

**A REPORT ABOUT NEED FROM AN INTERNATIONAL RESEARCH SCHOLAR FROM UNIVERSITY OF
ZURICH, SWITZERLAND**

My encounter with NEED resulted when I first got in touch with a National Bank of Agriculture and Rural Development (NABARD) official about a case study with their loan linkage programme, which is assessed to be the largest in the world. Since NABARD is not directly into micro-lending, they recommended that I work with one of their partner NGOs who are much active on the microfinance front. And so



Prof. Aliya Khawari is at one of the village in UP and interacted with MF supported clientele

NEED was recommended to me as the case study which was a part of my dissertation project on, “The Political Economy of Microfinance: Case studies from South Asia” at the Zurich University.

Initially I intended to draw a sample of some 50 households from the rural and urban UP and conduct interviews with the women borrowers and their male guardians/ spouse to see how (and who) the micro lending operations of NEED are hindered (hinders) or aided (aids) given the whole societal, communal and familial set up. However, the CEO of NEED, Mr. Anil Singh, insisted that I draw at least some 20% of the data from the adjoining state of Bihar as part of their interest (and compensation) for helping me out for my work with them. Though I was a little hesitant (due to lack of funds and time) of this, but eventually gave in to his suggestion and today am happy to have done so.

I spent the next 9-10 weeks visiting the clients and having in depth interviews with them and their spouses/ male guardians. I started with the sub urban slums of Lucknow in Alambaagh and Jankipuram. From there I moved on to rural Mehmoodabad in the Sitapur district, where I was confronted with a totally different set up and peer dynamics than in the sub urban set up.

Many things were simply mind boggling and like almost everything I saw in India amazing and disturbing at the same time. The fact that living conditions in the rural front were very different from that of the urban; like having no running water or the simple comfort of having a toilet in your house or where electricity is supplied for only a couple of hours in a day. The loan officers (livelihood support advisors (LSAs) who were appointed to work in the areas were usually not from the area themselves, nonetheless, it was simply humbling and commendable to see how hard and long they worked under

such living conditions. Their working days were sometimes 10-12 hours long and very often they had to forgo their weekends if they were to have the collections on time, as microfinance is a very tough market, needing a lot of surveillance and a days delay could result in loss of recollections. Moreover, in contrast to the sub urban UP, where NEED basically lent to joint liability groups (JLGs), the rural areas were approached mostly with better interest rates for the loans to the already established self help group (SHG). Microfinance aside, the SHG formation served the purpose of awareness, confidence building and community development among the women in particular much better than did the JLG lending alone.

What fascinated me most were the mobility and the will power of the rural women. I had not expected the rural women to cover such great distances in a day as they did and more so not expected to see rural women on cycles and motor cycles. In addition most of the women clients of NEED were simply champions in



Prof. Aliya Khawari, the Researcher cum Professor from Switzerland sharing her experiences with NEED team during her field visit intervention in MF operated villages of UP & Bihar

survival. Despite illiteracy and familial obligations, their ambition to be a source of financial support for themselves and their families was

simply praiseworthy. Many of them had had little opportunity to really realise their true potential in life. With the membership in SHGs and access to credit, for the first time most of them had at least the hope or the opportunity to do something which they would otherwise have missed on. Women clients who were in their second loan cycles also got to see and realise what it means to save and invest in asset building, some could afford to send their children to school who were otherwise labouring away their childhood to get miserly loans for the hard work that they had to do.

The scenario in rural Bihar was again very different from that of rural UP that I had experienced. The traditional set up in most of the villages did not allow most of the women to step outside their homes for everyday errands or anything else. This had to be taken into account by the NEED employees and they accordingly made amendments but did not let the patriarchal set up dampen their motivation of targeting mostly women as potential clients. A pleasant change that I came across in Bihar was that most of the LSAs there were women in contrast to those in UP, although one would assume the opposite. The LSAs work is not an easy one, as one very enterprising LSA in Bihar admitted that they had

to be extremely patient when dealing with clients or potential clients in the areas of operation and always be mentally prepared, that should things could get out of hand and they be provoked, they had to have very good control over their nerves not to mess things further. I was very impressed with the sensitivity and empathy that they showed to the clients and the respect that all the local rural clients had to show them every time they visited their villages. No wonder that the recollection in Bihar were 100%. Bihar lacked the rural financial infrastructure even more so for the poorer strata of the society and any such endeavours for the poorer were more than welcome.

Now back in Switzerland and looking back at the past two and a half months of my stay in India and NEED in particular, I can definitely say that the support and the openness that NEED had shown to me in aiding my work and in getting to know their work and their clients and staff could not have been any better. The staff and management went out of their way to help me in studying their organisation and learning from them. I gained and learned immensely from all the discussion with the senior and middle management and also from the ground staff. Personally I would always cherish the experience and am very thankful to Mr. Singh for making sure that I be fully involved in all that went on with the organisation during my stay there. I wish the entire team and staff of NEED all the best for their future efforts and hope to visit them again sometime in future.

