Sonata's senior management team decided to test the two systems from the former Jeevika and the pre-acquisition Sonata through 2008 and then choose the best practices to adopt across the newly merged Sonata. To help with this process, Sonata created an integration committee, which consisted of staff from the former Jeevika (MP) and original Sonata (UP) offices. They were chosen based on their experience and work profiles and were drawn from operations, accounts, audit and HR. The team worked closely with Sonata's new COO and Board member, Mr. Ashish Gupta (prior Executive Director of Jeevika) to identify practices within the senior management's unification priorities, specifically: 1) HR unification and staff benefits, 2) product unification, and 3) changes in operation processes.

Making the transition smooth and fair for staff was a top priority. Accordingly, senior management and the integration committee evaluated Sonata's strategy, salary structure and employee training. At the conclusion of this evaluation in late 2008, senior management decided to increase salaries for all Sonata employees in 2009. The staff in Sonata's new MP operations, which had been paid less than their Sonata counterparts in UP

prior to the acquisition, thus effectively received a significant raise. The new salary structure was announced during Sonata's third annual function on January 3<sup>rd</sup>, 2009 in conjunction with the presentation of Sonata's new HR and operations policies developed by the integration committee. As a part of this new policy, every staff member is now required to have a guarantor, namely a person who is responsible for an employee's actions, in case the employee commits financial fraud. This guarantor cannot be a blood relative or a Sonata employee. The practice, adopted from Sonata's new MP operations, helped to check staff behavior in the field. The new HR policy also specified training for existing and new personnel, with training courses also specially designed for new unit managers.

Leveraging product attributes from UP and Sonata's new MP operations, the integration committee also suggested changes in the products offered to clients. Taken from Sonata's new MP operations, loans would be offered in round figures and similarly weekly repayment amounts would also be fixed in round numbers. Specifically, loan amounts would be multiples of INR 1,000 (~USD 20) and weekly repayment amounts a multiple of INR 25 (~USD .50). The new policy would also standardise the interest rate offered in UP and MP (see table on next page). The integration committee suggested the range of loan amount be defined for different loan cycles according to the UP offices' norms. Additionally, the committee suggested fixing processing fees at INR 100 (~USD 2), replacing the former Jeevika's prior processing fees, which were 3% of the loan amount. The proposed changes in loan product features will most likely be incorporated for the upcoming fiscal year, which begins in April 2009.

At the beginning of 2009, the newly merged Sonata installed a new common operational policy specifying roles of units, branches, loan officers and head office executives. Specifically, it defines the radius of centers, the number of people that can form a joint liability group (JLG), and the number of clients which can be added to an existing center. Prior to the acquisition, the former Sonata did not require formal mutual guarantee within JLGs. The newly merged institution adopted this practice from the former Jeevika and it is now standard for the formation of any new Sonata client JLG.

Before the acquisition, Sonata's new MP operations (formerly Jeevika) did not use a computer-based management information system (MIS), and the MIS used in Sonata's UP operations was still being tested. To expedite MIS testing and identify sound software, each office has been using different systems. A Financial Information Network and Operations'

(FINO) system is being tested in Sonata’s new MP offices, while Craft Silicon’s microfinance software is being tested in the UP offices. Using the experiences in these two states, Sonata hopes to select the best performing MIS software and adopt it across their operations in the new fiscal year. Interestingly, whether the MIS is ready at the beginning of the new fiscal year will affect Sonata’s ability to launch its proposed new loan product. Without common MIS software, Sonata would likely wait to launch the new product to minimise rollout complications.

