INDIA SANITATION COALITION

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Interlinkages Between **SDG 6 & SDG 5**

FOREWORD

Naina Lal Kidwai
Chair, India Sanitation Coalition

It gives me great pleasure to introduce this first paper in our Thought Leadership series on the Interlinkages between SDGs 5 and 6 . It highlights the importance of ensuring financing does not happen in silos but across the entire value chain of SDGs as they have a direct or indirect effect on each other.

This paper will examine women's contribution across the spectrum to outline the interlinkages of WASH with other sectors and use economic status as a lens to highlight the challenges faced by her while putting forward some recommendations for consideration.

The Thought Series which will consist of papers outlining the challenges of Gender Equity will present conversations with public and private Investors and Implementing organisations like SHGs, NGOs, Community organisations etc. They will aim to reflect all points of view- public investment, private investor, various women led organisations and intermediaries in the field - so as to provide an objective and accurate picture for the reader. Comparisons to gender equity in other countries will also help place India's current position in the global context as well as set the milestone for future achievements.

This first paper in the series seeks to throw light on a woman's role and status in mainstream Indian society both in a rural as well as urban context tracing the history of gender equity across time and more recently through the lens of the Covid pandemic and SDG 6 in particular and her contribution to the economic activity of the society she lives in. As per Niti Aayog,(1) globally women spend three times more time on unpaid care work than men whereas in India women spend 9.8 times more time than men on unpaid work. This is then a base line to understand her contribution both through paid and unpaid means through the time spent by her on both.

The role that women are playing across a lot of unwanted jobs in both urban and rural society has never been more clearly outlined than with the Covid pandemic. Nowhere was it more pronounced than in Urban India where 27% of Female slum dwellers have to settle for shared toilets and with 74% having access to tap water mostly from commonly shared taps it fell to the lot of women and girls in the family to stand in long queues to fetch water for the entire family. In all this the hope of having sufficient water to clean toilets, which also fell to their lot , was not available. For those using common use toilets defecating in the open became a relearned ability with personal dignity and pride and often self preservation from unwanted male attention taking a low second place.The situation became dire specifically during times of menstruation as schools closed down and it was here that they had received free menstrual hygiene products before the lockdown. The use of unhygienic home made sanitary pads became a necessity increasing their vulnerability to health hazards. The NFHS-4 data indicates that only half of the women living in Indian slums used sanitary napkins with the rest of them using cloth or home made napkins before the lockdown.(2)

In Rural India pandemic led WASH issues surfaced as a result of large migrant populations returning back to their home states from urban cities. UP, MP, WB and Bihar received the largest number of returning migrants putting an immense strain on the already fragile water and sanitation infrastructure in each state. More than half of the rural households in MP (57.5%) and West Bengal (50%) use public sources for water very often located at long distances from the homes. Given the lockdown situation the access to these water sources was an added difficulty given that the weather in these states at that time of the year was peak summer. Lack of sufficient water also led to a lack of proper hygiene where even before the lockdown only one in four rural households used soap and water to wash hands before a meal while one third washed their hands with sand or mud or only water after defecation.(3)

The need for financing has indeed never been more acute than now for WASH led services. While the government is pushing its resources into supporting the hundreds of programs that are being implemented in both rural and urban India, it is evident that the private sector also needs to step up their involvement in supporting these programs. This support is needed through financing and by leading community led programs on water conservation, cleanliness drives and the reuse of grey and waste water.

That the majority of these programs are women led is not surprising given the nature of the activities involved, which traditionally has been their role and very often their livelihood. The emergence of women led enterprises in delivering farm produce from their fields to the markets, the distribution of sanitary and hygiene products across the communities, the education of their communities to the issues surrounding unsanitary and unhygienic practices in increasing health hazards and the running of facilities such as water ATMs to regulate the usage of this scarce commodity are today mostly in the hands of women. There are also opportunities for women to set up businesses rendering these services, which will require financing and skilling. Recognising this need, on October 2nd, 2020 NABARD announced the financing of a sanitation literacy scheme across rural India to be supported entirely by SHGs. The possibilities are endless and the need is immediate.

This Thought series aims at highlighting the various areas in water and sanitation where financing is required on an immediate and urgent basis both from the public as well as private sectors. The role that Financial Institutions, MFIs and NBFCs can play will also be reviewed in the context of their providing support to women led MSMEs and SHGs in both urban and rural sectors . It will also aim to highlight any policy changes that could benefit women and society as a whole based on the research that will be undertaken as a basis of these papers.

