

## Force Fostering Women Entrepreneur Ecosystem: A Case of Mann Deshi Mahila Sahakari Bank

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### Abstract

*One of the major hurdles entrepreneurs face is seed capital, securing it becomes even more galling for women entrepreneur and further it becomes treacherous for rural women entrepreneurs. Motivated by one such strenuous journey of Kantabai, a welder, in securing business loan Chetna Gala Sinha pioneered in the field of women microfinance by establishing first rural bank in 1996 which could suffice the needs of women from hinterland of India where the majority resides. This case validates Entrepreneurship can emerge from the revolutionised process of facilitating microfinance along with raising awareness and skill through various customized program. Thus a customized financing with customised education created a successful social entrepreneurship called Mann Deshi Mahila Sahakari Bank. The case tries to highlight inherent challenges existing for women entrepreneurs in the current ecosystem and the solutions put forth by Mann Deshi Mahila bank for rural women entrepreneurs. The preference by the financially excluded women for the "costly" Mann Deshi Bank over others is a case of successful outreach efforts made by the bank. The financially excluded segment of the society probably needs social inclusion to precede financial inclusion. They need respect, recognition, timeliness and doorstep service more than interest rate benefits. This case tries to map organisations initiatives in the "3M" framework required for entrepreneurs to initiate and establish their businesses (Bates et al. 2007). It is possible for a bank to profitably design customised loan products for low income households that are made available through individual BCs. Perhaps, the high expectations the development community has had from micro-credit could have been better met if the products offered were custom-designed and went beyond term loans.*

**Keywords:** women entrepreneurs, microfinance, social entrepreneurship, mann deshi mahila sahakari bank.

Women are creating their niche in business world and leaving a strong mark in entrepreneurial space. Their contribution towards wealth creation, employment and innovation is growing in economies around the world (Brush et al. 2006). Budding women entrepreneur's often face challenges in raising funds for their venture. In this case we look at the initiative by Mann Deshi Mahila Sahakari Bank to facilitate women across the country to set up their own business. The banks origin is from Maharashtra's Satara district and is being run for and by women.

Women entrepreneurs have been conquering bastions unknown to previous generations. From heading traditional female centric business-like pickle making, art & craft at Cooperative levels to heading huge multinational corporations involved in technology intensive business. Women entrepreneurs are leaving their mark in every walk of business. There is substantial focus of creating a favourable ecosystem which responds to the need of women entrepreneurs. Yet Indian women entrepreneur movement is not throttling with the same pace as the Indian economy. As per 6<sup>th</sup> economic survey percentage of women entrepreneurs in

the Indian economy is 13.76 % this number may seem small but when seen in light of existing skewed structure for female business owners this percentage looks much better and this is when the roaring contribution of luminary.

An entrepreneur apart from business skill and innovation needs venture capital (Money) (Penrose, 1959; Bruno and Tyebjee, 1982), passage to a market space to sell goods & services (Schumpeter, 1934; Kirzner, 1985; Shane, 2003) and ability (skill & education) to manage the resources in hand i.e. management (Aldrich, 1999) to survive and succeed. These 3 basic constructs i.e. money, market and management combine to form the cornerstone of any new business (Bates et al. 2007, p. 10).

### **Inception**

Chetna Gala Sinha pioneered in the field of women microfinance by establishing first rural bank, founded in 1996, it was the first women's Cooperative Bank to receive a banking license from the RBI which could suffice the needs of women from hinterland of India where the majority resides. Since then the bank has established seven branches and served over 200,000 women in Maharashtra. The bank started with the motto of serving the poor, downtrodden and financially excluded women of the area.

This bank does not only provide loans to rural women but also customizes repayment policies as per different women's needs. Providing loans for things as basic as mobile phones to helping women set up their own enterprises, this unique bank started by Chetna Sinha is empowering women in Indian villages.

