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Banking the Unbanked: Women and Microfinance in India

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This article questions whether loans to women's income-generating collectives, individual microcredit loans, and other related lending programmes are necessary and sufficient to alleviate poverty. Taking as a case study a group of women in a drought prone region of Maharashtra in India, this article challenges the presumption that women's lives will change or improve merely by introducing microcredit without identifying underlying structural inequalities, such as, class, caste, race and gender. The discussion stresses that underlying deeply embedded social and cultural factors that mediate women's experience must be analysed and comprehended. I argue that any simplistic assumption that drawing women into a cycle of debt and repayment will improve their standard of living is based on unproblematized top-down view of people in the Global South. This article highlights the conflicts and contradictions of neoliberal market solutions for social problems; for example, whereas Indian women experience this introduction to banking and loans as coercive, CEOs call it standard practice. Thus, there remain irreconcilable differences between the corporate economic sector and the lived experiences of the poor. The best solutions, it is argued, are generated from the bottom, such as by consciousness raising, and not from the top.
Keywords: Microfinance/microcredit, poverty, Women's Self-Help Groups, neoliberal policies, consciousness raising.

> 'We each gave 100 rupees every time we met. When we had enough we put the names in a bowl and let one of the children select a name. That woman got the money. And then the next and the next until everyone had a turn.'
> (Sunita Sadafule, Interview 2009)

Introduction

Sunita Sadafule is a Village Health Worker (from now on, VHW) at the Comprehensive Rural Health Project (from now on, CRHP) in Jamkhed, Ahmednagar District, Maharashtra India, a drought-prone area 250 miles east of Bombay-Mumbai where more than 90 percent of residents live below the official Indian poverty line (from now on, BPL). In the quote given above Sunita Sadafule describes the *Bhishi* informal self-financing credit plan used in her village that is similar to other indigenous and traditional savings and credit funds called *chit* in India, *susus* in Ghana, *tandas* in Mexico, *arisan* in Indonesia, *cheetu* in Sri Lanka, *tontines* in West Africa, and *pasanaku* in Bolivia. Women Village Health Workers at CRHP actively participate in ongoing cooperative efforts to reduce mortality, eliminate endemic health problems, and advance social and economic well-being in villages across the Jamkhed region. To put money in women's hands, Village Health Workers built on the informal Bhishi system of pooling resources to create village Self-Help Groups (from now on, SHG) and income generating projects. Based on the premise that health and development are complementary approaches, CRHP conducts continuing education to support training for local income generating projects and collectives to assist village women to take advantage of the India's poverty programmes for microcredit loans designated for those living below the poverty line.[1]

[1] The average yearly family income in Jamkhed is $425 USD about 20,000 INR.

Indian government initiatives to extend financial services for those traditionally without formal access began in 1992 with 500 Self-Help Groups linked to banks (NABARD 2013: 1). Since 2004 Microcredit programs are initiated primarily by the National Bank for Agriculture and Rural Development (NABARD); the 2006 National Rural Employment Guarantee Act (NREGA) creates wage work; and the National Rural Health Mission (NRHM) supports health and social initiatives. Local projects like raising goats, tailoring, selling bangles, produce, and dried fish, or even, up-scale dairy communes are supported by these approaches.

These income related activities are the vehicles to microfinance, the broad term used to define the provision of financial services to low-income clients or solidarity lending groups who traditionally lack access to banking and related services. In other words, microfinance/microcredit essentially banks the unbanked drawing those outside financial markets, in this case Indian women, into borrowing or debt. Moreover, the presumption that women's lives will change or improve merely by introducing microcredit without identifying underlying structural inequalities, such as, class, caste, race, and gender that mediate women's experience is based on unproblematized top-down views of people in the Global South. The present discussion raises questions about whether loans to women's income generating collectives are necessary and sufficient to effect positive economic change and alleviate poverty. For example, do top-down microfinance schemes create an illusion of poverty reduction? Or, are these neoliberal approaches simply mechanisms to draw women into financial markets by incurring debt and dispossession as another means to prop-up banks and international financial companies at the expense of those living in poverty? Are there real on-the-ground advantages of income generation projects or are these microcredit schemes masking the real sources of women's poverty in India— underlying caste and gender inequality?

