Shikhar Microfinance: Microfinance Among Women and Poor Communities of Delhi

Emily Echevarria

Project 3.1

TUL560

Summer 2014

 Contemporary microfinance, the practice of providing small loans and credit to the poor to pursue entrepreneurial and income-generating endeavors, has boomed in India. Practices and programs differ based on the population served and the microfinance practitioners. Over the past two months, I have had a first-hand look at the operations of one Microfinance Institution (MFI), Shikhar Microfinance in order to understand how an MFI operates and impacts communities.

 Shikhar Microfinance Pvt. Ltd. is a Non-Banking Financial Institution based out of Delhi, India. They provide microloans to women under the poverty line in an effort to foster entrepreneurial activities and poverty alleviation. According to their mission statement, their aim is “empowering communities through financial and livelihood services.” Shikhar was established in 2007, and is currently pursuing the goal of impacting 100,000 families before 2016. While secular in their formal operations, the leadership of Shikhar is Christian, which informs everything they do. In order to function at its highest potential, it does not call itself a Christian business or ministry. Rather, Shikhar operates according to Biblical principles in the secular realm. They do not actively evangelize, though they have core values that all employees and borrowers are to live by. Integrity, credibility, excellence, fairness, enterprising, stewardship, and transparency are at the heart of what Shikhar does and how they do it. They hope to spread the fragrance of Christ by living as examples in a sensitive country.

Figure A: Shikhar’s Mission Statement, expanded.

 Shikhar’s seeks to serve their target communities: those below the poverty line (living on less than two dollars a day), the un-reached, un-banked, and the socially excluded. They offer people from these demographics a variety of financial services, including credit, insurance intermediation, savings intermediation, remittances, and investments. Shikhar’s Head of Human Resources expressed that a main goal of these services is not just to change their financial situation, but to re-orient their thinking and to give them the power to believe that life can be better. They offer small loans, with loan amounts starting around 7,000 rupees (about $115 USD). Members of the loan group pay off the loan in weekly installments over a period of two years. After they have successfully paid off a loan, they can be eligible for a second loan of a higher limit, say 15,000 rupees. This cycle of loan and repayment can continue, each time allowing the borrowers access to greater sums of money as a way to expand their entrepreneurial endeavors. According to Shikhar’s policy, loans should only be granted for use in income generating activities. They strongly discourage borrowing money for personal expenditure, such as weddings or a motorbike for the family. When families spend money on these causes, the money is spent, not invested. The Head of Human Resources emphasized that the purpose of loans is not just to cover expenses; it is to lead into transformation.

 Shikhar uses the Joint Liability Group system model, as opposed to individual loans. They also provide loans exclusively for women for two reasons. Some research and findings that support lending to women typically results in greater family and community uplift than lending to men. Also, one of Shikhar’s main goals is empowerment, and poor women are generally disempowered by compounding both cultural and financial disadvantages. Women from a community form a group of five, and choose to take a loan together. Since the poor often do not have the financial resources traditional commercial banks require for collateral, they use social collateral. Women in the lending group choose their group-mates with caution and consideration because they know if anyone from the group defaults, the loan contract requires everyone else in the group to pay for the mistake. Since all loan group members are from the same community, they know who they want to enter into this partnership and risk with. In order to operate well and effectively, Shikhar has an operations process. This process consists of nine steps that all loan groups must complete, which are: Area Survey, Introductory Meeting, Initial Meeting, Compulsory Group Training, Pre-Group Recognition Training, Group Recognition Training, Disbursement, Repayment at Regular Intervals, and Mandatory Group Meeting. These processes are important for several reasons. It allows Shikhar a screening process to ascertain exactly who they would be lending money to. It also provides women with training that could be critical to their success as entrepreneurs. A loan officer meets with the ladies on a regular basis for repayment meetings. Each meeting begins with the ladies reciting their pledge to work hard, pay off the loans, and seek the well being of their families and communities.

