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Financial Literacy and Financial Inclusion of Women in Rural Rajasthan

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Financial Literacy and Financial Inclusion of Women in Rural Rajasthan

A Case Study of the Indian School of Microfinance
for Women's Financial Education Project

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Abstract

Financial inclusion is an important step in development, as access to finances can help the poor build money and lift themselves out of poverty. In many parts of the developing world, and especially in India, microfinance is seen as a new approach to fighting poverty by bringing financial services, including low-interest loans, to the poor so that they can afford to start a business or invest and eventually gain self-sufficiency – in other words, a method of financial inclusion for the poor. However, microfinance in India cannot sufficiently reach the poor populations, especially those in rural India, and many of India's rural poor still lack access to banks or microfinance institutions that could grant them access to financial services.

Lack of financial literacy among borrowers is one of many factors leading to financial exclusion, for an understanding of finances is necessary to the utilization of financial services. Therefore, financial literacy initiatives that train borrowers in good financial practices and to make good financial decisions may offer a remedy to the shortcomings of microfinance in India. This study will use the example of a project by the Indian School of Microfinance for Women (ISMW) to explore the notion of financial literacy. It will observe the project's methods through observation, and it will use personal interviews to explore the impact of financial education and other forms of training on borrowers and entrepreneurs. Ultimately, it will assess the effectiveness of initiatives to train and educate poor borrowers in increasing financial inclusion among the rural poor.

Introduction

Financial Inclusion

Despite India's recent successes in the global economy, some sections of the population – the poor, especially those living in rural areas – remain unaffected by this success, because they are unable to access financial institutions and therefore cannot take part in banking, borrowing, and saving. This phenomenon is known as financial exclusion. In 2008, the Report of the Rangjaran Committee on Financial Inclusion defined financial inclusion in the Indian context as “trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services.”¹ This paper examines microfinance and self-help groups as a solution to this issue, creating financial inclusion among India's poor.

Supply Side Barriers

There are several different levels to financial inclusion, debated by many scholars, but it is generally agreed that financial inclusion refers to extending access to financial products and services – such as bank accounts, loans, and savings accounts – to the poor. There are several barriers that exclude the poor from accessing these financial products, such as: the failure of financial institutions to offer services appropriate for low-income groups, such as a minimum balance requirements to open and maintain a bank account; lack of banks and ATMs at a convenient distance to potential borrowers, especially in rural areas; and documentation requirements, such as identity proof or proof of address, that many rural poor are unable to meet. In some areas of India, banks are sparse, and so people living in these areas are unable to access

¹ Tara Nair and Ajay Tankha, “Financial Inclusion: Perspectives and Implementation Status,” in *Microfinance in India: State of the Sector Report 2013* (New Delhi: SAGE Publications India), 49.

financial institutions due to this unavailability. This is true especially in rural areas, where banks tend not to penetrate because it is less profitable to operate in less populated areas. But even in areas where banks are prominent and accessible, the poor are often unable to access financial institutions because they are unable to provide certain documentation, such as proof of address, which is required to access financial services. Further, the available products are often not designed for the poor. For example, banks sometimes have minimum balance requirements for bank accounts, requiring customers to keep at least a certain amount of money in their bank accounts at all times. This excludes customers looking to save small amounts, or whose lives are too unpredictable to guarantee that they can maintain a minimum balance. Banks refuse to lend to people with no credit card and no credit history, for their inexperience makes them high-risk borrowers.² All of these obstacles are considered “supply side barriers” – barriers created by financial institutions’ failure to supply products appropriate for poor and rural Indians.(Shankar).

Microfinance emerged in the 1970s as a solution to these supply side barriers. Muhammad Yunus, the creator of the microfinance approach and the founder of the first “bank to the poor” in Bangladesh, found that the benefits of many development efforts, while successful for some of the population, never reach the poorest of the poor. For example, efforts to improve crop yield do not benefit people who couldn’t afford to own land in the first place. Yunus discovered these people’s “helplessness in finding the tiniest amounts of money to support their efforts to eke out a living”.³ Excluded from the option of borrowing from banks, these “high-risk” borrowers have no choice but to take out payday loans at interest rates of 250% or higher. Rates like these can be devastatingly risky to a family living on small day-to-day

² Yunus, *Creating a World Without Poverty: Social Business and the Future of Capitalism*, 54.

³ Muhammad Yunus, *Creating a World Without Poverty: Social Business and the Future of Capitalism* (New York: Public Affairs, 2007),45.

wages.⁴ Yunus began to lend small amounts of money out of his own pocket to poor people looking to invest in a business, and he found incredibly high rates of repayment, despite the absence of formal contracts, based solely on mutual trust between Yunus and his borrowers. With a repayment rate of roughly 98%, the poorest of the poor were not “high-risk” at all – they simply lacked a method of entry to the world of credit due to the high costs and requirements of existing credit institutions.

Accordingly, the idea behind microcredit is to allow these poor people access to credit institutions under circumstances more conducive to their financial situations, allowing them to invest in small business expenditures and begin earning a more consistent, sizable income. Just like Yunus’s original experiment lending out his own money, microfinance is based on trust and social connections. It utilizes a group mechanism in which borrowers are organized into small groups of five to ten bank members, whose approval is required to take out a loan and whose oversight guarantees responsible spending and repayment by each borrower.⁵ Although groups had joint liability for loans in the first model by Yunus, most microfinance institutions (MFIs) have switched to individual liability, keeping the group structure as a method of oversight rather than making each member of a group responsible for the repayment of each loan given to an individual in that group.⁶ Loans made by MFIs are “informal” in that they have no written contract and no collateral. They operate on mutual trust between the borrower and the lender, relying on the borrowers’ moral obligation on two levels: first, to the lender, and second, to his

⁴ Yunus, *Creating a World Without Poverty: Social Business and the Future of Capitalism*, 54.

⁵ Antara Haldar and Joseph E. Stiglitz, “The Indian Microfinance Crisis: The Role of Social Capital, the Shift to For-Profit Lending, and Implications For Microfinance Theory and Practice,” 7-8.

⁶ Haldar and Stiglitz, “The Indian Microfinance Crisis: The Role of Social Capital, the Shift to For-Profit Lending, and Implications For Microfinance Theory and Practice,” 9.

fellow group mates whose reputation and ability to borrow in the future depends on the repayment of his loans.

