Savings and Credit Organisations Owned or Managed by Women

What makes them successful and what strategies do the they use?

LESSONS FROM INDIA

COMMONWEALTH SECRETARIAT

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The Commonwealth Secretariat would like to thank Pinaki Ranjan Mitra, Rajesh Singh and Anup Ghosh of Ananya Finance for Inclusive Growth Private Limited, the authors of this selection of case studies. Ananya Finance is a Non-Banking Finance Company in India, formed with a clear vision to achieve universal access to financial services in India through effective partnerships with microfinance institutions and other community-based organisations.

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Contents

Figures

1. Overview

Savings and credit organisations owned or managed by women (SACOs) are part of the fibre of Indian rural life at its poorest level, providing the most vulnerable in society with an element of security and hope that their efforts can be harnessed for the betterment of their lives and those of their families. This publication brings together the major elements of successful SACOs in rural India and showcases how four major SACOs have developed and flourished: the Self Employed Women's Association Bank in Gujarat, the Annapurna Mahila Multi-State Cooperatives Credit Society in Pune, the Indur Intideepam Mutually Aided Thrift and Credit Cooperative Federation in Andhra Pradesh and the Mann Deshi Mahila Sahkari Bank in Maharashtra.

1.1 Historical background

The Indian co-operative sector, born in the late colonial era predominantly as a government initiative, was created to address the twin issues of farmers' indebtedness and poverty. This initiative, formalised in the Cooperative Credit Societies Act, 1904 is the largest movement of its kind in the world. Today, co-operatives are recognised as one of the most important economic and social organisations in the nation's life. Co-operatives belong to their members and a vibrant co-operative movement can help harness the positive potential of social capital and specifically, bring vulnerable women out of extreme poverty.

The Cooperative Credit Societies Act of 1904 was followed by other Indian provinces and in 1928 the Royal Commission on Agriculture observed that "if co-operation fails, there will fail the best hope of rural India".[1] In 1942, the Multi Unit Cooperative Societies Act facilitated incorporation and winding up of co-operative societies. India's central bank, the Reserve Bank of India played an important role in spreading the co-operative movement throughout the country by extending refinancing facilities to the co-operative credit system.

After independence, co-operatives became part of the strategy of planned economic development. Jawaharlal Nehru, independent India's first Prime Minister, visualized an India in which each village would have a panchayat (the village governance council the lowest level of democratic self-governance), a co-operative and a school. In the early 1960s, the All India Rural Credit Survey Committee recommended that the state should play an active role in the spread of the co-operative movement. Over the years, undue interference from the state, lack of autonomy and widespread politicisation severely impaired the functioning of these institutions and the sector needed urgent reform. Committees were appointed to investigate co-operatives and between 1990 and 2004

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[1] Country Case studies:India;www.fao.org/docrep; accessed on 30.6.12.

the sector was dissected and valuable suggestions were made to turn co-operatives into self-reliant, autonomous and democratic institutions, advocating the replacement of existing government-dominated co-operative laws by new people-centric legislation. The Government of Andhra Pradesh passed the A.P. Mutually Aided Cooperative Societies Act in 1995, followed by similar enactments in eight other states (Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Jammu and Kashmir, Karnataka, Orissa and Uttarakhand). In 2002 the Union Government introduced the Multi-State Cooperative Societies (MSCS) Act and announced a National Policy on Cooperatives.

The National Policy on Cooperatives was created to provide support for the promotion and development of co-operatives as autonomous, independent and democratic organisations so that they can play their role in the socio-economic development of the country. It expressed a commitment to Scheduled castes and Scheduled tribes, women and the vulnerable and encouraged greater participation of members in management, as well as acknowledging the need to develop human resources through education and training.