 I worked with Shikhar’s twice a week throughout the summer semester, for half of the time with my co-intern, Vaibhavi. Usually, one of those days was spent in the office and one was spent in communities with loan groups, meeting with clients and interviewing them. During the field visits, Vaibhavi and I would meet up with some of Shikhar’s field personnel, who would take us to meet with several of their loan groups that were operating in that community. Vaibhavi and I asked individual questions to the ladies and also focus-group style questions to the whole group. We wanted to capture the ladies’ individual experiences with the loans, and also the whole group’s collective responses. Questions dealt with family, income and financial uplift, employees, health, and plans for the future. We used a fairly standard circuit of questions, though we asked unplanned questions as they were appropriate for the situation. The data we collected benefits both me as a student of microenterprise development, and also Shikhar. Vaibhavi and I are responsible for writing up these interviews as “stories” for the MFI’s use. They intend to use the information we have collected for both promotional and marketing materials, and also to improve and potentially augment client services. After Vaibhavi’s internship was over, my language helper agreed to come along to assist with translation. She is also from a slum area in Delhi, and deeply enjoyed meeting with these women and encouraging them in their inspiring business endeavors.

 During the client interviews, much of what the ladies said was consistent with readings and research on MED. They recognized Shikhar’s microloans as valuable opportunities to use wisely. The women interviewed reported nearly unanimously expressed that Shikhar’s interest rates and their installment plans are hugely better than those imposed by local moneylenders. This may come as a surprise, considering that Shikhar’s 2.5% weekly interest rate is considerably higher than interest rates offered by commercial bank loans. However, the women that receive loans from Shikhar cannot access traditional bank loans. The loans they can access come from moneylenders, who often charge exorbitant daily interest rates. Usurious moneylender interest rates leave individuals, families, and entire communities indebted. With that as the alternative, microfinance interest rates appeal to many in slum communities. Surprisingly, in spite of the Head of Human Resources’ explanation of Shikhar’s policy on loans for personal expenditure, I found that some women had taken loans for such purposes. No more than three of the women interviewed fell into this category, but each instance came as a surprise, especially since they openly shared with me about it in the presence of their loans officers. Several women also said they had taken the loans for their husbands. In these cases, the loans are in the woman’s name, yet the husband carries out the entrepreneurial activities.

 This internship with Shikhar has entirely shaped my view of microfinance. Their personnel are humble, admitting that microfinance does not work all the time and willing to changing their programs in order to best serve their clients. And yet, over the past semester, I have become a believer in microfinance. I have seen that when it works, it works quite well. Women find their power, families benefit from better living conditions and opportunities, and the communities they live in can receive benefits from the entrepreneurship within the neighborhood. In speaking with the CEO, a man named Satyavir Chakprapani, he told me that he is not primarily an economics man. He chose to become involved in microfinance because he cares about people and had seen how microfinance benefitted people. He made it quite clear that Microenterprise Development (MED) cannot be its own aim, and goes so far to say that when it does become its own aim, it has failed. MED must be about the people. An MFI’s success can only be measured by the success of the people it serves.

**References and Resources**

Bussau, D., Mask, R. (2003). *Christian Microenterprise Development: An Introduction*. Regnum Books International: Waynesboro, GA.

Chacko, V. *Interview: Shikhar Microfinance Orientation.* 20 May, 2014.

Greer, P. and Smith, P. (2009). *The Poor Will Be Glad.* Zondervan: Grand Rapids, MI.

Handy, F., Kassam, M., and Ranade, S. (2003). “Factors Influencing Women Entrepreneurs of NGOs in India.” *Nonprofit Management and Leadership*. 13(2). pp. 139-154.

Ledgerwood, J. (1999). "Chapter 3: Products & Services." *Microfinance Handbook: An Institutional and Financial Perspective*. The International Bank for Reconstruction and development/World Bank: Washington D.C.