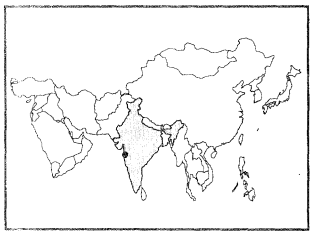

The *Mahila Milan* crisis credit scheme: from a seed to a tree

Sheela Patel and Celine D'Cruz

Celine D'Cruz is the Senior Programme Coordinator and Sheela Patel is the Director of SPARC.

Contact address: SPARC, P. O. Box 9389, Bombay 400 026, India. Tel: 91 22 285 1500.

I. INTRODUCTION

***MAHILA MILAN* IS** a federation of women's collectives in Bombay, India, whose work includes supporting the needs of its members for both savings and credit. Savings are of critical importance for low-income households and communities. They are needed both to improve opportunities, providing the capital for investment in shelter and employment, and to reduce vulnerability through providing a fund for use in emergencies.

This paper describes a crisis credit scheme which is funded by the savings of the poor. Such a scheme cannot meet the need for larger amounts of capital and for credit (for instance, for purchasing land or building or upgrading a shelter) and this paper also describes the discussions between the communities and formal financial institutions to meet poorer households' additional credit needs. However, the modest capital raised by the crisis credit scheme does fulfil immediate needs for cash. More importantly, the women gain skills and confidence from handling cash transactions, and interaction between community members increases. Using the foundations developed by this process, external credit can be managed more knowledgeably and more efficiently. The authors suggest that additional credit needs should be met by financial institutions supported and controlled by the poor themselves.

Mahila Milan (which means "women together" in Hindi) is a federation of women's collectives, created in 1987, which began as a network of collectives of women pavement dwellers. It has now grown extensively and includes members from all over India. *Mahila Milan*'s primary concern is to obtain recognition for the role of women in communities and to build up the credibility of their collectives within the community through support and training. This process helps women to participate in both local and wider issues and become involved in discussions about their own livelihoods and needs. *Mahila Milan* is also responsible for setting up various "projects", ranging from credit and savings groups (including the crisis credit programme described in this paper) to consumer cooperatives, ration shops and representation with the police and with housing cooperatives. Project managers from each settlement are these settlements'

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representatives in the federation and their capacities are constantly upgraded and refined to manage projects, train others and ultimately create a cadre of women leaders who will also participate in the National Slum Dwellers Federation.

Between 1987 and 1989, a growing number of members of the National Slum Dwellers Federation invited *Mahila Milan* to train women in their settlements. This led to *Mahila Milan* becoming the third partner in an alliance with the National Slum Dwellers Federation and SPARC,[1] with the membership from various collectives being assisted, trained and supported by *Mahila Milan.*

1. Editors' note. *Environment and Urbanization* Vol. 2, No. 1 (April 1990) had a profile of the NGO SPARC (the Society for the Promotion of Area Resource Centres) and this also gave background information about how SPARC came to work with the women pavement dwellers in Bombay and the alliance it developed with Mahila Milan and the National Slum Dwellers Federation.

II. THE CRISIS CREDIT SCHEME

IN THIS SECTION, some of the *Mahila Milan* leaders, who belong to the oldest and original collective (from the Byculla area in Bombay), explain in their own words the development of *Mahila Milan* and the projects they are involved in. Much of the explanation is done in the form of questions and answers, since the text draws on the explanations from leaders of *Mahila Milan* of their work, when questioned by women leaders from Bogotá (Colombia) during an exchange programme between the two. This question and answer format has also proved useful in responding to subsequent enquiries about *Mahila Milan's* work, although the information in the answers has been updated to include more recent developments.

"Everyone who meets the Byculla *Mahila Milan* has to hear about the *Mahila Milan* bank. We call it our bank but it is actually a crisis credit scheme which has 600 households as its members. It was started in 1987. The residents of six pavement dweller clusters had just completed a process of exploration - designing shelter alternatives for themselves - and they discovered that their aim was not just a physical structure to live in but a new way of life." Box 1 gives a short profile of one the *Mahila Milan* leaders.

