A CASE STUDY OF UTTHAN’S MICROFINANCE INITIATIVES

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**Overview:**

Utthan in its post 1995 work facilitated the emergence of Four Community based Women’s Institutions, which started off as village level *sangathans*, that later took the shape of area level Women’s Federations. The village level *sangathans* were started by Utthan as Savings and Credit self-help groups as a base and a space for women to discuss issues of representation, access and involvement in managing resources. Further, it helped them to identify issues related to access and denial of basic rights, entitlements and justice. The critical questions posed, capacity building on entitlements/rights issues, gender equality, empowerment and leadership amongst many helped women understand their lives better and identify the issues they are facing. Utthan’s handholding in strategy building and its implementation was instrumental in supporting women leaders and over time collectivise their efforts as Women’s Federations in four areas of Gujarat. For my research, I chose to focus on the Samarthan Mahila Sangathan (SMS) in Bhavnagar district of Gujarat.

**Methodology:**

To execute a case study of Utthan’s microfinance initiatives, I engaged in short-term ethnographic research. To carry out my research, I conducted unstructured and in depth interviews, participant observation, and a documentation of participant’s experiences with Utthan and its microfinance partner Samarthan Mahila Sangathan (SMS), Bhavnagar district, Gujarat, India. Working as an Indian-American researcher with minimal Gujarati and Hindi speaking abilities was unquestionably challenging. To attempt to compensate for these issues, I mitigated these challenges through concerted efforts: I hired a full-time translator for the period of my field work; as an Indian American I was able to use my cultural knowledge to build a rapport with the staff and participants of Utthan and SMS; and my previous research and working experiences in rural India were also helpful for this study.

**Learnings:**

In this research, I worked as a participant observer to look for patterns, describe local relationships, and attempt to make sense of Utthan in relation to the larger social, cultural, geopolitical, and economic context of Gujarat, of India, and of development interventions. Through this process, three critical challenges of transparency, flexibility, and identity were illustrated; in tandem, Utthan and SMS appeared to struggle with scale, and environment.

Transparency: Microfinance is laced with assumptions. Among these assumptions are idealized beliefs that women have agency to use the loans that loans are always spent on items like food and housing, and that relations between participants and NGOs are always balanced. These assumptions are made because of a lack of proper communication and record keeping between the NGO and the external world. Utthan and SMS, while outwardly challenged in multiple areas by many stakeholders, still seemed to prioritize the transparency of their internal discourse rather than occluding their internal power conflicts between federation leaders, area leaders, and village leaders.

Flexibility: Apart from a lack of transparency, one of the primary critiques of microfinance is its rigid loan structure. Standard microfinance models insist on group liability and fixed repayment schedules to build financial discipline and the ability to save for borrowers. However, these structures impose considerable burdens on borrowers. Opponents of microfinance claim that MFIs, Trusts, and Cooperatives fail to deliver flexibility for loan repayment. However, Utthan and SMS appear to understand the liquid constraints of their recipients and prioritize flexibility. For these groups, flexibility lends itself to increased cooperation, understanding, and resilience. In my interactions, it was clear that participants’ felt like they were a stakeholder within SMS and that their role was critical to her identity. While SMS’s loan portfolio may be small and the number of recipients served smaller, in this instance, and others, their process appeared deeply sympathetic.

Identity: In addition to Utthan and SMS’s transparency and flexibility, the organization’s core capability appears to be its identity. Although traditional microfinance institutions emphasize social returns as a byproduct, Utthan appears to intentionally reverse this process. By fostering social capital through active identity cultivation, the participants of Utthan harness their dynamic social identity to enhance their microfinance services. One example came from a federation leader who collects savings from her village. This process was physically and emotionally draining. Perhaps most importantly, this process required her to leave her other labors, abandoning any income during that time period. However, this woman was committed to her village and to her woman; an identity had formed between her and her fellow SMS group members. This sense of identity transcended to other members, as they recently proposed an idea to value their federation leader for her labor and her worth.