However, some scholars question the extent to which microfinance succeeds in extending financial services to those excluded from traditional financial institutions. Savita Shankar examines whether microfinance institutes in India actually address the barriers to financial services faced by many of India's poor. MFIs open the world of finance to the poor by creating financial products tailored specifically to low-income groups – for example, the absence of collateral when borrowers cannot afford to provide it, and the implementation of small and frequent loan repayments to accommodate small, day-to-day incomes. They also increase the demand for and utilization of MFIs by promoting financial awareness, explaining the benefits of financial products, and providing basic training to first-time customers.⁷ However, they fail to address all of the supply-side barriers to the poor, failing to increase financial inclusion among those traditionally excluded from financial institutions. MFIs have grown to fill the accessibility gaps left by banks in northeast and east India, and there are also many MFIs in southern India, where access to banks and other financial institutions is already high; however, they are spreading much more slowly and in smaller numbers to central India, where options for banking of any kind are quite limited.⁸ In this case, MFIs may be choosing to target areas that will be profitable rather than areas that truly demonstrate the need for MFIs. Additionally, even people who have physical access to MFIs are inadvertently excluded from accessing MFI services; although documentation and other requirements are minimal, the poorest of the poor still have trouble meeting these requirements. Many borrowers, especially women in rural areas, are unable to provide proof of address and are therefore not approved for loans, and women who

⁷ Shankar, "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?" 65-66.

⁸ Shankar, "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?" 67.

cannot afford to miss a day of work to attend weekly meetings are forced out of MFIs.⁹ Although MFIs have made considerable gains in expanding financial inclusion, they must become more flexible to truly accommodate the needs of the poor.

Demand Side Barriers: The Importance of Financial Literacy in Financial Inclusion

There also exist demand side barriers to financial institutions – obstacles to financial inclusion that come from the poor’s lack of understanding of financial products. Many of India’s poor lack basic understanding of financial concepts, money management, and market functions, and harbor strong mistrust toward banks and other moneylenders.¹⁰ This lack of awareness is known as financial illiteracy. Financial literacy is defined as “the ability of individuals to assimilate and process financial information to make informed personal financial decisions.”¹¹ Without proper knowledge of finances, borrowers are extremely vulnerable to dishonest banks and MFIs and more likely to engage in risky behaviors like overlapping, both of which can lead to great debt. Guarav and Singh, in a study of Indian farmers, found a positive correlation between mathematical understanding and financial literacy and likewise found illiterate individuals 40% less likely to attain a high level of financial literacy. In addition, they found a positive relationship between landholding and financial literacy, with each additional unit of land owned by a farmer increases his likelihood of obtaining financial literacy by 9%.¹² Unfortunately, most of the borrowers from MFIs have not achieved a high level of mathematical understanding or literacy, many of them having never been educated at all, and, as shown by Yunus’s original clients in Bangladesh, many own only tiny plots of land, if anything at all.

⁹ Shankar, “Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?” 67.

¹⁰ Shankar, “Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?” 63

¹¹ Sarthak Guarav and Ashish Singh, “An Inquiry into the Financial Literacy and Cognitive Ability of Farmers: Evidence from Rural India,” *Oxford Development Studies*, Vol. 40, No. 3 (September 2012): 359.

¹² Sarthak Guarav and Ashish Singh, “An Inquiry into the Financial Literacy and Cognitive Ability of Farmers: Evidence from Rural India,” 372-374.

Similarly, a study by Shawn Cole, Thomas Sampson, and Bilal Zia shows that people with low levels of financial literacy often fail plan for retirement, borrow at high interest rates, and are less likely to participate in the financial system.¹³ Cole, Sampson, and Zia sent out a survey to Indians in rural Gujarat in order to measure financial literacy and cognitive ability. Only 41% of the people surveyed had completed primary school, and only 12% already had a bank account. The results of the survey showed that only 34% of the participants correctly answered questions measuring financial literacy, regarding interest rates and risk; and 62% correctly answered the questions related to cognitive ability, consisting of addition, subtraction, multiplication, and division. What's more, richer participants scored consistently better in financial literacy than poorer participants, showing that those who truly need loans – Yunus's "poorest of the poor" – also form the least financially literate group. In addition, participants with higher cognitive ability, associated with a higher level of schooling, also scored higher than those with low cognitive ability, showing a correlation between cognitive ability and financial behavior.¹⁴ Once again, the uneducated poor – the section of the population that MFIs should target – stand to lose the most from greedy MFIs and poor financial decision-making as a result of financial illiteracy.

These same studies show that financial literacy training programs can improve the financial, management, and decision-making skills of poor and rural entrepreneurs, making their enterprises more effective and more profitable. For example, promoting financial education among farmers can increase their likelihood of getting rainfall insurance by 5.3 percentage points – small financial decisions that minimize risk and that could save them from debt in the case of

¹³ Shawn Cole, Thomas Sampson, and Bilal Zia, "Financial Literacy, Financial Decisions, and the Demand for Financial Services: Evidence from India and Indonesia," Harvard Business School (2009): 5.

¹⁴ Cole, Sampson, and Zia, "Financial Literacy, Financial Decisions, and the Demand for Financial Services: Evidence from India and Indonesia," 8-10.

disaster.¹⁵ Cole, Sampson, and Zia find that higher financial literacy can encourage entrepreneurs to purchase insurance and open bank accounts, and that improving financial literacy can lead to better risk management and saving.¹⁶ It is important to note, however, that Cole, Sampson and Zia, question the cost efficiency of financial literacy training, which can cost around \$17 per head, and suggest subsidizing bank accounts as a more realistic alternative.¹⁷

Financial literacy is particularly crucial for women, who face exclusion from financial services and entrepreneurship due to social and cultural constraints. Field, Jaychandran, and Pande explain that, because women in many areas of India tend to stay in the home, have limited mobility, and lack exposure to business, they are “relatively uninformed about investment opportunities and untrained in cost-benefit analysis.”¹⁸ In an experiment, Field, Jaychandran, and Pande randomly selected poor, self-employed women, including Muslims, upper-caste Hindus, and lower-caste Hindus, who were comparable in terms of education, income, and household size. The women were observed according to five norms governing their behavior: ability to socialize alone, requirements to cover their faces, ability to speak to elders, independence and mobility outside the sphere of the home, and ability to remarry.¹⁹ Field, Jaychandran, and Pande find that lower-caste women face the fewest of these restrictions, and Muslim women face the most; these findings correspond with the success rates of entrepreneurship among women, with Muslim and upper-caste Hindu women receiving lower returns on their enterprises than lower-

¹⁵ Guarav and Singh, “An Inquiry into the Financial Literacy and Cognitive Ability of Farmers: Evidence from Rural India,” 360.

¹⁶ Cole, Sampson, and Zia, “Financial Literacy, Financial Decisions, and the Demand for Financial Services: Evidence from India and Indonesia,” 20.

¹⁷ Cole, Sampson, and Zia, “Financial Literacy, Financial Decisions, and the Demand for Financial Services: Evidence from India and Indonesia,” 21-22.

¹⁸ Erica Field, Seema Jaychandran, and Rohini Pande, “Do Traditional Institutions Constrain Female Entrepreneurship? A Field Experiment on Business Training in India,” *The American Economic Review*, Vol. 100, No.2 (May 2010): 125.