Most of the initial participants were women from these six pavement clusters. Their collective exploration, their exchange of ideas and shared experiences created bonding - both social and emotional - which required further development. The first outcome was the formation of *Mahila Milan*, a federation of these six pavement clusters. This group of women then proceeded to design various schemes to help themselves. These schemes included:

* the formation of a cooperative, *Milan Nagar*, to seek an alternative land site for their housing;
* opening bank accounts and beginning to save money for new homes;
* ensuring everybody had a ration card;[2]
* dealing with crises, for example, providing emergency loans or helping with problems from the police.

There is a wide range of crises in which rapid access to emergency funds are needed. Some are medical or health related, where a family needs to purchase medicine. If an income earner in the household is ill, the family may also need a loan to feed themselves. Other crises include loss of employment and money needed to travel to look for a job or to start selling small quantities of foodstuffs in slums, or to free goods being seized by the local authorities because the person

2. A ration card entitles the household to receive an ascribed quota of food, fuel and clothing. It was devised at a time when there were food problems, and government designated shops distributed food. Poor households benefit from this facility as they receive cheaper food and fuel. Additionally, in the absence of other forms of identification, the ration card acts as an identification card and is used for activities such as obtaining loans, making passport applications and giving bail. By denying pavement dwellers ration cards, the government is denying them an identity.

Box 1: Profile of a *Mahila Milan* Leader

Samina Sheikh is about 45 years old. She and her husband came from Bihar soon after they were married and they have since lived at Jhoola Maidan in a hut on the pavement. This hut was first made from Samina's sari (six yards of cloth) draped from a compound wall to give privacy. It was gradually transformed into a shack made from thin plastic and wood. Samina has worked for over 18 years as a domestic help and her husband pulls handcarts.

Samina joined SPARC's training programme in 1986 out of curiosity, and gradually her absorption in what she was learning led to a rearrangement of her work schedule so that she could be at the area resource centre every afternoon. Soon, she was the informal caretaker of the Byculla office. She also supervizes the street children who hang around the centre, collects loan repayments, and sits on various *Mahila Milan* committees.

She has undergone masonry training and has travelled extensively, sharing her knowledge as part of a *Mahila Milan* training team. At present, she supervizes the construction of the first toilet to be built in Bombay for pavement dwellers and is going to Kanpur to train women from *Mahila Milan* collectives to develop the various *Mahila Milan* programmes.

concerned was hawking in a "no hawking" zone. The crisis loans and savings scheme began when everyone felt that if we all saved a little together - say 1-2 Rupees (equivalent to 3-6 US cents), then, when any of us had a problem, we could use the money and repay the fund later.

Was all the money in the crisis credit scheme their own? Yes. All the money is their own, collected by nominated leaders. Initially, SPARC put aside the capital equivalent to compensate for any losses (see Box 2 for details of SPARC).

Why? This process of exploration was new. SPARC did not wish to control or run the process. Instead it wished to support the process by allowing the women to manage the programme.

How does the scheme function? It must be noted that most members are illiterate. However, this is more than compensated for by oral and memory processes and the use of symbols. *Mahila Milan* provides each woman with a plastic bag. This bag contains coloured squares of paper, for instance pink represents Rs.1, yellow Rs.2, green Rs.5. So when she saves Rs.10, her bag will have two green bits of paper. All the bags from each cluster are stored in a larger black bag. Representatives from each area collect money every day from various people and bring it to the Byculla office where others, also nominated by the group, keep the money and put the paper bits in the bags. With the SPARC representatives' help, a register is maintained. Gradually, a literate person from *Mahila Milan* has begun to maintain this system.

Box 2: SPARC

SPARC - the Society for the Promotion of Area Resource Centres - was set as an NGO in Bombay in 1984. Its work within the SPARC/National Slum Dwellers Federation/*Mahila Milan* alliance has led to an increasingly diverse range of tasks and responsibilities. Over a period of three to four years, members of the National Slum Dwellers Federation undertake all actual fieldwork to set up and sustain federations. The alliance of the three organizations ensure increasing awareness in federations and communities. *Mahila Milan* trains women's collectives to learn skills to manage the communities' programme needs.