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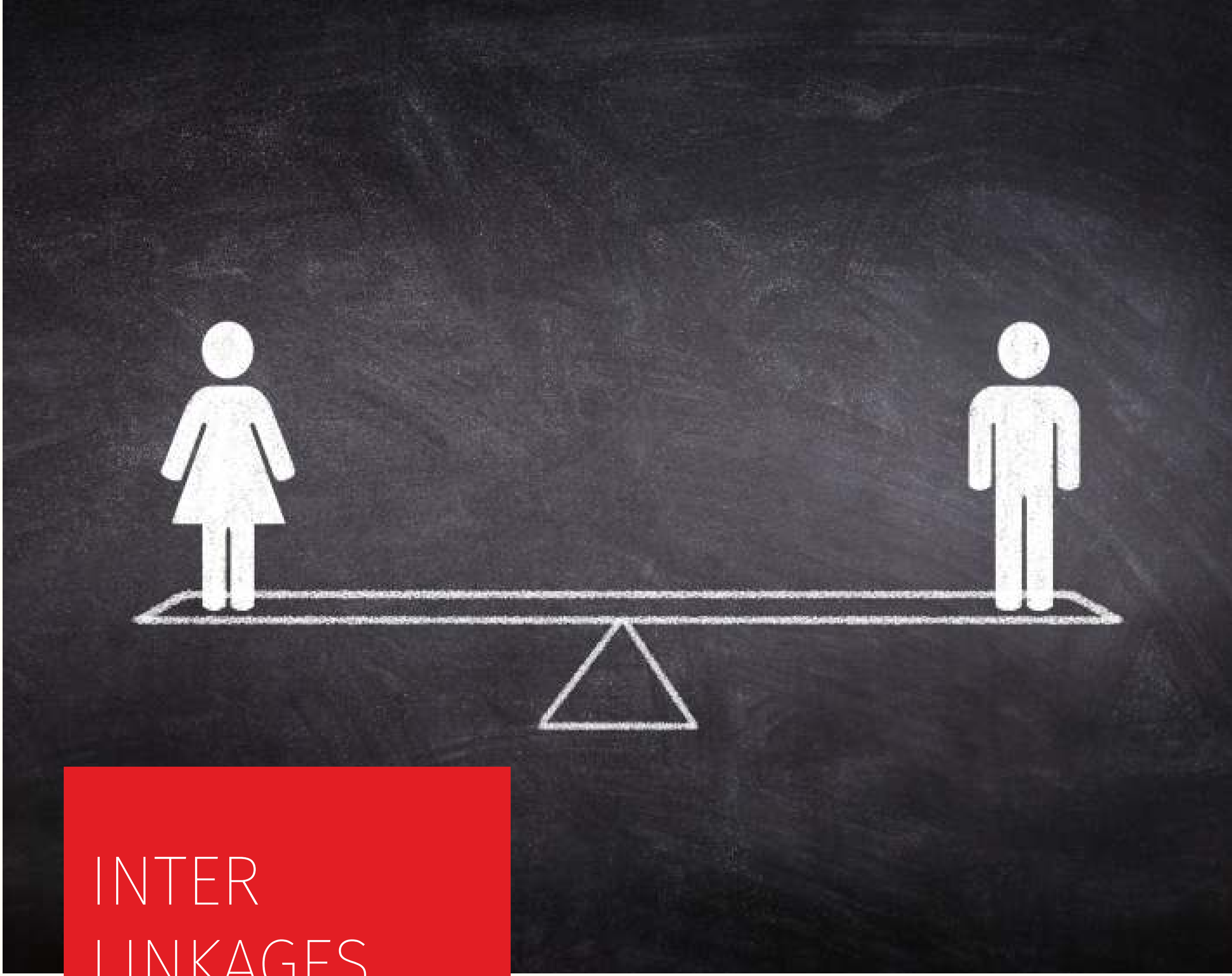


INTER LINKAGES BETWEEN SDG 6 AND 5

Premise

Swami Vivekananda, the renowned intellectual once said "*there is no chance for the welfare of the world unless the condition of women is improved, it is not possible for a bird to fly only on one wing*".(21)

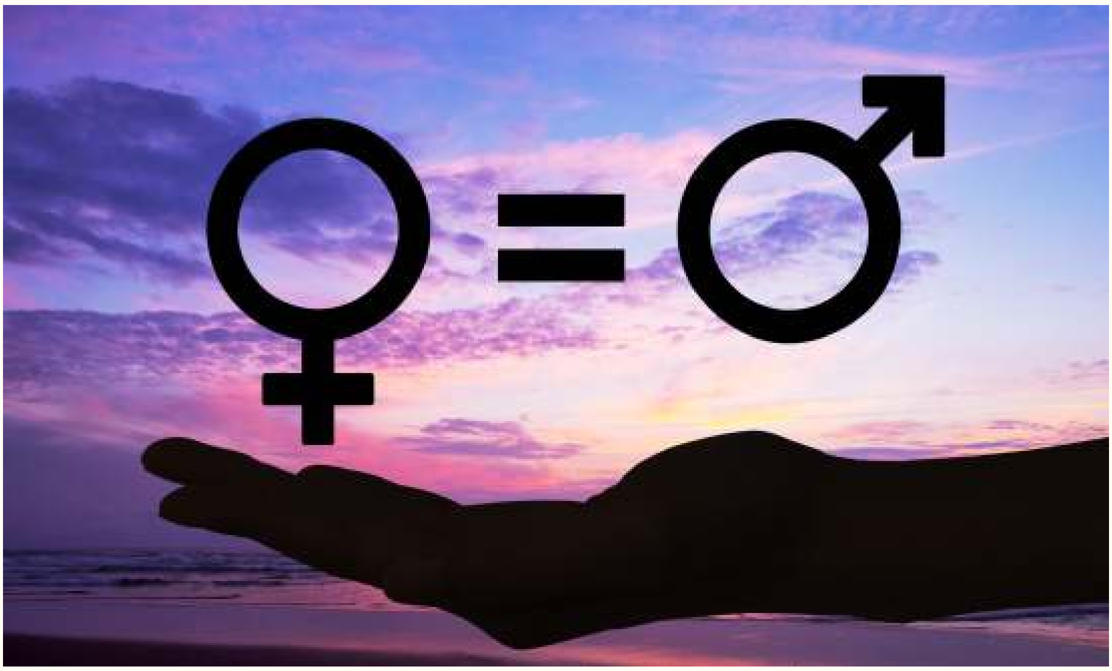
It has been said that women in India "*are ranked lowest in the hierarchy of caste, class or religious stratification.*" And that "*gender inequality in labor force participation, wages, the burden of care, household work and sharing of resources could be substantially altered due to the (Covid) crisis*"(1).

Sulekha Naba, a 40-year-old tribal woman in Badipalli village of western Odisha district of Bargarh queued up like other villagers to get the ~1,000 *assistance that chief minister Naveen Patnaik had announced for cardholders under the national food security act. Naba, a landless daily labourer, has been without work since the lockdown. While she did receive three months ration, she worried that the cash assistance would hardly be enough to sustain her family. Odisha has 7.4 million households under Jan Dhan yojana — that's 99.85% of the total number of households in the state.* (12)

Devi, a widow who works in a Government Bank as a sweeper, recalls that the continued working of banks has helped her family to avoid going to bed hungry. Her daughter, who in normal times works in a shopping mall, and son-in-law live with her. She receives Rs 100 (approx. £1.05) per day and this amount keeps her family going. Devi says that they cannot afford nutritious food but at least they are not starving. More concerning, she says that domestic violence has increased. Her son-in-law, who is addicted to toddy, beats up her daughter for not giving him money to buy liquor illegally. (13)

To fully understand the role and status of women in both rural and urban societies in India, especially with regard to their economic status it is important to understand their involvement in the productive process both within the family as well as externally.

