



# The Computerworld Honors Program

Honoring those who use Information Technology to benefit society

## Final Copy of Case Study

**YEAR:**  
*2012*

**STATUS:**  
*Laureate*

**Organization:**  
MicroGraam Marketplace Pvt. Ltd.

**Organization URL:**  
[www.micrograam.com](http://www.micrograam.com)

**Project Name:**  
MicroGraam

**What social/humanitarian issue was the project designed to address? What specific metrics did you use to measure the project's success?**

Graam in Hindi means Village. MicroGraam helps connect people in villages to those in urban centers through the use of mobile and Internet technologies to enable easier exchange of funds and interactions. Specifically, MicroGraam enables urban professionals to find, select and provide microcredit to underprivileged borrowers in rural India at terms that reflect the purpose of a loan, resulting in a larger impact on the borrower's life. For example, the repayment calendar for a rural student's loan reflects the time needed for the student to complete study and get a job. Similarly, a micro-entrepreneur who may buy a cow will have a repayment schedule that will enable sharing in the profits derived from milk sales over a 2-3 year period. Essentially we have created a micro-finance social network where the lenders act like micro-venture capitalists and can negotiate terms of a micro-loan on a case-by-case basis. At the same time, MicroGraam meets the needs of investors by enabling them to choose specific borrowers and types (purpose) of loans and specify the desired interest rate (within a limit). MicroGraam also enables guaranteed repayment to borrowers through first and second default guarantors. MicroGraam's solution is powered by our technology platform designed from inception to lower the total cost of lending to one-tenth of the industry norms, leading to lower interest rates for borrowers. The ultimate measure of our success is the total number of loans disbursed as well as their value. As of submission of this application, we have disbursed more than 836 loans with a total investment value of Rs. 11.6 million [about US\$230,000] through this platform.

**Please describe the technologies used and how those technologies were deployed in an innovative way. Also, please include any technical or other challenges that were overcome for the successful implementation of the project.**

Since MicroGraam transactions have very small value, minimizing transaction costs was critical. We developed the marketplace platform in-house using an open-source technology stack, including integration with online payment gateways with transaction costs that are in pennies. Our micro-fund transfer costs for the end-to-end transaction cycle are less than 0.5%, compared to the industry standard of 5%. One of our core value propositions is to provide a transparent and data-rich platform for lenders, borrowers and field partners. Today, lenders can search through a borrower database that includes descriptions of the borrower, photographs and loan purpose and terms. Lenders receive updates about the progress of the funded business or program (in case of education loans). The MicroGraam marketplace portal offers administrative functionality to partner organizations to directly upload new content about borrowers to the site. It also provides scheduled reminders to each partner organization through mobile alerts and e-mail when it is time to provide updates about the progress of each borrower. The platform is integrated with Web 2.0 social media technologies, providing content for social media feeds. In addition, the platform enables rapid deployment of new capabilities such as loan auctions and negotiation platforms, enabling lenders and borrowers to negotiate all loan terms including duration, interest rate and even field partner fees. Or, adding a profit-sharing model that enables lenders to act as venture capitalists sharing in business profits rather than receive interest. The main challenge faced by MicroGraam was in training field partner staff to fully leverage the administration portal to reduce inefficiencies in the flow of funds and information. In addition, since the lending market in India is nascent, we disabled certain functionality (such as auctions) and plan to re-introduce these features as investors gain experience with lending.

**Please list the specific humanitarian benefits the project has yielded so far.**

To date, we have enabled 836 loans and a total investment of about US\$230,000 in less than two years from launch. Our repayment rate was 98% over the last twelve months. Many of our micro-enterprise borrowers double their income within six months of a loan. Our finishing school (employability training) graduates with bachelor's degrees are able to secure jobs at top-tier BPO companies, earning Rs. 8000-12000 [\$160-\$240] per month, oftentimes leading to 5 to 10 times increase in their incomes. Many of them are children of small farmers and the very first college graduates in their family. We only give credit for activities with a direct or indirect link to income generation, such as college tuition, finishing schools and job placement, farming activities, and micro-enterprise setup or expansion. This helps ensure that the funds are used for productive purposes with the potential for life-changing progress. In the words of Amol, who took a Rs. 15,000 [approx. \$300] loan through MicroGraam, "I didn't know typing; I didn't know analytical skills when I started the [employability] training. Now I have a good job in Bangalore, earning Rs. 11,500 [approx. \$230] per month." Another example: Chinnaponnu, owner of a scrap recycling business, took a loan of Rs. 10,000 [\$200] for working capital. He used the funds to buy scrap material from a bicycle shop and other businesses and households. He was able to double his income from Rs. 1,500 [\$30] to Rs. 3,000 [\$60] and is now saving to buy a small vehicle for scrap collection. We have hundreds of similar stories (see web-site) from students and micro-entrepreneurs who were able to use the funds to secure jobs or increase income from farms or micro-enterprises.

**Please provide the best example of how the project has benefited a specific individual, enterprise or organization. Feel free to include personal quotes from individuals who have directly benefited from the work.**

Field Partner: Vidya Poshak. Since 2002, Vidya Poshak had been providing scholarships to students studying in grades 10th to 12th, college or in Graduate Finishing School (employability training). The organization also provides counseling and job placement services. The scholarship model had limitations from a sustainability perspective and donors had asked Vidya Poshak to build sustainable and scalable models for support. MicroGraam approached Vidya Poshak and suggested an innovative structure wherein part of the support could be debt-based. By keeping part of the fees as scholarship and requiring loan repayment to begin only after job placement, the loan burden on students was minimized. The program received enthusiastic response from students. Vidya Poshak is now able to use its funds to support a larger number of students. We plan to scale the program to support 500+ students next year, up from 76 this year. Education example: Pooja Agarwal, one of four children of a small businessman in Bijapur in Karnataka, holds a B.Com degree. Despite her high grades, she lacked employability skills, such as business writing, use of productivity software and problem-solving skills. She enrolled in Vidya Poshak's employability training program and obtained a loan of Rs. 15,000 [\$300] through MicroGraam. Pooja now works with a company in Bangalore, earning a monthly salary of Rs. 12,000 [\$250]. She is in the process of paying back the loan. Micro-enterprise loan: Susai Mariyal owns a solid waste recycling business. She segregates and prepares waste material for further processing by recycling units. In March 2011, she took a loan of Rs. 10,000 [\$200] to expand her working capital for buying waste material. Within four months, she almost doubled her income. She spends the additional income on school fees for her children.