The bank began with 550 members, initial capital of Rs 0.6 million and initial staff strength of seven. Today, after about 20 years of its existence the bank has seven branches, 24,978 members, 68 staff members and a total capital of Rs. 54.37 mn. So, the bank can boast of a reasonably fair growth pattern. But what has not changed is its niche market and client profile

### **Struggle Period**

The concept started to include the excluded. As the promoters were illiterate women, the license application got rejected. As a result literacy classes for women were started. Real challenge started with the handling of bureaucrats of banks.

After making enquiries with RBI on how to start a cooperative bank, it was told that it could be started easily, as the capital requirement was Rs.6 lakh for village. Women were mobilised, who contributed Rs 25 each. While applying for the licence, they need to submit a list of promoting members. In the application, one of the member had a thumb impression, so the RBI denied licence, stating that it could not be issued to a cooperative bank whose members were illiterate. Sinha received support from the village women, who encouraged her to pursue the idea, even asking her to educate them. First rural bank started with no outside support. There was no outside money hence for capital funding savings were mobilised and risk of loan was taken. Women (Workers) could not come to the banks because they loose on working hours. So it was decided that banks will go to them. Hence doorstep banking started. Women never wanted to keep passbooks at home as they were not willing to disclose their savings to their family members especially their husbands. As a result, smart cards came into practice.

Idea of business school came when one of the women worker asked for a loan to buy cell phones and it was her requirement to teach how to operate a phone. A B-school that teaches how to use cell phone, how to use calculator and design audio- visual courses and started radio for women which is used for courses and for show casing their talents too.

Handling depositors' money is itself a big challenge, as it has to be safe. The other challenge was keeping the bank's mission in mind, especially the staff. Instead of giving a Rs 50,000 loan, one should not lose sight of someone needing a Rs 500 loan.

### **Business Model/ Structure of Mann Deshi Bank**

The model is simple. They run a bank that provides women with affordable and easy access to savings and credit and a Foundation that provides women with the knowledge, skills and support necessary to

become successful entrepreneurs. The bank offers micro-finance products to women entrepreneurs, because for most parts of the year, the adult males of the region migrate to urban locations in search of employment. The bank's initiatives of offering technology-based payment solutions are designed, inter alia, to help their customers receive inward remittances more conveniently.

From micro-credit plans ranging from loans for five years to one day and providing loans as low as Rs.5,000 to offering women the flexibility to pay on a daily basis, the bank has cracked the right model to engage rural women.

### **The 3 Ms**

#### **Money**

The growing gap between rich and poor in society has made Social Inclusion, poverty alleviation and reducing inequalities are foremost challenges facing the world today (Kanak and Iiguni, 2007). Cost and ease of funds are imperative for the growth and success of the new venture. Especially when it comes to financing micro enterprises as the avenues for funding their dreams which are often beyond their realms. Now there is wide acceptance of Microfinance as tool to reduce poverty (Sengupta and Aubuchon, 2008).

MDMS realised need to create platform to cater to the requirement of the rural women entrepreneurs as financing in a challenge in itself and for women entrepreneurs the constraints multiply (Constantinidis et al., 2006). This holds more true for Women entrepreneurs coming from developing countries who face barriers towards access funds as being a male dominated society, asset ownership is in their name, hence lack of collateral further becomes a deterrent towards access to capital (Roomi, 2005) and small size of loan requirement which is usually a high cost product inducing banks reluctance towards the same (Jalbert, 2000).

#### **Management (in the Form of Human and Organizational Capital)**

There is a definite forward movement in the share of women entrepreneurs across the globe. Yet Indian women entrepreneur movement is not throttling with the same pace as the Indian economy. According MasterCard Index of Women Entrepreneurs (MIWE) report India noses ahead of Iran, Saudi Arabia, Algeria, Egypt, and Bangladesh only, out of the 57 countries surveyed. As per MIWE report the latent condition of women business is dragging when compared to China (29<sup>th</sup> rank) and US (4<sup>th</sup> rank).

Chetna Gala Sinha initiatives are exemplary work of art which has evolved over the period of time. She researched, understood and resolved the needs of women entrepreneurs by establishing 'Mann Deshi Mahila Bank' and coming out with innovative solutions for their financing as well as skilling needs.

