

## THE WOMEN'S BANK

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***Over the last ten years, a group of women in India have managed an incredible feat : without financial backers, they have created a bank that caters to women of the poorest classes.***

*Big city girl Chetna Gala Sinha came to the village of Mhaswad ten years ago. Confronted with the extreme conditions under which local women lived, she decided to start a bank aimed at helping them overcome poverty. She first had to overcome bureaucratic reluctance and the hostility from local men in power. Without financial backers or skilled staff, her bank found innovative solutions inspired directly by its customers needs. The Mann Deshi Mahila Sahakari Bank is today Mhaswad's leading bank and is fuelling a financial and social revolution in the village and surrounding countryside.*

The pace is always the same : one woman gathers up the gravel in a large bowl, a second lifts the bowl and places it on the head of a third woman who slowly takes it to the waiting construction workers. Slowly but surely, the building takes shape.

We are in Mhaswad, a village of twenty thousand inhabitants 360 km from Bombay, in Mann Deshi district, Maharashtra state. The region is one of the famous 'shadow areas', one of the driest in India. This is the beginning of the hot season, and temperatures are already in the 45°C in the shade. It's been hardly an hour since I started taking pictures and already I'm showing the strain. But these women have been working here since early this morning, after having woken up at dawn to clean the house, prepare breakfast for the men and taken care of the children. They'll probably do a 12 hour shift, at the end of which they'll go back to their house chores.

This is the lot of millions of women throughout the country, earning around 50 Rs a day (1 €).

### **From daily wage earner to owning her own business**

Suman Tai Gaikwad, 66, used to work in the fields. She earned 25 Rs per day and knew one day she would have to stop, unable to bear the heavy work in her old age. A widow with no one to look after her, she would be left resource-less.

In 1997 she took out a 10 000 Rs loan with the newly established Mann Deshi Mahila Sahakari Bank. This Microfinance bank only lends to women and focuses on low income earners. Thanks to the loan she opened her own little shop selling offerings to the faithful on their way to the nearby temple. Subsequent loans enabled her to set up a public payphone and buy a refrigerator and sell cold drinks to her customers. Today, far from being homeless, she earns an average of 100 Rs a day and owns her shop which, thanks to a few extensions, has become her home.

### **"Little Mother"; grassroots beginning**

"She was one of our first clients", recalls the founder of the bank, Chetna Gala Sinha, 44, known affectionately in Mhaswad as 'Bhabi', little mother. A graduate in economics from Bombay, Chetna has led an extraordinary life : Whilst taking part in the student protest movement in the 80's, she met farmer activist Vijay Sinha. They married and settled in Vijay's home village of Mhaswad. Chetna soon discovered the absurd conditions in which local farmers had to live and work. "At the market they would have to sell their produce at a loss because of state controlled prices, but as soon as they did they would have to pay back the loan sharks who had lent them money and who were always hovering around. They had

no option left but to take out another loan at very high interest rates and fall further into debt".

Though banks were already established in Mhaswad, none of them would lend to the poor, seen as high risk clients. Chetna was going to show them just how wrong they were. In 1993 she founded a credit union, and quickly came to realise that women were more reliable when it came to repaying loans. "Because of the dry season, men often have to work away from their homes for months at a time, leaving the women to take care of the households, and this of course includes managing finances." Women were also seen as being more trustworthy, using money lent to create or improve a business, invest in their homes or the education of their children, and would make a point of repaying their loans. Men, on the other hand, would be prone to fall to temptation and spend the money on alcohol.

### **A difficult start**

In 1997, with several women from Mhaswad, Chetna decided to create a bank for women of the poorer classes.

Beginnings were tough, sometimes like something out of a movie : The Reserve Bank of India refused to grant them a license because many of their members were poorly educated. Three months after their first meeting they filed a new claim but this time challenged the director of the Reserve Bank. "We said look, maybe most of us have not had proper education, but we know accounting. So give us any interest rate to calculate and we will do it without the help of calculators. You or your staff do the same, and if we make a mistake or you find the result before us, we will abide by your decision".

They won the contest and obtained their license.

This did not sit well with everyone. On the eve of the bank's inauguration, a drunk in the marketplace started shouting to all who would listen that the bank would be a failure and that anyone who opened an account there would lose all their money. "When we pressured him to explain his behaviour, he finally admitted that he had been paid by local businessmen and politicians", remembers Chetna. "They were jealous because it is extremely difficult to obtain a license to open a bank in India."

### **A steep learning curve**

The next day Mann Deshi Mahila Sahakari Bank was inaugurated, but Chetna's problems were far from over. "We realised that despite our enthusiasm, we really needed qualified staff. We sent out job offers in cities like Bombay and Pune, offering big city salaries". But all applicants left as soon as they saw the harsh living conditions of the countryside. "We finally found staff with the government's help", says Chetna. Immediately she was confronted with a shocking realisation : Big city banking methods were totally unsuited to rural needs. She was back to square one. " We finally understood that we would have to learn, and even invent, everything ourselves".