¹⁹ Field, Jaychandran, and Pande, “Do Traditional Institutions Constrain Female Entrepreneurship? A Field Experiment on Business Training in India,” 127.

caste women. Field, Jaychandran, and Pande then observed a SEWA (Self-Employed Women's Association) workshop that trained these women in financial literacy, including accounting skills, interest rates, life cycle planning, financial prudence, saving, avoiding excess debt, and setting financial goals. After the training, they observed an increase in likelihood of taking out a loan and of engaging in the labor market among upper-caste Hindu women; however, Muslim women showed little to no change in these areas. These results show that an increase in financial literacy can help battle social restrictions that prevent women from entering into business, but "women subject to extreme restrictions had too little agency" to benefit from these changes.²⁰ Still, it is important to note the social effects of financial literacy for women and women's participation in business.

In order to determine exactly what financial education should consist of, Heena K. Bijli examined the financial practices of women at Grameen Koota in Bangalore. She found that most of the women exhibited "reactive" financial behavior: they had little to no savings, were not aware that they could gather interest on savings, and didn't keep accounts of their expenses; they sometimes used loans for consumption purposes, such as weddings and illnesses, which are difficult to repay, since no money is earned from these expenditures. In short, these women practiced little to no financial planning, believing that this was "something meant for rich people; poor people need not plan as they don't have extra money." Educating these women about financial skills and processes trains them to move from "reactive to proactive" decision making – "forward-looking financial strategies" are skills necessary to poverty reduction, because the poor must address unexpected emergencies and expenditures that their low incomes could not

²⁰ Field, Jaychandran, and Pande, "Do Traditional Institutions Constrain Female Entrepreneurship? A Field Experiment on Business Training in India," 125-129.

possibly cover, creating a need for savings and proactive planning.²¹ Accordingly, financial education should teach good practices in spending, earning, saving, borrowing, and investing in order to build a cushion for potential disasters and to prevent excessive borrowing in response to these disasters, which could lead to crippling debt.

Several skills are needed to facilitate “proactive” decision making. Professor Venkatarama Gajjala, Associate professor of finance at Tiffin University School of Business, observed SKS’s Ultra Poor Program, which encompassed 426 women from October 2007 to June 2009. The facets of good financial decision-making according to this program were: income and expenditure, budgeting, financial goal-setting, and financial negotiation, and debt management training. Managing income expenditure “equips the poor to handle income shocks” by saving, cutting down on wasteful spending, and increasing their awareness and tracking of their own expenditures.²² In terms of budgeting, participants were taught to schedule expenditures and prepare for unexpected emergency expenditures over a period of three months, thus encouraging them to save and preparing them to manage unforeseen financial costs. SKS encouraged participants to set envision a path for their enterprises and to set goals with small, achievable steps and planned funding in order to achieve this vision.²³ Finally, financial negotiation refers to teaching the difference between consumption and production loans, warning of the danger of debt posed by consumption loans, and the utilization of different financial institutions and services. In addition to these four facets, the participants in the Ultra Poor Program also requested debt management training, since even good financial practices cannot

²¹ Heena K. Bijli, “Financial Literacy: An Essential Tool for Empowerment of Women Through Microfinance,” *Studies on Home and Community Science*, Volume 6, No.2 (2012): 80.

²² Venkatarama Gajjala, “Debt Burdens and a Lack of Financial Literacy: Microfinance Crisis in the State of Andhra Pradesh,” 8.

²³ Gajjala, “Debt Burdens and a Lack of Financial Literacy: Microfinance Crisis in the State of Andhra Pradesh,” 9.

protect the poor from financial shocks that their own meager incomes and savings do not suffice to cover.²⁴

ISMW: Financial Literacy Training in Rural Villages

In light of these issues with microfinance, organizations such as the Indian School of Microfinance for Women (ISMW) are making efforts to educate people, especially women, who take microloans, giving them the financial skills necessary to avoid debt and make wise financial decisions. In doing so, these organizations work with consumers to ameliorate their experiences with microfinance, to avoid defaulting, and to improve the success rates of loans to the poor. Founded in 2003, ISMW's vision is "to strengthen and spread microfinance as a strategy for poverty alleviation through development of appropriate knowledge and skilled human resources," increasing utilization of microfinance by poor borrowers by "bridging the gap in knowledge and skills" of poor borrowers. ISMW hosts workshops, seminars, debates, and engages in field visits in order to spread knowledge and strengthen the institution of microfinance among women in India.²⁵

This paper will explore the methods used by ISMW and the content of their trainings and workshops in their current project in Udaipur, "Formation, Nurturing and Strengthening of SHGs in Selected Blocks of Udaipur for Sustainable Livelihood," which is conducted in unison with and using the funding of the ICICI foundation. The project works with 2500 women in 250 self-help groups located in rural areas surrounding Udaipur. The project's objectives include: formation, nurturing, and strengthening of 250 SHGs in the area, providing economic literacy to the targeted group for enhancing their enterprise management skills, and providing SHGs with

²⁴ Gajjala, "Debt Burdens and a Lack of Financial Literacy: Microfinance Crisis in the State of Andhra Pradesh," 11.

²⁵ "About us," ISMW website.

skill building training to enable them to perform suitable economic activities for the area.(Project proposal) ISMW does intends to accomplish these goals by strengthening existing self-help groups in the area and creating new self-help groups. In addition, members of the self-help groups attend Micro Enterprise Development (MEDP) Training, which educates them about financial services, concepts, and practices, as well as Skill Training, which gives them the skills necessary to start an enterprise.

Methods

In my exploratory study of financial literacy training, I observed the Indian School of Microfinance for Women's Project, titled "Formation, Nurturing and Strengthening of SHGs in Selected Blocks of Udaipur for Sustainable Livelihood," in mostly tribal villages near Udaipur. The project consists of Micro Enterprise Development (MEDP) Training and Skill Training given to women in these areas. In the MEDP trainings, women learned important skills needed to start an enterprise, save and manage money, and effectively run a business, which increased their financial literacy. After MEDP Training was completed, the women attended the Skill Training, which taught skills related to farming, tailoring, or other businesses in order to prepare them to start their own enterprise. However, since I was interested in observing the effects of financial literacy and financial education on the success of women's entrepreneurship using microfinance and self-help groups, and given my limited time, I did not observe the Skill Trainings.

As stated above, Rajasthan is one of the regions of India in which bank penetration and MFI penetration is the lowest, especially in rural areas. The project took place in four blocks near Udaipur: Jhadol, Kherwara, Mawli, and Sarada. Each block has its own unique topography and

challenges to financial inclusion. Accordingly, the literacy levels, exposure to markets, and types of entrepreneurship pursued varied among the women in different blocks.

The study was conducted through a combination of obtrusive observation of the methods used in MEDP training and qualitative interviews with the program coordinator and the participants in the training. Through observations of the training, I assessed the methods used in the training and the extent to which the trainings were conducted in a manner accessible to the participants in terms of their literacy, knowledge of financial terms, and work schedules. However, my time was limited due to the distance travelled each day to reach the training sites; some days, it took almost four hours to reach the training site from Udaipur, and there were several sites in the area to be visited, limiting the depth of my observation for each individual site. In order to expand my knowledge of the training methods, therefore, I also accessed ISMW's Training of the Trainers schedule and plan, as well as periodic reports on the project, which detailed the project's daily activities and learning objectives. I then compared the training schedules and objectives with my observations from attending the trainings to find any inconsistencies or adjustments made in the trainings themselves.

