



KULA LOANS

Annual Report 2020

Investing in rural communities



A woman with her arms crossed stands in a tea plantation. She is wearing a red long-sleeved shirt and an orange sari with a yellow and blue floral pattern. On her head, she wears a green patterned headscarf and a white cloth. She has a bindi on her forehead and a nose ring. In the background, another person in a red sari is visible working in the tea field.

Kula Loans
believes that the
power of true
transformation
lies within the
community

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1 Introduction

Welcome to the annual report of Kula Loans International for 2020.

After our kick-off year of 2019, we were very much excited what 2020 would bring us. However, it was not the year we all hoped for. The year 2020 will forever be remembered as the year where the corona virus put the world into turmoil. Also for Kula Loans, and our local partners. But, the corona crisis also brought some lights of hope.

During the pandemic India has been one of the most affected countries in the world. Not only in terms of victims, but Covid-19 has devastated India's economically. The first lockdown from April to July 2020 led to a decrease of India's GDP by a massive 24.4%. This sharp drop in GDP is the largest in the country's history - and even that may well underestimate the economic damage experienced by the poorest households. During India's first stringent national lockdown, individual income dropped by approximately 40%. Obviously, this also impacted the communities our local partners work with. They have been doing everything in their power to ensure the support to the families in these communities.

Therefore, we would like to thank our local partners. Risking their own health, reducing the teams of their own organisations, they were out there in the communities, educating and supporting the local communities. While, being there for the families, being the first point of contact even during lock-down, they found solutions, enterprising models to bring health education to fight covid into the homes of the people. We can only have lots of respect for their efforts.

In addition, we would like to thank all our sponsors. Thank you for your trust and your understanding, continuing your support, growing your financial contribution, in times of need. Together we can make a real difference in the lives of underprivileged communities by providing group-based loans, for enterprising groups.

Stay healthy, for you and your loved ones, The Kula-team



2 Foundation Kula Loans International

2.1 Our drive

Our reason to start this initiative?

At Kula Loans International - 'Kula' means in Sanskrit 'Community of the Heart' - we believe that the power of true transformation lies within any community. We also believe communal well-being to be the cornerstone of a thriving society. While traditional microcredit provides small loans to individuals with household businesses, Kula Loans aims at broadening the possibilities by reaching out to groups, and through group enterprises to the entire community.

We dare to take the risk to provide loans to base of the pyramid community groups, willing to invest in solutions which will grow income or result in cost savings for all members of these groups and their families, while it will also grow the well-being of their larger communities. Kula Loans International is a foundation that invests in groups of enterprising people that foster the well-being of their communities.

2.2 Mission & Vision

We aim to improve the wellbeing of poor communities worldwide, by providing financial support and empowerment of enterprising groups.

We want to grant the opportunity to every financially excluded group and community around the world, to participate economically, with solutions that aim to increasing the well-being of their own community.

The foundation is based in the Netherlands and is a non-profit, entirely ran of volunteering professionals. Through a revolving fund we support the poorest communities granting opportunities to build a better life, be economically included and build sustainable social businesses.

2.3 Impact

Ultimately, we raise the standard of living of the poor people by investing in enterprising groups and community-led social ventures. Thus, the impact is an increased well-being, through:

- improved livelihood
- better environment
- healthier living

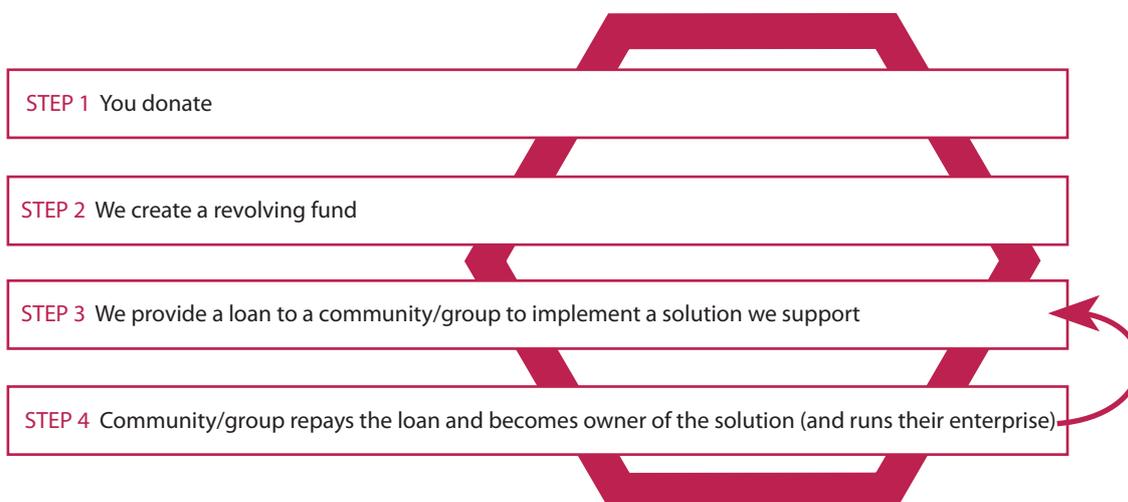
2.4 What we do

The foundation aims to achieve this impact with the following activities:

- providing cheap and tailor-made loans to groups in poor communities worldwide;
- investing through a revolving fund in projects that provide healthy, sustainable and economically viable solutions for the groups in those communities;
- engaging in capacity building, transfer of knowledge about (group) social entrepreneurship;
- inspiring (online) communities to activate other partners to tag along;

We provide the revolving funds, and the technical assistance, to invest in community-owned technologies that will increase the well-being of the community.

2.5 Our revolving fund process



2.6 How we do it

We always work through local partners, either Non-Governmental Organizations (NGO's) or Microfinance Institutions (MFI's) that have long established trust-based relations with the local communities. Our partners get their cost compensation from the interest the groups pay. We select our partners based on the following selection criteria:

1. Each loan from the fund aims to increase wellbeing at large
2. Revolving fund is only disbursing loans to (social) ventures that are:
3. Generating income / have a sustainable business model,
4. Contributing to well-being (in the broadest way, including but not limited to Water, Sanitation, Hygiene (WASH),
5. Environmentally sustainable and
6. Empowering
7. Operating area of partner is in the poorest region of the country/sea, or partner is committed to dedicate the revolving fund to the poorest-of-the-poor
8. Credits/Fund for loans for communities is new to the partners
9. After repayment of the loan(s) the "invested/implemented" technologies are owned by the group that took the loan
10. Partners have a proven track record of capacity building and Technical Assistance (TA) to communities
11. Willingness and active contribution to open-source sharing of learnings
12. Partner is committed to manage a sustainable revolving fund
13. No criminal records of Board members, no extreme pay for CEO's, low overhead, high integrity of director (and/or founder)

2.7 Our team

Kula Loans is a foundation managed by professionals, united by their passion to reduce poverty; They all provide their time, expertise and network on a voluntary basis, to assure that each donated euro will directly go to the enterprising groups in the communities where our local partners operate.

Kula Loans' foundation consists of a board, a group of additional volunteers, and our local partners. Currently, our board consists of the following three people:



Erlijn Sie, chairperson



René Pieterse, treasurer



Niels Boertje, secretary

Our volunteers support us with our online communication, content development and other activities. Our co-founders, Niels and Erlijn, have done relevant activities before. Erlijn is co-founder of Microcredit for Mothers, a foundation aiming to support women in Asia to set up their own business through small loans, provide the opportunity to save and get professional, entrepreneurial and leadership trainings. Currently the revolving fund provides loans to (over) 5000 families per year, in 8 different countries. Niels has been volunteering with Microcredit for Mothers for around 10 years, building the partner network of that organization in the India and Nepal region over the past years.

None of the board members or volunteers receive any salary or compensation for their efforts.