1.2 The Self-Help Group (SHG) movement in India

Studies around the world have proved that women borrowers make productive use of credit for self-employment, micro and small enterprise development and repay their debts promptly. Although marginalized and often excluded from SHG and lacking resources to even save the minimum, poor women's average repayment rates are above 90 per cent. India had adopted the SHG movement to provide micro-credit and to mobilise small savings in low-income households, especially among women. Typically, 10 to 20 people, usually women, come together to form an SHG, i.e., an informal savings and credit organisation. They usually pool their financial resources to make small interest-bearing loans to their members, focusing on savings first. The setting of terms and conditions and administration of the loans are all done within the group. In the early stages, NGOs played a pivotal role in supporting the SHG model. In the 1980s, policy-makers took notice and worked with development organisations and bankers to promote these informal savings and credit groups. Their simplicity helped to spread the movement across India and state governments established revolving loan funds to provide financial support. In 1991–92, the National Bank for Agriculture and Rural Development (NABARD) started promoting self-help groups on a large scale. This was the take-off point for the SHG movement in India. In 1993, the Reserve Bank of India allowed SHGs to open saving accounts in banks, which gave a major boost to the movement.

In the last decade, the organisational structure of various SHGs has undergone significant changes with the creation of thrift groups, credit management groups, income-generating groups, self-help groups and mutual help groups. Despite these significant changes SHGs continue to be largely characterised as informal associations, in contrast to micro-finance institutions which are now established as formal financial institutions. These are two distinct models of financial service provision for a poorer clientele, with differing objectives.

1.3 The vicious circle of poverty

Often the poorest are so marginalised that they face additional barriers in accessing SHGs or they lack the resources to be able to save even a nominal amount each month. Case study evidence from Annapurna clients, for example, outlines how poor women, renting accommodation in the slums, found it difficult to access the SHG model prior to joining Annapurna.

SACOs owned and managed by women have understood that while group lending gives women confidence, credit facilities for individuals encourage entrepreneurship and upward economic mobility. Micro-banks have adopted informal delivery mechanisms such as the daily collection of deposits and loan payments, doorstep services and banking very small amounts giving poor women the security of knowing that funds are safe and that savings can grow. This has been an enormous boost for the poorest women in India.