To further understand how they are being impacted by the current COVID crisis one must understand how their role and status in society impacts their working status as well as the impact on the families they help support.



A

INDIAN WOMEN AND THEIR PLACE IN SOCIETY

a. The Role

The division of labour between the sexes is defined by the role played by each sex both within the family and externally. It has undergone significant change across the ages (Feudalism to capitalism to socialism) starting on an equal footing in ancient times to the present day where the onus of running the family economy largely rests on the woman both in an urban and rural context especially with regard to the middle income and lower segments.

In modern day India grappling with Covid, many things have changed especially with the creation of the rural urban divide. However the one thing that appears to be constant especially in the weaker sections of society is the role of the woman. In both scenarios she not only continues to hold her role as care giver within the family with this role being largely amplified as schools shut down, the elderly have to be looked after and cooking now is a 9 to 9 business.

Her role as part of the external labour force also gets impacted by the additional responsibilities she has to oversee at home as well as on account of the limitations of working in a post lockdown world. As social distancing is now part of the new normal, in urban India sectors like retailing, garbage collection, construction etc where human interaction is required will see a greater fall in female employment. In addition, as she is more often than not, not considered the primary bread earner she may have to contend with lower wages than her male counterparts. Furthermore, the economic constraints arising out of lower wages and incomes shrinking in the weaker sections of society prioritise the males in the family for food, health and education.

b. The Status

Interestingly, the social status of women which defines the role they play in society has moved diametrically in the opposite direction. Women held an equal status with men in ancient times both within the family and externally in the community. With time this equality was diluted for myriad reasons the chief among them relating to economic wealth being perceived through the ownership of land and other assets. In the current status women are primarily considered as the property of the family they are born in or wed to.

This change in status is primarily blamed on the fact that Indian society is largely seen as patriarchal with the girl child being born with her father's name and patrynom affixed to hers and when she is married she takes on the name of her husband and his patrynom as part of her own. But the problem runs much deeper than a surface change of identity. As seen through history the evolution of the patriarchial society was based on the ownership of land. As Marx observed: "The modern family contains in embryo not only slavery (servitus) but serfdom since from the very beginning it is connected with agricultural services. It contains within itself, in miniature, all the contradictions which later develop on a wide scale within society and its state".(2) Marriages of convenience have been in existence in the upper classes across the centuries with land acquisition being the primary reason. In India this was exemplified in the dowry system which became the sole responsibility of the girl's family and signified her status in her new family.

The status enjoyed by a woman is a direct correlation of her ownership of property. Even in medieval times the status of a woman was defined by the amount of land she brought with her to the marriage and her role as main parent to any children borne as the men were out mainly hunting or at war. She played an equal role in managing the agrarian duties of the family giving her a position of importance and respect in their society.

However with the advent of slavery and the invention of the plough and field agriculture the status of women became inferior with men leveraging the advantage of owning the land because they tilled it and employing slave labour to help in the fields. It was at this point that society began to define itself by the Laws of Manu the primary one which read "In childhood a woman must be subject to her father, in youth to her husband and when her lord is dead, to her sons. A woman must never be independent".'(3) According to the code of Manu a woman's business is to tend her husband and to worship him as god.

In the last 100 years much has changed with the advent of the industrial revolution, with the induction of women into the factory system, the Hindu woman's right to Property Act in 1937 as well as the advent of television and media both rural and urban female populations have now a chance to learn from their compatriots domestically as well as internationally. The Indian freedom movement was perhaps the last national level campaign carried out in which women's equality played such a big role. Gandhi's championing of women gave the reformers and jurists the right platform to frame the rights of women in the country under the Hindu Code Bill in post-independence India.

However there is still much work to be done as seen in the daily challenges that women continue to face in both the urban and rural context.

The arrow has left the bow. A thirst for knowledge and freedom is the burning flame that defines the manner in which women view their status going forward and even the ills of human trafficking, sexual molestation, pre puberty marriage, limited education possibilities and subjugation to male members in the family are not enough to dampen this spirit.

B
FEMALE LABOUR FORCE PARTICIPATION IN INDIA

In post Independence India, it was this thirst for knowledge that drove women to better their situation and that of their children both through participating in the economic revival of the country as well as ensuring that their children got better education and hence were able to seek better employment in the new India. Sadly however, the girl child's status remained unchanged in those first few decades with her continuing to emulate her mother's roles of helping in the home and at puberty getting married off. However with the advent of free female education things began to change. Girls started going to school and today under the Beti Bachao Beti Padhao Yojana not only is female education being given a new status but ancilliary issues which keep girls out of school are also being actively addressed with her particular needs being recognised and addressed through the construction of separate toilets for girls with proper water and hygiene related facilities for when she has her periods. No longer does she have to forcibly stay at home for those five days every month on account of her menstrual cycle.

The transition from school to becoming an economic contributor to the society they live in, is still not a clear pathway for most girls. In rural areas the need to support families in the home, the traditions of pre puberty marriages, the secondary status accorded to her as compared to her male siblings all preclude her from making decisions in her own right. In urban India the situation may be mildly better as the cost of living drives in a lot of cases the decision made by the family to let women work outside the home.

This is clearly evident in the decline in the female labour-force participation in India from 34 per cent in 2006 to 24.8 per cent in 2020, according to a new study by UNGC (United Nations Global Compact),(4) The study surmises that India is the only country among the 153 surveyed countries where the economic gender gap is larger than the political gap. It also states that "*raising women's participation in the labour force to the same level as men can boost India's GDP by 27 per cent.*" Of the 24.8% female workforce in India 87.3% are from rural areas and 12.7% are from the urban areas.

For the urban women traditionally limitations were linked to Gender stereotypes and lack of infrastructure specifically in core manufacturing jobs as a result of which not many were able to reach leadership roles. However the number of urban women joining the workforce is increasing according to an IndiaSpend report based on government data.(6). The number of employment opportunities for women is increasing however this is more in the informal economy with low wages and little or no job security.

