

Podcast Transcript [15.01 Vedika Bhandarkar - Water.org - Introduction and how you can contribute](#)

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Context to the nugget

Vedika talks about the criticality of solving for water and sanitation at the bottom of the pyramid. Clearly, there is a lot to be done. She talks about how Water.org is using a multi-pronged approach to tackle this problem (enabling financing, influencing regulation, raising a fund etc.). She discusses how access to water is a mission-critical need for all individuals at the bottom of the pyramid to lead a productive life with dignity.

Transcription

Deepak Jayaraman (DJ): Maybe a good place to start is what you do today at water.org. What's the organization about? Why you do what you do? What got you here?

Vedika Bhandarkar (VB): So, water.org, as the name suggests, is a not-for-profit and we are focused on making sure that every person in this world gets access to safe water and sanitation. So, our vision is that in our lifetimes, everybody in this world will have access to safe water and sanitation. Our focus is really households at the base of the economic pyramid. We are a 25-year-old organization and when we started, we started like any other philanthropic organization, which is giving money to people to build, either to dig wells or to get water connections. Very soon, we realized that there isn't enough money in the world to solve this problem. To give you a sense of the gap which exists, World Bank estimates that you need a trillion dollars over five years to ensure that everybody in this world gets access to safe water and sanitation. If you look at the amount of money which is spent in this sector per year in terms of aid, in terms of philanthropy, the money is about 10 billion dollars. So, there's a huge gap and it certainly is not possible in our lifetime. This started the thinking process of how we can make sure that every rupee or every dollar is leveraged to the maximum.

The second realization was that people at the base of the economic pyramid, which is who we serve, are already paying a lot to get access to the services. Everybody needs water, so even if there is no water connection, people are getting that water and they are paying the water vendors or they are paying through some other means, a huge cost, and they are borrowing at 50%, 100%. The third realization was that most of the people at the base of the pyramid want a choice in what services they have and are happy to pay as long as it's affordable. So, that's what started what we call water credit. It started in India many years ago. It's a very simple concept which was really working with financial institutions, which would make loans, small loans, and micro loans, for getting a water connection or for building a toilet.

So, we started water credit in India several years ago. We had to really work hard to convince institutions that this will work, but the good news is, it works. It is still very much our main offering in India, and we've exported it to many other countries. So, to give you a sense of the numbers in India, through water credit, our partners have made more than one million loans reaching more than four million people, aggregating 1,200 crores. Remember, I told you we want to make sure the leverage is maximum? So, we offer our partner some help at the beginning to get them to start water and sanitation lending. The help can be just technical help and it can be some sort of soft subsidy to cover some of the initial cost. So, the initial cost of surveying the market, the initial cost of demand generation, of hiring people, whatever it might be. And after that, the scale sort of takes over and over time our partners will not need any subsidy. So, to get to this 1,200 crores of lending, our total grants to them have been 50 crores, so that's a 1:20 sort of leverage. Overall, across the world, we've reached more than 6 million people through water credit. So, that's been our main offering, but there are a bunch of other things that we do.

While we were working with lenders, we said, how else can we encourage you, how can we facilitate you doing more lending? So, a couple of things came up. One was, they said, if we had access to capital on a consistent basis, we could do more of this lending. So, we did two things. We worked a lot with the Ministry of Drinking Water and Sanitation and with the RBI and last year, got water and sanitation included in the priority sector. Which means, a bank for it to make loans in this sector, included in the priority, so our partners have more access to capital.

But we didn't stop there. We went and raised a small fund from social impact investors, 11 million dollars. We deployed it only in India as rupee-denominated debt last year and now we are in the process of raising a bigger fund, 50 million dollars. And the thesis really is, one, our partners will have more capital which they can use to make more water and sanitation loans, but also the social impact world has always thought that water and sanitation is not a sector which is bankable. They have thought that water and sanitation is only for philanthropy. So, we are hoping to prove through our evidence base that this is a bankable sector so that more money can come into this sector. I didn't talk about this. So, the million loans which have been made in India, the repayment rate has been 99%-plus, and the average loan size it took me many months to get over that fact but the average loan size is just over 10,000 rupees. The reason it took me so many months to get over this fact is, one, it's so small, but two, it makes such a huge difference in the lives of the people who have access to either that water connection and/or the toilet.

DJ: What's the key insight there when you talk about 99%? What are the reasons underpinning that high number?