2.8 ANBI status

Kula Loans International has been granted the ANBI status (ANBI = "Algemeen Nut Beogende Instelling", a Dutch not-for-profit foundation aiming to create benefits for the society as a whole) on 10th of October 2018.

ANBI: 859247302



3 Local partnerships

3.1 Local partner India Drishtee

In 2020 we have started a new partnership with Drishtee Foundation. Drishtee Foundation is a social organization working in villages towards sustainability and shared prosperity, since year 2003. It works with farming families and local entrepreneurs to ensure availability of services and development of livelihood within the village. Drishtee helps develop rural and urban linkage through a value chain approach in the field of micro enterprise development or livelihood and through a franchisee model for provisioning of services. The organization stands on the principles of sustainability, value creation and entrepreneurship.



Community development is an approach to bring ownership among community of any development initiatives so that community themselves can respond to their needs.

Community development is a holistic approach of Drishtee to enhance local livelihood opportunities and access to basic services, within community. The initiative focuses on building self-reliant sustainable, interdependent community organizations and enable community organizations to design and develop community led economic and social solutions for the betterment of their villages.

We share the common belief that thriving communities are the heart of sustainable development instead of encouraging individualistic enrichment. The aim of Drishtee is to continuously improve the quality of life through the collective involvement of local community members: 'One Village, One Family, One Community Organization'.

How this works for our Kula Loans approach will be highlighted in the next chapter. If you want to read more about Drishtee, please have a look at their website: <https://drishtee.in/>.

3.2 Local partner India NEED

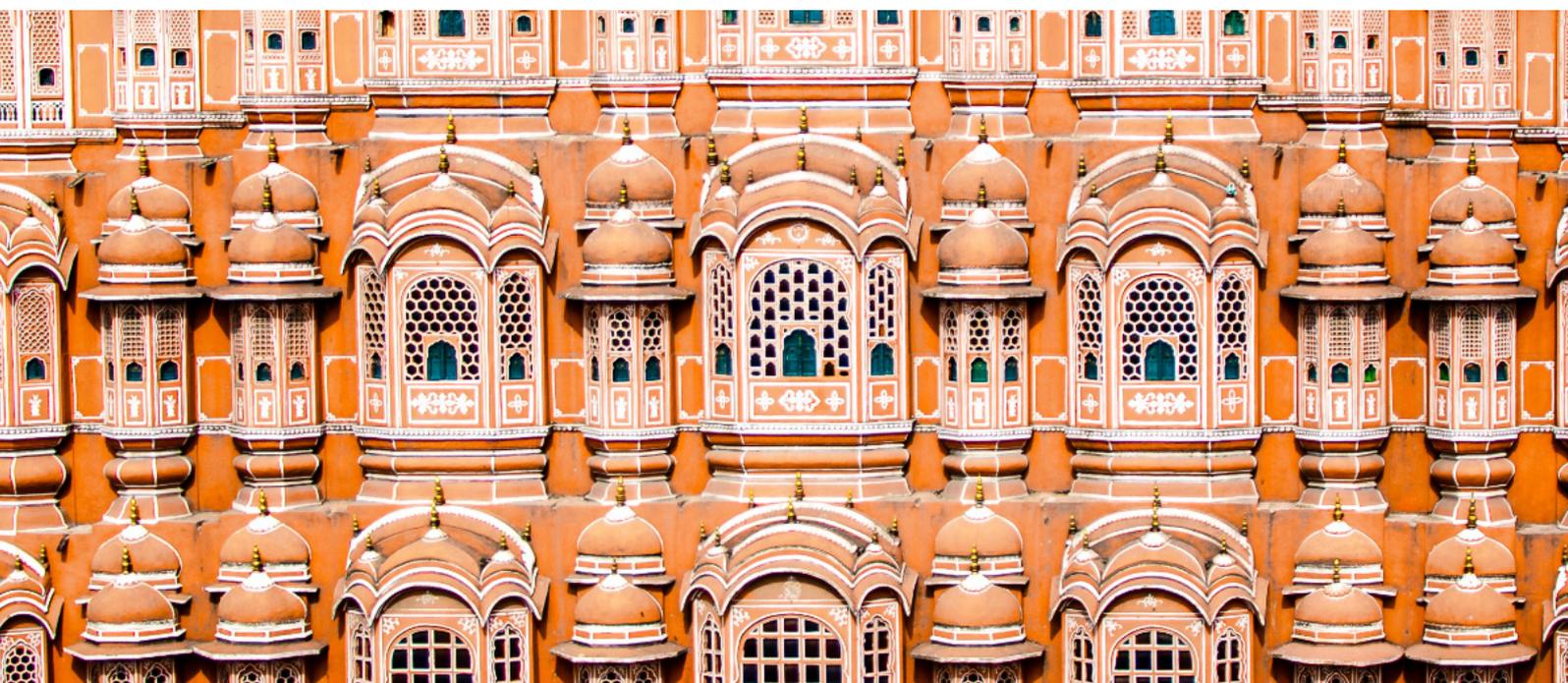
Our first local partnership with NETWORK OF ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT (NEED) has been established in 2018. NEED has many years of experiences in promoting value based economic cum social enterprises, and 15+ years of operations in education, skill training and value based fast growing non-farm & farm sector.