### 2.3 Changes to the Sonata Loan Product

As discussed in the above section, Sonata used the integration process as an opportunity to evaluate and to streamline the original loan product offered through its original Uttar Pradesh operations. During the evaluation process, several product features from its new Madhya Pradesh operations have been leveraged. Although the final loan product will not be launched until the beginning of the new fiscal year in April 2009, and also until the adoption of common MIS software, the current loan products and proposed changes are detailed below:

#### Loan Product Characteristics

	Sonata, UP (before acquisition)	Jeevika, MP (before acquisition)	Sonata’s integrated product (proposed)
First loan amount (INR)	2100–8500 (Rural) 2100–10600 (Urban)	2000-5000	2000–8000 (Rural) 2000–10000 (Urban)
Interest rate	18% flat	17.5% flat	30% of reducing balance
Repayment period	50 weeks	50 weeks (repayable in 47 weekly installments)	50 weeks
Cash security	None	10% of loan amount	None*
Documentation/ Processing fees	Rs100 flat	3% of loan amount	Rs100 flat
Amount proposed for second loan amount (INR)	2100–10600(Rural) 2100–14900(Urban)	2000-12000	2000–10000(Rural) 2000–15000(Urban)
Amount proposed for third loan amount (INR)	2100–14900(Rural) 2100–19750(Urban)	2000-18000	2,000–15,000(Rural) 2000–20000(Urban)
Liability	Group liability (no written contract)	Group liability (written and signed contract)	Group liability (written and signed contract)
Group Size	Initially 10 members then individual	5	Initially 10 members then individual

	members may join		members may join
<b>Distribution Pattern</b>	60 % followed by 40%	All at once	All at once

\* Change occurred immediately following acquisition

### 3. Evaluating the acquisition

The integration process is still underway, with the introduction of new operational and HR policies for all of Sonata operations in January 2009. Early on, Sonata operations in its new MP offices adopted Sonata UP's accounting practices, but merging product and operational practices has taken more time. There are variations in product characteristics, such as repayment schedules, and in the use of MIS to track repayment and the addition of new clients.

Senior management used the more difficult components of integration as an opportunity to step back and evaluate the original UP and new MP operations' loan products, operations, and HR practices. Sonata took positive attributes from their MP and UP operations to create an improved and integrated end-product. Taking the time to learn from the new MP operations (formerly Jeevika) helped with employee buy-in within the MP team.

On the financial side, the acquisition has yielded positive results for Sonata. Since the acquisition in August 2007, Sonata's Madhya Pradesh loan outstanding portfolio has increased from 72 lakh (~USD 147,000) to 7.44 crores (~USD 1.52 million), an impressive 1000% jump in 16 months, and the MP operations have been quite profitable. This success in Madhya Pradesh has enabled Sonata to think more ambitiously about its future growth prospects and its ability to extend into new areas to provide financial services to the poor. MP operations have expanded from its base in Jabalpur to three nearby districts. In UP, Sonata has increased its outreach to a total of eight districts. In the year-and-a-half since the acquisition, Sonata has grown more than 400% from 9 crores (~USD 1.84 million) to almost 40 crores (~USD 8.2 million) loans outstanding as of December 2008. As Sonata's CEO Anup Singh candidly makes clear, "Before the Jeevika acquisition, Sonata had a business plan to become a 50 crore (~USD 5.3 million) business in five years. With the acquisition, we increased the target to 200 crores (~USD 21.2 million), and with our success following the acquisition, our business plan now targets 500 crores (~USD 53 million) of business."

## **Conclusion**

As funding constraints continue to hit the Indian microfinance industry in 2009, and possibly beyond, there will likely be an increase in consolidation across the sector. Additionally, as the sector matures, consolidation will likely become more commonplace. Although this case study looks at just one example, it presents teaching points for different players in the microfinance sector.

### **Private microfinance practitioners**

Acquisitions can create a base for further expansion in a new state or distant district. Specifically, acquiring a well-run non-profit MFI with strong loan portfolios could be particularly attractive to reach this goal. Such NGOs are relatively inexpensive and often have dedicated and long-tenured staff. However, integrating operations can be difficult as NBFCs often have more formal accounting and reporting standards, and staff from non-profit MFIs may struggle to acclimate to an NBFC's mission.

