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Study of Mann Deshi Bank and Foundation**

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ABSTRACT

Entrepreneurship is seen as a critical factor in promoting inclusive growth and development. Entrepreneurship among the poor women is seen as a survival rather than for growth or development, due to lack of access to formal finance, markets, skills and knowledge. For more than two decades, Mann Deshi Bank and Foundation in the State of Maharashtra pioneered with the responsible and inclusive banking approach for sustainable enterprise development. The financial and non-financial services offered by Mann Deshi with an inclusive approach benefited more than 2 lakhs woman members from the rural and urban areas of Maharashtra. This paper discusses various best practices adopted by Mann Deshi Bank and Foundation in enterprise development and financing. These approaches has wider potentiality to adopt and replicate in other geographical areas of the world for enterprise financing and development.

Keywords: Inclusive and Responsible Finance, Women Enterprises, Social Enterprises, Financial Inclusion, Training and Capacity Building, Rural B-Schools, Cooperative Bank, Mann Deshi Bank, Mann Deshi Foundation, India.

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1. Introduction

Micro, small, and medium enterprises (MSMEs) play a critical role in most economies, particularly in developing economies like India. According to the World Bank (2020), MSMEs contribute 90 per cent of the businesses and 50 per cent of 50 per cent of employment worldwide. Formal MSMEs contribute around 40 per cent of national income (GDP) in emerging economies. However, these numbers are significantly higher when the informal enterprises are included. By 2030, 600 million jobs are required to absorb the growing global workforce, which makes the MSMEs are high priority and key growth drivers for many countries. However, access to finance is one of the critical obstacles faced MSMEs to grow their businesses in emerging markets and developing countries.

Banks are often reluctant to finance MSMEs due to tiny loan size and high cost of lending. On the other hand, Microfinance Institutions (MFIs) are constrained with capital and it is little beyond their capacity to serve the MSMEs.¹ As a result, there is a rise of large MSME financing gap, which is estimated to be around US\$2.1-US\$2.6 trillion. As per the IFC estimates (2019), there are 200 to 245 million formal and informal enterprises that are constrained with formal finance.

In India, with a vast network of about 63.38 million enterprises, the sector contributes around 45 per cent to manufacturing output, more than 40 per cent of exports, over 28 per cent of the GDP and creates employment for about 111 million people. The micro-enterprises accounts for 99 per cent of total MSMEs and around 32.48 million (51%) enterprises are based in rural areas.

Significant attention need to be given on capacity and skill building of micro enterprise on financial and technology management, which will augment their ability to access formal finance services along with sustainable business development. The recent approaches of policy-makers were multiple institutions and programmes targeting the micro-enterprises segments with limited 'responsible and inclusiveness' in their approach lead to ambiguity and exclusiveness. The governments have always placed MSMEs as central to their development agenda without a holistic understanding the structural issues faced by the enterprises.

Adopting the UNs 'principles for responsible banking' (PRB), may be one of the policy approaches banks and financial institutions required to implement while financing the MSMEs for inclusive growth. The PRB offer the banking sector with a unique framework that entrenches sustainability at the strategic, portfolio and transactional stages and across all business horizons. Further, the principles align banks with society's goals as expressed in the Sustainable Development Goals (SDGs) and enable banks develop products and services that will create sustained value for its stakeholders through social, economic and environmental dimensions. Integrated with core business

¹ Almost 94% of enterprises are in India into missing middle segment of MSMEs, where the credit demand with the range of INR 50,000 TO INR 10,00,000.

strategy, responsible and inclusive finance for enterprises steers the sustainable development agenda through its pathways of social and economic developmental impacts with collective participation.

2. Mann Deshi Bank: A Unique and Innovative Bank for Woman Entrepreneurs

Mann Deshi Bank (MDB) founded by rural women's of Maharashtra in 1997 and headquartered in the drought-prone region of Mann Taluka, Satara district of rural Maharashtra. MDB is the India's first rural financial institution to receive a cooperative bank license from the Reserve Bank of India. Dr Chetna Sinha an economist and social activist is the founder of the bank established the bank with objective of empower women from the vulnerable sections of society with knowledge, skills, courage and capital access to achieve financial independence and self-sufficiency.

The bank started its operation with 550 members with initial capital of Rs 6 lakhs and began to make profits within two years of its existence. The MDB inculcated the habit of savings culture among the rural women through self-help group approaches. Bank launched innovative saving schemes for the rural poor such as daily, weekly and monthly deposit schemes, group savings and SHG federation savings schemes. Unique credits products were introduced to suit the entrepreneurial requirements of the women.