NEED operates in Uttar Pradesh, Bihar, Uttarakhand and West Bengal (in the north of India), and covers over 6500 villages. Together we envision the poor people residing in the Northern region of India, to raise their standard of living, by empowering them to benefit from the solar power available to them, by investing in collectively owned solar-powered solutions, that increase the well-being of (the larger part of) their communities financially and environmentally sustainable manner. For more Information please see their website: www.needindia.org.



Mr. Anil K. Singh, director and founder of NEED, with part of the local outreach team



4 Our long-term programs

4.1 Partnership with NEED

In our partnership we envision the poor people residing in the Northern region of India, to raise their standard of living, by empowering them to benefit from this solar power available to them, by investing in community- as well as household owned solar-powered solutions, that increase the well-being of (the larger part) of the community in a (self-) sustainable manner.

Together with NEED, we have been able to support many groups, and with their repayments new groups and new investments are made on an ongoing basis. Below and on the next pages we have described a number of solutions where our funds have been utilized for.

In 2020 with support of Kula Loans NEED has been able to provide assistance to the local communities in different ways. Let us see in what ways they are doing this.

4.2 Solar pumps in the rural community

In 2020 there have been numerous investments in solar driven water pumps for irrigation.



Solar power provides clean access to irrigation water

Impact

The use of solar irrigation pumps has following social-economic impacts:

- Enhanced agricultural productivity and profitability
- Efficient use of water resource
- Reduced environmental degradation
- Increased youth employment
- Reduced poverty of farmer communities

4.3 Solar lights for village community schools

In the Northern part of India, in the state of Uttar Pradesh, in the Lucknow district we provided different group-loans to the committees of village community schools. These group-loans are invested in a solar solution on the roof of the school, with which they power the lights, drinking water installation and fans.



Covid-19 awareness training on the roof of one of the community schools (solar panels in background)

The model NEED has been implementing is quite straightforward. The students pay a small fee, and the school committee used to pay electricity bills from the savings of these fees. However, electricity is very erratic, and costs are high. Some amount of their own savings, as well as the loan, are used to invest in the solar solution on the roof. Savings are directly from the cost they used to pay for electricity. The loan is repaid in monthly payments, and average repayment period is 2 years.

Impact

The community has taken the ownership of benefitting from the school facility to the fullest. Not only do the students benefit from education, with lower cost due to savings of electricity bills. Also siblings benefit from play & day care facilities.

4.4 Corona support

NEED initiated Corona Health Guide (CHG), who worked at every 1000 household to avoid that the virus can attack each of these 1000 household members. NEED did this in all micro-finance supported villages. When the virus rapidly starting to spread their singular mission was to prevent transmission of Covid-19 in the communities.



