Banking on Ourselves

- Annie Zaidi

That she lost a baby "in the womb" is one of the first sad things she tells you, glancing at the walls, decorated with an article on motherhood clipped from a newspaper and a photo of a toddler. "If Samhita had not approached me, I would just have sat at home. But then I thought, we might have children some day," she says. "I need to work for that day."

Towards that day, Seema Makhan Rada joined a self-help group in Rajinagar, a slum in Bhopal, and began an 'income generating activity'. She took a loan of Rs 5,000 offered by Samhita, an non-governmental organisation that focuses on providing basic services to under-served areas in Madhya Pradesh, and began by selling vegetables. "But I lost money the first few days," she says. "I quickly got out of that and switched to papads. There's a school playground nearby and business is decent."

Seema pays Rs 212.50 each week towards the loan, and manages to make a profit of Rs 5,000 each month. She now wants a bigger loan to set up a shop outside her house.

Seema's husband is supportive. He would not allow her to "go to bunglows" (work in other people's houses as a domestic helper), but he didn't object to her taking a loan to start up her business. He even helped her start a savings account and goes with her to the bank to make withdrawals. Sheepishly, she admits that she can go to the bank alone to make deposits but she's afraid to withdraw, just in case they refuse to hand over the cash.

It is hard to overstate the enormity of her decision. People who contend with telemarketing executives coaxing them to add another credit card to their collection might find it hard to imagine the impossibility of getting a bank loan if you are a landless labourer or a migrant slum-dweller. Apart from the lack of collateral, illiteracy gets in the way.

The impossible, however, has been twisted into a series of enthralling possibilities over the last four decades, thanks to a widespread microfinance movement. NGOs like Samhita are borne of the women's movement and labour unions in Gujarat in the early 1970s. A group of poor women in Ahmedabad, all of them unorganized workers, including cart-pullers and head-loaders (also called 'coolies') formed a collective called the Self-employed Women's Association, or SEWA.

Under the leadership of Ela Bhatt, the women began pooling savings – as little as Rs 10 each – and by 1974, they had started the SEWA Bank.

The bank has since expanded into rural areas and has 3,476 self-help groups (SHGs). The 94% repayment rate goes to show that poor women are not only bankable but that they are willing and able to pay for financial services. Grameen Bank in Bangladesh too has proved the same thing over and over, and ends up with a bright balance sheet most years.

One of the biggest changes SEWA has wrought is 'doorstep banking'. For many poor women, the time spent commuting and cost involved make banking an impractical idea. SEWA not only opened banking counters in various localities, it even has mobile vans going around to collect money, and to offer financial counselling so that even illiterate women may participate.

Even so, microfinance and poverty are a mine-field that NGOs and commercial microfinance institutions (MFIs) negotiate at the risk of severe criticism, particularly in rural India where at least a third of all loans are taken from informal sources - in other words, from moneylenders.

Moneylenders are a much-maligned breed. Leery, inhuman figures dominating the last century of literature and cinema, they were cast as professionals who took away some desperate mother's mangalsutra, or else, zamindars with bulging eyes and hunting whips who took little kids into bondage, or worked a consumptive farmer into his grave. The tragedy, of course, is that these grim creatures of the imagination were often modelled on real people. Even now, landless and very poor families have little option but to offer their own labour and that of their children as security against a loan.

In Bhopal's Rajivnagar, things are better. People have more options to choose from. But even here, many people resort to approaching 'anna' (older brother) – there are several such 'anna's apparently – who offers loans '13 on 100'. This translates into 13 per cent interest, which seems reasonable until you find out that it has to be paid on a daily basis!

Even that kind of usury isn't easy to come by. Savitri Bhat, a puppet-maker and mother of six, who belongs to a community of migrant performers from Rajasthan, explains. "Anna will not give loans to us. He gives money mostly to traders."