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In Retrospect

Marius Meijerink, The Netherlands

I was warmly welcomed to the family of NEED. Provided a comfortable room above the women skill centre, enjoying the insurmountable hospitality of the family, and being submerged into the colourful Indian Holi festival on my arrival, my volunteer services couldn't start better. I wanted to gain some working experience abroad in the field of microfinance, and with an interest in India and some basic knowledge about its micro-financial market I was pleased to volunteer for NEED. My personal aim was to develop my understanding of how micro-financial services were being used by the poor to improve their living conditions and in which ways it could be used by a microfinance organization to



promote livelihoods. I have been given plenty of opportunities by NEED to go into the field to see how microfinance is applied and how it is being used to set up a variety of micro-enterprises. I have been to another branch of NEED in the North of Uttar Pradesh, went to the rural areas of Bihar, visited a school they established in Kakori, and went to the slums of Lucknow. During my field visits I became very impressed about the dedication shown by the staff of NEED and the creative, holistic, pro-poor driven and integrated manner NEED approaches the problem of poverty which is still so widely spread in Uttar Pradesh and Bihar. The idea that poverty is more than income-deprivation seems deeply pervaded into the organisation. Consequently, they do not only provide micro-financial services but they are also running water and sanitation programs, health programs, educational projects, they are active on fair trade, and work on capacity building. Furthermore, their approach to livelihood promotion is innovative and integrated. NEED for example has succeeded in letting a whole village participate in mutually complementary micro-enterprises in such a way that the different micro-enterprises together form a value-chain which sells their produce on the market. The village is using shells from nearby rivers to make buttons and jewellery. In this case livelihood promotion incorporates a value-chain approach to microfinance with the potential to form a producer group of these cooperating micro-enterprises. A fantastic example of how microfinance is more than a financial service and how NEED turns it into a platform of development.

Besides this, I have been asked to dedicate myself to raising funds and linking the organisation to investors with the aim to support the variety of activities the organisation is carrying out. Initially focusing on my own country, the Netherlands, as I knew organisations and people there, I soon broadened my scoop and began looking at funds and investors in Europe and the U.S. Raising funds, however, for Indian microfinance organisations working under the Societies Act is not easy. After a conference Mr. Singh and I attended in Delhi it became clear to me that despite the exemplary repayment rates and social impact demonstrated by NGO-MFIs, they are often charged higher interest rates than other types of microfinance institutions. Lack of ownership and collateral makes them a more risky asset in the perception of investors. So, NGO-MFIs are looking abroad to attract the necessary capital on lower interest rates. Although grants can be accepted freely, attracting foreign debt capital or External Commercial Borrowings (ECBs) is another story. These are under the stringent

supervision of the Reserve Bank of India and their policy is to keep an annual cap on ECBs. Societies, such as NEED, are thus faced with serious barriers when they want to further fund their organisation. Many times I have been confronted with these limitations and perceptions of investors. They simply prefer NBFCs. With still a large gap between demand and supply, a skewed geographical spread of MFIs, and a highly unequal market share to the detriment of NGO-MFIs, the policy of the RBI might be questioned. Nevertheless, luckily there are organisations, funds and investors that are interested. One organisation from the Netherlands is supporting two NFE-Centres, and at the time of writing, some other organisations have shown their interests which hopefully come forward to support the wonderful work NEED is carrying out.

In retrospect, I could not wish to have a better learning experience. Mr. Singh makes sure that you are totally involved into the many aspects of the organisation, that you get the opportunities to go into the field, gives you the chance to work independently, and to contribute in your own way to the organisation. My stay at the family was very comfortable, they made me accustomed to the Indian habits and lifestyle, and their hospitality made it truly feel like home. My stay at NEED has been a very interesting, rich, and rewarding experience for which many thanks to Mr. Singh, Madame, and the whole family of NEED!

With warm regards,

Marius Meijerink

The Netherlands

Marius Meijerink

Peter Spring, Bain Capital, LLC, USA

Dear NEED Family,

I was so impressed with your work during my two week visit to Lucknow this past month. Having studied development and micro-finance, but never seeing the implementation, I was quite impressed by the procedures and standardized processes that result in such high repayment rates. I was also amazed by the impact that your small loans had on the residents of the villages where you have operations. Being able to visit Kikori and meet with some of those who had requested loans and being able to hear how they planned to use the proceeds was very interesting and informative.

And, reflecting on my entire visit to Lucknow and surrounding villages, I was struck by the entrepreneurial spirit that exists among the residents. Both in the city and in the villages, I realized that entrepreneurship was widespread and that in many cases such spirit was depressed only by lack of access to capital. As someone who works in finance by trade, micro-finance as a method to accelerate growth from the bottom-up is very compelling. Not only do these loans enable villagers to start micro-enterprises to supplement their incomes and improve their quality of life, but they introduce these people to the formal sector and facilitate their access to other services, including education and health provided by NEED and others.