At the right, you see a snapshot of a video covering a health awareness raising event exclusive for (young) women. This was also one of the interventions initiated by NEED.

Impact

This way they helped during the first peak of COVID to create understanding, awareness and better hygiene among the communities they serve.

4.5 Investment in household-based solar solutions

One of the central pillars of their micro-finance assistance is providing loans for solar solution in and around individual households. We are experiencing together with NEED that people are not only requesting for community-based solutions, but also at household level. We see this as a vital step in the transition to clean, viable

communities. We therefore started to invest in household solar appliances as first requirement, before we grow towards even more group and community solutions.

One of these beneficiaries is Neelam. With an investment loan of 55 EUR she bought a solar light.

Investing in household based solar solutions supports the awareness raising in the communities, and spreads ideas for furthering the impact solar solutions can bring in communities.



Solar powered butter machine, solar power to run a coaching institute, solar lights making goat rearing safer and easier

Impact

The impact of solar household solutions are multifold:

- Impact on household finances: poor households tend to spend a higher fraction of their income on energy, which will be reduced significantly with investments of solar power solutions.
- Beyond financial savings, solar users benefit from extra lighting hours and better quality and more reliable lighting.

- Impact on health: by replacing kerosene lanterns, solar systems can help reduce household air pollution.
- Impact on education: there is clear evidence that better access to lighting provides children with opportunities to increase the quality and time of their study/ homework.
- Impact on the environment
- Impact on livelihoods: through solar supply chain. The development of the solar market creates jobs and income-generation opportunities throughout the supply chain.

4.6 Investment of solar solutions panels on the roof of the head office of NEED

When the lock-down hit the communities where NEED operates, part of the revolving fund could not be distributed into the communities. Field officers stayed in touch with the families in the communities by telephone, but the distribution of loans and collection of repayment came to a full stop. This immediately led to a very challenging



situation for NEED as an organisation too. No repayment, means no income to pay salaries. In close collaboration, we jointly decided that NEED office could invest some of the revolving fund 'sitting' with them, in a solar panel installation for their own office.

Impact

- NEED as an organization would reduce cost on energy bills
- NEED could demonstrate the benefits of solar with their own office
- the revolving fund was used and invested in solar power.

4.7 Partnership with Dristhee

With support of Kula Loans Dristhee has started to build locally relevant business ecosystems among 5 focus areas in Northern India. The groups that have been established work in a production chain, collectively building and growing the local economy. The support given to the villages and villagers is multi-faceted, but it is primarily community driven. The support will include group loans, knowledge support in enterprise development, support in building distribution networks, as well as community empowerment.



Our approach consists of three unique elements: 1. in partnership, 2. building local economies through production chains, 3. providing group loans from a revolving fund.

In partnership with Dristhee

Kula Loans partners with Dristhee. Dristhee has decades of experience in building sustainable communities, both with capacity building and microcredit. They have an approach, as pictured here. On the one hand, they build an ecosystem to support local economies to start and grow, build the distribution network and provide the capital. On the other hand, they support villages to build the basic services and develop micro-enterprise groups (MEGs).

Building local economies through production chains

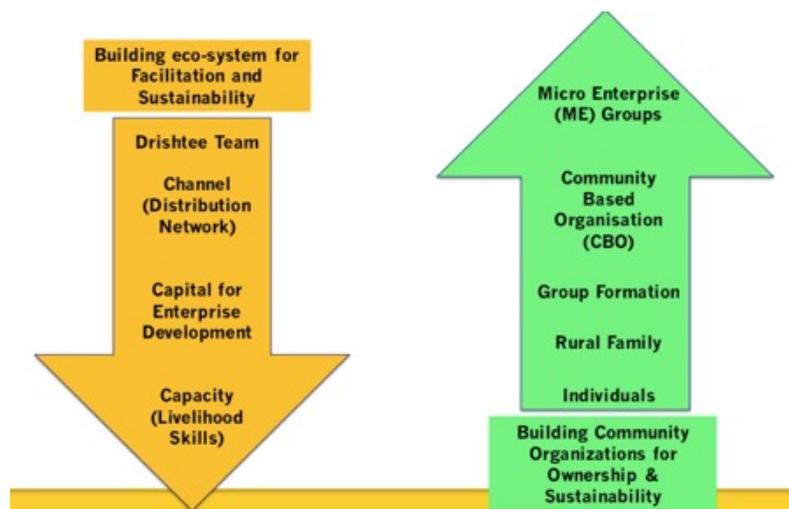
Together, we will further initiate and grow MEGs that are connected in a production chain, in order to ignite the local economy. Community involvement and participation is key to the success of locally driven businesses. In doing so, we assume local ownership; common decision making regarding the use of common space and reinvesting in the well-being of the entire community.