In rural India women's aspirations have changed over the last decade and with increasing education and exposed to the paid labour opportunities under the Mahatma Gandhi National Rural Employment Guarantee scheme (MGNREGS) there is a desire to shift away from the traditional unpaid agricultural work on family farms to more formal paid work. In reality, there are not as many jobs available as women qualified to do them and programs such as MGNREGS only provide 100 days of paid labour on public works projects. The competition of people with degrees applying for the same pool of limited formal jobs leaves those with a secondary school education which is the majority out of the race and is one of the major reasons for the declining numbers of women in the rural workforce.

C

WOMEN LED MSMES AND THEIR ROLE IN POST COVID INDIA (11)

a. Role of women led MSMEs in Rural and Urban

In urban India women and women led businesses typically operate in trade and service sectors such as tourism, airlines, hospitality, salons, tailoring and food and beverages, home-based workers, domestic workers, construction labourers, small-scale retailers and textile and garment factory workers, beauty, salon and spa services providers, in fitness industries and in the BPOs as customer care representatives of domestic and multinational companies.

The impact of Covid 19 saw most of these businesses come to a standstill. A lot of the women had to reskill themselves to survive with women more likely to lose their jobs than men as they are not viewed as the bread earners historically.

The recently released periodic labour force survey (PLFS), 2018-19, shows that 53% of women's workforce is in self-employment. This can be further disaggregated into three sub categories – Own Account Enterprises (OAE), employers and unpaid/contributing family workers. The first two categories capture women's entrepreneurial ventures best. Almost 31% of all women workers are engaged as unpaid helpers in household enterprises and only 19% run OAEs. These figures, show that the women OAEs remain trapped in low-scale, low-productive, low return ventures such as in rolling bidis and agarbattis, making pickles and papads, or mending clothes with a sewing machine. A substantial share (almost 70%) of the women home-based manufacturing workers are engaged in low scale food processing, textiles, handicrafts and handlooms (IWWAGE, 2020).

The recent Covid crisis saw women in the medical and para medical professions in both the rural and urban context rise to the forefront to support the efforts of the government in several ways. Women working in the MSME sector are employed in various activities related to health, sanitation and hygiene. They were counted amongst the majority of the Covid 19 warriors in the world. "In India, estimates show that qualified female healthcare workers account for almost half of the country's health force and are among the more vulnerable groups—women account for a staggering 88.8% of trained nurses and midwives." (7)

With the disruptions in the supply chain on account of Covid women also played a significant role in ensuring that medical supplies and other necessities were made available across the villages where they worked. This work was carried out primarily through the Self Help Groups (SHG) which operate as unofficial MSMEs in Rural India.(11) These SHGs were created under the aegis of the Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) established under the Ministry of Rural development which created 7 million SHGs comprising of 69 million women. The scheme aims at giving employment to rural women. The World Bank has instituted a USF 750 million support package to support the NRLM. The NRLM has been successful in scaling up the SHG model across 28 states and 6 union territories reaching more than 67 million women. The women have saved USD 1.4 billion and leveraged a further USD 37 billion from commercial banks. (9)

The SHG, however, serves a function that goes well beyond finance; it is a source of collective action, mutual support and comradery. It provides a platform to impart knowledge and wisdom in the form of group discussions and informal conversations that women regularly engage in, thereby strengthening bonding and social capital. SHGs also draw on formal trainings imparted to them by the state and Civil Society Organisations (CSOs), to create awareness on various issues such as gender equality, livelihoods, health, gender based violence and so on. (10)

With the advent of Covid there were 20,000 SHGs producing over 19 million masks and 100,000 litres of sanitiser all over India. Since the production is decentralised, these items were delivered to the masses without having to undergo the logistics of transportation. SHGs have also initiated work related to the provision of rations or cooked food to poor and vulnerable families using the Vulnerability Reduction Fund or with support from state governments and the local administration. One of the biggest contributions of the SHG groups in the recent months has been their constant messaging of the benefits of good hygiene and sanitation to others in their communities and when required they are the ones who are at the forefront of maintaining the community toilets in their surroundings clean. Water is another area where they are involved closely. Preserving water, using it in a judicious manner and ensuring that distribution is done equitably across households is a primary responsibility of SHG groups.

In a bid to empower women, the Odisha government recently handed over the operation and maintenance of four Septage Treatment Plants (SeTPs) to women Self-Help Groups (SHGs) in the state. The treatment facilities were handed over to women SHGs in Berhampur, Baripada and Sambalpur and to a transgender SHG in Cuttack by Housing and Urban Development Minister Pratap Jena through video conferencing. Department secretary G. Mathi Vathanan said that the SHGs have been chosen after careful evaluation of their capacities and past track record and have been trained thoroughly and rigorously on different aspects of operation and management. The treatment plants were handed over to the SHGs through a service contract between the concerned Urban Local Body (ULB) and the SHGs. The ULBs will continue to provide assistance and technical support to the SHGs during the agreement period. "We are happy that the transgender and women SHGs have come up to the level of managing a septage treatment facility which requires technical and managerial skills which was earlier managed by engineers of the department," the secretary said. Odisha has adopted the Decentralised Wastewater Treatment System (DEWATS) technology for the treatment of faecal sludge and septage emptied from toilet septic tanks. The technology was preferred considering its cost-effectiveness and ease of local maintenance systems for operation and maintenance. "It is a momentous event for the SHGs and all our members involved in this activity. We have completed the training and are really excited to take over the reins," said Swapna Rani Tripathy, a member of the Agrata City Level Federation (CLF) of SHGs that took over the plant located in Mohuda in Berhampur. With more than 90 additional septage treatment plants coming up in the state by next year, and with more than 32,000 existing SHGs across 114 towns and cities, community engagement for operation and maintenance of sanitation facilities holds enormous potential. (14)

On Oct 2nd NABARD announced the launch of a literacy campaign on sanitation in line with their earlier financial literacy programs for Rural India using the SHG machinery to deliver the message across all the small towns and villages of rural India. The objective of the campaign is to create awareness to sustain behavioural change of the rural populace towards adopting good hygiene and sanitation practices and to "engage with vulnerable communities that lack the right sanitation facilities and identify further funding requirements" Mr G R Chintala, Chairman, NABARD.