In addition to observing the training, I conducted informal interviews with the program coordinator, Rajul Bharti, as we were in the field, through which I gained an understanding of the reasons behind each process conducted in the project and many of the challenges that ISMW faces when implementing this project. I also conducted formal, qualitative interviews with sixteen women in Jhadol and Khervara who had completed both the MEDP Training and the Skill Training, or a similar training conducted by a different organization (whose name I was unable to collect), within the past few years. Some had been trained as early as four years ago, while others had just completed the training as recently as three months before the interview.

Fourteen of the women had begun their own enterprise since completing the training. It is important to note that this proportion of successful cases is not representative of the project as a whole; these women were chosen for interviews on the basis of their successful entrepreneurship upon completion of the training in order to help me assess the benefits of financial literacy. From these interviews, I gathered information about the effectiveness of the training, including: the effect that it had on the women's ability to start an enterprise; what the women found useful from the training; and any other perceived effects that the training had created in the women's lives.

Findings

The Socioeconomic Conditions in Villages Near Udaipur: The Need for Training

ISMW selected Udaipur and its surrounding blocks due to the socioeconomic problems generally faced by women in Rajasthan, particularly in rural areas. In addition, the selected blocks face job shortages due to their rural locations and the lack of accessibility to large cities with jobs and markets. Most of the women interviewed survive using their own crops for consumption, but they still struggle to make ends meet in terms of money, since consumption farming rather than growing cash crops produces little to no income. In order to make a living and generate extra money for their families, many of the males in these villages migrate to faraway cities in Rajasthan or Gujarat to find paying jobs, sending the money home for their families. This leaves women alone with their children, often for eight to nine months per year.²⁶

ISMW cites gender inequality and financial exclusion areas as the main rationale behind the need for this project. The project targets women only, helping to combat inequality between men and women in Rajasthan that stems from practices such as “the purdah system, child

²⁶ Bharti, Rajul. Personal interview in Jhadol, 11/11/2014.

marriage, widowhood, dowry, and sati practices.²⁷ People in the selected areas, especially women, are also subject to a high level of financial exclusion compared to the rest of India. Rajasthan's per capita bank credit adds up to a mere half of the per capita bank credit of the rest of the country, and, as stated above, bank penetration in Rajasthan is among the lowest in the country. Even where self-help groups are available, the average amount of savings of self-help groups in Rajasthan is also about half of the national average.²⁸

Organization of the Project and People Involved

The MEDP and Skill Trainings take place in four different blocks around Udaipur, as stated above, each with different topography, different levels of development, and different levels of education. The project is run at the highest level by ISMW's central office in Ahmedabad, but there is a more local office located in Udaipur in which the project staff works. In the field, there is one coordinator for each block, called a Block Coordinator, most of whom live in Udaipur but commute to the villages to oversee the project in their respective blocks. Below the block coordinators are Community Resource Persons (CRPs), who are the leaders of each training with ISMW's participants.²⁹ The CRPs reside in the selected blocks around Udaipur, making them much more accessible to and familiar with each of their respective villages in which the project takes place. The CRPs are usually members of the community who have received a college education, have experience working with non-government organizations, or are leaders of their community, whom ISMW identifies and then trains. CRPs are advantageous to the program because they are familiar with the members of their community,

²⁷ Indian School of Microfinance for Women, "Technical Proposal: 'Formation, Nurturing and Strengthening of Self Help Groups for Sustainable Livelihood'" (paper submitted to ICICI Satat Aajeevika Society, 2013), 5.

²⁸ Indian School of Microfinance for Women, "Technical Proposal: 'Formation, Nurturing and Strengthening of Self Help Groups for Sustainable Livelihood,'" 6.

²⁹ Indian School of Microfinance for Women, "Technical Proposal: 'Formation, Nurturing and Strengthening of Self Help Groups for Sustainable Livelihood,'" 8.

and, likewise, the members of the community are familiar with them, building a level of trust that might not be matched by Block Coordinators or other ISMW representatives from the city or outside the village. In addition, after ISMW withdraws its presence in the villages, the CRPs will remain in the villages, and they possess the knowledge and skills to maintain the success of the project.³⁰

The training sessions typically take place in government buildings or communities that are at a convenient distance from the women's homes. If this kind of space is unavailable, the CRPs ask women to hold the meetings in their own homes, but this is typically avoided unless absolutely necessary because it can become a burden on the host of the meeting. This creates a comfortable atmosphere for participants, as the training takes place in a location that they are familiar with. However, the proximity to the women's homes creates an issue of casualness and distraction, especially if the meeting is held in the women's homes; sometimes, family members come to the meetings to speak with the participants, interrupting the training for that particular participant and sometimes for the group as a whole. Moving the training further away from the women's homes, however, would greatly reduce participation, and so ISMW has decided to continue with the training at a convenient distance, despite the distractions.³¹

Intended Methods and Content of Micro Enterprise Development Training

The MEDP Training is a six-day training project, at the end of which a certificate is granted by ICICI to the training participants. Although this certificate cannot guarantee access to credit institutions, owning an official certificate with the name of a recognized and respected banking institution does grant participants credibility and when seeking to connect with credit

³⁰ Bharti, Rajul. Personal interview in Jhadol, 11/11/2014.

³¹ Bharti, Rajul. Personal interview in Jhadol, 11/11/2014.

institutions; for many, it is the only official document they have ever had.³² The project covers four blocks outside of Udaipur: Mawli, Kherwara, Jhadol, and Sarada.

The MEDP Training teaches the following skills and concepts, among others, using the methods described below:

- **Business Development** – this objective covers the phases of business development and describing different types of businesses. These topics are covered through discussion and a film, as well as a *Ring Toss game*, in which participants competed against one another to toss a ring around a pole from different distances, earning the most points from the furthest distance and the least points from the closest distance. The game is meant to teach participants that “risks in selecting a business, its safety, and its failure are the key components that determine the success of an enterprise.”³³
- **Goal Setting** – this objective stresses the importance of goal setting, which “reduces incidence of stagnation in SHGs.” This objective is conveyed through a *Tower Building game* in which participants were divided into groups of three and instructed to build a tower out of blocks as a team, with one person playing the role of the owner, one as the supervisor, and one as the laborer. Participants practiced setting goals, managing production, and maintaining healthy relationships with others.
- **Time Management** – this objective is to teach participants to manage time effectively, allowing the appropriate amount of time to each activity within their enterprise and balancing time between personal time, business time, family time. This is conveyed through discussion.
- **Financial Negotiation** – this objective was explained through several different role play scenarios, as well as a *Jewelry Making activity* in which participants were given plastic beads to make jewelry and then asked to “sell” their product to other participants at the training session.
- **Marketing Management** – this objective covers the thought processes behind choosing an enterprise, responding to demand, and appropriate marketing and pricing of a product or service. These concepts were conveyed through group discussion and explanation by CRPs.
- **Market Survey** – participants were given 500 rupees in order to start a mini enterprise, which they set up in their local market. In this way, participants practiced their

³² Bharti, Rajul. Personal interview in Jhadol, 11/11/2014.

