

Episode 240 - Dr. Medha Samant: Women's Empowerment Through "Credit-Plus" Microfinance in India

[00:00:08] Welcome to inSocialWork. The podcast series of the University of Buffalo School of Social Work at www.inSocialWork.org. We're glad you could join us today. The purpose of inSocialWork is to engage practitioners and researchers in lifelong learning and promote research to practice and practice to research. We educate. We connect. We care. We're inSocialWork.

[00:00:37] Hi from Buffalo Larkinville, a cluster of businesses and restaurants on the southeast end of downtown Buffalo is especially hopping in the warmer weather. Catch a live concert every Wednesday at Live at Larkin. Check out food truck Tuesdays or attend the Larkinville market in Larkin square on Thursdays with live music, jewelry and art vendors and libations. I'm Peter Sobota. Becoming financially self sustainable is the need and basis of becoming a respectable human being. So states our guest Dr. Medha Samant as she discusses the history and implementation of Annapurna Pariwar, a group of five developmental organizations working in India since 1993 and serving 1000 slum pockets there. Its goal is to empower poor women and their families in terms of their finances their education and their health. Following the footsteps of her father our guest leads the organizations that promote microfinance microinsurance day care and research and training to provide support for options and opportunities to enrich the lives of the poor. Dr. Semant discusses the role of social entrepreneurs and the inherent trauma in human rights issues that are addressed by this movement. Practically Dr. Samant describes how she optimizes social worker skill sets in service to the mission and how she overcame the overt and institutional resistance and obstacles to microfinance efforts to empower the poor Medha Samant Ph.D. is Chairperson and managing director of Annapurna Pariwar and a distinguished social activist in the area of financial inclusion. Our guest was interviewed in April 2018 by our own Dr. Gokul Mandayam, clinical associate professor here at the UB School of Social Work.

[00:02:36] Hello my name is Gokul Mandayam and I will be interviewing Dr. Medha Samant today. Thank you for joining us Dr. Samant.

[00:02:46] Thank you.

[00:02:46] My first question to you would be could you tell us briefly about your background and what led you to start Annapurna Pariwar and also for the benefit of the audience if you could translate the term Annapurna Pariwar, that would be very helpful.

[00:03:05] Professor Gokul Let me explain Annapurnia means God is a food Pariwar means a big family. So you can say that Annapurna Pariwar that we are a big family there we serve for everybody's needs no family member can't stay with empty stomach here. Regarding my background I started it because of my three B's meaning Annapurna Pariwar and the three B's are my background, The way I was brought up and my beliefs. I was born into a family of social workers and social activists. Social service was most common in my surrounding because of the Marxist background of my parents. I started to believe that the problems of society especially like poverty discrimination deprivations unequal opportunities, are man made so I thought of correcting those. My father was well known bank employee's leader and was a strong supporter of nationalization of banks because he thought that that's the way they help the poor. And my mother was women women's rights activist. So I combined women and banking as this was the easiest combination to do for with my exposure to the poor women's issues and how the banking industry curtailed what amasses especially the women who owned nothing, no assets in their name etc.. Thankfully my life partner whom I met 40 years ago as a student woman and married later on he knows me so well that he was quite prepared for supporting me because I think he knew he had he

had any choice. So I start giving small credit and started to gathering the small savings of nine Vegetable vendors 25 years ago leaving my bank job. The goal was to free them from the clutches of private moneylenders they need shelter. then eventually we started the microinsurance the health insurance life family insurance. Fifteen years later. Then it care centers for the children and educational sponsorships. So on and so forth making Annapurna Pariwar a group of five independent organizations working together for the goal of comprehensive development of the poor women and their families using all the I mean all the services microcredit microinsurance childcare

[00:05:53] Moving on to the next question. Given the contextual background of various models of MicroFinance Support for profit and non-profit targeting different population groups how did you organization get involved with this particular approach of microfinance and why in other words would you really explain how the program works.