VB: That's a good question, and it's very surprising. So, the first most basic insight is that the base of the economic pyramid is a bankable consumer base, but MFIs recognize that, small finance banks recognize that, many banks now recognize that. That is, I think, the most fundamental insight which we have to keep in mind.

The second one, I think, even takes lenders by surprise. So, a loan for a water connection or a loan for a toilet is not an income-generating loan; it can be even called a consumption loan though I have a big problem with that, but it can be called a consumption loan. And the good news is, even though it's not an income-generating loan, people still are paying back their loans and, I think, that is the most fundamental insight. So, the borrower recognizes the value of either the water or tap at home she saves so many hours every day where she doesn't have to go to fetch water or she recognizes that having a toilet at home gives her safety, gives her daughter safety and also reduces illnesses. Very often, sitting in cities, we make the mistake that people at the base of the pyramid don't know

what's good for them. Actually, it's not true at all, they absolutely know what's good for them and look at the numbers; they speak for themselves. And the good news today is, we have built such a strong evidence base within India that to get a new financial institution as a partner is relatively easy now, because we can point to those numbers. One of the new partners who we got in, actually, we helped their risk committee get over their fear that it's not going to be viable lending and we said look at the data across states, across cycles, including the 2010 crisis; these loans have been repaid.

DJ: And even by a for-profit metric, it makes commercial sense to serve this sector is the point you're making.

VB: Absolutely! So, what gets my goat is when I go to a new lender and they will say, OK, we will introduce you to the CSR department. Yes, sure, I would love to get introduced to the CSR department, but the point which we are trying to make, and we are hoping it gets made every day, is, lending for water and sanitation is a commercially viable business and it's not something you do out of charity. In fact, at a recent partners' meeting, one of our partners said something which I thought was very unusual and I'd never thought of it. They said, they do water and sanitation lending in order to preserve and protect their lending portfolio and this is how they thought about it. They said, the biggest risk when you are lending at the base of the pyramid is that the borrower will go back into poverty and the reason they go back into poverty most of the times is because of a health shock. If you can do any lending to reduce the chances of getting those health shocks and sanitation and access to water does that you have actually improved the quality of their portfolio. And that was a very unusual way of thinking, but it's very powerful if you think about it.

DJ: And given water, as you said, is sort of core for a lot of things we do, two things, right? One is, sort of the insurance piece and second is the piece around hidden cost of what it takes to find an alternative supply, what it means in terms of lost time, etcetera? So, I think, that piece around hidden cost, sometimes, we in urban cities probably don't appreciate.

VB: Actually, even in cities, in slums, people have that. We call it the coping cost. So, you are absolutely right. The number of hours spent going to and fro, collecting water, the fact that many girls can't go to school because they have to be collecting water, the cost that you pay to the vendors, plus all sorts of health problems which impact everybody but certainly the women and the girl child, because to relieve themselves they have to wait till it's dark. They cannot relieve themselves as and when; it's not safe. So, the coping costs are just enormous.

DJ: Given we are on the topic, what's a good way for somebody who wants to contribute to this to engage? One is, of course, the financial institutions, you talk to them, but is there a way the retail consumer or individual can make a difference to this cause through this platform?

VB: Through the water.org platform? Absolutely! You can be involved. I think, the first step which anybody can take and should take is just to contribute financially. Every not-for-profit needs money to do their work. So, the easiest thing you can do is to write a cheque, and all cheques are welcome. After that, if you are interested in the sector, if you believe that water and sanitation is a very fundamental need, then there are other ways of contributing and by all means go and visit our website. See what other areas you would like to contribute in, because a lot of effort is also needed around behaviour change, around communication, around engagement with the communities. So, absolutely, write to us, and we will be very happy.

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Reflections from Deepak Jayaraman

DJ: What struck me the most in this piece was not so much what Vedika says about Water.org but more around the point about how we think about careers? I find several professionals in the "for profit" world saying, I want to do something that is purposeful and something that is impactful to the wider society. And often they over-index on that and end up doing something totally different (Grass-roots social work, teaching the under-privileged and so on). I am not for a moment saying people shouldn't do that, but sometimes, we don't systematically explore the solution space which is at the intersection of skills, passion and purpose. There is a certain energy with which people show up and a certain suitability to it when they manage to operate at that intersection.

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About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work [here](#).

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