³³ Dashottar, Upasana, “A Report: Training of Trainers Programme on Micro Entrepreneurship Development Program for CRPs and Block Coordinators” (paper presented to the Indian School of Microfinance for Women in Udaipur, Rajasthan, 5-10 October, 2014), 16.

negotiation skills, calculating profit, managing funds, maintaining records, and marketing management by gaining experience in the market.

- **Business Plan** – participants practiced making business plans in a group setting, which were then discussed in the large group.³⁴

Observed Methods and Content of Micro Enterprise Development Training

I spent three days observing Micro Enterprise Development Trainings in two different blocks around Udaipur: Mawli and Jhadol. On the first day, I observed the training at two separate locations in the Mawli block, both of which were the first days of the training. The following day, I observed the training at two separate locations in the Jhadol block, which were the second days of the training. The next week, I observed one more separate location in the Mawli block, and this particular training session was the fourth day of the six-day training.

Each day of training, which lasted between three and four hours, began with a prayer and was conducted with all of the participants sitting in a circle around the room. The walls were covered in illustrated posters displaying financial concepts to be discussed during the training session.³⁵

At each meeting observed, three self-help groups were in attendance, so about twenty-five to thirty women were at each meeting. At many of the meetings, several of the women brought young children with them, most of them appearing to be under the age of five, and some of them infants. The women ranged in age – some looked quite young, and some had gray hair and appeared to be much older.³⁶ ISMW targets women between the ages of eighteen and sixty, and they find that the most receptive age range is twenty-five to thirty years of age. During this

³⁴ Dashottar, Upasana, "A Report: Training of Trainers Programme on Micro Entrepreneurship Development Program for CRPs and Block Coordinators," 21-25.

³⁵ Personal observation. Jhadol and Mawli, Rajasthan. 10, 11, and 20 November 2014.

³⁶ Personal observation. Mawli, Rajasthan. 10 November 2014.

time, women in the selected rural blocks are typically already married and have a stable life, but are still open to learning new concepts and practices. Women older than sixty, ISMW has found, are more likely to be illiterate and find it somewhat difficult to understand all of the concepts presented in the training, especially concepts related to money and accounting. Women younger than twenty-five, while allowed to participate in the project, are often unmarried, and so their lives are subject to change (i.e. moving to a different village to live with the husband's family) after marriage.³⁷

At each training session, the CRP leading the training took attendance for the meeting and helped participants fill out forms necessary to receive their ICICI certification at the end of the training. All of the forms were in Hindi, the language spoken in the area. For the women who were unable to read or write, the CRPs provided assistance in filling out forms. For those who could not sign their names, a thumbprint was used to indicate attendance and on their other forms.³⁸

At each training session, the women sat in a circle round the room, with the Community Resource Person standing in the middle of the circle to conduct the meeting. As it was the initial meeting, it began with a prayer, followed by introductions of all the present participants and staff members. After this, the CRP asked the participants basic questions about the importance of self-help groups – points which had been covered previous to the start of MEDP training. The CRP asked questions to the group in general and then took volunteers from the circle to answer the questions.³⁹

³⁷ Dashottar, Upasana. Personal interview in Mawli, 10/11/2014.

³⁸ Personal observation, Jhadol, Rajasthan, 11/11/2014.

³⁹ Personal observation, Mawli, Rajasthan, 10/11/2014.

A reoccurring topic of discussion was that of the issue of time; at each of the four training sessions observed within the first two days, participants expressed concern about the time commitment required to attend the six-day training and its feasibility in their busy schedules. Many of the women have to miss six days of work, mostly agricultural work, to attend the daily meetings, and they also find it difficult to leave their homes and children unattended during the time of the meetings.⁴⁰ Once, only fifty percent of the participants attended the meeting due to conflicts with time, and so ISMW was forced to cancel the training session for that day.⁴¹

The participants were equally worried about their management while running a business, after the completion of the training. At a meeting in Jhadol, the participants asked the CRP how they could make the time to manage a business while also cooking and taking care of their children and home. The Block Coordinator suggested that the women ask their husbands for around the house and with their other duties for the six days that the women are attending the training.⁴² By taking little steps, he explained, they could reach an agreement with their husbands in which they split the housework in order for the women to take time to run an enterprise, which is beneficial for the whole family. Often, women don't ask for help; they are socialized to think that housework, taking care of the children, and various other jobs are their own job, not to be shared with their husbands or with other family members, and so they shoulder the whole burden themselves.⁴³ The MEDP Training, therefore, encourages women to build a support system of family members, friends, and other self-help group members in order to help them achieve their own goals.

⁴⁰ Personal observation, Mawli, Rajasthan, 10/11/2014.

⁴¹ Bharti, Rajul. Personal interview, Mawli, Rajasthan, 10/11/2014.

⁴² Personal observation, Mawli, Rajasthan, 10/11/2014.

⁴³ Bharti, Rajul. Personal interview, Mawli, Rajasthan, 10/11/2014.

MAWLI: Seven of the women at the first observed training session in Mawli brought infants or toddlers with them. During the meeting, several women left the room in order to tend to crying or noisy children. According to Ms. Bharti, ISMW has attempted to address this concern in the past by providing entertainment, snacks, and a babysitter for the children in a separate room, but they found that these methods attracted too many children from the village whose mothers were not at the training, and it became unmanageable for the babysitters. The other four observed meetings in Mawli and Jhadol had fewer children present, and those children disrupted the meetings fewer times than the children observed at the first meeting in Mawli.

After addressing concerns related to time, the CRP asked each self-help group to reflect on the way that they conduct regular meetings and group functions. They reviewed the components of good self-help group formation, including: regular savings, internal loaning, regular recovery of loans, and record keeping on a regular basis. They passed out notebooks and pens to each of the participants to use for their own notes and record keeping in the future.

The CRP then began to tell a short story to demonstrate the concepts of profit and loss. A woman gives her husband 200 rupees to buy a goat. The man buys the goat, sells the goat, and takes a loan to repurchase the goat, then selling the goat once more. After hearing the story, the women were provided with chai and a small snack, and they discussed the story as they ate, reviewing the man's actions, determining his profit and loss with each step of the story.⁴⁴

JHADOL: The second set of MEDP trainings observed took place in the Jhadol block, which is the furthest from Udaipur (between three and four hours by car); the most isolated and the most difficult to reach from Udaipur, as it is located in mountains and the roads are of quite rocky and

⁴⁴ Personal observation, Mawli, Rajasthan, 10/11/2014.

damaged; and the block with the least educated population. The meeting was in the same format, with the participants sitting in a circle around the room.