#### **Marketing: Market**

When Sneha Devgirikar got her first loan of Rs.12,000 more than a decade ago to commence her venture of selling homemade papad, MDMS provided them an opportunity to market her products by organising Mann Deshi Mahila Festival for rural women entrepreneurs. The market opportunities and skill enhancement provided by MDMS propelled Sneha Devgirikar to understand and conceive the idea of establishing a brand 'Renuka Masalas', which gave her organic products a great appeal to urban market.

MDMS endeavour has been to increase its presence across the country however they ensure they increase the canvas for the rural women entrepreneurs where they have presence. On the same line MDMS decided to take its annual marketing platform from Satara to Mumbai, Entrepreneurs like Sneha swiftly got acquainted with mobile wallet technology, reflecting strong skill set disseminated by MDMS.

#### **Product Profile**

*Mann Deshi Cash Credit product:* Mann Deshi started piloting the Cash Credit Loan (CCL) product in July 2013 in Satara and Mhaswad in rural Maharashtra. As of October 2015, 1,376 CCLs have been disbursed – all to women – with a total outstanding loan amount of INR 192 lakh. It is available to Joint Liability Groups (each group comprising three women who are not related in any way to one another), who conduct businesses in the same market, and have a minimum of two years of experience in working as retailers. Every member is required to be willing to act as a guarantor for the repayment of loans by the two other members

of the group. The drawing limit of the Cash Credit loans ranges from INR 10,000 to INR 20,000, at an interest rate of 24 percent per annum.

*Weekly Market Cash Credit Loan:* Mann Deshi Weekly Market Cash Credit (CCL) was custom designed for the vendors in markets. Mann Deshi observed that the weekly markets in their area of operations are vibrant with business activity of vendors, both farmers and traders, who have scant use of formal financial services. The idea was born in 2012 when Mann Deshi's founder Chetna Sinha was walking around a weekly market and met some women who had savings accounts with the Mann Deshi Bank and was shocked to discover that though these women were members of the bank, they were borrowing from moneylenders. The product completed its first full financial year in 2014- 15.

It was gathered from the bank that the economic impact of absence of linkage with formal financial system was not same for all. The social phenomenon of caste system had differential impact on cost of credit depending upon whether they belonged to the so called high caste or low caste. The bank informed that moneylenders gave preferential interest rate treatment to the borrowers if they belonged to the same caste group. The success of cash credit loan proves that with a little financial assistance and guidance, women micro entrepreneurs don't just flourish but also have the potential of turning their small businesses into larger enterprises.

*Mann Deshi Term Loan:* During 2014-15, this product made a profit of INR 62.7 lakh, with a portfolio size of INR 8.77 crore, resulting in a profit to loan portfolio size of 7.15 per cent. There is no difference in the cost of funds, provision of NPAs, and interest income between the two schemes. This product is financially viable primarily because of much larger portfolio and lower cost operating structure as compared to Weekly Market CC.

### BC Channel

The entire BC channel is comprised of two products - CCL and Term Loans. The average portfolio during 2014-15 was INR 9.33 crore. FSA Salary, commission and HO staff salary aggregated to 7.96 per cent. The channel earned a profit of INR 51.0 lakh in 2014-15 with a profitability of 5.47 per cent. The Term Loan component made a profit of INR 62.67 lakh while the smaller CCL component incurred a loss of INR 11.6 lakh.

Mann Deshi offers both TL and CCL through its BC channel. The BC channel portfolio size in 2014-15 was INR 9.33 crore. The portfolio returned profits of INR 51 lakh or 5.5 per cent. Being a more mature product, Term Loans accounted for INR 8.77 crore, 15 times more than CCL which had loans outstanding of INR 56.5 lakh. The TL portfolio's profit margin was 7.15 per cent.