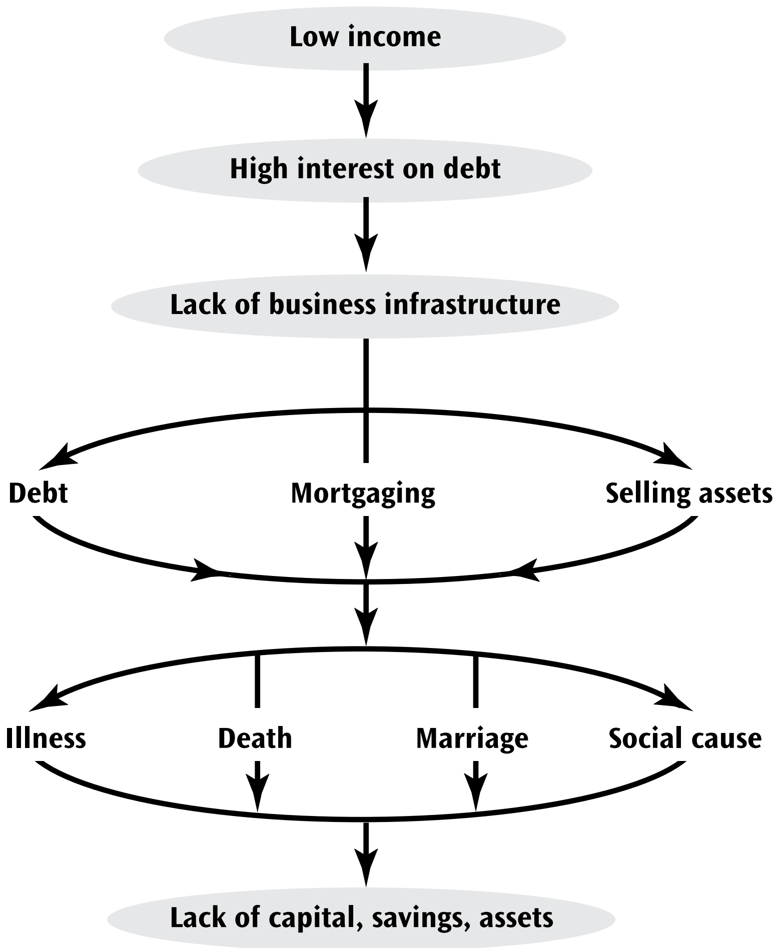

Figure 1: *The vicious circle of poverty*

Poor people, in particular women who constitute the great majority of the poor, find it difficult to lift themselves and their families out of poverty given their poor resource endowment, i.e. limited or no capital, savings or assets (including land rights and limited human resource capability). This poor resource base is a major factor in the impoverishment of women, who find themselves confined to the informal sector of the economy, engaged in subsistence production with limited opportunities for more highly paid market-oriented activities. As a consequence, low incomes are the norm which restricts savings accumulation and channels poor women towards high interest debt when financial resources are required to deal with emergencies and other lifecycle realities such as illness or death.

2. Case studies

2.1 Sewa Bank: A pioneer in micro-finance

The Self-Employed women's Association (SEWA), founded in 1972, grew out of India's oldest and largest union of textile workers and was created by women for women. SEWA heralded the beginning in organising marginalised women micro-entrepreneurs and workers. Since mainstream commercial banks and other formal financial institutions failed to address the specific needs of these poor self-employed women, SEWA Bank created informal delivery mechanisms for loans, savings, insurance and pensions which have helped these women out of the self-perpetuating cycle of poverty. SEWA has almost 20 organisations and companies under its umbrella, giving it the flexibility to provide a variety of services to its clients.

2.1.1 Customising the products

SEWA Bank emphasises savings over credit, providing facilities for savings, inculcating thrift, managing savings and ensuring safe custody of members' cash. It provides credit to further the productive, economic and income-generating activities of the poor and self-employed and has created integrated insurance services to cover all the eventualities in the lives of its members. SEWA Bank also extends technical and management assistance in creating networks of suppliers, wholesalers and producers and provides facilities for the rescue of women's traditional jewellery against impoundment by pawnbrokers and moneylenders. Its staff provides a doorstep service to the houses and businesses of its members provides savings boxes and gives training and assistance in understanding banking procedures.

Due to its intimate knowledge of its clients' expenditure patterns, saving habits, insurance requirements and credit needs, SEWA Bank has been able to devise customised products for specific lifecycle needs of its women clients, whether it is for children's school fees, a daughter's wedding, widowhood, old age or natural calamity.

