

The first microfinance institution exclusively for water and sanitation targets rural Tamil Nadu

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The poet W.H. Auden wrote that, ‘thousands have lived without love, no one without water.’ One can add that if water is to survive, clean water is to live longer, as it marks the difference between hygienic and unhealthy spaces. Its simplicity, however, is constrained by the increasing levels of sophistication that more crowded spaces and modern households require for the systems of water supply. This can be a problem especially in rural areas due to lack of sufficient information and financial capacity. Paul Sathianathan, aware of this problem, started Guardian, a not-for-profit microfinance institution that provides loans to create infrastructure for household water connections and toilet constructions.



After working for 20 years with the government and five years with several NGOs, he gathered substantial knowledge in the microfinance sector. Dissatisfied with the existing microfinance system in India, he started Guardian. “In the Indian scenario, several micro credit institutions promote activities such as petty shops, vegetable vending, handicrafts works, purchase of milch animals, agricultural activities, personal consumptions etc. However, their rate of interest is so high that they are not affordable to the living poor.” The result, he says, is that “the people who transact. with these institutions become poorer.” In fact, entire communities have had to move far from their homelands due to the heavy debts incurred because of accumulated interests. “Though after the Andhra Pradesh crisis in the microfinance sector, the government of India has taken measures like fixing interest caps on loans, avoiding multiple borrowings through credit bureau reports, etc,” he says. Paul believes that the problem does not lie in microfinance itself, but in the way it has been conceived and implemented. “So far, no Indian institution has come forward for micro lending operations to sponsor drinking water connections and house hold toilets for the poor. Most of them just wanted to make a profit and this kind of credit is not practical because loans are not easy to recover.” ...

Recently, some MFIs have included water and sanitation loans as part of business. However, Guardian is the only MFI providing water and sanitation loans exclusively and – Paul says – it is the first of its kind in the world.



The two- member senior management team at Guardian comprises Paul Sathianathan and M. Senthilkumar and is supported by a governance team of six. They operate in 22 blocks in six districts of Tamil Nadu (Trichy, Pudukottai, Namakkal, Perambalur, Karur and Salem) and each branch has one manager, one computer operator and five credit officers.

Guardian’s loan products include six activities at the household level: new toilet construction, new water connection, renovation of existing water and toilet facilities, installation of water purifiers, rain water harvesting structures and bio gas plants. Each of them has a different loan scheme which varies from Rs 5000 to Rs 14, 000, with a repaying period of up to 18 months.

Loan Products	Urban Rs.	Rural Rs.	Interest rate (diminishing)	LPF	Insurance & Admi. Fees (2 years)
New Water Connection	10000.00	7000.00	21%	1%	100
New Toilet Construction	14000.00	14000.00	21%	1%	100
Renovations (Water /	5000.00	5000.00	21%	1%	100

Toilet)					
Rain water harvesting	5000.00	5000.00	21%	1%	100
Water purifier	5000.00	5000.00	21%	1%	100
Bio gas plant	10000.00	10000.00	21%	1%	100

“All the above loan products attract a diminishing interest rate of 21 per cent per annum and collect one per cent of loan amount as processing fees on loan documents,” says Paul. Being a pioneer in this type of micro finance, Guardian is facing several challenges. “Financial institutions are still reluctant to extend support for loan funds under the priority sector lending. Micro finance networks in India have strived hard through representation to regulatory authorities like Reserve Bank of India, NABARD etc,” explains Paul.

“Moreover, sensitizing the communities in terms of safe hygiene practices in day to day life is not easy. People have not used toilets for centuries and it requires a whole cultural change for them to acknowledge that they are life-changing and healthier and that they do not require huge investments,” he continues.



Nonetheless, the Guardian team is determined to expand its reach and the scope of their venture. In line with the Prime Minister's call, Guardian has set a goal of addressing one lakh households in Tamilnadu to give them access to toilet facilities through a loan component by 2020.

“We want to establish five more branches in other 10 districts. We will recruit local staff based on their motivation, awareness creation, village meetings, involving CBOs and elected representatives. We will create demand by promoting toilet loan products and the Guardian staff will coordinate with the clients, local masons and Panchayat presidents in creating household toilets and household water connections besides monitoring the usage and maintenance of the structures at regular intervals,” Paul concludes.

The Guardian's experienced team has employed its knowledge to turn a dream into a concrete venture powered by humility. Regardless of what one already knows, the beauty of pioneering is that every moment is a huge learning for whoever takes it up. After all, the greatest changes lie in what is still to be learnt rather than in what has already been discovered.