The learning curve was steep, but help came from an unexpected source. "Our clients were like our teachers", recalls Chetna, "They would quickly let us know what would or would not work for them".

With a smile she recalls one 'bright idea' that was immediately rejected. "Without consulting our clients, we bought 5000 boxes with pictures of Mickey mouse on them, the idea being that they would save small sums every day, and when the boxes were full our agents would come to collect the money". The women's response was direct and to the point : "Who gave you such a foolish idea?" they said, "Our men will simply break the boxes, take the money and drink it away!"

### **Finding the right products and the right tools**

One of the first criteria the bank had to fulfil was to give out very small loans. "Our clients are for the most part daily wage earners, small market sellers or shopkeepers or artisans. They

save 5 or 10 Rs a day". An average loan is around 75 €, payable weekly or even daily, and interest rates can be as low as 1.5%.

"Our clients made it clear they could not afford to go to the bank every day as the time away from work would cost them too much money", says Chetna. Once again the bank would have to adapt. Maya works as a debt collector. Every day she does her rounds going to clients' houses and workplaces where she collects the money owed that day. She fills in the details of each transaction in a small handheld computer.

"Technology has helped us greatly", Chetna explains, "Before we would have to fill in everything by hand, but thanks to these little machines we can work a lot faster". No one appreciates this gain in time more than Maya herself. Like all her fellow debt collectors, she does not earn a salary but earns a commission on each transaction made. The more time she has to collect money, the more she earns.

Soon clients will be able to swap their account booklets for sim cards, making their accounts definitely safe from their husbands' prying eyes.

Working with technology can be something of a challenge in a place like Mhaswad. Power cuts are as commonplace as water shortages and last for hours, so the bank has had to equip itself with power generators and batteries.

### **Creativity : an essential asset**

Learning from experience, the women of the bank were soon able to counsel their clients in return. When her husband's poultry business was decimated by avian flu, 32 year old Vanita Pise went to Chetna for advice. "Why don't you buy one of those machines for making cardboard cups, she told me", remembers Vanita. Today Vanita and her family make thousands of these cups which are used by the faithful to place their offerings in at the temple. To meet demand she has bought machines for 4 families who work for her and is already thinking of creating her own brand.

The bank will go as far as creating the conditions women can conduct business in, such as dairy co-operatives. Sometimes it simply finds simple and down to earth solutions. "I remember one woman who sold vegetables on the streets who suddenly became very irregular in her repayments", recalls Chetna, "When I asked her what the problem was, she answered that working in the sun had started affecting her health. I then discovered that this problem was widespread in her profession. We hit upon the idea of providing large umbrellas for her and her colleagues, and her business picked up again". The umbrellas afforded Chetna the opportunity for a nice publicity stunt, as they all carried the name of the bank in large letters on them.

### **Beyond simple banking**

It is this synergistic relationship between the bank and its customers which lies at the heart of the bank's success. Padama Kuber heads the recently opened business school at the MDMSB branch in the nearby town of Vaduj. "The idea for the school came from seeing so many women come to us saying they wanted to start a business but possessed no qualifications or education". The school teaches them skills such as making handbags, managing business assets, or using computers. "We don't stop there", explains Padama, "Once they have learned the skills, we show them how they can find outlets for their new business, like setting up a stall in the marketplace". The bank in turn profits from having more and more thriving entrepreneurs as clients.

The bank's customers, who for the most part come from poor, rural and uneducated backgrounds, never cease to astound Chetna. "One day a woman came to the business school and asked us if we could teach her how to sell prepaid telephone cards. We, who work every day with modern methods of communication had not even thought of it!".

### **Matrimonial and social revolution**

A few years ago the bank started a small revolution in the rural world. "When I was an activist at university I realised how little women had access to ownership in India", Remembers Chetna "Everything was always in the husband's name. When a woman was cast out by her husband she would always find herself homeless, and I kept wondering how this could be changed". She finally found the means through the bank. "When a woman came to us for a substantial loan, we would suggest that she put up her husband's property as collateral. The husband would then sign a contract that stated that the loan his wife was taking out was aimed towards improving his property". The men readily agreed because this would guarantee a bigger loan. "But this contract had no real legal value, so we convinced the Revenue Department to stamp a legal document that established the wife as coproprietor of the family household".

To avoid friction with the male community of the village, MDMSB hands out incentives to men to participate in the bank's goals, sometimes simply by stroking their egos : During high profile ceremonies, men who have encouraged their daughters to pursue their education are handed out awards in front of the whole community, thus boosting their prestige in the eyes of their peers.