Creating a production chain is crucial, it strengthens local resilience, increases opportunities for income generation for others; f.e. the transportation needed, but also additional things like packaging, jobs that come from the different businesses and the like. It gives an impetus to keep as much value as possible in the local environment.

Providing group loans from a revolving fund

Allowing groups (MEGs) to invest in their business to grow is very unusual because a loan to a group is considered too risky according to the existing institutions. Both Drishtee and Kula Loans believe in the power of community, which is why we are joining forces to prove that these groups are also creditworthy. We do this by applying a revolving fund, from which we provide group loans to those MEGs, which are linked together in a production chain. After repayment of the group loan, the group will own the solution they invested in. In addition, another MEG can apply for and receive a group loan to invest in their group company.

Due to the severe COVID-19 situation and restrictions we have not been able to distribute loans to the groups yet in 2020. However, all preparations have been done successfully and the groups have been identified and strengthened by specific value chain business knowledge. We are faithful that the first loans will be distributed in 2021.





5 Financial implications

5.1 Financial policy

In this chapter we provide the Financial Statements and Balance sheet highlights for the reporting period 2020. All amounts are in Euro's.

5.2 Main financial highlights

Income (EUR)	2020	2019
Income from individuals	750	1.060
Income from companies	0	2.400
Income from non-profit organisations	19.000	43.172
Total income from non-exchange transactions (gifts)	19.750	46.632

Expenditure (EUR)

Spent on objectives and goals	0	1.500
Raising funds	0	18
Cost for management and admin	147	871
Total of expenditure	147	2.389

Destination net income/(expenditure) (EUR)

Addition to/withdrawal from

Other reserves	0	240
Destination reserve for expansion of revolving fund(s)	0	24.003
Destination funds	19.603	20.000
Total	19.603	44.243

Ratio's

Expenditure for raising funds ratio / total income	0,0 %
Expenditure for management and administration / total income	0,7 %
Expenditure to projects cost + net income /total income	99,3 %

Highlights

- In 2020 we raised close to 20.000 euro
- The raised funds were added to the revolving fund of NEED and Drishtee

5.3 Balance sheet highlights

Actuals	2020	2019
Assets (EUR)		
Fixed Assets		
Financial assets	62.613	20.000
Liquid Assets		
Cash at bank and in hand	1.243	31.753
Total asset	63.856	51.753

Liabilities (EUR)

Reserves and funds

Reserves

Destination reserves	993	24.003
Other reserves	240	240
	1.233	24.243

Funds

Destination fund(s)	62.613	20.000
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Long term debts

Long term debts	0	2.500
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Short term debts

Short term debts	10	5.010
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Total liabilities	63.856	51.753
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Financial Assets

The Financial Assets consist of the Revolving Funds. These are the 0%-loans distributed to our partners, which they use to provide group-based loans to the communities in India in which we are active. In that way, they represent the group-based loans that are provided to the various projects. When providing the loan to our partner organizations in India, we make sure the loans to the communities in the projects can only be provided under the terms and condition as set by our foundation.

Destination reserves

These funds are reserved for a specific long-term program. For this year all destination reserves are geared towards the revolving fund with NEED and Drishtee in Northern India.