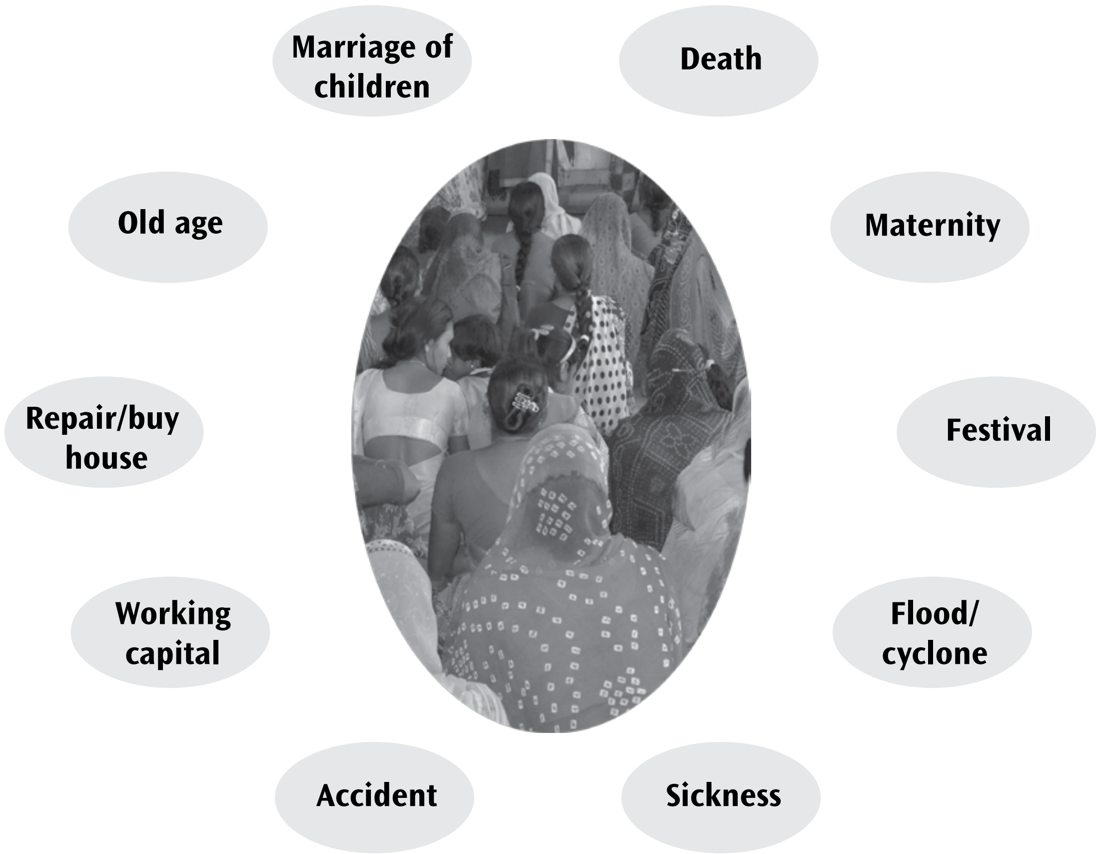

Figure 2: *The lifecycle needs of women*

No large commercial bank in India is likely to give an unsecured loan to a self-employed woman client for repayment of old debts. SEWA Bank offers a unique loan for repayment of high-cost debts incurred earlier from moneylenders.

SEWA Bank also encourages recurring deposit accounts, so that the women can save even meagre amounts. Another innovative (savings) product is the Kishori gold yojana, for purchase of gold ornaments in advance of a daughter's marriage. Loans are also offered by SEWA Bank with gold as collateral.

SEWA Bank also offers a special loan product named Sanjivani (rebirth), which is coupled with business counselling and marketing services to help women to start new businesses or expand existing ones.

2.1.2 Doorstep services

SEWA Bank's members have little time to visit a bank and often perceive the normal bank environment as unfriendly. Commission-based agents (banksaathis), who come from the same communities as the customers, live in the same neighbourhoods and pursue the same trades as their clients, visit the women at the client's convenience, collecting loan instalments and savings.

2.1.3 A full range of financial services

In order to meet clients' diverse lifecycle needs, SEWA Bank offers insurance and pension products, tying in with external agencies. It has emerged as a one-stop shop for poor women in the field of financial services and provides insurance for life, health, assets, widowhood and accidents. SEWA Bank collaborates with the Unit Trust of India Asset Management Company (UTI-AMC) and in 2011, was appointed by the Pension Fund Regulatory and Development Authority (PFRDA) as an aggregator to distribute a National Pension System (NPS)-Lite Pension Product. The central government contributes Rs1,000 annually to each NPS account.

2.1.4 Spreading awareness through financial literacy campaigns

SEWA Bank proactively organises pension and financial literacy camps to increase awareness of its financial products. The financial literacy team uses simple stories, real-life examples and parables to educate poor illiterate women on financial discipline, the importance of regular saving and the power of compound interest. SEWA's **Indian School of Microfinance for Women (ISMW)** set up jointly by SEWA Bank and Friends of Women's World Banking in Ahmedabad, also teaches financial literacy and addresses capacity-building in the micro-finance sector.

2.2 Annapurna Mahila Co-operative Credit Society, Pune

Annapurna Mahila Co-operative Credit Society (AMMCCS), named after Annapurna, the goddess of food, has its roots in India's trade union movement. It originally carved out its role by supporting mill workers who had lost their jobs during the textile industry crisis of 1975. Annapurna began by lending to the poorest women vegetable vendors who were in the grip of moneylenders and for many years its founders were working out of a tin shed and borrowing money from friends and relatives to scale up its operations. In its early stages, Annapurna was held together by the integrity of the individuals who led it and banks were only willing to lend on the personal guarantee of its Director, Medha Purao Samant.