The campaign will cover 2000 villages, mapping the sanitation needs of the people. Based on this data, NABARD will develop a strategy to provide credit facilities, mainly for construction of household toilets to the rural populace. The literacy campaign conducted by the SHGs will go a long way towards ensuring the people understand the correct use of toilets as well as the importance of maintaining hygiene and cleanliness on an ongoing basis.

NABARD has also announced a special refinance facility of Rs 800 crore for 2020/21 to fund activities such as construction of new toilets, repairs, additional toilets retrofitting with dwin pit, water connections to toilets etc. These activities will be available for financing by NBFCs and MFIs and can be availed of by the SHGs for their members and communities.

b. Lending to women led MSMEs (16)

An estimated 29.8 million MSMEs in India[3] contribute 11.5 percent of gross domestic product (GDP), 45 percent of industrial output, 40 percent of exports, and employ nearly 69 million people. (16). Of this 10% are women owned comprising of approximately 3.01 million enterprises. Collectively they contribute 3.09 percent of the industrial output employing over 8 million people. 78% of these enterprises belong to the services sector being largely skewed towards the smaller sized firms with 98% of them being micro enterprises of which 90% are in the informal sector and serviced primarily by the SHG model.

Access to finance is a key constraint to growth of the MSME sector overall and gets significantly enhanced at the SHG level in India. A significant proportion of financing is sourced from informal sources such as moneylenders.

Women owned enterprises: Access to Finance (Table 1)

FUNDING SOURCE	SHARE (%)
Formal Financial Sources	3.1
Semi Formal Financial Sources	4.8
Self, Family, Friends or Informal Sources	92.1

The total financing needs of women-owned micro, small, and medium enterprises are approximately Indian rupees 8.68 trillion ($158 billion). Table 2 shows the demand for finances from women-owned enterprises in both formal and informal sectors.

Demand for financing from women-owned MSMEs (Table 2)

	FORMAL SECTOR		INFORMAL SECTOR	
TYPE	NO OF UNITS (IN 000)	FINANCING DEMAND (INR TRILLION; USD BIO)	NO OF UNITS (IN 000)	FINANCING DEMAND (INR TRILLION; USD BIO)
Micro	274.06	0.19 (3.49)	2655.32	1.86 (33.86)
Small	47.53	3.91 (71.16)	30.41	2.50 (45.54)
Medium	0.28	0.21 (3.75)	0.00	0.00
TOTAL	321.86	4.31 (78.40)	2685.73	4.37 (79.40)

MSMEs borrow mainly both in debt and equity to meet their working capital needs, financing of long term assets and investment demand. With a potential to profit there is possibility for them to get the required financing from banks and other financial institutions if the business case along with their past track record is strong.

The government's initiative to boost women entrepreneurship - Women Entrepreneurship Platform (WEP) - has invited women-owned startups and small businesses that can procure, supply raw materials for masks and provide it to home-based women workers to make masks as an alternate source of income. NITI Aayog, which houses WEP, tweeted the initiative 'Masking it up with WEP' to support women workers hit hard due to Covid-19. "Home-based women workers have been hard hit and are struggling to make ends meet in this uncertain climate," the initiative said inviting women-led businesses to join it.

WEP was formally launched in March 2018 to help the aspiring and existing women entrepreneurs grow and scale their ventures through necessary support required such as incubation, entrepreneurship skilling, marketing assistance, funding and compliance support. WEP has over 30 partners such as Paypal, SIDBI, Nasscom, Google, Facebook, CRISIL, Institute of Chartered Accountants of India, US India Business Council and more. The platform currently has over 13,000 registered women and has benefited over 500 entrepreneurs, according to the data available on its website. (21)

In the case of SHGs however the potential to profit varies from very little to none which proves to be the biggest hindrance to their borrowing from the formal lending sector. Coupled with this they have a weak credit history with borrowing levels being short to very short term for each loan and this compounds their vulnerable status in the eyes of the formal lender. The money lender then becomes the last resort.

Microfinance is the ready answer to this problem. It is effective in serving the needs of tiny enterprises which do not have as much potential to contribute to GDP and employment generation when compared with micro, small, and medium enterprises. While MSMEs are constrained by microfinance's mono-product environment, singular delivery model, lack of flexibility, and shorter-tenure loans with limited amount of credit, microfinance is the perfect answer providing working capital to tiny homebased income generating activities.

It also addresses the constraints of access to collateral through joint liability mechanisms and a deep understanding of individual clients' personal circumstances in the case of individual lending. Another model of access to finance for women is the self-help group-bank linkage model. Largely promoted by NABARD, the SHG-bank linkage program was, in 2012, able to link over 9.9 million women with banks and enable access to credit. However, as this is targeted at low-income women and not at women-owned MSMEs, it caters to the needs of micro entrepreneurs, at best.

c. Microfinance and SHGs

Microfinance is widely seen as a valuable tool to expand access to finance and empower women to set up and grow businesses and become earning members of households. It also has great potential to expand from its current tiny/home enterprise model to MSMEs run by women.

Through years of experience microfinance institutions have built strong and sustainable lending models for the low income segment. They have developed a strong women borrower base and are in a position to address specific needs of this segment. The unique characteristics of existing microfinance models can be leveraged to bring more women entrepreneurs into the formal financial sector by building an acceptance of microfinance credit histories into the risk assessment models of formal financial institutions who can access this large segment of the borrowing populace.

Women led Self Help Groups are voluntary by nature and comprise of 10 to 20 women coming from a similar socio economic background from a particular geographic area and who operate on the principles of self-help, solidarity and mutual interest. They pool their savings to manage their credit needs.

These SHGs are also responsible for helping their members manage their personal finances as well as manage the finances of the group.