Failing Models

The Grameen Bank of Bangladesh founded by Nobel Peace prize winner Muhammad Yunus is a microcredit system that promises the alleviation of poverty and the empowerment of women based on strategies loosely aligned with the Washington consensus or neoliberal financial models. Yunus aptly questions whether the capitalist system has to be the handmaiden of the rich (Yunus 1994). As Harvey (2005) points out, the early 1980s founding figures of neoliberalism matched the political ideals of human dignity and individual freedom with claims of unprecedented social well-being in the world's population to be accomplished by rejecting state (government) intervention in matters of finance and labour in favour of the unbridled liberation of capital to generate market potential. However, since the most recent collapse of the world financial system in 2008, we have felt and seen the global ramifications of trickledown economics. Yet, there is a contradiction between the theory and practice of neoliberal approaches that produces enormous economic growth and power for the few dominant classes in the Global South and North, while social inequalities are increasing for the many due to the result of past coercive structural adjustments policies. Nevertheless, microfinance schemes, especially microloans for women, are promoted by international financial institutions (from now on, IFIs) like the World Bank as a panacea for those living

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with low income globally.

The 2012 National Bank for Agriculture and Rural Development Report on India notes that by March 2002 there were 500,000 SHGs that had increased to 8 million by March 2012 (NABARD 2013: 3). The report claims that informal Self-Help Groups have now blossomed into a 'monolith' microfinance initiative. The report established that these Indian financial initiatives are 'recognized as a decentralized, cost effective and fastest growing microfinance initiative in the world, enabling over 103 million poor households' access to a variety of sustainable financial services from the banking system.' (NABARD 2013: 1).

As a function of globalization, published reports and evaluations by IFIs and private donors universally declare the success of these financial services and make claims of automatic empowerment for women, although the latter concept is imprecisely defined. In direct contrast, researchers who evaluate women on-the-ground consistently show that these microfinance projects and programs have limited success in changing the economic situation of women (Karim 2011). Analysts like Mohanty (1991) and Abu-Lughod (2002) are critical of the political discourse that targets women of the Global South as being 'in need of saving' without reference to the social context of lived experiences. More recently, Eisenstein (2009) and Roy (2010) identify complicities within labour and financial markets that further compromise women's financial security.

To Market, To Market?

In August 2010 two events with diametrically opposite motivations occurred. The first event: SKS Microfinance Ltd. becomes a publicly sold company listed on the New York Stock Exchange as SKS Micro. SKS Microfinance Ltd., which is considered a top non-banking finance company (NBFC), is regulated by the Reserve Bank of India (Srinivasan 2009). As part of its IPO (initial public offering), SKS sold part of their stake to a hedge fund making a 12-fold profit even before going public. The founder of SKS Vikram Akula is quoted as saying 'put your money in the hands of the poor and you will make a lot of money' (Chandran 2010). This contradictory statement foregrounds the contradictions of scale between those below the poverty level and those able to buy stock on international markets.

Thus, there is an immiscibility between women living below the poverty line – who are struggling to put money in their hands with small loans 5000 Indian Rupees (from now on, INR) ($100 USD) – loans and the microfinance companies who provide these loans that are sold on the New York Stock Exchange. In rural areas, where the only wage work is seasonal farm labour or government road jobs, the average payment is 90 INR a day. In contrast, SKS, the most successful publicly traded microfinance company in India, relies on the 8 million purported microloans to bolster their stock price ($169 per share or 9,240 INR). The cost of 3 shares of SKS stock is equal to the yearly income of a Jamkhed family of 20,000 INR. Given these extremes in scale, is the growing sector of microfinance companies and other commercial, cooperative or rural banks concerned about financial hardship for low income families incurred by loan failure? By what mechanisms do these microcredit loans reduce poverty? In *Poverty Capital: Microfinance and the Making Development* Ananya Roy asks: What do we do when these microcredit loans default and hedge funds fail? In response she cites Bruck, 'Sorry, we're closing down and you're going to lose your loans — so go back to feeding your kids twice a day?' (Bruck 2006 cited in Roy 2010: 217).