[00:06:18] Let me first say a few things about microfinance. What is a micro finance. We give small doses of credit to the people who do not get the loans from those formal financial institutions because they can't offer a guarantee collateral security which is very much like the banks. So the micro finance has evolved they evolved in the last 25 years because of this need or requirement in India. There was always a history of poor women who couldn't get bank loans and who form their own groups of 10-20 women to pull together small savings and give small loans to the group members charging an interest acceptable to all the group members and sharing the interest owned by all the group members. this was happening since the 70s. This was very informal without any legal status then between the 80s and 90s the banks started financing these self-help groups. But as you know the banking industry by nature they are very playing it very safe. So the way they were financing this whole groups probably did not satisfy the needs. And then after the 90s that microfinance institutions have evolved the Reserve Bank of India intermittently is giving some guidelines. How will the microfinance future but still. So far it's not governing this week. The reserve bank recommended in 1990 that the trust charities cannot do microcredit the informal groups have to be formalized by not for profit companies nonbank finance corporations or corporations. So the charities or trusts would no longer do microfinance and then that registration of a corporate credit society was a lot of time consuming activity and that how naturally many MFIs got registered as nonbank finance corporations or not for profit companies. But the percentage of non banking finance corporations these are called NBSs. This was quite high as compared to the not for profit companies. Then it was easier to have the capital infusion by foreign bodies NRIs, ext. And naturally the return on investment was specified by the investors the mandate. Hence what happened was after the 90s. Once they started operating in the field of microfinance. By the nature of it they could not get the savings by the nature of it they were profit making entities. ROI was demanded by the investors and that's how it happened. So the investors and the promoters gained but the profits that not passed on to the poor women. I think the Annapurna it's in the genes, we connect more with the self-help groups we are more naturally closer to the culture of mutually deciding things in a cooperative model. And we also had a by 1993 we also had a registered cooperative credit society charitable trusts and we also had a not for profit company that were mainly because I knew being a banker I was following RBI circulars and so I knew what they were doing and then you know as naturally we closer to cooperative model we chose to work under that model. So the micro finance activities which started with only 9 vegetable vendors in '93 and today 100000 members in 2018 9000 rupees two hundred crores rupees for full year. But still we make all the decisions by voting, hands show of hands. Profits are shared by all the members staff and board members in equitable cooperations and I think this is the way. We also generate the savings give good interest on the savings members are happy. The organization is sticking up to social goals objectives. I think it's very natural for us.

[00:10:49] Would it be possible that you could briefly explain what the term self-help groups really

mean.

[00:10:55] Self-help group means group of women or men but more commonly women come together in a safety group in India. These are really simple poor women who don't own any assets can't offer any guarantee collateral security to the bank. So what happens is they formed in your informal groups like Ro-Kai's I think in Africa. That's what they call it. There are many different names in different cultures or different countries. In India it called a self help group informally 10 or 15 or 20 women get together they pull their small savings. They share the savings or they give the loans to one of the members or two of the members from the same group. They specify the interest rate and they also share whatever interest is earned on the loans given out of the savings put in by all the group members.

[00:11:50] For the benefit of the audience. I'm going to expand the acronym so that NBFC nonbanking financial corporations MFI is microfinance institutions NRI is non-resident Indians and RBI Reserve Bank of India and the term ROI means return on investment. Could you describe the micro insurance program the health insurance particular that's part of Annapurna Pariwar's list of programs and how it has impacted the lives of your clients.

[00:12:21] Yes you see after implementing the microfinance program for 10 years from 93 to 2003 already we have started feeling the need for the health insurance life insurance for all of the members and their families. Because you see if somebody falls sick at the home of a borrower who has been very regular in the repayment previously but due to sickness or death in the family the borrower can't repay a particular installment or maybe two or three installments, it sounded very cruel to us to ask for repayment. Come what may. Whatever happens in your family have to repay to us that wasn't in our culture. So at Annapurna we started exploring whatever was. If there was anything available in the insurance markets and sadly enough in 2001 no effort of any insurance for the poor people was available in the commercial insurance market. So we practically we had no choice but we had to design our own insurance so we designed a way to make insurance Health Life and Family like a cooperative or mutual model. Then again we discussed what we are affordable premiums. We discussed with our members with all the members with all the members we discussed. What was that affordable premium for them whether they wanted to cover themselves or their families also, what were their diseases the most common diseases faced by them. What were they scared of. So on and so forth. They always needed health advice and also money. No insurance company was offering of course. So this is how we designed our own health insurance, the premium, the diseases to be covered. Everything was designed by us so the members own it they pay for the premium of their families they bear all the costs including the staff salaries also including the medical officers in Annapurna they participate in the sanctioning of all. So it's a mutual model you see where one contributes takes care of health and each one gets money and advice in need. So we started our micro insurance program with only 700 women initially as members but today we have 23 million members. We have very less than 1 percent rejection ratio in all types of claims very high client satisfaction high renewal ratio which no other microfinance institution is offering to their clients. What the other MFIs are doing, they're tying up with insurance commercial insurance companies that rejections are high premiums are increasing each year. Members are not educated to take care of their health and the ownership or ownership of the community is totally missing. So this is the way the insurance is different than the insurance of other MFIs and I think clients are happy with this model.

