

# Banking on women

**SEWA Bank has gained the distinction of providing health insurance and retirement benefits to thousands of women workers**

**I**n terms of capital base, this bank may be among the smallest of urban co-operative banks. However, in meeting the needs of the poorest of the poor and the weakest among the weak, the Ahmedabad-based SEWA Bank has earned a reputation unmatched by any other micro-finance institutions in the country.

Started 35 years ago by Magsaysay award recipient Ela Bhatt SEWA Bank today offers not just health insurance cover and retirement benefits to thousands of women rag-pickers, *bidi* workers, vegetable vendors and other such self-employed women, but also helps them set up micro-businesses such as beauty parlours, grocery shops and tailoring units.

SEWA Bank was established in 1974 by 4,000 self-employed women as a co-operative bank with the specific objective to provide credit to women workers in the unorganised sector. Self-employed women are the bank's shareholders who meet every year to elect the board of directors. The bank is professionally run by qualified managers hired by the board and its operations, are supervised by the Reserve Bank of India and the state co-operative department.

Jayashree Vyas, the current MD, is one such professional appointed by the board of directors to steer the bank on a path of sustainability and growth. Before joining SEWA Bank, Vyas, a chartered accountant, was working with the Central Bank of India as a financial analyst. "SEWA Bank has exploded the stereotype myth prevalent in the banking sector that poor self-employed women are not bankable. The bank has had a loan recovery rate of more than 97 per cent, much higher than many commercial banks in the country," says Vyas.

Narrating the growth story of the bank, she points out that, between 1974 and 1977, the SEWA Bank concentrated on attracting deposits from self-employed women and served as



SEWA bank: for the poor

an intermediary to enable depositors to obtain loans from nationalised banks, which are required to lend to the poor. During this period, about 6,000 members received nearly Rs25 lakh in credit. Initially, nationalised banks charged 9-16 per cent interest, but they reduced it to 4 per cent as a result of SEWA's lobbying with the government. In 1976, SEWA Bank started to extend loans to its depositors from its own funds and gradually withdrew from the credit arrangement with nationalised banks. "Having its roots in the trade union movement, which has been active in improving the wages of self-employed women, the SEWA Bank understood the financial needs during the lifecycle of a working woman and came up with products tailor-made for them," says Vyas. An overwhelming majority of customers of the bank are women over the age of 30.

Usually, when a woman joins SEWA Bank, it is her first exposure to formal banking. She is most likely to be in a debt trap and so has to first redeem her debts before building up her capital base through savings and then loans. The moment she starts saving, she

builds up an asset over a period of time, which ultimately helps her to either start up a new enterprise or upgrade her existing one, or meet future consumption expenditures.

To meet the financial needs of self-employed women, SEWA came up with several flexible savings and lending schemes. These include: Jivan Asha (daily savings scheme), Chintan Nivaran Yojana (worry riddance scheme), Mangal Prasang Yojana (special occasion scheme), Ghar Fund Yojana (house finance scheme) and Kishori Gold Yojana (buying gold scheme). Through these schemes, the bank attracted 3.5 lakh depositors with a total savings of Rs73.99 crore in 2008-09. "Women understand the importance of savings more than the men. However, in the absence of facilities conducive to saving in commercial banks, as they require the cumbersome process of filling up forms, illiterate women were not opening accounts with these banks. SEWA Bank pioneered 'doorstep banking' way back in 1978. Today, mobile vans cover the city daily," says Vyas.

The bank has seven branches in predominantly labour localities of Ahmedabad. To further decentralise its functions, the bank engaged volunteers from literate self-employed women, who were designated 'bank *saathi*' – a kind of hand-holder. They are all-round counsellors who, in addition to offering financial advice, also counsel women to plan for the future and explain the various products and services of the bank.

"A bank should go to poor women and not expect these women, who are busy and insecure, to come to them. Poor women, are economically active and so they are bankable. Because they are vitally concerned with the livelihood of their households, they are the most eligible borrowers," points out Bhatt. "Organising effective and successful banking with the poor requires barefoot bankers with a sense of commitment. The usual attitude, associated with 'suited-booted' bankers and bureaucrats, needs to be given up."

"What differentiates SEWA Bank from any other commercial and co-operative bank in the country is the

commitment and enthusiasm of the bank's staff," says T.C.A. Ranganathan, chief general manager, State Bank of India.

