

Empowering Rural Households through Financial Literacy *Case Study of spectacular initiatives by PRADAN*

Monika Dwivedi¹ and Harsh Purohit², Divya Mehta³ and Sunita Gurjar⁴

¹Senior Research Fellow, CFPTRW, Banasthali Vidyapith, Rajasthan - 304022

²Professor and Dean, FMS-WISDOM, CFPTRW, Banasthali Vidyapith, Rajasthan - 304022

³Asst. Professor, CFPTRW, Banasthali Vidyapith, Rajasthan - 304022

⁴Junior Research Fellow, CFPTRW, Banasthali Vidyapith, Rajasthan - 304022

Abstract: The case study discusses the findings of the team that visited PRADAN, Dholpur to understand the efforts undertaken by the premier NGO for women's empowerment and financial literacy. PRADAN has taken several novel initiatives to bring the financially excluded people of country into financially included group to fulfill economic objectives of country by financial inclusion which in turn could boost up the growth of economy. The paper mentions about SHG initiatives, achievements and benefits of setting up of the bank branch by BMB in Dholpur.

Keywords: PRADAN, Financial Literacy, BMFL, Dholpur

Introduction:

*Pinky in her home located in the Rajora village of Dholpur district was testing the milk samples of all the group member in the village which are associated in her self help group under the **Apani Saheli Producer Co. Ltd.** She has the machinery like weighing machine, test-tube, all the chemicals required to test the weight of the milk, fat percentage, SNF percentage, she is also participated in the training programme on preparation of value added milk products for women farmers organized by dairy extension **division ICAR-NATIONAL DAIRY RESEARCH INSTITUTE KARNAL**. She is also involved in buffalo rearing, goat rearing also having two acres of agriculture land, she is also handling profile of "**Bank Sakhi**" in her self help group and cluster, household activities are well supported by her husband, her children are regularly going to school, she also has a good house and her financial condition is improving day by day. But the scenario was not same two years ago, her family had to struggle for a day meal She says that the change in her life and her family life has come because of the initiatives by the NGO "PRADAN". The NGO is involved in continuation up gradation of life of poor's through SHG's and sustainable livelihood programs.*

According to the definition in Encyclopedia Financial Literacy is the ability to understand how money works in the world, how someone manages to earn it or make it, it also refers the set of skills and knowledge that allow an individual to make a decision regarding his finances. Financial Planning is the process of estimating the capital required in different stages of an individual life and managing the money according to that future events of life by saving and investing for that life goals whereas Financial Inclusion defines inclusion as delivery of financial services at an affordable cost to vast sections of disadvantaged and low income groups.

Financial literacy, financial planning and financial inclusion are integrated with each other for managing an individual finances. When a person is financially literate he is aware about the money needs, knowledge of financial products, savings and investment, financial literacy is must for doing financial planning. When an individual is financially literate he can do a good financial planning for himself according to his requirement, when individual start financial planning he will look for financial services provider and demands for banks, financial institution it leads to financial inclusion. Financial inclusion is very important as it leads to financially excluded individuals to join formal channels of banking. Financial inclusion consists of having a saving account, providing facilities for saving to an individual, insurance facilities, payment and remittance facility to all, availability of affordable credit and financial advice to them.

OECD by far remains the most popular framework that defines FL as "a combination of awareness, knowledge, skill, attitude and behavior; those remain essential aspects to make a sound financial decision in general that eventually secure financial welfare also for an individual". It is believed that OECD definition is better suited to examine FL in Indian context, and supported in various studies, including a prominent study conducted by Agarwalla et. al. (2012) at IIM Ahmedabad. Recently, another doctoral research work carried by Jariwala (2013) expressed disappointment over the lower FL in the Gujarat state. Her point on FL is to understand basic

financial concepts, principles, skills followed by awareness on key financial products for making good financial decisions. Also, the first doctoral research in FL in Indian context conducted by Mishra (2011) shares similar views on lower FL among the Indian middle class. The Deputy Governor of RBI, Mundra (2015) mentioned four types of financial illiterates in India namely the Wise illiterates, Greed driven illiterates, Information deprived illiterates, Kindergarten illiterates and Illiterate illiterates. In view of the currently lower FL status in India, several initiatives have been taken by Indian banks, the RBI, NISM, SEBI, NGO, NABARD and few others. The Government of India launched Jan Dhan Yojana, PMJBY and others for financial inclusion. Furthermore the Bank of America, Icetrail Logistics, and Banasthali Alumna and others have supported Centre for Financial Planning Training and Research for Women (CFPTRW), a dedicated center at Banasthali Vidyapith on Financial Literacy. The primary question arises now is relevance of the framework that was adopted to study FL in India. Till now studies have not adopted the inherent features of Indian culture to suit the context. In a path-breaking study, Purohit (2015) has conceptualized Bhartiya Model of Financial Literacy and defined it as “a small subset of Purusharth which though cannot be understood in isolation yet it deals with the financial knowledge, behavior, attitude, approach, choice pattern, emotions, mindset and lifestyle keeping in view that Moksh (oneness with God) and not the material wealth is the top priority, for overall happiness of self and everyone”.