[00:15:42] How do you see social work professionals playing an integral role in the micro finance arena.

[00:15:52] I think Professor Gokul you know that I am a trained social worker and I have a doctorate in social work. My background as a banker and training as a social worker that helped me.

So for me this evolution from Social Work at the social entrepreneur. It was perhaps easier or natural I think social entrepreneurship falls somewhere between social worker and then entrepreneur. We all know that trained social workers assist the client to overcome their problems but the cost of these services have not borne many times by the clients. These costs are borne by the government of the society or some charity. So social entrepreneur is a person who works with the client to design the solutions their clients bear the costs because the solutions to these problems their problems are not designed to suit their needs. And I think this is the major difference between the social worker and the social entrepreneur. And I think the micro finance field technique or tool which can be easily used to help the people who are facing the problem of poverty. This helps them find solutions out of poverty. Initially we see that the very poor clients they get collateral free loans without any guarantee they're very happy. Sometimes the first few loans are spent for consumption purposes. Eventually the client starts using the money for the business expansion for creating assets and the family members of the clients join the business. So the whole family works out of poverty, the clutches of poverty and I think this is very wonderful to see it happen and help it happen.

[00:17:51] Tell me more about how do you see a social work professional in dealing with those everyday matters within a nonprofit like that of yours approving claims or training them on financial issues etc.

[00:18:09] In Annapurna we hire more social workers than MBAs or any other graduate. I mean out of all the 400 staff in Annapurna Pariwar all five organizations we have more than 50 trained social workers working within the five organization. I think they have those skills where already they have acquired this skills of counseling of empathizing with the clients of seeing the needs of the clients and how do you work out the solution with them having a dialogue with them. So I think these are the skills that most social workers have already acquired. And I feel that by these young people they choose the social work training because they have an inclination to work for the society and which for me is you know the basis on which many other skills can be built. And so I very much love to you know build the skills of financial knowledge of knowledge about insurance of knowledge about handling the different data excels and other skills. You know these can be acquired and taught. And I think we train this team to handle the data explain the data to the client so that the clients understand moving in a particular direction is helpful for them.

[00:19:34] I wanted to ask about how do you see social work practice within an organization like Nepal. Parivar really embracing the trauma informed human rights perspective.

[00:19:47] Trauma and human rights violations frequently go hand in hand. We see it from the local levels to globally was the poverty leads to drama. We as social workers we are committed to the promotion of social and economic justice and poverty excludes people. There's a lot of social injustice and also economic injustice to the people. So I think using that technique of micro finance you know to empower the poor women also you know handling human rights issues preventing them from further trauma preventing the children the poor children from traumatic experience of a poor childhood through various other programs like our daycare centers and educational sponsorship for the poor children. They also handle this because you see ours is not only a microfinance institution but is now split into a little bit the micro credit and savings program takes care of the social and economic justice in such a way that each one gets access to the credit. Each one can put in their savings and also take loans frequently not only once but by all those use of credit again and again so that they can you know work out of the poverty. Micro insurance takes care of you know their health problems debt health sicknesses and debts. These are the most traumatic experience as we see and they get connected with the human rights issues. When somebody you know who has money can afford a treatment and somebody who doesn't have money who's poor can't afford treatment. So true micro insurance may offer a solution where even the poor people who don't have so much money that they pull their funds together and they help each other.