SPARC's role is one which begins with identifying a need, refining and defining possible solutions and ensuring members of *Mahila Milan* and the National Slum Dwellers Federation examine these to determine which ones will work and to make them viable. In this, SPARC's task is to lobby for their legitimization whilst the two other organizations ensure enough people know how to put the solutions into operation.

The crisis credit programme is one example. Women had already begun a crisis credit scheme on an individual basis. By encouraging collectives to undertake this programme, it acknowledged the need for such a process. It also designed it around what women already did and could manage and demonstrated to women themselves and to the community how simple and effective such a process was.

What is the motivation for the scheme? Where is the money kept? Can they be sure it will not be stolen? All poor women try very hard to put aside some money. In fact the women themselves say that from childhood their mothers teach them to put something aside "for a rainy day." But this is usually a very small sum. By all women (who have this small amount) agreeing to save collectively and by creating a mechanism to do so, this scheme was initiated. The money is collected and kept by the appointed persons in a cupboard at the centre and they always have the keys with them. There is total faith by everyone in this scheme. Since it belongs to everyone, and is meant for their own use, their collective guardianship protects it.

The credit is meant for their use? The money is available to members at all times. At any time of the day or night, if any member has a crisis or emergency and a need for money, they can go across to the leader's home and make the request.

They can obtain the money that simply? Yes. But remember, everyone knows everyone else. The person will get nowhere by lying. In most instances when a crisis (especially a tragic crisis) occurs, the leadership itself seeks out the victim to help in all possible ways and the emergency credit is only part of the support.

Who organizes the scheme? Every slum/pavement dweller is brought together into units of 15 households. These households nominate one woman from their number to become a member of the

"loan committee" for that settlement. Her task is to collect money and repayments from the 15 households and to vouch for any loan requests. The committee appoints three people who are in charge of the cash and who maintain records, conduct meetings and undertake other specific responsibilities. The committee also decides on the rules and regulations for the bank.[3]

How do the loan negotiations take place? The entire saving membership has developed a broad consensus on the general terms for lending money. The person asking for credit needs to say how much they want, for what purpose and how and under what terms the repayment will be made.

This means that the borrower decides on the repayment terms? Yes, the borrower decides because the money is their own, and **must be and will be** returned. The trust demands that commitment.

Does everyone repay? What about delays? Everyone repays. In one or two instances the collectives decided not to take repayment due to bereavement.[4]

What about interest rates? There are no interest rates. Instead, if the loan is taken out for a small business they charge a Rs.1 fee.

No interest? What kind of credit is that? People see this as community support. No one charges another for anything. Everything is volunteered. It is not as though they did not discuss this project in detail; there were endless meetings about it. They finally found this mechanism as a process which suited them all. It allowed them to be useful to each other.

What is the limit for the credit and who decides this? Usually Rs.500 (around £12.50 or US$19) is the limit. If people want up to Rs.100, they need to approach only one person. Up to Rs.500, it is three persons. More than that, and all 11 loan committee members have to meet.

Is this scale of credit able to fulfil all their credit needs? Of course not. This, in fact, is what links this group to the outside world. As noted earlier, the women have simultaneously been encouraged to have savings accounts in banks for their houses. By creating this crisis credit scheme, the group also develops an indirect mechanism to ensure women don't deplete their housing savings. This confuses and surprises the banks. Nationalized banks usually have poor people who open accounts and save, but quickly deplete their accounts. Imagine the power of *Mahila Milan*, opening 600 accounts and proudly showing records of over Rs.900,000 (US$ 33,750) in accounts.

III. CONSEQUENCES OF THE SAVINGS SCHEME

THIS PROCESS HAS important results both internally and externally. Internally, *Mahila Milan* was able to support its members through the process of setting up savings. The system for saving

3. The first programme was designed by women pavement dwellers of Byculla and SPARC workers. Subsequently, committee members from older schemes assisted their newly formed counterparts. This process began in 1987 and, by 1992, *Mahila Milan* wanted to create a city based committee with representation from each group who will participate in the housing finance programmes.