Those who are excluded from financial inclusion are mainly the marginal farmers, landless farmers, Self Employed, Urban slum developers, Migrants; Minorities Social excluded groups, Senior citizens & Women. To bring the financially excluded people of country into financially included group can fulfill various objectives like economic objectives of country financial inclusion will lead to boost up the growth of economy and it will also benefit them as they can be benefitted by growth of economy, through inclusion there should be mobilization of saving from informal channels of cash flow to formal channels of cash flow, India has the large ecosystem of banking and financial services and a strong regulator as Reserve Bank of India through which financially services can be reached to all, financial inclusion is a solution to poverty eradication it can eradicate the poverty by inclusive growth and lead to fulfill of social objectives and financial inclusion also leads to sustainable livelihood.

One best way to bring people under financial inclusion is through self help group and livelihood projects. The success of livelihood projects also depends upon the financially literacy and inclusion. Through self help group people inculcate the habit of savings in a disciplined manner and through Self Help Groups credit facility are also available which will prevent poor people to lend money from family, friend, moneylenders and informal and risky sources of credit in a very high interest rate. Self help groups enables women to manage their own money, financially independent, help them to credit facility from regulated sources which lead to economic empowerment .the self help groups helped women to manage their financial transaction to their advantage.

PRADAN:

PRADAN is a voluntary organization registered under the Societies Registration Act of India. Established in Delhi in 1983 now has a reach in different states of India like Rajasthan, Madhya Pradesh, Chhattisgarh, Jharkhand, Orissa, West Bengal, Assam and Bihar. The NGO has started with a simple idea that “the brightest must work with the poorest” has attracted educated individuals who dreams of making a social impact it is commendable that next to government ,PRADAN is topping the chart of organizations who has placed trained development professionals into villages for facilitating change.

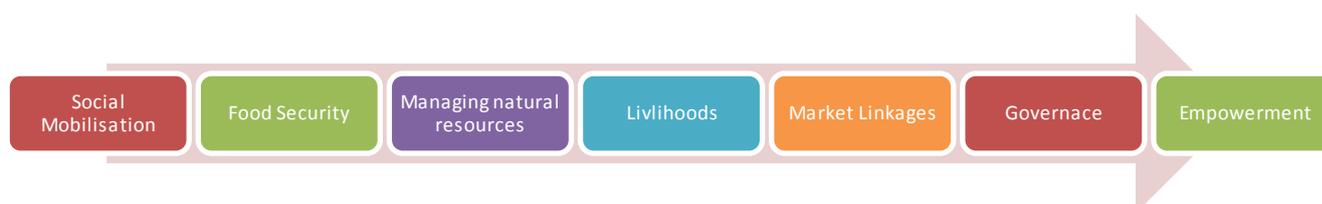
PRADAN has focused on the economic conditions of poor’s and working towards eradicating poverty by means of Enhancing the livelihood capabilities of poor’s and by awarding them opportunities through which they can generate sustainable income for them and their family. PRADAN has also assisted in providing the technical, organizational, negotiating and networking skills that will facilitate fulfillment of goal for poor’s that is sustainable income, economic empowerment. PRADAN is continuously working for providing economic independence and empowerment to women by considering that women are the one which comprises of half the population of country. The PRADAN enhance the women Self Help Groups which will boost the self confidence and status of women in the family and enable them to access banks and public services. Women work together in the group by developing mutual trust among them and participatory decision making. PRADAN helps the women empowerment by mobilizing the women, networking with local institution, asserting self-worth, opening up spaces and initiatives for public participation.

PRADAN has significant and wide-ranging experience in promoting livelihoods with the rural poor; through an approach that blends the socio-behavioral with the technical and managerial dimensions by promotion of SHG’s, Forest Based Livelihood. Natural Resource Management, Livestock Development, Micro Enterprise Promotion, to achieve its goal PRADAN has approach like promoting and nurturing Self Help Groups, developing and introducing suitable economic activities with the hap of various stakeholders, mobilizing finances from donors and government bodies, entering new villages by mean of Self Help Groups, linking the mature SHGs to banks and financial institution for credit and funds.