### **Breaking even and beyond**

In 1999 the bank reached break even point, and in 2000 started generating profits. "When we started the bank, microfinance wasn't yet fashionable, and we had no sponsors. Founding members pooled their resources for the initial capital, and then we encouraged our clients to deposit money in the bank in order to create a debt fund for loans. Very early on we learned to keep our administration costs low, and this still helps us today to stay competitive", explains Chetna.

MDMSB is now Mhaswad's N°1 bank by a long margin. "Almost every woman in the village has an account with us", Says Chetna. The bank has opened three more branches in neighbouring towns and villages and her client base is now around 58 000. The 98% debt repayment rate the bank enjoys makes it the envy of mainstream banks.

In Chetna's view, this discipline Marathi women show in paying back their loans stems from the upbringing they receive. "Women here are under many more social constraints than men. They learn from a very early age to control and restrain themselves. Fulfilling their obligations becomes second nature to them".

The village women reinforce this discipline by joining self-help groups. Each one of these credit unions comprises around ten women who elect one member to be their leader. When a member of an SHG begins a business venture, she takes out a loan through the group who acts as a guarantor for her, providing her with a much bigger loan that she would have obtained otherwise on her own. In Mhaswad alone there are around a thousand of these credit unions, and many women often belong to several SHG's.

### **Painful emancipation**

When Nakusa was only 5 years old she, along with her sisters and her mother, was thrown out onto the streets by her father who had wanted a male heir. Nakusa started begging, but learned to follow her mother's example who saved every penny she could for her daughters. Later she worked digging wells, a back breaking job that paid more than regular construction work. Borrowing from loan sharks and later from MDMSB, she now not only owns a small farm and surrounding land with animals, but is also president of the SHG federation.

"There has been a real change in women's behaviour here", says Chetna. "Before the bank, women were self-effacing, they would walk with hunched shoulders. Today they stand tall and are not afraid to speak their minds". Asked what positive changes the bank had brought them, most women pointed to a radical change in their status within their family and community. "Being able to create their own business and becoming financially independent

has brought them a level of self-confidence they did not possess before", says Chetna.

Nine years ago, weary of being mistreated by her husband and his family, Archana committed the unthinkable : she filed for divorce. With a loan from the bank she bought a sewing machine and did a course in fashion design. Today at 29 she is one of Mhaswad's most successful seamstresses. Completely devoted to her daughter, she hopes that Sonia, who is 10, will grow up to become a lawyer. "During the divorce proceedings my husband's lawyers insulted me. I hope that one day Sonia will help change attitudes towards women in courts of law".

Archana says she will not remarry. "Men here will have nothing to do with a divorcee who already has a daughter anyway, but I myself am too afraid to lose my independence".

### **A change of status**

"The status of these women has changed so dramatically that now political parties are seeking them out. They want them as candidates in upcoming elections because they know the influence they have in the community around them", explains Chetna. "Today mainstream banks must by law have quotas of low income clients. One of these banks approached one of our customers for advice on how to deal with people from her social class. When she asked us what she should do we simply told her to charge them a consulting fee".

There is an irony in all this : the same values which were put in place to restrain women's freedom in society are now helping them to emancipate themselves.

When she was only 13 Lakshmi Shellar was married off to a 65 year old man. He died four years later when she was expecting her second child. By sheer force of will she carried on working as a farmer, brought up her children, and today heads 10 SHG's where she also gives reading and writing lessons. "I don't get up at 4.30 AM anymore", she says, "I take great pleasure in getting up late, around 6.30 AM, and am still respected by all those around me".

### **New found respect**

The bank's success has also earned it a new found respect among mainstream financial institutions. This year it signed a groundbreaking agreement with UTI which for the first time in Maharashtra will give poor women access to health coverage.

Rajah works for another big insurance company. He has come to Mhaswad to finalise a deal with MDMSB. "We know that this bank and their clients are rock solid" he says, and that's why we are interested in them".

This same 'sturdiness', however, can sometimes be detrimental to the bank itself : Once their business is successfully established, women will focus all their energy and resources towards their children's education. "At first I was often frustrated that they completely lost interest in expanding their business, but today I respect their decision", says Chetna.

Education of girls has in fact become a priority for the bank itself, that now has a bicycle lending program for girls who would otherwise have to give up school for lack of transport.

Chetna, herself a mother of three, is firmly intent on expanding the bank. "My dream is to see every woman of Maharashtra have access to banking and to business classes, but bureaucracy is very slow here. In 10 years we have only been able to open 4 branches in the area".

I have no doubt, however, that Chetna, her employees and her clients, will slowly but surely carry on building their bank.