The state has often tried to improve people's access to banking. By 1964, the State Bank of India had opened 415 rural branches and after the nationalization of banks, the government tried to promote subsidized interest rates. Regional Rural Banks (RRBs) were started and in 1982, the National Bank for Agriculture and Rural Development (NABARD) was created. But between bureaucracy and illiteracy and corruption, there was little headway until the 1970s, when the SHG phenomenon began to spread.

Three decades later, between state, non-state and commercial players, getting a small loan is turning out to be possible, and not just in capital towns. Praseeda Kunam, for instance, began by setting up Samhita in Rewa district (Madhya Pradesh), a rural area that scores low on all human development indices. It was only when the NGO realized there was a serious credit vacuum in Bhopal's slums that they began the urban project. But, Kunam says, things have changed dramatically over the last three years. There are already eight MFIs offering micro-credit in the same target areas in Bhopal, though few others have ventured into the dusty, drought-hit hinterland.

The Kutch Mahila Vikas Sangathan (KMVS) was one of the few who did. It started work in the ecologically fraught Kutch – part desert, part salty sea – where many households were dependent on women's embroidery skills but had no independent links to markets. KMVS helped link women directly with buyers like the Gujarat State Handloom Development Corporation, and facilitated loans from banks like the Small Industries Development Bank of India.

It has not only helped women access financial services but also built a democratic framework. Women in one village were organized into a ‘mahila mandal’, which elects its own leader. All the mandals from one taluka (administrative block) were organized into a ‘sangathan’. Each woman pays Rs 5 to become a member and there is a minimum saving requirement of Rs 10 per month. The mandal begins lending within three months so that their funds don’t stay idle. It doesn’t end there. The women also earn 6 per cent on their savings, close to what they might have earned in a commercial bank. Records are maintained and women have gotten around their literacy handicaps in quite a colourful fashion. They keep accounts using stitches in their embroidery patterns!

One thing is common to all microfinance ventures in India: SHGs. Whether it is commercial institutions or NGOs, they lend to groups, not to individual women, banking on a complex mix of community ties, group loyalty and peer pressure to ensure that loans get repaid. This means that the group must stay active – meetings must be held, account-books maintained and group leaders held accountable.

One of the smaller battles to be won, before women can tackle the big fight to control their own money, is trust. Lenders have to trust borrowers, of course, but the women who accept loans must also believe in the lenders. According to Praseeda Kunam, frequency of contact between the two is critical. “The entire system would fail in the absence of the continuous contact. The poorest of the poor have no history of credit discipline. There are too many demands on their meager resources, so the continuous contact serves to ensure that the loans are utilized properly. The contact is also important to build strong relationships with the borrowers – to get an understanding of what works better for them.”

Relationships between NGOs and women’s groups often go beyond a single financial transaction. Most women who pay off one loan come back for another. Studies show that the possibility of repeated access to credit is a major factor for a group to keep paying its installments.

However, the group isn’t a fixed entity. The experience of NGOs like Sampark in Andhra Pradesh shows that if a leader is seen as biased or corrupt, women prefer to dissolve the group, split savings and cut their losses rather than confront her. Nor do they levy penalties if there is a delay in repayment, unlike other commercial MFIs.

Microfinance has long been talked of as the hook that will pull the poor out of the poverty quagmire. It is talked of as a whole new sector and some MFIs are listed on the stock exchange. NABARD estimates that there were 3.47 million SHGs in India in March 2008, with a membership of 45.1 million families. Their total savings were an impressive Rs 35.12 billion. It is not a figure to be sneezed at and that, coupled with the success of SEWA and Grameen banks – led to a burgeoning of commercial interest.

By 2007, the RBI had approved only 403 non-banking financial companies who can collect savings. There were at least 12,209 organizations that cannot accept deposits but do extend loans. It is true that many NGOs link their credit schemes with savings but it is also true that commercial banks and MFIs are not particularly interested in poor people’s needs, not beyond their immediate need for hard cash.