4. This part of the process is the most crucial element i.e. how to deal with non-payment, what mechanisms to use to explore why the delay has occurred and how to deal with it. For instance, if a loan was taken out to set up a hawking business for shacks and this business was later confiscated, another loan would be given to start all over again to help the person earn and gradually repay both loans.

allowed for some borrowing, but sought to assist repayment in a supportive way. The leadership began to learn to handle finance, to balance its role as giver and taker, and to handle its collective functioning. A supportive and nurturing style of leadership came easily to women; this is acknowledged and reinforced by men, as they benefited as well. Externally, banks sought to interact with this group of customers and to learn that these "poor" were not such an unknown and unpredictable entity. *Mahila Milan* began to gain informal "powers".

The Indian government had initiated two loan programmes for urban poverty alleviation: SEPUP (Self-Employment Programmes for the Urban Poor); and DFI (Differential Rate of Interest).[5] As loans quotas were established for banks for these programmes, bank managers sought help from SPARC, asking whether the organization would assist the poor in taking out loans. SPARC's response was that they had better deal direct with *Mahila Milan*. *Mahila Milan* can bring people to the bank and help them in the loan procedures. In this way, all those who needed business loans of more than Rs.500 began to deal with banks.

5. SEPUP (Self-Employment Programmes for the Urban Poor) and DFI (Differential Rate of Interest) are government urban poverty alleviation schemes which give loans of up to Rs. 5,000 at interest rates of 4-6 per cent and a 20 per cent subsidy. Most of the loans are for petty hawking and marketing.

Does Mahila Milan operate only in Byculla among pavement dwellers? No although it began there. Soon after this began, other areas where SPARC and the National Slum Dwellers Federation worked began interacting with pavement dwellers from Byculla. The level of clarity of articulation - especially among the women - was so powerful, that it encouraged those (mostly men) who attended the workshop to examine the possibilities of undertaking such processes in their own areas. So they invited *Mahila Milan* to open "branches" in different places. This occurred first in Bombay, and later in other cities.

Do the same rules apply everywhere? The people do not view this as a matter of schemes, roles and procedures. Instead, we view this as a process which brings people together to fulfil crucial needs. We usually promote the process through a sharing of experiences. So, some variations do exist - but the processes are similar. In various federations both in Bombay and in other cities, there are many variations within this same process. But many aspects of the savings schemes are now standard practice. *Mahila Milan* trains women to set up crisis credit schemes which run on their own resources. They also help women by ensuring that all those who wish to participate in any form of shelter upgrading demonstrate this by opening an account in a bank and putting money aside. *Mahila Milan* introduces the account holder, assists in filling in payment slips and keeps account of how much money has been saved.

Why has the housing savings scheme developed with the banks? The first reason is to help households demonstrate their commitment to shelter upgrading by saving. The poor need to develop this capacity in their incomes gradually. After all, at some point a loan will be taken out, and it will have to be repaid. No household income from a poor family can cope with this demand suddenly ... however much they may state this. Therefore, the strategy we use is to allow the family to put by whatever it can each month. Eventually, each family has to be able to put aside each month whatever amount is notionally calculated as the possible outgoing when a loan is taken

out. Through this process, the family saves something for down payments and begins to develop the capacity to repay.

Having this account in a bank, at least initially, was because we had to gain people's confidence. Too many people have been subjected to "scams" where someone had collected money (for a savings scheme) and absconded. In addition, most poor people have never gone inside a bank. They need to develop a sense of familiarity with institutions, feel confident in making transactions and develop some systems to interact with it.

Initially, SPARC had to introduce every person wishing to open an account to the bank until the first 150 accounts were set up. Then the first bank manager acknowledged *Mahila Milan*'s role and, from then on, *Mahila Milan* began to introduce the accounts. Gradually, bank managers began to recommend *Mahila Milan* to other bank managers and, now, bank managers phone *Mahila Milan* to seek their assistance in planning savings for poor households. In almost all these instances, the bank account is in the name of the woman in each household.

When members from federations in other cities learnt about this, they too began a similar process and, as a result, thousands of accounts are opened and managed by *Mahila Milan*, whose leaders know how much money there is in each bank.

What happened after this? The banks then began to use this network to disburse loans under the two government programmes for urban poverty alleviation (SEPUP and DFI - see above) and *Mahila Milan* now processes many loans with many banks and sets up systems for repayments.