On the regulatory side, acquiring an NGO-MFI, or purchasing the loan portfolio of an NBFC, reduces the number of steps required, particularly when compared to acquiring another NBFC. RBI is relatively uninvolved, and the public filing process does not apply.

### **Non-profit microfinance practitioners**

If a non-profit MFI is struggling to find funding or believes that rapid expansion would be good and possibly necessary, linking up with a like-minded NBFC could be a beneficial move. Doing so would likely reduce liquidity constraints and allow the microfinance team to concentrate more on operations and serving clients. For example, Sonata's new Madhya Pradesh operations are able to serve more clients, have expanded into several new districts and have eliminated the 10% cash deposit requirement for clients seeking new loans.

However, finding the right NBFC partner that aligns with the non-profit's mission can be difficult. NBFCs may only be interested in reaching the non-profit MFI's clients or expanding in strong districts. Often, NBFCs will not want to be looking for new partners, but for clients and/or non-profit loan partners to take over.

In addition, selling one's loan portfolio to an NBFC can be a good option for non-profits that want to concentrate on other activities. For example, the promoters of Maxwealth did not join Annapurna Financial Services' management team, but instead used the sale of their microfinance loan portfolio as an opportunity to re-focus on their non-

profit's other activities. This lesson can also apply to for-profit practitioners that seek an exit option from their microfinance activities.

### **Private Equity Funds**

Bellwether's active role in Sonata's acquisition of Jeevika's loan portfolio, and a similar acquisition by Annapurna of Maxwealth's loan portfolio, demonstrate that there can be a real role for private equity in acquisitions within the Indian microfinance sector. In both instances, Bellwether encouraged existing clients (Sonata and Annapurna) to explore these acquisitions and also played a large role in financing the eventual acquisitions. If in the estimation of a given private equity fund, an acquisition would increase the value or growth potential of an NBFC, private equity can play in a large role in encouraging such acquisitions.

## Appendix I: Bellwether's Responses to Questions on Sonata-Jeevika Acquisition

(Interview with B.V. Narasimham, Director of Investments: Via E-mail, December 29<sup>th</sup>, 2008)

### A) Initial thoughts on the Acquisition:

1. Anup and Rakesh mentioned that Bellwether encouraged Sonata to consider acquiring Jeevika. Why did Bellwether think such an acquisition was a good idea?

*Ashish, the promoter of Jeevika approached Bellwether with a proposal to scale up the microfinance operations of Jeevika in Madhya Pradesh. Bellwether agreed to assist Ashish in his endeavour and after subsequent discussions, upon being convinced of the operational and financial merits of such a scheme, Bellwether proposed a portfolio acquisition of the business activities of Sonata and Jeevika. Bellwether felt that this acquisition would lead to better synergy considering the profile of the promoters with complementary individuality. Besides it adds to the geographical spread of the combined entity.*

2. What attributes of Sonata made it a good candidate for expansion?

*The strong microfinance background of Anup and Rakesh with an ambition to expand across India, and as mentioned earlier, the fit of Ashish's profile in Sonata's senior management as felt by Bellwether.*

3. Why was Bellwether hesitant to directly invest in Jeevika?

*Small portfolio size (around Rs. 50 lakhs at that time) with extremely conservative growth plans resulting in a very low capital requirement. Not making a case for Bellwether investment.*

### B) Bellwether's Role in the Acquisition Process:

4. What role did Bellwether play in working with other stakeholders (e.g., Boards of Sonata and Jeevika, banks) during the acquisition process?