In 2018, MAVIM with support from C-WAS, CEPT University set up a project in Jalna, Maharashtra to mobilise household sanitation credit for individual toilets. It was successful in disbursing toilet loans to 207 women. The SHG members from MAVIM's CMRC were linked to various banks for sanitation credit. The loans were through SHGs and demonstrated that very high repayment rates can be achieved for sanitation loans. Women have built good quality individual household toilets, often along with bathrooms. (15)

The project successfully demonstrated that with the provision of affordable sanitation credit, households were able to get access to sanitation. The model was later scaled up through MAVIM's other CMRCs throughout Maharashtra.(15)

As of March 2019 there were 44.61 lac women SHGs who had a collective loan outstanding of Rs 79,232 crores. Out of this approx. 4.5% (Rs 3605 crores) were deemed Non Performing Assets. This represented less than half of the Gross NPA% in the banking system in India as on last fiscal. (8)

SHGs have some distinct characteristics that distinguish them from other borrowers : (a) they are a widely accepted phenomena in the rural society of India; (b) the banking community accepts their deposits and trusts in their credit delivery; (c) This group is able to borrow without specification of purpose, activity or project; (d) all loans they avail of are collateral free. Banks normally accord loans at a ratio of 1:4 (deposit:loan). As of March 31st 2019 there were 1 crore SHGs in India covering 12 crore families with deposits of Rs23,342 crores in the banking system. Of these only 50% SHGs (50.77 lacs) had availed of credit with loans with outstandings of Rs 87,089 crores. (8)

Women have been the biggest beneficiaries of the government's two pet schemes to support entrepreneurship and self-employment - Standup India and Pradhan Mantri Mudra Yojna (PMMY).

Under Standup India scheme, wherein bank loans of Rs 1 lakh to Rs 1 crore are facilitated to at least one scheduled caste or scheduled tribe and one woman borrower per branch of scheduled commercial banks, over 81 per cent account holders are women as on February 17, 2020, according to Ministry of Finance. Similarly, for PMMY, as per a finance ministry's statement, "out of over Rs 22.53 crore loans sanctioned till January 31, 2020, more than Rs 15.75 crore loans extended to women" - 70 per cent of total borrowers.

THE MSME CHALLENGE IN A COVID SCENARIO AND THE SPECIFIC ISSUE OF WOMEN LED MSMES (22)

However this picture is distorted in many ways. While the government has put in place many financially beneficial schemes to support the needs of women entrepreneurs both urban and rural the last mile access for these women is still not easy. With the advent of Covid a host of problems have surfaced in different areas for the urban and rural MSMEs which highlights the gaps in the schemes.

Vandana Bhagat launched her beauty studio, Vannity Salon, in Delhi's Vasant Vihar neighbourhod 11 years ago. It was the first salon in its market complex, but since then, several more have sprung up. "And yet, our customers have stuck with us," says the 52-year-old mother of two. But while Vandana was able to hold her own amidst competition from even international salon chains, she could never have foreseen the coronavirus lockdown that has completely shuttered her business. Vannity Salon closed its doors on March 19, a few days before Prime Minister Modi announced a three-week nationwide lockdown starting March 24, later extended to May 3. "We don't know when we will open again," sighs Vandana stoically. "This is a business based on human touch and physical proximity. It will definitely be on the radar of the authorities. Even if I invest more on personal protection gear and disposable tools for my staff, it is not a guarantee of protection from coronavirus. Besides, customers may stop visiting salons now." With zero revenue, Vandana is struggling to pay staff salaries. It pains her as some of them have been with her for over a decade. "There is only more bad news every day. We can only pray," she says. Once the lockdown ends, she may reduce operations to half and take up another business in the future. (19)

Two years ago, Aarti started a small business selling traditional handicrafts online, supporting artisans based in rural Karnataka. After an initial phase of struggle, she had a steady stream of orders and was looking to procure manufacturing equipment and scale the impact of her business by supporting more local talent.

All this came to a grinding halt in March 2020. The pandemic, and subsequent lockdown, meant severe restrictions on travel and business. Aarti's new equipment couldn't be delivered and she had no way to move her existing inventory. She was slowly burning through her savings and was unsure about how she would continue to provide basic income to her staff and artisans. Moreover, her in-laws had moved in with her family, which meant she now had extra caregiving responsibilities. (20)

For the SHGs the problem is starker. As money from the schemes is either drying up or is being diverted to resolve the more pressing problems arising from COVID-19 by the government the non-availability of collateral free loans has nearly stopped their functioning and there is a rising fear of significant loan defaults in the coming months. The outcome of this would see hard earned self-reliance and better livelihoods been dismantled to a large extent.

A group of 400 women from Tamil Nadu's Trichy district have been honoured by the Federation of Indian Chambers of Commerce and Industry (FICCI) and the India Sanitation Coalition (ISC) for their work in the field of urban sanitation. The women, who hailed from various self-help groups (SHG) in the district, came together to manage and maintain around 200 public toilets in Trichy and were awarded for the 'Best Non-profit Engagement Model in Sanitation (Urban)' at the ISC-FICCI Sanitation Awards in 2019. The women accomplished the feat by organising themselves into Sanitation and Hygiene

Education (SHE) teams. These teams, put together in 2000, comprised of representatives from SHGs within slums in the city. They were trained by a local voluntary organisation, Gramalaya, to manage community and public toilets in their respective areas. (25)

To stem this problem, on June 22nd 2020, RBI transferred Rs 1.76 lakh crore to the government exchequer as a stimulus package to fight Covid19. One of the recipients announced by the Government who would benefit from this money were SHGs who would see a doubling of collateral free loans from 10 lakh to 20 lakh. This will go towards helping 63 lakh SHGs covering 7 crore families and will anticipatedly substantially affect the rural economy.

So if the government has put in place policies and financial support to help MSMEs and MFIs continue to do business and lend to women entrepreneurs then what is the issue?

a. What are the challenges anticipated for MSMEs and SGHs post lockdown?

The biggest challenge faced by women owned MSMEs is perception based with the level of financial exclusion being higher on account of myriad factors. The social status of women and prevalent social norms in India influence perceptions of financial institutions and the ability of women entrepreneurs to access finance (18)

b. What is the challenge that the Lenders are facing?

Lenders have already extended the moratorium on loans as directed by the regulator. The key question is that lenders based on certain criteria had pre COVID sanctioned loans to this sector. Post COVID 19 with the businesses getting impacted, it became crucial for a proper policy framework to be announced so as to contain the impact at a minimum for both sides. The current announcement by FM partly addresses the issue however the key will be the implementation. How will the banking fraternity react to these measures? Will their risk assessment measures allow them to hold past debts while releasing fresh financing? How will MFIs continue to support the low income group and the SHGs with a drying up of finance available to them?