And it's a very common fact which we are now through our data we can prove microinsurance data of last 15 years. That when 100 people putting their money into insurance only two people have to be hospitalized but then we help those two people from you know facing the most traumatic experiences of their lives. We also give them the best medical services which can be affordable particularly in those diseases or in case of death. So this is the second aspect of the services which takes care of trauma human rights issues. The third thing is day care centers in the slums. In most slums the poor parents, both of them have to work. So both of them are going out to work. And the very young children even below age of six years they stay at home alone. Sometimes they leave their lives to the legacy of the neighbors or distant relatives. And you see so many bad things happen with the young kids and they learn all nasty habits. This is a very adverse childhood experience but this is the least of all that they get and the worst things happen when they're sexually abused they get physically traumatized. So to prevent them from all such experiences in day care centers are helpful. We give them a very safe day care while their parents are away, their parents have to earn for the family and the child is really safe and not only safe. We give them the nice experiences with heavy activities that is singing and dancing and creative activities. And the child you know very poor child whose parents couldn't afford a day care center otherwise they can afford our day care centers which are very cheap like 10 dollars a month within this cause the child spends the whole day 26 days a month and the child evolves as a better human being your know very much connected with the human rights and affordable daycare services and less and less traumatic experiences in the life of these children. Also educational sponsorship program. When mother is single we give this educational sponsorship to the child and other ways if we wouldn't have been giving these the child would have had to work in the childhood earn for the family and for perhaps his own education his own hurdles on education which is again traumatic as a child labor is to he or she has to undergo different experiences which are not so good. So I think this is all of the services which will be offered at Annapurna Pariwar taking care of human rights and human rights violation.

[00:24:42] As part of Annapurna Pariwar you also have the research wing which is the research institute. Could you talk a little bit about that and also let the audience know to what extent is the research really impacting the way your programs function.

[00:25:01] Annapurna research center is the. I think one of the last activities we started 10 years ago and still it's very close to my heart because we started it in the name of my late father who was a trade union leader and very well known personally in the industry. We tried to you know in this research center we tried to host students from different disciplines mostly the social work students that are here management students here social entrepreneurship students are here. Then we have students from IIAims which are one of the most educational institutions in India. We tried to you know facilitate good research good empirical research based on the data that we have. We have a lot of data as you already know of all of our borrowers is because we have our own in house software so we have the data right from when the person becomes our borrower through all the lifecycle the family members the age group the health, education, family status, housing set up everything all the data we have and this data is explored plus you know direct on field interviews or take them to find out their own experiences or the way their life has changed. Using the different services like micro finance micro insurance and the day care centers probably this year we will have a book on the educational sponsored students. Quite a few of them have become a success stories. Last year's book was based on the experiences of the poor after the demonization in India. So on and so forth. So we are using a lot of in-house data plus interacting with the members different students of different institutions or undertaking different projects based on the empirical data we try to have some findings which again are used in our work in. development of other projects because their fact based on empirical data and they were the outcomes or findings of the research they are always useful to use again in the projects.

[00:27:20] I do remember that you said when you started Annapurna Pariwar with the vegetable

vendors it was small and that commercial banks asked you why you were doing that and now that you are having banks approaching you to tap the segment how you've come a long way today.