**Table 1: Product Profile of MDMS on Financial Inclusion Pillar/ Parameters**

S. No.	Products	Features	Access to Banking service	UEBA/ Access to bank ac	Access to credit	More access to Investment	Access to Insurance	Customer protection
1	CCL ( MANN DESHI CASH CREDIT LOAN)	1) Available to Joint Liability Groups 2) Every member is required to be willing to act as a guarantor for the repayment of loans by the two other. 3) The amount sanctioned is not disbursed upfront. 4) bank sets up a 'Limit' in the Cash Credit Account	√	√	√	√		

S. No.	Products	Features	Access to Banking service	UEBA/ Access to bank ac	Access to credit	More access to Investment	Access to Insurance	Customer protection
2	Weekly market CCL	1) custom designed for the vendors in markets. 2)The vendors operating in these markets frequently purchased goods on credit from wholesalers, who charged daily interest rates of up to 1.4%.	√	√	√	√		
3	Mann Deshi Term Loan	1)Disbursal done in one or more instalments. 2) There is no facility to the borrower to deposit surplus and withdraw again. 3)Interest is applied on the outstanding balance as on the day end/ month-end in accordance with the terms of sanction. 4)Interest is recovered as and when debited in the account. 5)Recovery of the loan is made in monthly /quarterly /half-yearly / yearly instalments as per terms of sanction.	√	√	√	√		
5	Financial & Digital Literacy	The basic financial literacy module introduces participants to the essentials of banking over a three hour workshop. The more advanced six-day module is an in-depth look at financial management and best practices for businesses	√					√
6	Entrepreneurship Development Courses	This programme helps women set up their business and hone their entrepreneurial skills.						√
7	Deshi MBA	An extensive program customised for rural women that enables women micro-entrepreneurs to examine and strengthen their						√

S. No.	Products	Features	Access to Banking service	UEBA/ Access to bank ac	Access to credit	More access to Investment	Access to Insurance	Customer protection
		financial, planning, inventory, marketing and accounting systems.						
8	Women & Young Girls Programme	The programme combines life-skill and health workshops, financial literacy and livelihood trainings.						√
9	Pra Vet Training	In the Mann region, goats are a crucial asset for farming communities and this program helps in nurturing and safeguarding this asset transcending into higher incomes.						√

Source: Mann Deshi Foundation, Nachiket Mor Committee.

OECD defines “Financial Literacy as a combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well being. People achieve financial literacy through a process of financial education.” and the previous table 1 highlights how MDMS bank products and other allied efforts have significantly addressed OECD financial literacy milestones and have been able to achieve the desired outcome.

### Digital Literacy

The Financial and Digital Literacy Bus is an initiative introduced by the Mann Deshi Foundation with the goal of helping rural women have better control over their finances.

Designed and supported by the CRISIL Foundation and the National Payments Corporation of India, the curriculum covers diverse aspects of the financial and digital worlds. The literacy bus, customised with the latest technology, is stationed all day at weekly markets. It has a dummy ATM machine and wi-fi enabled tablet to teach women how to use mobile apps. It also has a library of movies on cashless transactions and pictorial booklets have been designed in a simple comic book format. In addition, trainers perform interactive puppet shows on financial and digital literacy

### Conclusion

In last ten years India has improved its global competitiveness rank (WEF\_Global Competitiveness Report\_2008-09 to 2017-18) from 50 in 2008-09 to eleven places up to thirty nine in 2017-18, despite being in top three markets of the world it has not fared well on improving parameters like health & primary education, Higher education & training, Labour Market in efficiency, innovation and Business sophistication all of which are critical in creating a conducive ecosystem for entrepreneurs. MDMS started its initiative in 1997 when the conditions for business and economy were not so conducive and they proved to be a game changer for women of Satara District. MDMS impact and achievement should be viewed in light of latest MasterCard Index of women Entrepreneur’s report 2018(MIWE\_2018\_Final\_Report) which has placed India in last bracket of 20-30% where opportunities available for women to get involve in work and become business owners and leaders is scarce. MDMS has been successful in creating backend linkages by providing timely and cheap funds along with required education and skill set to utilize the capital and upward linkages

by bequeathing rural entrepreneurs with local rural market and then taking it to business city of India ' Mumbai'

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