Figure 1: PRADAN: The Noble Aspirations

| Programs | 2012 | Aspiration 2017 |
|---|--------|-----------------|
| Women Empowerment(Women) | 250000 | 500000 |
| Water Conservation(Liters in Billion) | 1000 | 3000 |
| Food Security(Households) | 170000 | 1 million |
| Income Generation(Households) | 150000 | 1 million |
| Grassroots Governance(Gram Sabhas/Village Councils) | 1000 | 8000 |
| Leadership for Change(Professionals) | 400 | 650 |

Figure 2: PRADAN has conceptualized innovative approach to change:



Financial Literacy Initiatives “Healthy Practices”:

PRADAN is working in different states and in the area where families are excluded from economic, social and political mainstream and are unable to participate in sustainable livelihood activities. In this paper the study has been done in the Dholpur district where the PRADAN is working in last 15 years. Dholpur district located in state of Rajasthan shares the border with state of Madhya Pradesh & Uttar Pradesh. The PRADAN here has initiated with self help groups and now with sustainable livelihood projects like Dairy, Buffalo/Goat Rearing and agriculture based livelihood projects in this area. The area of operation in the district covers the three blocks including Dholpur and Sar Mathura.

Figure 3: PRADAN operating in Dholpur

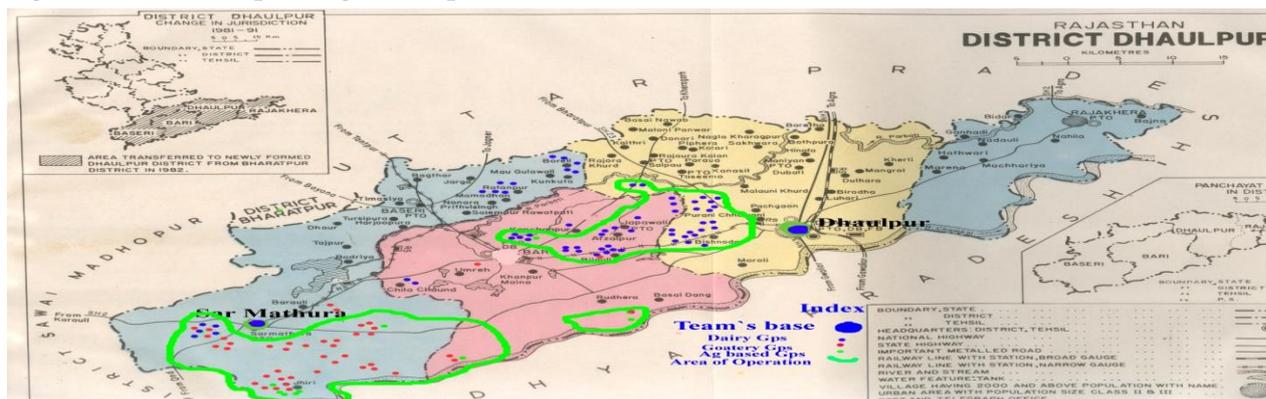


Table 1: Achievements of PRADAN

| Particulars | Till July 2015. |
|--|-----------------|
| Blocks | 3 |
| Villages | 412 |
| No of SHGs | 2138 |
| No of federations and producer company | 3+1 |
| Families covered(SHG) | 25650 |
| Families covered(Buffalo rearing) | 5500 |
| Families covered(Agriculture) | 6800+ |
| Goat keeping | 4840 |

In Dholpur district PRADAN is working in 3 blocks which covered 412 villages in that district. The no of SHGs are 2138 in number .three federations are working in these area plus one producer company. Around 25,650 families are covered under these self help groups, the livelihood projects which include buffalo rearing comprises of 5500 families, agriculture based livelihood consist of 6800+ family whereas under goat keeping they have 4840 families. The self help groups are linked to the banks through which they can avail the credit facility too and also can deposit their money and can avail other services from financial institution.

A self help group consists of 10-12 members with the same socio economic backgrounds in a village's .These group meet every week on the specific day finalized by the group members, on that specific day they deposit 20 Rs each and record is maintained by the munshi which is also from the village. These groups of SHGs form their cluster and some group of cluster form a Federation which controls all the functions of self help group. Proper management and nurturing of the group has been done by the PRADAN, there is audit of each and every transaction within the group, within the cluster and under federation.SHG ensures the mutual support, financial intermediation, empowerment and livelihood. A cluster monitors the health of particular SHG, Monitors the common Munshi, monitors the bank linkages, ensure the livelihood inputs ,maintain of accounts of self help groups, financial management of revolving funds etc; whereas federation monitors the Supporting institution- Cluster/ SHG, monitors computer munshi, enhancing solidarity, well being of the members, leveraging with various institution like banks ,government and other agencies.