Most SHGs would begin with savings. Women who have taken loans and repaid them acknowledge that they value the savings aspect of the relationship – or indeed, the relationship itself – more than the loan! Each woman brought in some money, which could be as little as one rupee a week, and the collective fund was converted into a loan the women rotated amongst themselves. The group would be trained by NGOs who conducted meetings and enforced a degree financial discipline before the women took loans. This process is not followed – or not long enough – by commercial MFIs, some of who are now offering to buy off outstanding loans taken from other sources. Recent news reports have said that some women have seven or eight different loans and are finding it impossible to pay up.

The negative criticism is also due to interest rates that are seen as exploitative. Commercial microcredit is offered at 24-36 percent, and most loans have to be repaid over one year.

However, it is also true that women will often reject a loan if they don't really want it, or if the rates offered by local traders and moneylenders are comparable. In fact, some banks offer subsidies up to 75 per cent. But subsidized credit is not as popular amongst poor women as regular credit, as long as they can get it at reasonable interest rates, and at a time of their choosing.

As Smita Premchander has pointed out, loans help the poor cope with seasonal fluctuations of income. In rural India, money is needed at specific times – before sowing a crop or during a drought, or at harvest time. For example, if a woman cannot find the money to buy seeds, there will be no crop and therefore no income. Or, if she wants a buffalo, she would want to buy it in the rainy season when grass can be had for free. This translates into 'income protection' rather than 'income promotion'.

The other problem area is 'consumption'. Most banks and MFIs give loans only for 'income generating activities'. This does not cover health or education or home repairs. It certainly doesn't cover marriage and death ceremonies. SEWA bank quickly realized that the vast majority of loans are taken by women for housing and has, accordingly tied up with the Housing Development Corporation. It comes from a non-judgmental acceptance of the fact that poor people need money for purposes other than just making more money. They need to pay doctors, buy bricks, and retain the approval of their social peers. Savitri Bhat, for instance, admitted that she had spent her Samhita loan on repaying an older loan taken for her mother-in-law's death ceremonies. It doesn't mean that she is not going to repay the loan.

A more worrying critique of microfinance in India is that services are being extended to the 'middle poor'. The poorest rarely figure amongst the ranks of borrowers, possibly because the poorest women often do not have the capacity to absorb credit.

However, criticism just means that there are holes to be plugged and vents to be cleaned. Bankers must stop making unrealistic assumptions about what poor women want and instead, put out a better basket of goodies.

Take the SEWA Bank, for example. The board of directors includes women who sew or sell vegetables or banana chips, a mill worker, an old-clothes vendor, a beedi-roller, a dyer, and a sanitation worker. Grameen Bank too offers a model with 94% of it owned by the borrowers, with the government holding the remaining 6%. Unsurprisingly, the banks' services are representative of poor women's needs. SEWA, for instance, offers health-care plans, child-care plans, insurance, legal aid, capacity building and communication services.

That said, critics ought to remember that institutional microfinance is only about three decades old in India. Women are slowly starting to flex their collective money muscle. The next step forward might be strengthening SHG-bank links, and to tack infrastructure, skill enhancement and healthcare onto the back of a loan. Microfinance works better when it brings ecological benefits to the community, through land improvement or reforestation or watershed development.

The final word in the book of credit is that everybody needs it, including the poor. The question is: who is offering it in exchange for what? In a country where patriarchy cuts women out of even government-led development projects, poor women have managed to get hold of small loans – often, it is their own money – thanks to SHGs and microfinance ventures. And with one small loan, life changes.

Perhaps, it is only a millimeter shift. But the shift is happening. Ask the priest in Bikanhalli, who is quoted by Smita Premchander in her book, *Multiple Meanings of Money*. "We did not really see them," says Sangamma Pujari. "They were around and that is all!... Now they leave their faces open and approach us without hesitation… They have actually asked to use soap and coconut oil in their hair like men do. They said you have to allow us!"

Or check with Seema Makhan Rada, whose eyes twinkle when asked if her husband is happy that she's making her own money. She follows my glance to a poster on the wall – a crude photoshop job that has placed a photograph of her husband next to a pretty Bollywood starlet. "He is happy," she says. "When he sees the money I'll save, he's going to be happier." And she lets out a delighted giggle.

(word count 2528)