Though most commercial banks have savings and finance schemes meant for the weaker sections, to what extent these benefit the needy people – especially workers in the unorganised sector and slums – is a question to be asked, says Ranganathan. More often than not, he points out, financial products meant for the weaker sections, get cornered by influential and affluent people in a locality and do not reach the poor.

The real strength of SEWA Bank is its field staff points out Ranganathan. "Coming from the grassroots level, the staff understand the needs of the poor better than the staff of other commercial banks." In terms of size, a large bank like the SBI may be servicing more customers and disbursing much higher amount of money than SEWA Bank, but its effect on poverty-amelioration is not felt, because the population it covers is spread far and wide," he adds. "Though it has limited funds, SEWA Bank is able to cater to the needs of the poor in a limited geographical area and so its impact is felt directly."

"SEWA Bank is as different from any other urban co-operative bank as it could be," says M.S. Sriram, chairperson, finance and accounting, IIM-A. "Firstly, it is a bank which is member-oriented. Most of the urban co-operative banks have restricted the membership and there would be second category members who would typically be non-voting members. However, the membership of SEWA Bank is largely user-driven and all the members have the right to vote. And, in the past 30 years or so, it has stuck to its core mission of working with poor women. Incidentally, it was set up a good one or two years before Grameen Bank."

"What makes SEWA Bank different from any other micro-finance institution in the country is that, while the latter is driven primarily by the profit motive of the investors, who may include PE funds, the former is a bank of the women, for the women and by the women," says Mathew Titus, execu-



Vyas: self-employed women are bankable

utive director of the Delhi-based SADHAN, the association of networks of micro-finance institutions.

SEWA Bank is also credited with having pioneered a pension scheme for poor women. The bank has opened 50,000 micro pension accounts in the state and aims to provide old-age security to workers, too. The micro pension programme, in partnership with UTI Mutual Fund, helps all women under 55 to save as little as Rs50 a month in a pension account. At the age of 58, the account-holders receive their savings along with the interest to finance their retirement.

Saving is not compulsory at SEWA Bank. Even though clients have to save regularly for at least one year for being eligible to apply for an uncollateralised loan, it is also possible to obtain collateralised loans which have no restriction regarding saving behaviour, notes Gunhild Berg, consultant to KfW Development Bank, Germany, who has done a case study on SEWA Bank. Furthermore, he points out, even in the case of uncollateralised loans, not the savings accounts but guarantors serve as an alternative form of security.

The SEWA Bank, besides offering retirement accounts and health insurance to women who never had a safety net, has also lent working capital to entrepreneurs to open beauty

salons in the slums, helped artisans sell their handiwork to urban department stores and trained members to operate gas station.

Take the case of slum-dweller Namrata Rajhari of Ahmedabad's Behram-pura locality who, with a loan of Rs10,000 from SEWA Bank, started a beauty parlour in her one-room shack. "It would have been difficult for a woman like Namrata to secure such a small amount as loan from any big commercial bank," points out SBI's chief general manager.

Namrata has since upgraded her home with an attached toilet and a loft. She has also bought a washing machine and a computer for her children.

SEWA Bank too has upgraded and modernised itself. From a dilapidated house on the eastern bank of the river Sabarmati, it has moved to a multi-storeyed shopping-cum-office complex off Ashram Road on the western bank of the river.

Like any other commercial bank, SEWA Bank too has adopted the state-of-the-art core banking system to manage its financial, customer relations, accounting and personnel management functions. The bank has an ATM in its main building and plans to add more to its seven branches. The bank has a staff strength of 150, which include 20 field staff and four managers.

The bank has joined hands with nine other organisations across the country to take up financial literacy as a movement under the National Alliance for Financial Literacy. "Financial literacy is a must if the poor self-employed women want to move ahead," says Vyas.

Internationally, SEWA Bank is part of the World Women's Banking (WWB). In India, SEWA started the Friends of WWB to spread financial literacy among poor women and lobby for a better deal for them from the mainstream banking institutions. "SEWA Bank, since it is rooted to a mass movement of the poor women, has set an example for other micro-finance institutions in the country of how women too can be bankable," says Vijay Laxmi Das, director, FWWB.

♦ NACHIKETA DESAI