In contrast, the second event: August 2010 Jamkhed, State of Maharashtra, Sangeeta Khelkhar, the Village Health Worker of the Comprehensive Rural Health Project (CRHP) walks through her village of Sangvi. This day she is organizing a new Self-Help Group as part of her work to improve health and economic development in her home village of 2000 inhabitants. Women assemble in the front room of Sangeeta's house. In the 8-by-10-foot room there is a solitary string cot bed and a foot paddle sewing machine. Everyone sits on a cloth mat moving closer and closer together as women fill the room. Sangeeta and Mrs Ratna Kamble, the social worker, begin the conversation with 8 women, which quickly becomes lively with much joking and laughter. Someone gets a notebook and begins to enter the names. During the 40-minute meeting more than 30 women enter and leave the room replacing each other on the cloth mat. More women appear at the door but are told that the group is closed at twenty. If there are enough members another group will be formed. The names of the 20 members are written into a notebook and are read aloud. The members elect a president and secretary, both with Women's Club experience who will open a bank account when sufficient funds are collected. The women decide that they will contribute 100 INR monthly (about $2 USD). Next on the agenda is a discussion about the name of the group. One of the members, Vanita, suggests the name Savitrabai Phule, a nineteenth-century woman educator who started schools for girls. While older women members have a third standard education (third grade), this name choice shows a commitment to the education of young girls. Finally, the women start putting rupees in the centre of the woven floor mat next to the list of names. After all the money is collected and counted the women sign the agreement by writing or thumbprint. The meeting ends midmorning as most women rush off to work in the fields.

These Self-Help Groups are organized by women trained as Village Health Workers by the Comprehensive Rural Health Project that was founded more than 40 years ago by two Indian physicians, Drs Rajanikant and Mabelle Arole. The two physicians were trained at Vellore Christian Medical College and held degrees in public health from Johns Hopkins (now Bloomberg School of Public Health). The CRH Project is continued today by Dr Shobha Arole, Medical Director, and provides community-based primary health care. Centred on principles of equity, empowerment and integration, CRHP holds regular weekly meetings for Village Health Worker with the objective of mutual support and continuing education, keeping people healthy and villages economically stable. For example, as noted above, VHWs help village women to take advantage of the Indian government's poverty programs loans for women under the poverty line (BPL). However, of necessity the commitment includes teaching skills necessary to develop income-generating projects and to negotiate banking services for microloans. The CRHP teaching methods might be loosely compared to the Freire (2003) approach that describes learning as a process of action and reflection leading to transformation. Freire (2003) uses the concept of *conscientizaoção*, sometimes described as critical consciousness that helps individuals identify and examine the social, political and economic contradictions of society that lead to oppression. The Freireian model of adult education identifies external political and economic factors as well as local patterns of inequality. In the CRHP Jamkhed case, this notion of consciousness is incorporated into a participatory process to help women make connections between their own experiences and the inequities of caste and gender so common in rural village life. Women in the Jamkhed area represent a diversity of castes and religions including those from the Dhangar, Vhadari, Vanjari, Sutar and Sambar castes; Marata (the local dominant caste), Brahmin, Dalits who identify as Mang and Mahar and Muslim women. One example of the extraordinary work carried out here is that since the organization's inception in the early 1970s women of all castes and religions learn together sharing rooms and eating together at the CRHP centre. In addition, the closeness and long established relationships of VHWs leads to marriages across castes and religions (interview 2009).

In August 2010, I collected Self-Help Groups data from a sample of 20 villages in Jamkhed. There are roughly 6 SHGs in each village with approximately 20 women each contributing around 100 INR per month. While some groups are recently formed, others are working together for more than ten years. These SHGs receive continuing support for developing income generation that creates a burgeoning consciousness about keeping money and savings, especially important for village women previously without wage labour or access to payment for their own day labour. However, even with training, few women in SHGs become entrepreneurs; most women use loans for family expenses, medical bills, school costs, and weddings. As a member of a SHG, Vimabai borrowed 5000 INR from the group's bank loan to buy two goats. She was able to pay back her SHG loan. One advantage of these SHGs is that women can avoid using local moneylenders – ubiquitous present in most communities – who charge usurious rates for such loans. I suggest that these CRHP women's Self-Help Groups are successful because they are part of an on-going collaborative process, supported by other women with access to resources for learning about loans and banking. Women all over India are being pushed into the microfinance world for better or worse, continuing education and training about banking and loans to help women resists bank co-optation and eventual revolving debt are seldom available or accessible, especially for those with little schooling. Women like those in Jamkhed at CRHP who receive continuing support have the potential for more success and less indebtedness.

In August 2009, a year before these two events, a *Wall Street Journal* article titled 'A Global Surge in Tiny Loans Spurs Credit Bubble in a Slum', by Ketaki Gokhale, describes a pattern common in Indian villages and towns. Gokhale writes, 'Here in Ramanagaram, a silk-making city in southern [Karnataka] India, Zahreen Taj noticed the change. Suddenly, in the shantytown where she lives, lots of people wanted to loan her money. She borrowed $125 to invest in her husband's vegetable cart. Then she borrowed more.' According to Gokhale, the 46-years old Zahreen Taj admits, 'I took from one bank to pay the previous one. And I did it again. Two for $209, another for $293, and then $356…' Gokhale reports that Ms Taj bought a television, 'the loans increased our desires for things we didn't have…We all have dreams.' Today, Zahreen Taj's house is bare except for a floor mat and a pile of kitchen utensils and she has cut her debt to $94 equal to about a fourth of her annual income (Gokhale 2009).