Upon visiting a meeting in a second location in the Jhadol block, I was able to observe the ring toss game detailed in the project proposal, which is intended to demonstrate the concepts of risk and rewards. As the proposal described, the women at the meeting threw rings around a stake from various distances, earning ten points from the closest distance and fifty points from the furthest distance if they were able to toss the ring around the stake. The women cheered and laughed during the game, but they seemed to be watching and paying attention as each woman took her turn. Some women threw one ring at a time, while others tossed all the rings at once. Most of the women also began tossing rings from the closest distance and slowly moved further and further away to earn more points. When the women did not move further away and chose instead to remain at a comfortable distance close to the stake, the CRP leading the activity encouraged the women to step back and try throwing the rings from a longer distance.

Afterward, the women returned to their circle setting and analyzed the significance of the ring toss in a discussion facilitated by the CRP. The women discussed the importance of taking risks to gain greater rewards, a concept which they could later apply to their enterprises. They also determined from the activity the importance of observation: by watching others while waiting for their turn, participants observed which strategies were effective and which were ineffective, and they applied these strategies to their own turn. They also learned to observe and fix their own mistakes – if throwing the rings from one spot was not working, they stood in a different spot and tried again from there.⁴⁵

⁴⁵ Personal observation, Jhadol, Rajasthan, 11/11/2014.

MAWLI, DAY 4 OF TRAINING:

The training session observed on the fourth day of the program differed slightly from the other trainings observed in that the meeting did not take place in a circle format; rather, the women sat all together, facing the CRP leading the meeting. However, the CRP still conducted the meeting using a discussion-based style. She began the meeting with a review of the previous day's activities, calling on participants to recount the activities and explain what they learned.

At this training session, the CRP also conducted an activity intended to help participants understand the value added to raw materials when they are manufactured into finished goods, and to encourage participants to practice selling their goods. The women selected for this activity were given string and colorful plastic beads, which represented raw materials. Each participant then crafted her own jewelry out of the beads and went around the room, attempting to, hypothetically, "sell" her finished product to the other women at the meeting. After this, the women joined the CRP at the front of the room, and the group as a whole reflected on the activity. One of the participants paid two hundred rupees for her beads and sold her product for only one hundred rupees, leaving her with a loss of one hundred rupees. Another participant paid fifty rupees for her beads and sold her product for one hundred rupees, earning her a profit of fifty rupees. The CRP used these women as an example of the importance of negotiation and record-keeping; in order to make a profit, the women must ask for money, must not settle for less than their expenses, and must pay attention to their profit and losses to avoid losing money in the long run. She explained that participants must find a reasonable balance in pricing. By charging too much, an entrepreneur makes no profit because customers are unwilling to pay a steep price, but by charging too little, an entrepreneur makes no profit because her earnings are just enough to cover her expenses; the price must fall somewhere in between these two extremes. The CRP

offered other examples of creating a finished product out of raw materials, such as making and selling snacks at a price exceeding the expenses for the raw materials and ingredients used to make the snacks.

The CRP then stressed the importance of several other business practices related to the jewelry making activity, such as honesty with customers, and responding appropriately to opportunity and demand. For example, the CRP told participants that “if you polish the beads and sell them like gold, no one will come to you again,” stressing the importance of honesty and rapport building with customers. She instructed participants to avoid being “too smart” and to make sure not to charge too much money for their products in hopes of making a large profit. In addition, the CRP explained the importance of responding to demand: the participants, she explained, should only start a business where there is a demand, not a business that is already offered in the area. Similarly, each entrepreneur’s product should respond to consumers’ specific demands. For example, a tailor should not make jeans in a rural area where people wear primarily lehenga and salwar suits – she should pay close attention to the demands of her peers and run her business accordingly.

At this particular training session, many side conversations took place; it was a general trend among each training that women would occasionally speak with each other during the training, or that the group as a whole was not focused on the training taking place, but at this training in particular the CRP had to shout several times to be heard over the noise. In addition, some women left and came back during the training session.⁴⁶

⁴⁶ Personal observation, Mawli, Rajasthan, 20/11/2014.

Individual Interviews with Participants

I interviewed seventeen women who had completed ISMW's MEDP Training, or a similar training conducted by a different organization, within the last four years. These women came from the Khervara and Jhadol blocks, as these blocks had the longest-running relationships with ISMW and similar organizations. Of the seventeen women, fourteen had taken loans from their self-help group since completing the training. Most of the women used these loans to invest in a new enterprise or to improve their existing enterprise (for example, many of the women had already been engaged in farm work, but they made investments in new tools and seed varieties). One of the women took a loan for medical purposes. Two of the women interviewed had neither taken loans nor begun an enterprise after completing the training.

From the interviews conducted, there appears to be a positive correlation between attending the MEDP training and financial inclusion. In general, the women interviewed expressed that they had been able to successfully take loans from their self-help groups to invest money in new items such as equipment, seeds, store rooms, or other inputs for their enterprises. All of the women had either repaid the loans or were in the process of repaying loans at a regular rate the time of the interviews, and all of the women who started a business said reported that their incomes had increased due to their new enterprises.

Most of the women took loans to support their own individual investments, but one respondent's self-help group used the money on joint expenditure agreed upon by the whole group. The self-help group recently took Rs. 12,000 from the group's savings to repair the community well. The existing well did not function properly, and so most of the farmers in the area were unable to collect enough water to grow vegetables and other cash crops that require

watering. Now that the well is in good shape, twelve families in the area use it to irrigate their crops, using the water collected during monsoon season. The well has contributed greatly to the respondent's increased income, providing her the water necessary to grow crops other than wheat and corn, and the respondent suggested that the other families affected by this well have experienced an increase in farm productivity as well. The well was repaired in June of this year, after the group attended ISMW training; they had not completed the task earlier due to lack of funds.⁴⁷

Attending the MEDP Training also appeared to increase the likelihood that women would take loans. Most of the women interviewed had been in their self-help groups for at least a year before completing the training with ISMW. However, most of them had not taken loans until after attending the training. When asked why they decided to take loans, some of the women said that they did not have an idea for an enterprise or felt no need to take a loan prior to the training. In this case, the women claim that attending the MEDP training motivated them to start an enterprise by giving them the idea.⁴⁸ However, more of the women responded that their groups did not have enough money to support large loans prior to the training, crediting their self-help group's increase in savings for their ability to take a loan. Many of women said that the most important thing that they learned from the training was saving; one woman claimed that, before attending the training, her self-help group "did not believe in saving," and so the group's members were not contributing regularly to the group's funds.⁴⁹ As a result of the training, which taught participants the importance of savings, most of the women said that their self-help groups had increased their savings considerably. In addition, ISMW helped connect strong

⁴⁷ Respondent J7, personal interview in Jhadol, Rajasthan on 17/11/2014.

⁴⁸ Respondent K4, personal interview in Khervara, Rajasthan on 18/11/2014.