2.2.1 Loans for diverse needs

Today, AMMCCS provides loans for setting up a business or expansion, for education, housing needs, repayment of old debts from money lenders and asset creation, catering mainly to the basic economic needs of slum-dwellers in Pune and Mumbai. Small loans are provided without guarantee or collateral based on a group guarantee with loan amounts ranging from Rs5,000 to Rs1,00,000. Significant features of Annapurna Mahila's services is the client's obligation to save a minimum of 10 per cent of the amount borrowed and the provision of insurance for all clients.

Sixteen years ago Jagtap Tai joined with other women to obtain a loan of Rs1,000. She bought a sewing machine and later several more, employing local women. Today she owns her own home and is a member of the board of Annapurna Mahila. Megha Shinde, a single mother, purchased a knitting machine with a loan and today she looks forward to her children attending university.

The ultimate failure of large banks and financial institutions to deliver services to small farmers and the self-employed and their sheer inability to understand the needs of the poor eventually led to increased legislation in 2010 to regulate banks and MFIs. Annapurna had never been interested in the existing micro-finance model which was lending without consideration for a client's ability to repay. It carefully studied its clients and their specific needs and saw that health was precarious among the poorest in society.

2.2.2 Beyond savings and credit

Today, Annapurna provides compulsory health insurance for all its members, has a network of 195 hospitals in Pune and 94 in Mumbai with doctors who provide free or subsidised services. The insurance programme receives technical support from Interaide France and the Uplift India Association. Annapurna also provides health counselling and has a health awareness programme for its clients which provides information on health, cleanliness and hygiene. Regular out-patient departments have also been established for the very poor.

Annapurna Mahila has branched out into several related areas, always supporting the poorest segment of society. Annapurna Mahila Industrial Coop Society finds jobs and provides training for unskilled or seasonal jobs such as domestic workers and watchmen.

Annapurna Mahila has also opened day-care centres in slum areas for domestic workers to allow mothers to earn outside the home and older children to stay in school rather than caring for siblings. Annapurna Mahila is assuring the sustainability of day-care centres in Pune and Mumbai by accessing grants under companies' corporate social responsibility programmes. Annapurna Mahila also runs hostels for destitute women.

Educational scholarships for the children of single parents are being scaled up from 240 children in 2011-12 with plans to double the number of children in the programme.

Training in micro-finance is also an essential element of Annapurna Mahila's support activity. It is also developing comprehensive software and using SMS technology to increase the efficiency of its field operations and provide better services to members.

2.3 Indur Intideepam Mutually Aided Thrift and Credit Cooperatives Federation Limited, Andhra Pradesh

The Indur Federation, a federation of 13 MACSs (Mutually Aided Cooperative Credit Societies), was set up by the NGO Gram Abhyudaya Mandali (GRAM) which supports low-caste people, women and the disabled. In 1988, GRAM began to develop grain banks which were later converted into a mechanism for cash savings, with a minimum saving of Rs1 per month.

Indur's three-tiered co-operative federation structure is made up of the MACS federation at the top, mandal-level MACS at the intermediate level, and village-level self-help groups at the grass root level. The 20 MACSs are made up of 6,023 SHGs spread over 553 villages with a total of 49,000 women members. The individual members of MACSs are part of a SHGs which typically have 15 to 20 women members.

2.3.1 Towards economic self-governance

The Indur structure is a manifestation of a carefully thought-out plan to empower grassroots-level women to plan, co-operate and finance their own economic activities. Although the founder of GRAM, Mr N. Samson, played a key role in setting up, advising, motivating and mentoring these MACS entities, the current leadership of the Indur Federation of MACSs consists of grassroots-level women leaders with each MACS functioning in its own way. Most of the governing body members of the MACSs and the federation are women villagers with little formal education. An important aspect of the functioning of the Indur Federation and the MACSs is the subordination of managerial professionals to the board, with a clear delineation of roles and decentralisation of power in favour of the constituent MACSs.