Ratio's

Our expenditure for management and administration / total income ratio in 2020 was 0,7% only. This means 99,3% of the total income has been spent the objectives.

More details

More details can be found in the Appendix to this document containing our full financial statement.



6 Fundraising & sponsors

We have been able to fundraise a total of EUR 19.750 in 2020. Without the generosity of our friends, sponsors and other foundations we would not have been able to grow our revolving funds with which our partners provided support to the families in the Indian communities, in this year of crisis.

Many of them cannot be published by name due to privacy regulations, but we are very thankful in their trust in our organisation and our mission.

- Stichting VVE get together
- Kuijte-Warong Stichting
- Stichting HET TIENDE KIND



7

What's next: plans 2021

7.1 Wait and see what Covid will do

In 2021 we will mainly wait and see what Covid does, and how we can best adapt to the needs of the communities our partners support. We aim to catch-up as much as possible, allowing our partners to catch-up, depending on their local corona situation.

We do not expect to grow, we respect our partners situation, and will adapt to the needs in the communities.

7.2 Pause growth of Credits for Communities

2020 should have been the year to kick start our Global movement, Credits for Communities (CfC), sharing stories showcasing the power of the community. To let it grow from non-existent to a modest community of like-minded people and partners. We did not manage to do so, and will pause to do so, for another year, to allow us and our partners to see how covid plays out.



The mission will continue to be:

“To grow the global movement of people and partners who contribute to the acceleration of access to funds, expertise and partners required for groups in poor communities around the world, to set-up and built their social enterprise with which they not only increase their own income, but also increase the well-being of the larger community they live & work in.

Firstly, grow the global movement of people and partners who want to contribute to social ventures in poor. Secondly, activate people and partners to engage with the CfC movement. Thirdly, position the CfC website/platform as a community of practice, the place to be, if you wish to support/commit to groups that set-up and built social enterprises at the BoP.”

This is what we aim to get across:

1. You can make an impact, in less than 2 hours a week

Inspiring young adults (20-30) to contribute to poverty reduction, “small groups here, empower small groups there”.

2. We need people and partners

What makes this a global movement is the open-access, transparent, like-minded people and partners that are willing to contribute and share. Nobody of us can do this alone. Connecting those who have the funds, expertise and technologies/ solutions, with those who can bring them to the groups & communities.

3. Groups/Communities are Key

We believe the group is key to thriving communities; To reduce poverty we need communities to be empowered to grow out of it by themselves. For this we need to invest in the group and the communities, so that they can set-up & built successful enterprises that do not only increase their income (be sustainable), but also increase the well-being of the larger community; We target the informal group, all of them in between the micro-entrepreneur and the SME.

4. Show case groups are worth investing in

We share, and encourage partners to share successful examples, as well as lessons learned from failure, of informal groups that were successful. Not just in repaying their group loans, but we strive to communicate the whole/broad impact of “investing” in the group, next to group-loans think of: what it does to community, role model, empowerment, impact on next gen.

5. Demonstrate Innovative and or successful Social enterprises in poor communities, by poor groups.

7.3 Growth expectations & fundraising

Budget for 2021

Income (EUR)

Income from individuals	2.000
Income from companies	5.000
Income from non-profit organisations	18.000
Total income from non-exchange transactions (gifts)	25.000

Expenditure (EUR)

Spent on objectives and goals	15.000
Raising funds	50
Cost for management and admin	250
Total of expenditure	15.300

Destination net income/(expenditure) (EUR)

Other reserves	240
Destination reserves	-540
Destination funds (Revolving fund with partner NEED)	5.000
Destination funds (Revolving fund with partner Drishtee)	5.000
Net income/(expenditure)	9.700



Appendix Financial statement

Financial statement (Income and expenditure)