The argument by the lenders is that they do not see enough support coming from the government if they adopt the new measures recommended for MSME lending. Being the key link in the process their argument is that the Governments should protect them with stronger regulations. In a nutshell pumping liquidity into the economy is a good step but the key focus needs to be on risk assessment and an even distribution across gender, guarantor and borrower that currently restricts the lending community's ability to support this group of borrowers.

THE BUSINESS CASE FOR FINANCING MSMES

It has been widely suggested that the financing of these two segments is as yet a largely untapped goldmine for the financial lender and formal financial institutions should seriously relook at lending to this sector in the immediacy.

The two main criteria of Volume – there are over 3 million women owned businesses in India with only 3% accessing finance from formal institutions - and Value – empirical evidence has proven that the NPAs based on lending to this segment are the lowest in the lending industry; they are known for their loyalty to the initial lender and tend to keep their earnings with them as well; they access more products for the lender and hence prove more profitable in the long run – underline the benefits of lending. (24)

Financial Institutions need to invest in customising their offerings to meet the demand of women entrepreneurs by studying their business models closely as well as repayment capabilities. The current policies and processes on lending need to be reviewed in this light and they should make them user friendly by building the necessary safeguards for themselves as for their borrowers.

But there is an equally urgent need for the government to review its current policies to ensure that the Financial Services sector is enabled to support MSMEs. Two areas that are critical for review is the existing laws on property rights and the creation of a Risk Share Fund that enables financial institutions to share their lending risk with the government.

Property laws should make it mandatory for women to be included in asset registration giving them equal property rights thus enabling them to use this as collateral and hence enhancing their credit standing.

A Risk Sharing Fund between the government and the financial institutions will allow the latter to review their current risk structures in favour of lending this segment.

Equally the role of Development Finance Institutions is important in this area. They can offer credit lines and equity schemes to commercial banks in developing countries so as to increase the available finance they have to lend to this sector.

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ANNEXURE 1

Note on MSME classification and where Microfinance organisations fit.

(Reference: Improving Access to Finance for Women Owned Businesses in India, IFC, 2012

MSMEs in India are broadly divided into two classes according to the provisions of the MSME Development (MSMED) Act, 2006. These are:

1. Manufacturing enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule of the Industries Development and Regulation Act, 1951, defined in terms of investment in plant and machinery.
2. Service enterprises engaged in providing or rendering of services defined in terms of investment in equipment.

The segmentation into micro, small, and medium is based on investment in plant and machinery (in case of manufacturing) or in equipment (in case of services). This is detailed in the table below :

Definition of micro, small, and medium enterprises based on investment

TYPE	MANUFACTIURING (INVESTMENT IN PLANT AND MACHINERY) (INR MIO ($ 000))	SERVICE (INVESTMENT IN EQUIPMENT) (INR MIO ($000))
Micro	Up to 2.5 (upto 45.5)	Up to 1 (Up to 18.2)
Small	2.5 – 50.0 (45.5 – 909.1)	1 – 20 (18.2 – 363.6)
Medium	50.0 – 100 (909.1 – 1818.2)	20 – 50 (363.6 – 909.1)

Microfinance which is targeted at low income women and hence fits the needs of SHGs is effective in servicing the needs of tiny enterprises which do not have as much potential to contribute to GDP and employment generation when compared with micro, small, and medium enterprises. MSMEs in India are constrained by microfinance's mono-product environment, singular delivery model, lack of flexibility, and shorter-tenure loans with limited amount of credit. In this environment, microfinance is limited to providing working capital to tiny homebased income generating activities.

Microfinance innovatively addresses the constraints of access to collateral through joint liability mechanisms and a sophisticated understanding of individual clients' personal circumstances in the case of individual lending. Another model of access to finance for women is the self-help group-bank linkage model. Largely promoted by NABARD, the SHG-bank linkage program was, in 2012, able to link over 9.9 million women with banks and enable access to credit. However, as this is targeted at low-income women and not at women-owned MSMEs, it caters to the needs of micro entrepreneurs, at best.

Microfinance is widely seen as a valuable tool to expand access to finance and empower women to set up and grow businesses and become earning members of households. Microfinance has great potential to expand from its current tiny/home enterprise model to MSMEs run by women. Microfinance institutions have a strong women borrower base and are in a position to address specific needs of this segment. The unique characteristics of existing microfinance models can be leveraged to bring more women entrepreneurs into the formal financial sector by building on microfinance credit histories.

ANNEXURE 2

(Reference: Improving Access to Finance for Women Owned Businesses in India, IFC, 2012

Demand and supply side constraints to access finance for women entrepreneurs

DEMAND SIDE	SUPPLY SIDE
Limited financial awareness and understanding of financial products/ services: Women lack knowledge about available finance options, advantages and disadvantages, and costs of various options, benefits of borrowing,etc. This lack of knowledge generates reluctance to access finance from formal channels Lack of adequate collateral: Access to collateral remains a key issue, especially for women entrepreneurs, given social and legal restrictions around inheritance and land ownership rights. Even if a woman legally owns an asset, male members of the family will often hold the title deed. Need for support from male family members: Several banks require either the husband's or father's (in case of unmarried women) signature to approve loan applications for women borrowers, which can sometimes act as a deterrent.	Perception of higher risk profile in the absence of collateral security and guarantee/support by male family member: Banks generally consider women-owned enterprises as a high-risk sub-segment as these enterprises operate mostly in the informal sector and are usually micro in scale. Further, absence of collateral causes banks to avoid this sub-segment. Some bankers believe lending to unmarried women could be risky. The event of marriage could lead to change of locality or profession, and a possibility of default. No real attempt to tailor products/services to suit the needs of the woman entrepreneur: Banks often rely on personal profiles and track records while reviewing loan applications. In the case of women, these are often not strong enough or relevant for banking needs as women entrepreneurs often lack proper records / documents. There is little effort by financial institutions to understand this sub-segment and design tailored financial products or processes. Perception that bank branches are unwelcoming to women customers: One common criticism expressed by women entrepreneurs is that bank branches are not conducive due to a disproportionately low number of women relationship officers (female employees constitute less than 20 percent of the workforce in banks). In addition, no specific efforts are made to build a more conducive environment to attract walk-ins by women customers and/or to provide advisory services to supplement financial services. Both strategies have had significant success in other countries.