At present, Mann Deshi Bank has eight branches in rural Maharashtra, over 25,000 members and 87 crores in deposits. The bank has disbursed term loan over Rs. 50 crores and has Rs.100 crores as working capital. It has a recovery rate of 97 per cent and 90 per cent of its credit for the priority sector. It has over 80,000 individual account holders too. The bank's mission is to support a financial environment where millions of small scale woman entrepreneurs successfully grow their business with dignity and valued in their personal, family and community living. In achieving this mission, the bank had developed a strategic plan for pursuing the following aims (i) responsible finance to woman entrepreneurs to expand their business; (ii) creating new and customized banking products and services as per the needs of the excluded segments from mainstream formal financial systems; (iii) representing rural women's development concerns at the national and international level forum for inclusive development; (iv) enabling with risk mitigation through insurance services; (v) Agent banking models for doorstep banking services and (vi) promotion of digital banking services and financial literacy.

2.1 Unique Loan Products of MDB

MDB offers unique and innovative financial services to its customers/ entrepreneurs. Some of them are discussed in the below sub-segments:

2.2 Weekly Market Cash Credit Loans

It is estimated that in India more than 30,000 weekly markets operate in urban and rural areas. These markets are attended by entrepreneurs and farmers for selling and buying of food and non-food products. The buyers and seller use working capital finance through short-term loans from moneylenders or by purchasing stock from wholesalers on credit at interest rates that range between 1 and 10% per day (GIZ-NABARD, 2014). As a result, a sizeable fraction of hard-earned profit from small business and agriculture drift towards servicing the high cost debt. As a responsible and inclusive finance

approach MDB launched weekly market Cash Credit Loans (CCLs) in the year 2014 to meet the short-run and working capital needs of entrepreneurs, retailers and farmers. According to MDB, “This is the first-of-its-kind doorstep cash flow facility and a unique micro-enterprise loan. Thousands of women vendors across dozens of village weekly markets currently benefit from this cash flow facility to build their working capital. Given that there are 30,000 weekly markets across the country, there is tremendous potential to scale up this product”.

2.3 Joint Liability Group (JLG) Loan

MDB also offers JLG loans for women, who form a 4 to 5 members group without any collateral or property in their name. The JLG members stand as guarantors for each other for getting the loan. The loans are delivered by the bank agents at the door-step of the borrower as well as collected at their homes or from the weekly markets.

2.4 The Microenterprise Loan

The micro-enterprise loan, named as *Unnati*, is offered for more seasoned woman entrepreneurs who are keen to significantly scale their businesses. Having the credit history with bank for long-time with successfully repayment history of several micro-credit or working capital loans, they are encouraged to opt for larger enterprise credit lines ranging from Rs. 40,000 to Rs. 5 lakhs.

2.5 Other Loan products of MDB

MDB also offers vehicle, gold, housing, medium term loans for enterprise, loan against deposits, cash credit facilities, etc., for their customers. These loan products are made available to the borrowers with flexible terms and conditions like repayment period, amount of loan, collateral requirements and so on.

The MDB’s majority of lending in the areas of ‘priority sector’, which exceeds the minimum requirement of RBI’s compliance of 40 per cent of annual net bank credit (ANBC). Around 90 per cent of the clients of the banks are from the “priority or weak sector” segments, around 70 per cent of clients are from backward casts and 50 per cent of borrowers are from small enterprises/business.

3. Mann Deshi Foundation: Inclusive approach for Enterprises Development

Access to finance alone isn’t the only factor for success of the entrepreneur. Building business skills and access to markets is equally important to unlock true potential of the entrepreneurship. With this inclusive and responsible approach of development, Dr Sinha started a non-governmental initiative in 1986 as “[The Mann Deshi Foundation](#)” (MDF) to provide women with the business and financial knowledge, skills and market and social support necessary to give them more control of their income. Thus, building a sustainable livelihood by providing non-financial tools and skill sets.

The MDF focus on nurturing and supporting micro-entrepreneurs. The programmes are developed organically to address requirements identified by the women and work along with them for their livelihood. In addition, the foundation also works on water conservation to support small and marginal farmers to market linkages. Helping the rural youth to continue their financial education and develop their sporting potential.

The Mission of MDF is to ‘empower women with the knowledge, skills, courage, access to markets and capital to become successful entrepreneurs with more control over their lives’. The objective of the foundation is to reach one million women by 2022.