⁴⁹ Respondent J7, personal interview in Jhadol, Rajasthan on 17/11/2014.

groups to credit institutions, which even further increased the group's savings available for loaning.⁵⁰

In general, the respondents appreciated the MEDP Training and claimed that it helped them understand how to start a business, run a business, and manage money; however, many of the respondents were unable to explain how they learned these skills or which activities completed during the training they found useful. When asked what they liked about the training, many of the respondents said that the staff was helpful and that they appreciated the follow-up by staff after completion of the training⁵¹. When prompted for further response (i.e. which particular activities were helpful), many respondents said that they did not remember what they did during the MEDP Training, but they found the Skill Training helpful because it taught them how to sew, how to plant certain crops, and other skills that they have since applied to their respective enterprises.⁵² Respondents who did remember the MEDP training cited activities such as the ring toss game, the block building activity, and the jewelry making activity as aspects that they enjoyed about the training. Some of the respondents connected these activities to the learning objectives of the activities, such as risk-taking, starting small and slowly expanding their enterprise, and learning from their errors.⁵³

However, some of the respondents, when prompted to explain how these activities helped them start their enterprise, were unable to connect the activity to its learning objectives. For example, one respondent interviewed in the Jhadol block said that she liked the jewelry making activity because she found it enjoyable to make items out of beads; when prompted about how

⁵⁰ Respondent J6, personal interview in Jhadol, Rajasthan on 17/11/2014.

⁵¹ Respondent J1. Personal interview in Jhadol, Rajasthan on 13/11/2014.

⁵² Respondent J5. Personal interview in Jhadol, Rajasthan on 17/11/2014.

⁵³ Respondent J6. Personal interview in Jhadol, Rajasthan on 17/11/2014.

this activity applied to her enterprise, this respondent had nothing to add except that she enjoyed making jewelry and thought that the activity was fun.⁵⁴ Another respondent recalled the block-building activity, but when asked how this activity helped her start a business she responded that she learned how to make towers of various sizes using the wooden blocks provided, describing the activity rather than its relevance to her enterprise.⁵⁵

Discussion

Micro Enterprise Development Training and Financial Inclusion

Several factors contribute to the financial exclusion of poor women, especially in rural areas. In northern India, including Rajasthan, banks simply are not widespread enough to provide financial services to the entire population, especially in rural areas where access to cities, banks, and MFIs is limited.⁵⁶ Even those women who are able to access financial institutions are sometimes excluded from banks and MFIs due to their inability to produce the proper documentation, as well as inability to attend weekly meetings.⁵⁷ ISMW's program creates a level of financial inclusion not available to rural women through banks and MFIs by building and strengthening self-help groups among women in rural areas. These self-help groups help to localize financial services, filling in the gaps where banks and MFIs are unavailable to individual borrowers in rural areas.

Although ISMW's project in the rural blocks of Udaipur addresses these aspects of financial inclusion, it still poses a problem for rural women who are unable to alter their schedules in order to attend weekly meetings. At each of the first four training sessions observed,

⁵⁴ Respondent J8. Personal interview in Jhadol, Rajasthan on 17/11/2014.

⁵⁵ Respondent K7. Personal interview in Khervara, Rajasthan on 18/11/2014.

⁵⁶ Shankar, "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?" 67.

⁵⁷ Shankar, "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?" 69.

the participants expressed their difficulty in finding enough time to attend six days of training sessions for three hours a day. With children to tend to, housework to do, a family to feed, and often their own jobs and agricultural labor to do, many of these women struggle to balance their time while attending MEDP Training. According to Ms. Bharti, most MEDP Trainings lose a few participants every day. In addition, once a participant misses one day of the training, she is encouraged not to attend the rest of the training.⁵⁸ This policy may be necessary in order to enforce full attendance by participants; however, it only further excludes women who are unable to access financial services.

Appropriateness of the MEDP Training for the Targeted Group

When conducting Micro Enterprise Development Training among rural women, it is incredibly important to take into account the learning styles and capabilities of the participants. The training sessions must be conducted in a manner that is accessible and easy to understand for the selected participants, many of whom are illiterate or have never attended school, and most of whom have very little market exposure due to their rural location, lack of access to cities with formal markets, and dependence on subsistence farming rather than selling and purchasing of goods.⁵⁹ The observed training sessions seemed to be accessible to the participants' abilities in several ways:

First, the colorful, illustrated posters that adorned the walls at each location created easy-to-understand visuals for concepts that might be difficult to understand otherwise, such as saving, negotiation, and the different types of businesses. The posters are also fairly accessible to

⁵⁸ Bharti, Rajul. Personal interview in Jhadol, Rajasthan on 11/11/2014.

⁵⁹ Bijli, "Financial Literacy: An Essential Tool for Empowerment of Women Through Microfinance," 83.

illiterate women; they contain only a few words to describe the scenarios, but they can be understood simply by observing the illustrations, even without reading the accompanying text.

Second, the group setting of the training sessions, with the women arranged in a circle around the room and the heavy emphasis on discussion-based, participatory learning, ensures the engagement of all participants at the training session. For these specific participants, many of whom have never been to school, a discussion-based training session is more effective than a lecture because it holds the attention of the group. At the observed trainings in which the meeting was conducted in a circle setting, the women participated actively and enthusiastically, answering questions presented by the CRPs and voicing their own concerns and queries. On the other hand, the meeting in which the CRP stood at the front of the group was far less discussion-oriented than the trainings conducted in a circle format. The CRP, for the most part, spoke as participants listened, which perhaps contributed to the apparent lack of interest and focus at this particular training session. This difference suggests that it is beneficial to engage the participants in the training sessions in order to make the conveyed messages more interesting and accessible to the trainees.

Third, and perhaps most importantly, the methods used to teach financial skills and concepts were, for the most part, accessible and appropriate to the education level and background of the participants. Although many of the concepts presented can be difficult to understand, the CRPs presented them in an interactive manner through games, stories, and group activities: for example, the ring toss and the jewelry-making activity, as described above, and the story of the man and the goat that illustrates the concepts of profit and loss. This interactive

approach makes the concepts “easy and comprehensible⁶⁰,” much more so than a classroom or lecture setting. After completing each of these activities, the CRPs led a discussion with the participants to determine the significance of the activity, calling on participants for input.⁶¹ The post-activity discussion helped emphasize the importance of each topic covered and its significance to the participants’ enterprise.

However, even these methods may not be entirely successful in reaching the selected population. As stated above, several of the respondents seemed unable to comprehend the learning objectives of the activities completed during the MEDP Training. In this case, it seems that the women may have been unable to understand the lessons behind the described activities, even though they were presented in ways intended to be accessible to their level of understanding of financial concepts. Many of the women claimed that they couldn’t remember the training at all, even though some had attended the MEDP Training as recently as three months prior to the interview. This suggests that perhaps the concepts presented during the training were too complex, and as a result the participants were unable to absorb and recall the information that they learned. Some of the women spoke of the benefits of attending Skill Training more than the benefits of attending the MEDP Training. This trend was most likely due to the fact that the Skill Training presented straightforward concepts that could be easily applied to the women’s enterprises, whereas the MEDP Training presented financial concepts that were much more obscure and abstract.

⁶⁰ Bijli, “Financial Literacy: An Essential Tool for Empowerment of Women Through Microfinance,” 83.