Figure 5: Activities of PRADAN in pics



Self Help Group members have their accounts in banks which are operated by the representatives of the group selected by the group members through mutual consent. Through banks accounts the members as well as group can take the credit facility. With the help of SHG's now the women don't have to take from money lenders which levied very high interest up to 52% on the credit, women take credit from the group in just 12% interest and that interest is added into the wealth of the particular group. there is proper discipline in the group that every members has to attend the meeting otherwise there is a penalty on them which again added into the wealth of the group. The formation of group is not sufficient each group is linked to sustainable livelihood projects like dairy products, agriculture, buffalo rearing, goat keeping and linked these projects to market like PRADAN purchases milk from the women at Rs 38-39 per liter, whereas previously women have to sell their milk to local vendors/milk men in Rs 20-24.Around 38 centers were opened by PRADAN to collect the milk and every day they collect around 4000-5000 liter of milk.

For better function of their accounts PRADAN also associate with banks so that these SHG can work efficiently and benefit of government schemes can be taken by these women. Under this initiative with the efforts of PRADAN branch of Bharatiya Mahila Bank was opened in October 2014 and till August 2015, number of account was 17000, BMB Dholpur branch on daily basis is opening 50-60 accounts approximately, which is equal to accounts opened by BMB pan India.

Table 2: Impact of initiatives by PRADAN

| Parameters | Oct 2014 | August 2015 |
|--------------------|--------------------------------------|-------------|
| Number of Accounts | 5000(with initial support of PRADAN) | 17000 |
| GL size of branch | 77 Thousand | 8.25 Crore |

PRADAN also helps these groups to get loan facility under various schemes launched by government as well as banks. When the branch opened in Oct, 2014 they have started with 5000 accounts with support of PRADAN and less than a year branch is having 17000 accounts which itself is a milestone, similarly if we see the GL size of branch during launch was Rs 77,000 whereas less than in year it has crossed Rs 8 Crore and currently branch GL size is 8.25 Crore.

Apart from this PRADAN has taken other initiatives too like they have started with concept of *Pashu Sakhi, Health Sakhi, Bank Sakhi* in every village , these sakhi are imparted with the training in their fields like pashu sakhi has a knowledge of various diseases about the animals so in case of emergency they can helps the villagers ,they also have medicines with them which help the villagers in case of emergency and take care of their animals otherwise due to

lack of medical facility animals die overnight. In a similar manner health sakhi was there which is equipped with smart phone having pictorial representation of all the disease, according to the symptoms told by patients they just touch the image and on final submission the message go to doctor and doctor reply with the prescription which the patient can take from medical shops. Bank sakhi helps in banking transactions of villagers or for their own self help group or cluster.

Challenges:

The Team faces lot of challenges while working, illiteracy is the main issue due to which people don't understand the facts described by them, the formation of a single SHG is not an easy task as it requires the consent of all the members of the group and their family. Support from the bank staff is also a major challenge for them as it is difficult to bring village women to bank and also they come after covering long distances, deficiency in the services from bank side result into demonization and financial exclusion for them. The KYC documentation fulfillment part is also a big challenge .mobilization of resources funding from the government organization for helping the women is also a challenge. PRADAN is working in those areas where poverty is very high and these are the area which are Naxal affected-to bring them into the main stream is also a challenge for them. Implementation of development program is also a major challenge. The most important challenge for PRADAN is getting human resource, they have a team of highly professional ,getting more professional in the team is the biggest task as few people opt to serve the poor or want to work for some social cause.

Conclusion:

PRADAN, has once again proved itself as a Nation Builder. It is working in those areas where poverty level is very high they have brought the real change in the life of those poor people. Opening a self help group is not sufficient for eradicating the poverty but linking that group with banking channels and providing them with livelihood projects and market linkages is very important. The best part of PRADAN work in Dholpur is that even the minor communities, Muslim community are also a part of this initiatives they have not shown any resistance while joining the family of self help group, because for PRADAN the criteria of serving them is poverty, they link the families to self help group and then with sustainable livelihood projects which lead to better life for them. Efforts of PRADAN can be clearly shown in the smiles of those poor women who have started earning and now are have gain edge over their family when it comes to gender discrimination. By joining these self help groups women are now more confident, financially independent and they had experience the real empowerment, their families are supporting them because the source of income for home has now come to the hand of female member, women are handling the household chores as well as their banking requirement also helping the other who are part of the group and their respective villages. self help group formation with their linkage s to bank and livelihood projects can bring a change in the life of poor's which PRADAN is doing same kind of model can be replicated all across the country can the growth for all can be attained, for that banking and financial services should be reached to the villages through banking correspondents or business facilitators or a person from these NGO can also act as a facilitator for the banking services. In southern India states like Andhra Pradesh, Tamilnadu, Kerela and Karnataka the self help group model was a huge success and women are enjoying their economic independent and empowerment this shows that the self help group model for inclusive growth is better as women are self participating in these groups. Government is also working to boost up the concept of self help group across India through various governing bodies like NABARD, various schemes like NRLM for boosting sustainable livelihood projects. These initiatives are running in different parts of country with the different frequency level is different for different areas, government have to focus or should launch some target basis schemes for connecting the poor's through self help group just like Pradhan Mantra Jan Dhan Yojna or other schemes has been launched, this way sustainable growth across the country can be achieved and bill bring inclusive growth for all that is "sabka sath, sabka Vikas". The researchers thank Bank of America, Icetrail logistics and Banasthali alumna for supporting this research work.

References :

- Agarwalla, et. al. (2012), Financial Literacy among Working Young in Urban India, accessed from the following link, <http://www.iimahd.ernet.in/fls/fls12/youngemployessandretired2012.pdf>, on 13 July 2015
- Bhatta, A. (1876). Tarksangraha of Annam Bhatta. Reprinted in 2013 by Forgotten Books. London.
- Banasthali Vidyapith, CFPTRW Working paper series 2014 onward, on Financial Literacy by Purohit H, Dwivedi M, Mehta D, Mishra L, Sharma P, Tyagi P, Rohella M, and Arora A
- Dutta V. (2013). Aligning Hindu Stages of Life to Financial Planning Framework. Financial Planning Journal. September-December 2013.
- Falth, A. (2014). *Women's financial literacy and skills*. Empower Women., accessed 10 August 2015
- <http://pmjdy.gov.in/Pdf/trainer.pdf>. accessed 10 August 2015
- http://www.ifad.org/evaluation/public_html/eksyst/doc/insight/pi/india-13.htm. accessed 10 August 2015

<http://www.pradan.net/>. accessed 10 August 2015

http://www.pradan.net/index.php?option=com_content&task=view&id=89&Itemid=3. accessed 10 August 2015

Jariwala, H. (2013). To study the level of financial literacy and its impact on investment decision – an in-depth analysis of investors in Gujarat state, *Unpublished Ph.D Thesis, Ganpat University*.

Lusardi A. and Mitchell O. (2011a). *Financial Literacy and Planning: Implications for Retirement Wellbeing*, in Olivia S. Mitchell and Annamaria Lusardi (eds.), *Financial Literacy: Implications for Retirement Security and the Financial Marketplace*. Oxford: Oxford University

Mishra, L. (2011). A study of Financial Planning Awareness, Education and Advisory from an Indian Perspective with Special Reference to the Educated Middle Class. *Unpublished Ph.D Thesis, Banasthali Vidyapith*

Mastercard Financial Literacy Report accessed from the link, <http://www.youngupstarts.com/2015/04/29/financial-literacy-across-asia-declining-mastercard/>, on 20 August 2015

Mishra L (2012), Finance Education is imperative for enhancing Financial Capability of Indian citizens, IOSR-JBM, Volume 5, Issue 5

Mundra S. (2015), Financial Education in India, basics and beyond, accessed from the link <http://ictpost.com/financial-education-in-india-basics-and-beyond/> on 22 August 2015

NFEC definition of FL accessed from the link, <http://www.financialeducatorsCouncil.org/financial-literacy-definition/>, on 26 August 2015

OECD report accessed from the link, <http://www.oecd.org/finance/financial-education/49319977.pdf>, on 10 August 2015

Purusharth theory, accessed from the link <http://www.hinduwebsite.com>, on 27 August 2015

Purohit, Rohella (2015), Financial Literacy in Rajasthan, Learning from the NCFE Report, accessed from the link <http://ictpost.com/financial-literacy-in-rajasthan-learning-from-ncfe-2015-report/>, on 27 August, 2015

Sharma, S. (2006). *Management in New Age: Western Windows Eastern Doors*. New Age International Publishers.

Sharma, S. (2015). *New Ideas in Strategic Thinking & Management: A Knowledge Tree of New Age Mantras*. New Age International Publishers.