Up to this point, the intervention was focused totally on the needs of the communities to understand and include savings in planning for shelter. On another level, most of the work of SPARC was still far from securing any land for shelter to provide an alternative for pavement dwellers, and so the need for housing finance had not arisen.

By helping each person to open a bank account, we achieved several things at once. We were able to help them begin interacting with the formal banks; the campaign made *Mahila Milan* very well known and provided various collectives with the right to negotiate with bankers for other loans. But we also had, for the first time, concrete proof that the poorest also save. For SPARC's advocacy campaign to build up people centred strategies, this process was a powerful demonstration of how to set up, multiply and sustain a programme run by poor women and their communities.

However, when the time came for cooperatives to obtain loans for housing, this form of savings was not adequate. Although most of the banks ran a National Homes Savings Scheme, this scheme (like all others) was not suited to the poor. One of the conditions for this scheme was that a person has to save a minimum of Rs.100 per month for five years, at the end of which he or she receives five times the amount saved. We did not have five years, and the individual loan process was ill suited to the poor. Their cooperatives need loans. We also realized that the savings accounts give people only 5 per cent interest while other safe and prudent forms of investment could yield 13 per cent and thereby ensure savings were inflation proof. Furthermore, because savings were scattered, their "proof of savings" were not acceptable for housing loans. Clearly it was time to explore other options.

Since the cooperatives that needed loans had to seek other avenues, we approached the Housing and Development Finance Corporation, a private and well established housing finance company, for a loan. They offered a "home savings scheme" where people got 9 per cent interest and an "agent" who collected money would receive 0.5 per cent as a commission for collecting the savings for the Corporation. *Mahila Milan* decided to become such an agent. The cooperatives whose members saved with the Corporation were to get access, automatically, to credit in the future.

Does that not solve the problem of access to credit? Why do you want your own institution? All these negotiations took place in 1988-89. *Mahila Milan* began to save some money with the Housing and Development Finance Corporation, and although the 0.5 per cent did not pay for the collection, *Mahila Milan* still did it. Two cooperatives in Bombay received loans from this Corporation and repayments were taking place. However, that savings scheme has now been stopped for several reasons. First, the Corporation is a highly professional company whose systems are not designed for the poor. Therefore, the interaction was increasingly unviable and unsuitable for both sides. The processes involving the poor are very slow, cluttered and time-consuming and do not fit into the company's corporate culture, however sympathetic its key decision makers may be to the cause.

A second reason is that this Corporation is an unusual and unique institution. There are no other institutions like it in India. The shelter finance needs of the poor would never be their major preoccupation and we could never actually move to making finance available to even 10 per cent of the federation's members.

Finally, the poor could never be participants in that process, only consumers. Therefore, the brief interlude pushed us to examine the possibility of setting up a savings and credit programme for shelter finance of and by the poor.

IV. CONCLUSION

IF THE NATIONAL Slum Dwellers Federation and *Mahila Milan* want their commitment to improved shelter for the poor to be realized, they must be able to influence how many poor people get access to financial assistance to upgrade their shelter. They must be able to ensure that this finance is accessible to all, and must prepare people who have never dealt with such systems in the past to do so.

How far will grants in aid support that preparation process? If the thousands of people they mobilize start saving, why must the real benefit of those savings and the decision-making related to those savings be given to someone else? The concepts and strategy we are currently defining and refining are as follows. We use the credit scheme to widen and deepen the capacities of the communities and the women's collectives to design savings schemes which serve their immediate needs and gradually provide an "alternative location" (instead of banks) for their shelter related savings. This institution will need to be designed so as to fit into Indian legislation's statutory requirements. Its assigned tasks are presently to:

* collate savings and invest them so as to be inflation proof;

* use collective savings to "leverage" large funds from national and international sources at interest rates affordable by the poor; and
* process loan requests and repayments and operate in the world of finance on behalf of the federations.

This path is unquestionably fraught with risk and uncertainty. It is a large project with no examples in the urban context from which to learn. We cannot predict what the outcome will be. We plan that this process and the institution (now informally known as *J&J Janasmpathi/Janaskhakti* - "people's wealth and people's power", terms made popular by Mahatma Gandhi) to evolve and grow over the next five years. It will require a new level of capacity-building and huge investments of money and human resources. But all large trees were once seeds!