[00:27:39] Exactly 25 years ago I was still in the bank. I could see many vegetable vendors borrowing from the private money my bank was just across the street. But the banking industry by nature itself was not inclined to give loans to the poor. So I used to ask my fellow bankers whether we could help these poor women from whom I used to buy my vegetables. I could see them every day bartering and repaying to the private money. But my colleagues thought I was or overidealistic and the sometimes made fun of me but then my curiosity and also my inclination to the poor women always forced me to have a dialogue with those women. I asked them why and how they were borrowing. And then I understood that they were borrowing at really exorbitant rates of interest. They were also getting cheated when I looked through their small passbooks. I understand that some of the installments were not written by the moneylenders. And as it is he was charging them very high. So I I was trying to convince them to borrow from the bank. I asked them how much they were borrowing and required only 1000 rupees for working capital to buy potatoes and onions or some vegetables to sell and that was very very low even in 1990 it was very low 1000 rupees as a loan. So I thought that banks could easily give them. On one hand these vegetable vendors were scared of the banks. On the other hand the banks were scared of them. So then I asked these and I knew nothing about microcredit or the self-help groups. Not much. Still I thought that maybe 10 women 10 such poor women come together they you know form a group and they say they will vouch for each other that if one doesn't repay the others will repay for them. this was the basic principle on the basis of which I motivated them to form a group of them. And I told them OK. The banks don't give you I give you 1000 each. That's what they require. So I thought it was just ten thousand rupees. A matter of ten thousand rupees an order you know experienced to have and then I started with a group of 10 eventually before we could disburse the loan. One person she. She. She's scared she got scared she said No no I don't want to get into this. So we are only nine women in the beginning. And then we started giving loans just 1000 rupees to each one of them so 9000 rupees I pulled together. They repayed it very well. Every day I used to go to them every day I used to take the instalments from them. It was a very nice experience for me and for them. We knew so much about each other. We asked personal questions they asked me and I asked them and then it was good to know each other and that's how I started knowing their other needs like you know insurance and later on this day care centers. So these initial dialogues with them which helped me to understand their needs and for them it was good to know that. So something is something exists beyond the private money that something exists. Then after the first successful repayment of the loan they all of them asked me whether the loan is over what I told them loan is over but you have saved 262 rupees and there is so shocked because 1252 is the whole sum that they had paid to me and the same amount they were being always to the private money lender. But here they are saving something they never saved with private money lenders. So they're very very happy clapping and they say Tias, that's how they call me made that money is magical. And I said my money's not magical. It's our money now. You have the person, 10 of of us own this capital and we have to decide what to do about it. And this was the beginning of Annapurna Pariwar. And then they started bringing their friends and relatives to me. We started giving loans after loans. They has to leave to my bank job we registered as an organization much later we started borrowing from banks. But something you know has not changed so far the women have changed but the banks still haven't changed. This is what even today after 25 years I feel. Initially the banks never were interested to give loans to the poor. Then I started Annapurna Pariwar many women came together and then Annapurna Pariwar thousands and millions of them and then Annapurna Pariwar needed more and more money. I mean our credit society under Annapurna Pariwar we needed more and more money to give to more and more women to give them higher loans when they successfully repaid the lower amounts of loans. And we've seen the banking sector today in India there are so many frauds many big borrowers are absconding they're turning defaulters and we haven't 100% repayment ratio.

[00:32:55] Do you see microcredit/financial inclusion as an innovative sustainable and global solution to address the challenges of poverty. And how does this relate to the United Nations Sustainable Development Goals.

[00:33:12] Yes I very much think of that micro finance micro insurance and all those services you know like financial inclusions which are still under the financial inclusion services. These are one of the global solutions to achieve sustainable development goals and when I look at the 17 SDGs developed by the UN I think quite a few of them majority of them can be addressed to this financial inclusion program because these financial inclusion programs they aimed at ending poverty ending hunger achieving food security and nutrition ensure healthy lives ensuring inclusive and equitable quality education achieve gender equality and empower all women and girls. This is the most important goal I feel because we still look at the women and girls as they are not all equals. From a very few facts that they don't own any property in their name. Amongst the most illiterate population in the world that they are the majority. And when we look at the financial inclusion going to financial services like microcredit we help many women expand their businesses have assets in their name. But we also educate them financially which is not a direct financial service which is an indirect financial service to educate them financially how to save how to use their bank account. How do you know invest their money. How do borrow from safe places and how to keep their money safely so on and so forth. I think this is the out of the SDG 17 the empowerment of women is very very well addressed by the Financial Inclusion Program. I think lastly to promote peaceful inclusive societies for sustainable development this is also you know him that the financial inclusion program.

[00:35:19] Could you tell me how your organization had to deal with all the media blitzes and other societal pressures that had negatively tainted micro finance.

