

THE GAME CHANGERS

After a five hours journey which went through panoramic terrains of the Deccan plateau and Sahyadri mountain ranges, we were finally at our destination. The clock was already ticking eleven o'clock when we reached the weekly market at Mhaswad. As the bus halted we rushed to have a first-hand view of the village market, for many among us, this visit was first of its kind.

For me it was more than just a village market. I could recollect my old memories as an agriculture field officer at State Bank of India, Mudhol, one of the talukas in Bagalkot district of Karnataka state. During my early days at Mudhol, most of my interactions outside the bank were limited to an old lady. She was my permanent supplier of vegetables and remained so till I left the place. I was disappointed when all my attempts to facilitate a bank loan for her went in vain. She needed that loan to expand her business and was borrowing from money lenders for her credit needs. It was hard to convince my manager who argued about the absence of any collateral. With the increasing level of NPAs in the agriculture sector and under government sponsored schemes, it became difficult for me to defend my case.

Over the years, I have reconciled with the idea that extending loans to the poor population was a risky proposition. Last year, when the civil services interview board asked me, why the banks do not extend credit facilities to the poor, the answer was too simple for me. Activities in which poor engage were economically non-viable and were unable to generate sufficient return for the repayments. After all, the banks deal with public money which was at stake while extending any credit facility.

Today, my belief was fundamentally shaken. Here I am in the midst of a vegetable market at Mhaswad, interacting with the vegetable vendors and the staff from Mannadeshi Mahila Sahakari Bank (MMSB) at Mhaswad in Satara district of Maharashtra. There was a joint liability group of women vegetable vendors who were taking daily credits from MMSB with hundred percent repayments. In past years there was substantial increase in their savings which they invested back for the business growth. This was brought about by staff from MMSB who emancipated them from the clutches of money lenders by providing a formal banking

channel catering to their credit needs and this was delivered at their shops using a hand held point-of-sale (POS) machine.

Capitalizing on the fact that poor Indian woman typically saves at a higher rate than their male counterparts, the bank has opened new vistas both for the enterprising poor women and itself. It has been successfully catering to the needs of women through innovation in banking products and delivery mechanism.

The group dynamics were decoded by conducting interviews of the woman entrepreneurs as well as the money lenders. These money lenders were sometime the only agent offering credit to this disadvantage sector are also a great source of information in areas where formal banks refuse to operate. They use their local knowledge of custom and social issues to root themselves into communities and these social links are the life forces that keep money lending perpetually thriving. Taking ideas from issues on the ground the bank has successfully innovated its product portfolio to suit the local needs.

MMSB has introduced small ticket loans for buying bicycle, sewing machines and joint liability loan for the vegetable vendors in the weekly markets of Mhaswad. Everyday its representative goes to the local markets to coordinate with the vegetable vendors who need loan to buy the vegetables from the wholesalers. Thus, it provides the woman entrepreneurs with capital at the time and place where they need it most. Further, in collaboration with the UTI asset management company, the bank has also started a micro pension scheme for its customers. This has not only provided an avenue for social security but also to profitably invest their savings.

Manndeshi's non-profit arm, the Manndeshi Foundation operates Mann Deshi Udyogini, also known as Mann Deshi Business School (MDBS), a business school for rural women. MDBS was started in December 2006 with a Rs. 7 lakh (\$17500) grant from HSBC, at Vaduj near Satara. The school does not have any pre-qualification criteria and the curriculum is entirely driven by the needs of rural women. Courses range between two weeks and two months in duration and focus on developing technical skills, marketing skills, financial literacy and confidence-building. Courses such as goat rearing, screen printing, selling cell phone recharge coupons, bag-making etc are offered. Certificates and graduation diplomas are issued on completion of these courses which can be used to obtain micro-credit and also to take up

higher-level courses at MDDBS or other institutions. Training centers were also operated at each branch, offering a one day course in financial literacy to a year long course on running a business. The training on financial literacy is not only given to the women entrepreneurs availing credit facility from the bank but also to their spouses or family members. Mobile buses equipped with classroom logistics and laptops were also used to extend these training facilities in the remote areas.

The effectiveness of MDDBS can be gauged by the number of success stories that it has scripted. For instance, 34-year-old Lakshmi Kikade who has never been to school today runs a successful bag-making business in Mumbai, thanks to a bag-making course at MDDBS. Vanita Pise, winner of the Prime Minister's National Exemplar Woman Award, helped her family of 19 come out of poverty through her paper cup-making business, a skill she learnt at MDDBS.

In 2002, the bank established India's first women chamber of Commerce to offer support to the female entrepreneurs. It has also setup a toll free hot line which is an extension of chamber of commerce, helping women to get business licenses and resolve legal issues.

A FM community radio owned by the Manndeshi community had been operated under the guidance of Manndeshi Foundation. Operating at 90.4 MHz, this radio station covers the area in an around Mhaswad. The main objective of this community radio station is to provide a trusted, sustainable vital communication system of a very high quality to the community. It promotes economic, social and cultural development through targeted programming in a wide range of relevant topics including health, agriculture, financial literacy, education, rural livelihood, capacity building, environment; self help group support and any other issues of local relevance to promote socio economic development.

These initiatives by MMSB & Manndeshi Foundation have helped hundred of unskilled rural women to come out of the vicious cycle of poverty and sufferings. MMSB clients are low income group women with income averaging INR 40 per day. The bank currently has six branches, over 1,55,000 clients and conducts more than 2400 transactions on a daily basis. MMSB's president Chetna Sinha has promoted a holistic banking approach to help her clients, one that combines economic activity with the educational tools to lead a productive life.

Looking back, I have realized that the banks have ignored the glaring fact that the money lenders have been successfully operating in these markets for centuries. The interest rates charged by the money lenders were as high as 10%-20% per day i.e. a whopping 3650% per annum. So there is no denying the fact that this segment of the population is profitably bankable. They are capable of handling and managing cash and are increasingly seeking better and diverse financial service within and beyond the conventional banking domain.

The poor populace has been increasingly using consumer durables like soaps, shampoos, biscuits and mobile phones. This has been successfully achieved by big companies in the consumer durable and mobile phone markets by devising smaller product packaging and very small mobile recharges. In the banking sector, situation on the ground is crippled with the banks struggling to increase their customer base and business while a large part of the population is still not having access to any formal banking channel.

Studies have emphasized the need to design small ticket banking products, reducing the travelling and processing time and spreading financial literacy among the poor. With the support of BC/ BF models, technology can be leveraged to provide doorstep banking. Cash dispensing machines, ATM vans, mobile based banking services and larger penetration of credit and debit cards can be instrumental in achieving larger financial inclusion. Efforts should be directed towards minimizing the traveling and processing time by harnessing the mobile phone technologies. Banks need to understand the cash flows and liquidity requirement of this segment. They need to design small ticket banking products with a more efficient delivery mechanism. More flexibility shall be given at lower management levels to design and implement such products and delivery mechanism. A better understanding of socio-economic fabric of the local population will facilitate the process of financial inclusion.

The success mantra is to provide flexible, accessible and personalized banking services which are quick, efficient and simpler with minimal documentations. Not only innovation and technology but the realization that the poor are bankable is required to bring about the change. Cooperative banks employing staff from the local communities and with the understanding of the local socio-economic fabric are better placed to make positive difference in the lives of fifty billion plus population.