*Bellwether's role included:*

- a. *Establishing a contact between the promoters of Jeevika and Sonata*
- b. *Rolling out a plan for the acquisition process*
- c. *Seeking bankers' approval in moving the portfolio from Jeevika to Sonata*
- d. *Drafting the Memorandum of Understanding (MOU) for the acquisition and working out a consideration to Jeevika for its services in building a portfolio*

5. Did you play a role in the valuation process of Jeevika's loan portfolio?

*Valuation of Jeevika's portfolio was done by Sonata. Bellwether played a role in guiding the valuation exercise at a broader level.*

6. Did Bellwether provide support during the integration process? If so, what type of support did you provide?

*Yes. At the board level and by sitting on a Sonata management committee that meets more frequently than the board.*



### C) Evaluating the Success of Integration:

7. How do you evaluate the success of the acquisition? Do you use a list of objectives/achievements to measure medium or short-term success?

*The acquisition can be considered very successful for three reasons;*

- I. *There are no post acquisition related issues. The mesh of UP and MP team happened seamlessly.*
- II. *The overall performance has been quite impressive and especially that of MP portfolio, post the merger.*
- III. *Response of Banks and other important stakeholders has been quite positive. This acquisition, possibly is the first such transaction in the Indian microfinance space, thereby opening such possibilities to the sector.*

8. In your view, what have the main challenges been during the integration process?

*Some of the challenges include - branding of Sonata in MP in place of Jeevika, integrating HR from both sides in terms of designations and remuneration, and aligning the operational policy in Jabalpur with that of UP.*

9. Do you think consolidation in the microfinance industry in India is a good idea? In what instances is it most beneficial?

*I feel that this is definitely a good idea in those cases where the MFIs (especially smaller ones either in society/ non-profit form) languish due to liquidity-related issues despite their goodwill and decent track record. Such acquisitions not only will help the customers of the acquired portfolio but also bolsters the position of the MFI that acquires it.*

## Appendix II: Bellwether's Responses on Annapurna-Maxwealth Acquisition

(Interview with R. Venkatram Reddy, Principle-Investments: Via E-mail, January 2<sup>nd</sup>, 2009)

### A) Initial thoughts on the Acquisition:

1. Why did Bellwether think the Maxwealth acquisition was a good idea?

*ICFAI-sponsored Maxwealth trust started their microfinance operations in Hyderabad to support income generating activities of urban poor to help ensure quality education for the poor children. The senior management of Maxwealth trust visited well-run MFIs in India to understand the microfinance business and its impact on customers before starting the program. The trust has **highly experienced and quality field people** from leading MFIs. More than 90% of the field staff had around 4 years of microfinance experience, and their intention to build professional microfinance institution with high portfolio quality has been achieved in a short span of time. Hence we felt that acquiring Maxwealth would be very beneficial for our investee company, Annapurna. Also, Bellwether has one such successful acquisition under its belt (Sonata – Jeevika) where the benefits of acquisition are clearly visible.*

2. What attributes of Annapurna made it a good candidate for expansion?

*When Maxwealth trust approached Bellwether with their intention of having of an NBFC microfinance program, Bellwether decided that the acquisition shall be pursued by Annapurna Financial Services Limited (Trident) due to the following reasons:*

1. *Annapurna Financial Services' (AFS) proximity to the operational area of Maxwealth Trust.*
2. *Similarities in business model*
3. *Matching profiles of field staff*
4. *Strong microfinance background of Mr.Kishore (founder of Annapurna) and his orientation towards people*
5. *Annapurna's Ambition of rapid business expansion*

### B) Bellwether's Role in the Acquisition Process:

1. What role did Bellwether play in working with other stakeholders during the acquisition process?

*Bellwether's role included:*

- a. *Due diligence of Maxwealth's Microfinance program along with promoter of Annapurna, Mr. Kishore*
- b. *Roll out of a plan for the acquisition process including commercial discussion*
- c. *Instrumental in bringing Maxwealth and AFS on a same platform for attaining smooth acquisition*
- d. *Played a key role in bank funding to AFS for purchasing the portfolio*
- e. *Infused the capital in to AFS to ensure future growth and other business requirements like HR, Branch expansion and infrastructure*

2. Did you play a role in the valuation process of Maxwealth loan portfolio?

*Bellwether played a key role in the valuation exercise along with the promoter.*

3. Did Bellwether provide support during the integration process? If so, what type of support did you provide?

*Yes. At board level and also Bellwether is a part of the transition committee that meets more frequently to address issues related to HR, portfolio and positioning of the combined entity in the market.*

### **C) Evaluating the Success of Integration:**

4. How do you evaluate the success of the acquisition? Do you use a list of objectives/achievements to measure medium or short-term success?