DEMAND SIDE	SUPPLY SIDE
Lack of confidence or hesitation to approach financial institutions: Women entrepreneurs tend to have less experience with banking institutions and could feel intimidated to approach a bank. Poor financial literacy often translates into inadequate accounting and financial management functions.	High transaction costs given the small size of women-owned MSME firms: Although high transaction costs are a well-known barrier for finance for the MSME segment, this is further intensified for women-owned businesses, which are usually very small and have lower than average finance requirements. It is estimated that average finance needs of men-owned enterprises are about 2.4 times that of women-owned enterprises. The cost of administering and servicing small loans to women entrepreneurs is relatively high due to similar processing and documentation requirements for enterprises regardless of size. Additionally, the credit risk assessment process, which is generally complex, is the same for small or large loans. Thus, banks tend to focus on clients with larger loan demands. Lack of reliable information about financial management makes the women entrepreneurs less attractive to financiers: Due to lack of knowledge of financial management, women-owned enterprises do not always maintain the necessary financial documents in the required format, which make them less attractive to financial institutions.

Source : Improving Access to Finance for Women owned businesses, IFC

ANNEXURE 3

FINANCING MSMES

a. Background

In October 2019, RBI announced the creation of a NBFC-MFI company as a subcommittee of the central board of the RBI to study the issues and concerns in the MFI sector. Based on the recommendations of the Committee, it was decided to create a separate category of NBFC, viz., Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI) and a detailed regulatory framework for NBFC-MFIs was put in place in December 2011.

Registering a 24% YoY growth, NBFC-MFIs, had a market share of 38% in Q3-FY19, and have been maintaining their market dominance in the lending space till COVID. The total number of active loans were 8.22 crore at the end of Q3-FY 19, and the segment's Gross loan portfolio (GLP) stood at Rs 1,57,644 crore at the end of the same quarter -- registering a Q-o-Q growth of 7%. (SIDBI - Eqifax newsletter).

Microfinance industry has a presence in 615 districts in India whose 210 districts constitute 80% of the portfolio outstanding. As per industry body Microfinance Institutions Network (MFIN),the regional distribution of portfolio (GLP) of NBFC-MFI currently stands as: East and North-East (37%), South (25 %), North (14%), West (15%) and Central India (9%). Banks hold the largest share of the portfolio in micro-credit with a total loan outstanding of Rs 80,570 crore, which is 40 per cent of the total micro-credit universe.

NBFC-MFIs are the second largest provider of micro- credit with a loan amount outstanding of Rs 62,960 crore, accounting for 31 per cent to total industry portfolio. Small Finance Banks (SFBs) have a total loan amount outstanding of Rs 3 4,829 crore with a total share of 17 per cent, NBFCs 11 per cent with a total loan outstanding of Rs 21,381 and other MFIs account for one per cent share in the microfinance universe.

As on September 30, 2019, the on-balance sheet portfolio of 85 NBFC-MFIs was Rs 62,960 crore which is spread across 601 districts of 35 states and union territories grew around 17 per cent over the last fiscal. Of these 54 NBFC-MFIs members of MFIN received a debt funding of total Rs 9,443 crore during Q2 FY20, the report showed.

b. POST LOCKDOWN

Since March 2020 the scenario for this segment has dramatically changed. The shutting down of the nation meant a temporary and in a lot of cases permanent loss of business, a loss they could ill afford given the tight margins against which they operate and the monthly income which more often than not is the only source of survival for a household.

The Reserve Bank of India's three-month moratorium will provide them relief until May 31, but the perils of non-repayment of loans loom large when they resume business. The RBI has further encouraged the Banking fraternity to lend to this segment with more flexibility than their current lending norms.

It has stepped in to boost liquidity and announced a second round of targeted long-term repo operations of Rs 50,000 crore to maintain ample liquidity among various segments of microfinance and non-bank financial companies. "Also, all India financial Institutions such as NABARD, SIDBI and the National Housing Bank will be provided with special refinance facility of Rs 50,000 crore at the repo rate" said Shaktikanta Das,of this, the National Bank for Agriculture and Rural Development has been allocated Rs 25,000 crore to enable refinancing of regional rural banks, cooperative banks and microfinance institutions.

The Small Industries Development Bank of India has been given Rs 15,000 crore for on-lending and refinancing to scheduled commercial banks, non-banks and microfinance institutions. The National Housing Bank will receive Rs 10,000 crore to support housing finance companies.

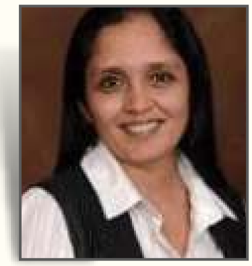
Besides, the central bank cut the reverse repo rate by 25 basis points to 3.75 percent. That, according to Keki Mistry, vice-chairman and Chief Executive Officer at HDFC Ltd., should encourage banks to lend money.

ANNEXURE 4

List of schemes launched for women led MSMEs

1. Udyam Sakhi, a network for nurturing social entrepreneurship creating business models revolving around low-cost products and services to resolve social inequities – launched in 2018 by the Ministry of MSME
2. PMEGP – Prime Minister's Employment Generation Program Scheme, launched in for women entrepreneurs. Women receive 25% and 35% subsidies respectively for projects set up in urban and rural areas.
3. Other schemes : Beti Bachao, Beti Padhao, Stand Up India, Mission Indradhanush, Mudra Yojana Scheme, TREAD (Trade Related Entrepreneurship Assistance and Development) Scheme, Mahila Udyam Nidhi Scheme, Annapurna Scheme, Stree Shakti Package for Women Entrepreneurs, Bhartiya Mahila Business Bank Loan, Dena Shakti Scheme, Udyogini Scheme, Cent Kalyani Scheme

TEAM CREDITS



Senior Advisor

NATASHA PATEL

Project Leader

SUDESHNA MAITI

Program Manager

CHAITALI PHADKE

Program Manager

MEGHA SHARMA

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