Actuals	2020	2019
Income (EUR)		
Income from individuals	750	1.060
Income from companies	0	2.400
Income from non-profit organisations	19.000	43.172
<i>Total income from non-exchange transactions (gifts)</i>	19.750	46.632
Other income		...
Total income	19.750	46.632
Expenditure (EUR)		
Spent on objectives and goals	0	1.500
Raising funds	0	18
Cost for management and admin	147	871
Total of expenditure	147	2.389
Net income/(expenditure)	19.603	44.243
Destination net income/(expenditure) (EUR)		
Addition to/withdrawal from		
Other reserves	0	240
Destination reserve for expansion of revolving fund(s)	0	24.003
Destination funds	19.603	20.000
Total	19.603	44.243

Addendum Financial statement (Income and expenditure)

Actuals	2020	2019
Income (EUR)		
<i>Income from individuals</i>	750	1.060
<i>Income from companies</i>		2.400
<i>Income from non-profit organisations</i>	19.000	43.172
Total income from non-exchange transactions (gifts)	19.750	46.632
Other income	0	0
Total income	19.750	46.632
Expenditure (EUR)		
Spent on objectives and goals	0	1.500
Raising funds	0	18
Cost for management and admin	147	871
<i>Bank charges</i>	147	
Total of expenditure	147	2.389
Net income/(expenditure)	19.603	44.243
Destination net income/(expenditure) (EUR)		
Addition to/withdrawal from		
Other reserves (bank charges)	0	240
Destination reserve	-23.010	24.003
Destination funds (Revolving fund NEED)	30.113	20.000
Destination funds (Revolving fund Drishtee)	12.500	0
Total	19.603	44.243

Balance sheet

Actuals	2020	2019
Assets (EUR)		
Fixed Assets		
Financial assets	62.613	20.000
Liquid Assets		
Cash at bank and in hand	1.243	31.753
Total asset	63.856	51.753
Liabilities (EUR)		
Reserves and funds		
<u>Reserves</u>		
Destination reserves	993	24.003
Other reserves	240	240
	1.233	24.243
<u>Funds</u>		
Destination fund(s)	62.613	20.000
Long term debts		
Long term debts	0	2.500
Short term debts		
Short term debts	10	5.010
Total liabilities	63.856	51.753

Additional information on balance sheet

	2020	2019
Fixed assets		
Financial assets	62.613	20.000
<i>Revolving Fund Drishtee</i>	12.500	
<i>Revolving Fund NEED</i>	50.113	
Liquid assets		
Cash at bank and and in hand	1.243	31.753
<i>Rabobank NL86 RABO 0334 5335 62</i>	1.243	31.753
Liabilities		
Reserves and funds		
<u>Reserves</u>		
Destination reserves	993	24.003
Other reserves	240	240
<i>Bank charges</i>	240	240
<u>Funds</u>		
Destination funds	62.613	20.000
<i>Revolving Fund Drishtee</i>	12.500	
<i>Revolving fund NEED</i>	50.113	20.000
Long term debts		
Long term debts	0	2.500
<i>Loan o/g Emmaus foundation</i>	0	2.500
Short term debts		
Short term debts	10	5.010
<i>Loan o/g R.Pieterse</i>	0	5.000
<i>Bank charges</i>	10	10

Budget

	Actual 2020	Budget 2021
Income		
Income from individuals	750	2.000
Income from companies	0	5.000
Income from non-profit organisations	19.000	18.000
Total income from non exchange transactions (gifts)	19.750	25.000
Other income	0	0
Total income	19.750	25.000
Expenditure		
Spent on objectives and goals	0	15.000
Raising funds	0	50
Cost for management and admin	147	250
Total of expenditure	147	15.300
Net income/(expenditure)	19.603	9.700
Destination net income/(expenditure)		
Addition to/withdrawal from		
other reserves	0	240
destination reserves	-23.010	-540
destination funds		
<i>NEED</i>	30.113	5.000
<i>Drishtee</i>	12.500	5.000
	19.603	9.700
Ratio's		
2020		
Expenditure for raising funds ratio / total income		0,0 %
Expenditure for management and administration / total income		0,7 %
Expenditure to projects cost + net income /total income		99,3 %



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