According to MDF “Encouraging women to be entrepreneurs encourages them, first and foremost, to believe in their own capacities. Running a business means producing something that others appreciate and want to buy, explaining the value of your product, negotiating with buyers and sellers, taking risks, and learning from failures. Success in business, however small, has the power to transform the way a person feels about herself and her abilities. As her business grows, so does a person's confidence. She is able to own more, do more, make and control more money, spend on the things she values, imagine a different world for herself and her family, and negotiate more for herself in her personal and social life” (MDF, 2019).

3.1 MDF Entrepreneurial Interventions

MDF entrepreneurial intervention includes, training on skills development, mentoring and technical support to empower woman entrepreneurs and their communities. It conducts a week-long, fifteen day-long, and one-year Deshi MBA courses on financial and adult literacy and enterprise development. The MDF has very innovative and inclusive approaches for entrepreneurial development in rural areas. They are discussed in the below sub-section.

3.2 Business Schools

Entrepreneurs availing loans from MDB are referred to MDF business schools for training in enterprise management and business expansion, while graduates from its business schools and other beneficiaries of enterprise development program or income generation skill program are provided loans by the bank to set up their enterprises.

The business school is a unique approach by Mann Deshi to reach the excluded segments of aspiring and existing woman entrepreneurs. The business school's ‘on-wheel’ run out of buses that travel to the remotest of locations of Maharashtra, Karnataka, and Gujarat. The business schools provide training aimed at building practical and technical entrepreneurial skills that help women set up and expand their business. The mobile schools out of buses to offer courses to women in the remotest of areas. These B-Schools have over a dozen different courses that range from workshops and short duration courses to a year-long Deshi MBA programme. Our 12 business schools and 9 mobile business school buses to providing practical skills for rural women to set up their own businesses. These schools offer a number of courses and trainings that are certified by the National Skill Development Corporation of India (NSDC) and include beauty, tailoring, macramé, catering, *mehndi* and *rangoli*, and agro-workshops, among others. One of The Business School's flagship programmes is providing the digital and financial literacy programme for rural women.

There are around 7 trained staff of MDF travel through each of the mobile buses to the rural areas to deliver the door-stop training and skill development for the women. Each prospective entrepreneur or new loanee has to carry out 14-hour financial literacy course, which covers topics such as the importance of savings, timely loan repayment, and frequent consultation with the bank whenever financial hardships become an issue for the borrower.

3.3 Chamber of Commerce

Mann Deshi Chamber of Commerce is dedicated to advocating for policy change to support woman micro entrepreneurs and for helping women access new markets, network with their peers and improve their business practices. It is a holistic support to woman micro entrepreneurs by policy level interventions towards advocacy to micro-entrepreneurship facilities, helping women take up more sophisticated business practices. It serves as a support structure to help rural entrepreneurs address their challenges. Some common problems faced are limited technical, legal, regulatory and market knowledge, ineffective marketing strategies, etc. which adversely affect their business survival and growth.

Chamber of commerce provides structured programs in enterprise development, financial planning, accounting, administration, book-keeping, tracking of income and expenditure, profit and loss etc. Training on marketing, branding, packaging, quality control, legal counselling etc, are given to entrepreneurs. The beneficiaries are added to a network comprising of trainers, mentors, field experts, successful entrepreneurs and alumni. The Chamber activities are reached around 63,000 women, 20,000 women have benefitted for guidance/support through on toll free helpline number, 24,000 women were trained on best practices in accounting and 12000 women registered and started additional business or enterprise activities.

3.4 Community Radio

The Mann Deshi Tarang Vahini is a community radio, which was started to share the incredible success stories of woman entrepreneurs and inspire many others to start new entrepreneurial businesses. It helps in information dissemination on government schemes and services for neighbouring farming and enterprise communities. It enables sharing of success stories and highlight achievements of women that inspire many other women to start business. It reaches around 1.5 lakh listeners across 110 villages in rural Maharashtra.

3.4 Financial and Digital Literacy

MDF conducts the three hour basic financial literacy workshop for the participants to introduce the essentials of banking and finance. In these workshops, the topics on opening of the bank account, the importance of savings, insurance and pension services and getting the bank loans, its utilization and repayment are discussed. MDF has developed a game-based practical financial education sessions to display the strategies on how to save from existing income and highlights the discipline of daily savings. At the second level, more advanced six-day literacy sessions are conducted to have an in-depth understanding on financial management and best practices for enterprise management. The sessions introduces various types of loan facilities from MDB, how to build income, assets, wealth, accounting and taxations are discussed. The digital literacy programs of MDF introduces on the use of digital banking, ATM and cashless apps for banking activities. This helps the woman entrepreneurs to connect to the markets and easy payments along with building of data foot-points for data analytics.