*Commenting on the acquisition's success requires more time as the acquisition happened in September of 2008.*

5. In your view, what have the main challenges been during the integration process? What has been the experience so far?

*Some of the following were assumed as key challenges for AFS while doing the acquisition of Maxwealth portfolio.*

- *Difference in salary structure*
- *Retaining of experienced staff*
- *Rural and urban portfolio mix*
- *Alignment of work culture*

*AFS, given its promoter and key management's track record, has been in a position to handle above challenges in an amicable manner. Some of the experienced field staff from Maxwealth has been assigned with higher responsibilities to match with their salary structure by showing a visible career path. Even though there is a difference in urban and rural scenario, the customers' profile, the model, and the systems followed by Maxwealth are not very different from AFS. As the AFS promoter has proven institution and team building ability shown in previous assignments, we do not expect the integration of staff from both entities will be an issue.*

6. Do you think consolidation in the microfinance industry in India is a good idea? In what instances is it most beneficial?

*I feel that this is a definitely a good idea as consolidation enables the institution to visualize the bigger things which leads for better positioning. Such acquisition also helps an MFI increase its outreach in terms of portfolio size, experienced staff and number of customers, thereby increasing its overall value proposition in the market.*

Appendix III: Loan Transfer Customer Consent Letter (Hindi)

## सहमति पत्र

मैं ..... पत्नि/पुत्री ..... निवासी ..... यह पुष्टि करती हूँ कि मैंने जीविका लाइवलीहुड्स सपोर्ट आर्गनाइजेशन ;जीविका, जबलपुर से रु. .... ;शब्दों में ..... का ऋण, दिनांक ..... को प्राप्त किया है। यह ऋण रुपये ..... की 47 समान किश्तों ;मूलधन ब्याज में वापस किया जाना है। आज दिनांक ..... तक कुल..... किश्तों के माध्यम से रुपये ..... जीविका को वापस किये जा चुके हैं।

चूँकि जीविका अपना माइक्रो फाइनेन्स कार्यक्रम 31 जुलाई, 2007 से सोनाटा फाइनेन्स प्रा० लि० को हस्तांतरित कर रही है, मैं सोनाटा फाइनेन्स प्रा० लि० को उपरोक्त ऋण के बकाया मूलधन एवं ब्याज की वापसी जो 'जीविका' को की जानी है, के लिए, इस सहमति पत्र के माध्यम से अधिकृत करती हूँ। यह निर्णय मैंने अपने व्यवसाय की जरूरत को समझते हुए, अच्छी तरह सोच-विचार कर बिना किसी दबाव के लिया है।

इसके अनुसार, मेरे द्वारा सोनाटा को बाकी ..... किश्तों के माध्यम से कुल रु..... ;शब्दों में ..... बाकी मूलधन एवं ब्याज के रूप में पूर्व-निर्धारित समय में वापस किये जाएंगे।

हस्ताक्षर (ऋणी)  
प्रधान)

हस्ताक्षर (गवाह)

हस्ताक्षर (केन्द्र

(नाम: .....)

(नाम: .....)

(नाम: .....)

पता: .....

केन्द्र संख्या: .....

.....

यह प्रमाणित किया जाता है कि उपरोक्त वर्णित राशि हमारे अभिलेख के अनुसार सही है।

हस्ताक्षर (शाखा प्रबंधक)

(नाम: .....)