[00:35:31] It was in 2010 then there the crisis called Andhra crisis broke in India. That was 2010. The microfinance industry by then had come of age. It was existing in India for two decades then I would first List out all the reasons for this crisis few reasons which I think are the most important. Firstly there was overt competition amongst the MFIs. many MFIs are operating in the same district giving many loans to the same families same borrower. So I mean a very poor farmer could borrow three loans four loans. If somebody is coming at his doorstep offering for loans but then it comes to the repayment he can't repay four instalments on the day or so he or she had to borrow over borrow borrow more to repay. Actually the MFIs became like moneylenders. So this was the main reason for the Andhra crisis which was the biggest crisis in microfinance since the but the root cause of this crisis was something else. The Reserve Bank of India was and not even today is governing the microfinance debt in a positive way so that it issues proper licenses not and controls over competition. It is has started preventing the overborrowing by you know creating credit bureaus like we have Sybille in banking industry. We have now credit bureaus in the microfinance sector which was introduced by the Reserve Bank of India after the Andhra crisis. That means after 2011. But initially when this crisis happened this RBI had no control over it and RBI only had promoted NBFCs as I said previously that had suggested this structure or those not for profit companies to you know do microfinance and by the nature of it. Then NBFCs are borrowing or taking investments from many sources and they have no right to collect savings of the poor people to whom they are lending. So they are perpetually dependent upon bank borrowing or the investments and this is larger structure which was the root cause of this crisis also. Eventually after the crisis RBI woke up then they set up a committee called Malegam committee and they started the learning little more closely by way of introducing credit bureaus by way of asking for the MFIs to share their client's data. In the credit bureau. Each one should see before giving loans that they don't give more than two loans. So on and so they're trying to control this competition and overborrowing later. But as you have asked me how Annapurna handle this crisis. I am very proud to say that we're not competing with anyone. We were never giving many loans to one borrower or if we were never

giving top up loans. We were never giving before the first loan was repayed by the borrower even if the borrower was a very nice old borrower, a well known person. Still we followed all that good banking laws even before the Andhra crisis after a crisis situation was difficult because many of the MFIs who were debarred from functioning in Andhra Pradesh. They came in into our areas of operation. They started approaching other groups they started competing with us. So we suffered during the 2012 but we got ourselves introduced to all the norms introduced by RBI. We started following the credit norms. We stopped giving any loans. And if any borrower has dual loans already even if she's our old borrower we told her you can't take any more loans from Annapurna in 2012 and 13 many borrowers fought with us. They said we are your old borrowers. How can you say no to us. Then we educated and we educate them a lot that other MFIs are not giving them information that top up loans giving them information that they are ready to learn so they can take a lead. But we started educating our clients after this Andhra crisis and within 2012 13 we suffered a lot. We suffered a setback but today again after five years we are okay fine. 36 percent of our borrowers are borrowing only from one source. That's only Annapurna. Many of them are sticking up to Annapurna because it denies transfer and they all need they get the profits they all shares but also they stick up to Annapurna because a Annapurna used the microinsurance services which no other MFI offers Many of our borrowers only have one loan I mean almost 65 percent of the borrowers have only one loan apart from Annapurna. So they are falling all the norms they are well educated well informed the microfinance clients. This is how we handle this crisis.

[00:41:03] For social workers or social work students. What would be your thoughts to encourage more people to look at microcredit or financial inclusion as a form of social work practice.

[00:41:18] I would like to tell my young friends who are studying social work or social entrepreneurship. I will give them one. friendly advice that they should not be scared of finance. They should not be scared of numbers. Mathematics statistics. It's very easy not because I have studied that but I think one can learn it very easy and we cannot solve the problems of human beings only by counseling them only by giving them advice. we have to understand that becoming financially self sustainable is the need and is the basis of becoming any respectable human being. I think along with the good advice and counseling we have to give them financial services. And far from which we as social work practitioners shouldn't shy away. So I will give this friendly advice to my young friends that they shouldn't shy away from credit and banking and you know statistics and data. It's not that easy it's not rocket science. And they if they look at their client's needs and if the client requests the service they should be comfortable. You know two give advice or to connect the clients to set services which will help the client become so sustainable.

[00:42:46] Thank you so much Dr. Samant I really appreciate your time to me.

[00:42:50] Okay thank you.

[00:42:51] You've been listening to Dr. Medha Samant discuss micro financing efforts in India and inSocialWork.

[00:43:07] Hi I'm Nancy Smyth Professor and Dean of the University of Buffalo School of Social Work. Thanks for listening to our podcast. We look forward to your continued support of the series. For more information about who we are as a school our history or online and on the ground degree and continuing education programs we invite you to visit our website at www.SocialWork.buffalo.edu. And while you're there check out our technology and social work research center you'll find that under the Community Resources menu