Scale: For many NGOs, scale is a critical issue. This affects SMS as they plan to transition from a Trust to a Cooperative.[[1]](#footnote-1) Currently, SMS operates as a trust under the guidance and facilitation of Utthan. Although the relationship between these groups is informal, Utthan hopes to dissolve their governance relationship in March 2015 after which Utthan would continue to serve as a support system. The benefits of moving to a Cooperative, in their perspective, are legal and economic freedoms. Many of the provisions of the Bombay Public Trust Act are also cumbersome and restrictive, allowing Government bodies to interfere, monitor, and control the functioning of a Trust. In SMS’s understanding, transitioning to a Cooperative would allow members to apply for external funds, which would allow trustees to return increased pecuniary benefits and greater independence from Government oversight. However, SMS is critically challenged with their transition to a Cooperative. Utthan’s staff is still connected SMS’s microfinance activities through intangible support. Although Utthan strives for independence, there is delicate balance between upholding Utthan’s values and allowing SMS to foster its own.   Environment: Unfortunately, both Utthan and SMS say that leveraging support from the Gujarati community is difficult. Utthan has achieved positive steps, but it is presently challenged to build “mechanisms to be put in place to ensure that federations remain secular and value-based institutions” in the context of a “changing economic environment.”

**Next Steps:**

Utthan and its partner SMS demonstrate the immense challenges and capabilities that can result from the complex social intersections that occur as a part of microfinance. The cultural implications of microfinance are hidden in relationships between federation leaders and women borrowers, between women borrowers and their households, and between SMS and Utthan. I found that SMS struggled to scale up, to maintain recipient inclusivity as they grew, to balance internal power dynamics, and to meet the conditions of a changing Gujarati political environment. I also identified strengths of microfinance as a tool for strengthening female communities in Bhavnagar. Utthan influenced SMS to act with transparency, as well as uphold a loan flexibility that is often missing in standard microfinance interventions. This flexibility has enabled participants to feel ownership over their work and foster a complementary relationship between community and financial inclusion. This work is powerful because it is tied together by a strong sense of identity. Utthan/SMS is able to foster a sense of ownership, belonging, and community that transcends the explicit financial goals of the organization and microfinance. Although SMS functions as a microfinance organization, a sense of community emerges out of this space that extends beyond kinship structures nurtured by religious, familial and political affiliations.   Participants remain optimistic and proud of their work because of the loyalty they have for each other and the determination they have cultivated for themselves. Often times, organizations, especially umbrella organizations like the Grameen Bank, impose a strict structure upon their subsidiaries. In Utthan and SMS’s case, there is a trust between both groups. This trust lends to an acceptance, even an encouragement, of SMS’s failure insofar as their growth remains democratically and community-driven. The leadership of Utthan does not attempt to regulate SMS. In fact, they are aware that SMS’s desire to scale and transition to a cooperative is premature. Utthan, however, quietly acknowledges this challenge, because the decision to scale is SMS’s choice. The relationship of Utthan and SMS removes top-down agendas because all actors seem to recognize that genuine development requires autonomy over value judgments. Though there may be problematic sources of imbalances of power, Utthan expresses an awareness of these relationships. These power-knowledge constructs are difficult, undoubtedly, but participants also drive these dynamics; they are not imposed by Western development agencies. SMS’s ideas, direction, and motivations are organic and trending towards self-determination, and microfinance is merely a process that facilitates this trend. I do not believe that microfinance is the answer to provide economic empowerment for the majority of women in India; however, it can help democratically driven processes and practices that leverage this tool for community and capacity building, identity formation, and self-reliance. We need spaces like Utthan for women to govern their own structures for development. These spaces can then facilitate more spaces for women to self-govern their needs and rights, whether they be interests in justice, peace, environment, or savings and credit. Research and policy-makers may instinctually want to scale smaller organizations, but for progress to feel real to women borrowers—let alone be real—it must be driven from the women borrowers to create the processes they which to abide by. The work of Utthan and SMS is just one model of microfinance work. By aligning themselves with local needs, I believe that these actors are better able to navigate social codes to positively shape the lives of marginalized communities and defy the imagination of development. Utthan has effectively opened up a space for SMS, which could lead to increased opportunities for women, opportunities that may or may not take the form of microfinance. That said, there are numerous unseen questions: At what point should Utthan intervene, if at all? Where should community-level decision-making end in favor of more academically driven solutions? These questions are important, and will only grow in intensity as SMS grows. But for now, and for always, these questions and answers are under ownership of SMS.

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1. For more information on the differences between trusts: Shah, Kesarichand Nemchand. 2001. The Bombay The Bombay Public Trusts Act, 1950 as applicable to Maharashtra & Gujarat: with exhaustive commentary, rules, notifications & circulars of the charity commissioners. Pune: Hind Law House. [↑](#footnote-ref-1)