⁶¹ Personal observation, Jhadol, Rajasthan, 11/11/2014.

The Impact of Financial Education on Participants' Enterprises

As stated above, most of the respondents interviewed showed a positive change in income as a result of starting a new enterprise or improving on an existing enterprise; however, it is difficult to determine whether this positive change is due to an increase in financial literacy. Studies show that people with low levels of financial literacy are less likely to participate in the financial system than people who are financially literate.⁶² This means that financial education from programs such as ISMW's MEDP Training should increase participation in the financial system, including taking loans and making investments. At a surface level, the information gathered from the respondents interviewed matches this trend: of the seventeen respondents interviewed, fourteen had taken loans to start businesses or improve their existing businesses after completing the MEDP Training.

However, it is difficult to say for certain that financial education was the determining factor of these respondents' decisions to take a loan. Several of the respondents indicated that their group's lack of savings, rather than a lack of financial literacy, prevented them from taking loans prior to the training. After they completed the MEDP Training, their group's savings increased, providing a solid pool of money from which they could take loans to invest in an enterprise. This suggests that, in the case of the interviewed respondents, the availability of financial services plays a larger role in financial inclusion than financial literacy plays – simply making funds available to the respondents increased their likelihood of financial participation. This success, therefore, could be attributed more strongly to the strengthening of self-help groups and their linkage to credit institutions that make funds available to the group.

⁶² Shawn Cole, Thomas Sampson, and Bilal Zia, "Financial Literacy, Financial Decisions, and the Demand for Financial Services: Evidence from India and Indonesia," 5.

Even so, the self-help group's increased savings can be attributed to an increase in financial literacy among group members, which improved self-help group functions and enabled the group to build up sufficient savings to support loans. As some of the respondents explained, many of the self-help groups did not function smoothly prior to attending the MEDP Training. Many did not meet regularly, and even if they did, they were not saving regularly; as a few respondents claimed, the women were not fully aware of the benefits of regular saving, and "did not believe in saving" before attending the MEDP Training.⁶³ At the MEDP Training, participants learned the importance of five self-help group functions, including regular saving, regular meeting, internal loaning, record keeping, and maintaining rules and regulations.⁶⁴ This emphasis on self-help group functions, in itself, is a form of financial education; it improves the financial practices of the group as a whole rather than of the individual. This form of financial education enabled self-help groups to save enough money for their members to begin taking loans. On a group level, therefore, the MEDP Training successfully increased financial inclusion among self-help group members by improving self-help group functions, facilitating increased availability of funds.

Financial Education as a Tool for Women's Empowerment

In addition to providing economic benefits, financial literacy can bring social benefits to women living in socially restrictive societies. In terms of gender norms, Rajasthan is one of India's most restricting states. Some of the skills that women gain in MEDP Training, however, help to increase their power and status within their communities. For example, the MEDP Training teaches trainees about negotiation, equipping them with the skills and experience

⁶³ Respondent J7, personal interview in Jhadol, Rajasthan on 17/11/2014.

⁶⁴ Dashottar, Upasana, "A Report: Training of Trainers Programme on Micro Entrepreneurship Development Program for CRPs and Block Coordinators," 16-25.

necessary to stand up for themselves when confronted, skills which are helpful when running a business or when bargaining with others. In addition, self-help groups provide women with a support group, and their sheer number creates more bargaining power than each individual woman would have.

One of the respondents interviewed belonged to a self-help group that collected custard apples to sell in the market in a nearby village. Individually, each of the women could sell their harvested custard apples at about twenty-five rupees per kilogram. However, the women recently began a custard apple bank, managed by the interviewed respondent, in which all of the women deposited their custard apples to sell together. Selling their goods in bulk, the women gained negotiating power and were able to earn thirty rupees per kilogram.⁶⁵ In a similar manner, women in self-help groups gain negotiating power in a variety of social and political situations. Ms. Bharti described one situation in which a widowed woman belonging to a self-help group attempted to utilize a government scheme that provided benefits to widows. However, the employees working in the government office that she visited refused to grant her the benefits that she deserved. The woman's self-help group then took action, accompanying her on her return to the government office to demand that she be given the appropriate benefits granted to widows.⁶⁶ In this case, negotiating power can be considered a social benefit as well as an economic benefit of financial literacy.

Conclusion

From the data collected, it can be seen that financial literacy contributes to financial inclusion among the rural and tribal women living near Udaipur; however, even this project

⁶⁵ Respondent K1, personal interview in Kherwara on 15/11/2014.

⁶⁶ Bharti, Rajul. Personal interview in Kherwara on 15/11/2014.

cannot address all of the issues that contribute to financial exclusion in rural areas. Self-help groups help to address supply-side barriers where banks and microfinance institutions fail; they penetrate into areas that are not reached by financial institutions and provide financial services that are more accommodating to and appropriate for poor borrowers. However, gender inequality in rural Rajasthan places tremendous burdens on women for housework and taking care of children. This leads to continued financial exclusion of these women, for even self-help groups and programs like ISMW's MEDP Training prove to be too demanding for women with busy schedules and heavy responsibilities.

In addition, low literacy and education levels along with lack of exposure to market functions in rural areas renders some women unable to grasp the concepts of financial education presented by ISMW. In this case, the training may require adjustments to make the concepts more accessible to the targeted population. Some of the participants, however, showed adequate understanding of the concepts and were able to apply these concepts to their enterprise, so it seems that the methods used did succeed in contributing to financial inclusion among a portion of the targeted population. In addition, this study found marked improvements in the functioning of self-help groups, which greatly increases participants' access to funds, even if they may not fully understand financial concepts.

This study also found some significant social benefits from the MEDP Training, including negotiating power and increased status of women within their communities. It would be interesting to observe the long-term effects of these social changes on the financial inclusion of these women; perhaps, in time, women's empowerment through self-help groups may facilitate the equalizing of gender roles, thereby eliminating some of the barriers to financial inclusion of women in the first place.

Way Forward: Recommendations for Further Study

While I was able to collect lots of information and speak with many participants of the Formation, Nurturing and Strengthening of SHGs in Selected Blocks of Udaipur for Sustainable Livelihood project, several obstacles stood in the way of my data collection. Firstly, it might have been beneficial to conduct interviews with the Block Coordinators and Community Resource Persons in each block. These staff members are more familiar with the project's functioning, successes, and shortcomings within each individual village and would offer a richer and more specific perspective. However, due to time and distance constraints, I was unable to make the time to speak with both women participating in the program and the program staff who lived in the blocks.

In the future, I would suggest a further study of ISMW's project in Udaipur. At this time, the results of the training are still somewhat difficult to measure, as the program is fairly recent in the Udaipur area. However, ISMW is currently in the process of planning the next stage of the project, in which it will work with new self-help groups and continue to build on the skills taught to the self-help groups in the current project. It would be interesting to observe the way that ISMW responds to the shortcomings of its current project in the next phase of the project.

PRIMARY SOURCES

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