In the edition of 10 November 2009 of the Indian microfinance magazine *Microfinance*

Voices, Vijay Mahajan, Founder and Chairman of BASIX, called the aforementioned *Wall Street Journal* article a poorly researched, sensationalized article about Indian microfinance institutions (MFIs). In a two page letter to the editor published in the *Wall Street Journal* of 16 August 2009, the then chairman of SKS Vikram Akula wrote, 'We are deeply disappointed and shocked by this unbalanced and misleading portrayal of microfinance in India.' He continued, 'Shantytowns in Ramanagaram, Karnataka, India, are not getting "carpet-bombed" with loans from microfinance firms like this one are and it is a standard practice in the microfinance model pioneered by Nobel Prize winner Muhammad Yunus.' (see, Chandran 2010). Here we see the conflicts and contradictions of neoliberal market solutions for social problems; whereas Indian women experience this introduction to banking and loans as coercive, CEOs call it standard practice.

Panacea or Pandora's Jar

Feminist sociologist Sharmila Rege notes that after the1980s World Bank Human Development Report women are no longer seen as 'invisible' or 'silenced' but have become 'hyper-visible' in the new microcredit market economy (Rege 2006). Reports and evaluations by the World Bank support microfinance with claims of unprecedented benefit for 'poor participants but also the local economy' (Khandker 2005: 263). Others analyse empirically SHG bank linkage asserting the advantages of leading clients to scale-up to formal financial institutions (Basu and Srivastava 2005, Basu 2005). Critics of the World Bank and other IFIs assert that there is little on-the-ground evidence that microfinance means women's empowerment and poverty reduction. In fact, researchers identify several flaws in microfinance schemes for South Asian women. For example, the ubiquitous consequences of caste and class are ignored and women in most need are rejected (Hunt and Kasynathan 2002); there is insufficient room for women's agency, which negatively impacts empowerment (Kabeer 1999); exclusively loaning money to women while excluding men creates a hostile home environment (Leach and Sitaram 2002); there is a lack of outlet for expressing oppressed identities (Strier 2010); and finally, women's value is reduced to income-earning labour (Isserles 2003).

Conclusion—Banking the Unbanked

Lamia Karim wrote in *Micro Finance and its Discontents: Women in Debt in Bangladesh* (2011) that the Grameen Bank is accepted as a global symbol of poor women's empowerment, yet, the expansion of globalization and neoliberalism shows little impact on the everyday lives of women. Others point out that 'microfinance operations in the political, economic and cultural context of Bangladesh appear to reinforce the fundamentally unequal relations between powerful creditors and relatively disempowered debtors' (Kalpana 2011: 34). Microfinance, while appearing to be a solution to poverty reduction for women, merely involves women in a banking system that has the potential to introduce additional forms of oppression (Eisenstein 2009). For example, claims of the success of women's empowerment programs, especially in finance and banking, are frequently based on an analysis that examines a narrow or incomplete set of variables, like debt repayment. Furthermore, the National Bank for Agricultural and Rural Development Report (NARBAD 2013) delineates

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the status of microfinance in India related to Self-Help Groups banking linkages of savings balances, loan disbursements and outstanding loans but there is no measurement of the alleviation of poverty. Without evaluating whether a woman's quality of life is improved, these surface results often fail to take into account whether there is in fact real economic or social change.

Finally, in Jamkhed, while thousands of women are successful at income generating projects in home villages and repaying loans, the number of women becoming entrepreneurs is negligible, much less than one percent. Most short-term microloans and grants do nothing more than increase consumption for televisions, ceramic tile floors, or motorcycles for men while homes are still without latrines and running water. Clearly the structural adjustment programs of the 1980s and India's current financial success reproduces an unevenness of income even as the number of millionaires in Mumbai increases exponentially. The arduous lives of most Indian women, whose workday starts before dawn, is well documented; yet, the current presumption that merely placing money in women's hands will change embedded social patterns is without evidence. Throwing or lending money at the problem may create a new class of banked women and Self-Help Groups with bank accounts, nevertheless, this narrow financial shift does not address or alter the entrenched social, economic, and political determinants of caste and gender inequality that directly mediates women's well-being and the quality of village or urban life and the questions of poverty.

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