3.5 Para-Vet Training for Enterprises Development

MDF has introduced another unique program, '*para-vet-training*', with help of the *Nimbkar Agricultural Research Institute* (NARI) in Phaltan, Maharashtra, to train modestly educated women in goat farming, vaccinations, first aid and artificial insemination. These women, popularly known as "goat doctors" in rural Maharashtra. They reach the rural farming communities by carrying the artificial insemination kits on two-wheelers for a door-step services. In the operational areas of MDB/MDF cows and goats are a crucial asset for farming communities and these women are largely sought-after for their skills in their communities for artificial insemination and vaccinations for animals. In addition, the trainings are extended to include vaccination of poultry birds.

4. Responsible Banking and the Impact of Mann Deshi Bank and Foundation

Mann Deshi's banking and development activities are positively contributing to the society. The works of MDB and MDF are closely related to UN principles of responsible banking and finance.

According to the principles (1) of *Alignment* Mann Deshi works very closely with women, who are excluded segments of the society for their economic and social empowerment, so as to attain the inclusive growth and development of as outlined in the SDGs.

The principles (2) of *impact and target setting* describes the positive impact of the activities, products and services. Mann Deshi's banking services are reached more than 200,000 woman members by the way of banking access, with Rs. 97 crores deposits and Rs. 111 crore working capital loan with 96 per cent recovery rate. As on March 2018 the MDB has given more than Rs.500 crores loans for woman borrowers for various economic activities. In the recent years MDB adopted the innovative technology lead approaches for banking services. The bank has dedicated to women empowerment to understand, access and become comfortable with cashless banking transactions. The bank has strategically placed 'banking-agent model (popularly known as business correspondents) for real-time access to digital banking services at convenient time and locations to ensure that woman entrepreneurs benefit from the flexible and safe access to financial services.

Man Deshi work responsibly with its (principle-3) *clients and customers* to encourage sustainable business practices and support economic activity of the society that generate collective prosperity of present and future generation. It is witness from the work of Mann Deshi that through its 12 business schools and five Chambers of Commerce, they could reached over 480,000 women so far and planned to reach one million women by 2024. As Mann Deshi works in drought-prone area of Maharashtra, water conservation is one of the prominent issue for the farming communities and enterprises. The MDF has built 16 check dams, thus making drinking water available for about 50,000 people, and enabling irrigation for more than 1300 hectares of land. MDF has built three *bandharas* that rejuvenated 70 wells and irrigated over 100 hectares of agriculture land. As a result, around 400 farming families enhanced their agriculture productivity and another 700 families benefited from clean and easily accessible portable water. These works of Mann Deshi louds the sustainability of business activities and prosperity of the clients at the present without compromising the future resources.

Mann Deshi proactively and responsibly engages communities, banks, Governments (at the national, state and local levels), NGOs and international agencies as an important (principle-4) *stakeholders* for the sustained development of the community and society.

Mann Deshi Bank and Foundation is *governed* (principle-5) by committed and dedicated management team of women from the local community. They know the challenges and problems faced by the women community in general and entrepreneurs in particular. The governing team of the Mann Deshi finds best solutions for the problems of the community along with inclusiveness of social and cultural aspects in its business strategy.

As a bank and development agency, Mann Deshi maintains transparency and accountability (principle-6) in all its operations. The financial and non-financial operations of Mann Deshi is available in the public domain and its impact is well documented in several research studies and field level discussions. Tangible and intangible benefits of the responsible financing for enterprises are studied by national and international agencies, foreign universities for replications similar models and approaches in other countries.

5. Conclusion

Mann Deshi is working more-than two decades for economic and social empowerment of women from the downtrodden and excluded segments of the society. When mainstream banking institutions are not able to extend working capital or short-run need based credit to micro-enterprises that are based in farm and non-farm sectors, MDB could reach close to two lakh customers with total credit of more than Rs. 500 crores. Due to continuous support and monitoring of business activities (MDF) of members, the bank recorded morethan 96 per cent recovery rate. It shows that Mann Deshi work could create an inclusive and sustainable financial inclusion of women engaged in micro-enterprises and farming communities. With the use of modern technology in banking and development work, Mann Deshi could reachout larger excluded segments of woman enterprenurs in rural India. The Mann Deshi business model best practices may be replicated in India and/or other parts of the globe for inclusive and responsible banking and finance. Finally, access to finance along with building entrepreneurial skills and access to markets is equally important to unlock the true potential of entrepreneurs.

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