The new-found confidence and entrepreneurial abilities of members can be gauged from the fact that the federation has started a full-scale dairy venture, Intivelugu Mahila Dairy (IMD) collecting 15,000-20,000 litres of milk per day in peak season. The dairy experiment demonstrates that co-operative savings and credit societies can be used as a medium for other livelihood activities in the local community.

Another affiliate MACS had taken an annual sand mining contract from the local government, outbidding some of the entrenched and politician-backed local mining contractors. In spite of obstacles and legal problems with powerful sand mining contractors, the women board members of the MACS have ensured that the contract was completed and profits earned from this venture.

3.3.2 Prospering in an adverse regulatory environment

In 2010, the Andhra Pradesh **Microfinance Institutions (regulation of money lending) Ordinance, 2010 and subsequent legislation** virtually stopped the operations of the traditional MFIs in the state and imposed severe restrictions on the loan collection and disbursement processes. The MACS ecosystem was not technically affected and in spite of these severe obstacles posed by the macro-environment, Indur remained afloat and repaid its loans to its lenders on time, thanks to its grassroots connection. The strong SHG base in the villages and the fact that Indur is considered to be an organisation owned by its women clients, worked in Indur's favour in the midst of this crisis. The continuing strength of Indur in the face of this crisis proves the robustness of the community-owned co-operative framework adopted by Indur Intideepam.

2.4 Mann Deshi Mahila Sahakari Bank Limited, Maharashtra

This licensed urban co-operative bank (UCB), located in the west central part of India, is an ISO 9001-2000 certified financial institution, probably among only a handful of UCBs to obtain this certification. Among the 14 other regional co-operative banks and 20 credit co-operative societies in the area, none serve the type of client or offer the range of customised products as this UCB. Mann Deshi provides savings, credit, insurance, pension and non-financial services in an integrated manner. Sister organizations, such as the Mann Deshi Mahila Bachat Gat (SHG) Federation, the Mann Deshi Foundation (NGO) and the Mann Vikas Samajik Sanstha, a business school, provide both financial and non-financial services.

The Mann Deshi Bank was inspired by SEWA Bank and was founded by illiterate, rural women who won a hard-fought battle for a banking licence from the Reserve Bank of India. Its client base is still made up of poor women with nearly 70 per cent from lower castes. Half of all Mann Deshi clients are street vendors or day labourers, while the other half own small enterprises. Access to credit and other financial services is severely restricted and most women, who traditionally take no role in finance outside the home, are forced to borrow from moneylenders. The Mann Deshi Bank has piloted various savings and loan products to match the typical cash flows and distinctive needs of its women customers.

2.4.1 Mobilising small savings

Mann Deshi Bank offers daily, weekly and monthly savings products – mostly tiny amounts – as well as credit facilities with daily, weekly or monthly repayment facilities. As the link between the bank and its clients is crucial, its model revolves around the daily collection of small deposits through a network of agents who go door-to-door. In each weekly market, women agents provide doorstep financial services, making the distribution of services quicker, more customer-friendly and sustainable. Since rural households often live with small cash flows which are often volatile and irregular, the women cannot plan their savings and investments. While street vendors, who earn in the markets by selling their goods, require a daily savings facility, wage labourers, who receive wages on a weekly basis, require weekly products. A new savings product for women with school-going children consists of a savings cycle which begins in the month of May and continues until June of the following year to save for school uniforms and books.

2.4.2 Applying new technologies

Mann Deshi has established itself as a technology-savvy co-operative bank with the use of e-cards and simputers. While the bank uses a core banking solution software to share data between its head office and branches, bank agents use handheld wireless simputers to compile data in remote areas and transfer it to the bank's computer in real time. The bank also launched a smart card in May 2010 with HSBC bank. The e-card contains finger scans and stores know your customer (KYC) documents.

