



L&T Financial Services - Digital Sakhi combines inclusive development with digital finance and directly supports gender equality and women empowerment. It aims to create awareness in digital payments among rural and semi-urban women

What They Are Taught

- **Savings:** The primary objective is generating awareness about the importance of savings. The women are taught how regular savings can save them from exigencies and ensure a better living for them
- **Banking:** The women are taught why money should be kept in banks, instead of their age-old practice of keeping their savings at home
- **Microcredit:** Benefits of availing loans to fund small ventures.
- **Repayment & Capacity Building:** Repayment is an important part of the process. The women are taught how timely repayments help to build their capacity to obtain higher amount of credit and expand their businesses
- **Over-indebtedness:** Perils of debt burden and borrow only as per need.
- **Govt Schemes:** How people can avail the different benefits from the various niche schemes and policies
- **Digital Transaction:** With the government pushing for financial inclusion through cashless direct benefit transfer, education on online transactions

loans his company offered. She became a member and took her first loan of ₹10,000 to start afresh. The loan came with a rider. She had to use the entire money for buying raw materials for her handicrafts. "That was my first lesson in managing finances," she says. She followed the rules and resumed her unfinished journey as an entrepreneur and contributor to the family.

Sunitha was not alone to avail of the loan. Most of the village women grabbed the offer to ease their financial woes. But the microlender didn't stop at lending alone. It mandatorily enrolled the borrowers and urged other women to sign up for a class in the weekends. They discussed one of the most important aspects of life – savings.

Microfinance Institutions Network (MFIN),

the umbrella association for microlenders in the country, invests in developing films on credit awareness, which teach the borrowers the importance of saving money, and making timely repayment of loans. These films use characters and situations similar to those of the borrowers so that they can identify with the messages.

"Microfinance entails providing credit to women mostly from the BoP (base of the pyramid) segment in rural India. So, it is important to ensure that they understand credit and its management and the lending processes followed by the MFIs," says MFIN CEO and Director Alok Misra.

Banks are out of bounds in a remote village like that of Sunitha's and organised lenders keep off borrowers like her because they lack the required credentials and for their apparent

200
MFIs are active in India with 56 of them being members of MFIN

Tools To Spread Financial Literacy

- **Films:** MFIs invest in short films based on characters and situations that the village women can associate with and show them at the camps to create awareness about microcredit and ways to improve their lives
- **Nukkad Natakas:** Street plays are hosted based on stories on women's plight and their resurgence through financial literacy
- **Video Modules:** The organisers show small video modules on various aspects of financial literacy; pamphlets and posters are distributed among the participants to create awareness
- **Door-to-Door Visits:** Representatives from MFIs visit women in villages regularly to keep the interest alive and ensure maximum participation

uncertainty in repayments. The microlenders throw the lifeline for these people. The MFIs give them small loans to realise their small dreams. MFIN has 56 members, while the country has over 200 microlenders, including small and non-profit MFIs.

There was no dearth of apprehension of default when the MFIs began their journey but the BoP borrowers have shown flawless repayment – in stark contrast to corporate loans that have saddled big banks with huge burden of bad debt. The reliability of BoP borrowers is based on the premise that they continue to have access to small-scale financial services. Client centricity is evident from the microlenders' ability to offer diversified services, lowering the cost of credit, despite doorstep delivery and adapting to the digital world.

The success of MFIs depends entirely on loan repayment. "Credit discipline is integral to any financial literacy drive. We teach women to borrow only if needed, to use the loans only for the purposes it is sought, and to save to make repayments on time," says Misra.

Capacity building for the borrower is part of the client onboarding process for MFIs. The borrowers are taught how timely repayment helps them build up their capacity for higher credit. The lenders host compulsory group training (CGT) for about a week to make them aware of the credit, importance of borrowing as per need, and the perils of over-indebtedness.

Sunitha is now going through her third-cycle loan of ₹60,000 and utilised most of it to buy quality raw materials in bulk. With growing business acumen, she is planning to make wallets, bags and other accessories. "I want to expand my business to nearby districts as well. I want to display my products at the exhibition

centre in the town to attract more customers," she says, beaming with confidence. She reaches out to the Muthoot Microfin relationship officer who had given her the first loan whenever she needs a top-up. "The bank babus are in regular touch with us – through the weekend classes and doorstep visitations."

This one-to-contact builds the foundation for success of microfinance in India. "We use our financial literacy camps as a community get-together, where participants are given video-based modules by using a laptop and a projector. We host *nukkad natakas* (street plays) at places, tie up with various NGOs and development organisations to reach out to a larger section of the mass," says Soham Shukla, Chief Operating Officer (Rural Banking) at Fincare Small Finance Bank. Fincare has developed a business model in such a way that more than 20 lakh customers are met by the bank staff at least once a month.

The financial literacy camps also give the women exposure to a suite of financial products and services available to them like health and life insurance and pension schemes. They are told about various government schemes. "Women are more conscious about staying out of poverty than men, about providing a better future to their children, and willing to plan and act to achieve the desired result," says the Fincare executive. The outbreak of COVID-19 early in 2020 and the lockdowns threatened the future of every sector, driving the global economy to a screeching halt. MFIs survived the headwinds because rural India was less affected and the revival was faster. The bank representatives taught the villagers about the option of moratorium and its consequences. Surprisingly, there were few takers for moratorium among the village borrowers, and most MFIs stayed in the black with little impact on repayments. The lockdowns and various measures adopted by the authorities to contain the pandemic gave a boost to digital transformation in India. MFIs moved into the digital landscape faster than anticipated. Digital drive helped the lenders assess the creditworthiness of an individual faster and eased disbursement of credit to the borrower's bank account. India is home to 17 per cent people on the planet and around 74 per cent of the 130-crore-plus Indian populace is literate. Financial literacy,

24%
people are
financially literate
in India, although
74% are literate