2.4.3 An integrated, community development approach

Mann Deshi bank has launched several non-financial initiatives to enhance financial awareness and education and lead to the economic empowerment of local women. The Mann Deshi Udyogini, a business school for rural women provides free business and financial training, running flagship entrepreneur programmes (on management of working capital, inventory, marketing, etc.), vocational training (personality development, computer literacy, fashion design, etc.) and financial literacy and customised programmes for sector-specific business requirements.

2.4.4 Implied property transfer

Some of Mann Deshi's major considerations have been issues of gender; its clients belong to the lowest rungs of society. An important feature of the bank's asset building approach is implied property transfer in its loan contracts. A persistent problem in the area (as in most other parts of India) is that women live their lives without ever becoming property owners. When they outlive their spouses they often become displaced and socially vulnerable. The foundation and the bank are now working to secure women's property rights, creating awareness among the villagers about the benefits of transferring property into the name of women or registering the property jointly. The bank provides an incentive by offering a 1 per cent rebate on interest if such a transfer is made.

2.4.5 Tending smaller animals

Understanding their market and identifying income generating niches is part of Mann Deshi Bank's strength. Having observed that women deal with smaller goats and sheep (rather than larger bullocks tended by men who were migrating from the villages), they placed the emphasis on animals that women could control as an asset and to generate income. Women were specifically trained in fodder cultivation for these animals.

2.4.6 The farmers' kiosk centre

The Mann Deshi Foundation has also established a kiosk centre to give farmers the opportunity to strategically plan and manage their farming activities and wisely market their products. The kiosk centre provides government-set prices on various agricultural products, fertiliser and pesticide compliances, and crop disease diagnosis, as well as functioning as an agricultural market information clearing house.

> Vinita Pise was trapped in debt. With the help of an SHG, Vinita bought a buffalo, then started rearing goats and selling milk. She expanded her milk business to paper cup production and currently supervises 11 paper cup production machines and employs six people.
>
> Nandini's family traditionally engaged in welding and blacksmithing. With her husband she makes framed deity posters for temples and places of pilgrimage, has established her own shop in temple premises and works as a wholesaler of photo frames to other vendors.

3. What are the key success factors and strategies for building sustainable savings and credit organisations owned or managed by women?

The products or services offered by any SACO must be adapted to local conditions. Following a typical banking model may not be enough to provide for the financial and non-financial needs of unbanked women.

Savings and credit products must be fine-tuned to cater to the various lifecycle needs of women, such as a daughter's marriage, children's education, or long-term savings for old age and medical emergencies.

While savings and credit products remain the most important pillars for a SACO owned or managed by women, other services such as financial literacy awareness programmes, insurance services and pension products can support co-operative banking and be delivered through the same channels, if regulatory institutions permit.

Although women owners and senior managers of SACOs at the grass roots level need to be mentored and trained in the initial years, once they have matured in their leadership roles they must be allowed to lead and choose the path for the organisation. As their sense of ownership in the organisation increases, they become more involved in running these enterprises. Women at the grass roots level are more attuned to the key challenges that plague poor women clients. Hence, client needs assessments have become more comprehensive and the design of products and services has become more customer friendly.

The doorstep delivery mechanism adopted by these women-owned or managed SACOs in India clearly distinguishes them from other mainstream banks or co-operative banks. This flexible agent banking model has proved effective in reaching poor unbanked women clients in slums and remote areas. The same delivery channels can also be used for distributing insurance or pension products.

In a developing country context, the external regulatory environment of a SACO may not always be benign. A key challenge for a SACO owned or managed by women is to anticipate the changes in the regulatory environment and to be flexible enough to take advantage of any positive developments in the macro-environment. A strong and articulate effort of advocacy, in collaboration with other similar SACOS owned or managed by women, should be made on an ongoing basis.

In India, most SACOs were promoted by committed women leaders with transformational vision. Strong leadership by such community leaders is a key resource for a SACO in its initial years. However, developing a succession plan for key leadership positions is also critical for the continuous growth of these organisations, especially after the retirement of the initial founder.

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