I was also able to witness how the loan process, due in large part to Equity's very well-structured procedures, imposes a certain rigor to the business development process. Given the scarcity of capital available to village residents, maximizing the chance of success of each new micro-enterprise is critical. Equity's loan officers critically assess each proposal to ensure that a new business has a strong chance of success and that loan repayment will not be too burdensome.

While I had most knowledge of micro-finance, I was very interested to learn about NEED's other areas of focus, including capacity-building, fair trade, health and education. The whole NEED team does a tremendous job and is to be commended for the outstanding work they do to improve the quality of life of residents in Lucknow and surrounding areas. I look forward to visiting again in the future.

Best regards,

Peter Spring

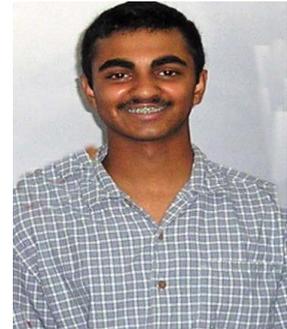
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My Spellbinding Experience in INDIA

Syam Palakurthy, International Volunteer

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I arrived in Lucknow one week ago with a concrete idea of NEED in my head – a micro-lending bank giving loans to individuals to start enterprises of their own, I believed. I had read about this bottom-up model of development, and to me it seemed an innovative way of obtaining the positive benefits of economic development – like poverty alleviation – while offsetting the negative consequences – like an exploited workforce and widening rich-poor gap. I had heard about NEED from my older brother, a past volunteer, and I was curious. Seeing it first-hand, I thought, would be the best way to learn about this alternative to macro-development.



One week later, I stand corrected and much more informed about the organization. I spent some time talking with the workers of NEED; their passion for their work suggested individuals doing much more than crunching numbers and giving loans. I met many villagers of the Kakori block; I saw individuals who clearly loved the organization and its members. NEED, I discovered, is not simply a micro-financing institution like the Grahmin Bank or other similar associations – it is so much more. It is an organization dedicated to women’s empowerment; an organization giving help to those wanting to help themselves; an organization that mobilizes communities to act collectively to best meet the needs of their members; an organization certified as Fair Trade; and most of all, it is a giant family, one that recognizes and is harnessing the inherent potential of humans to rise above hardship and poverty. It is faith in that human potential, in my opinion, that drives the success of NEED.

But there is very little I can tell you that you do not know, being a reader of this newsletter. All I can do is make one request, having looked in for the first time: please, never lose sight of the international value this Indian institution holds. At a time when battle lines are clearly demarcated between the proponents of globalization and development, and their environmentalist, women’s rights, and labor interest opponents, it seems impossible to step on middle ground. NEED in it’s own way, offers a hopeful, yet pragmatic-minded solution, demonstrating the possibility of addressing poverty while alleviating the plight of subjugated women, empowering the poor and respecting the environment. By offering change at a local level, NEED offers to catalyze change at a global level

Experiential Report on the International Business Experience with NEED

Our work with NEED required us to visit four rural villages about 60km outside of Lucknow, each of which specialised in production of different goods. These villages grew menthol, embroidered amazingly detailed designs onto cloth, produced milk and cheese, and made food sold from roadside vendors. Each of these villages seemed to be in similar circumstances: they produced their various goods because that is what they did. There seemed no question or option of following a different path; to be born in that village meant being a dairy or menthol farmer, a creator of colourful saris or a vendor of food on busy, bustling streets. Although people in the village may work together and help each other, they were individuals who sold their own produce and bought their own materials. They were not part of a single company or unified structure. Our role was to observe, ask questions and produce a report on each village outlining the current structure and approach, along with potential growth for each and the investments that may help them realise that growth.



I knew the India as described by the Lonely Planet™, but here I was seeing something I had never experienced; I was getting a glimpse into the lives of millions of people who are just as much, if not more a part of India as any ancient temple, any modern technology park and any colourful Bollywood movie – even if the closest they get to it is making the clothes Shahrukh Khan wears in his next blockbuster. And as we talked to these people, as we learned about the work they did, and the sole trader businesses they ran, we also understood that the biggest difference between them and us, was simply opportunity.

Every person we talked to knew their business inside out. They understood the increased return they could make by maximising the profit from crop yields and how they could benefit from increased automation, but they did not have the opportunity to achieve these things as cash flow required them to sell when prices were low and capital could therefore never be allocated to technology improvements. These people all had drive, work ethic, intelligence, commitment and passion. What they didn't have was the opportunity to "get the ball rolling" on self-fulfilling development and progress through sustainable investment. We were able to make constructive suggestions where we could, such as the forming of co-operatives or collective bargaining to drive down the costs of supplies and maximise revenue, and identifying investment opportunities that could achieve payback in relatively short timescales; making microfinance loans a possible source of funding. But with only a day at each village, we never had the time to delve deeper into each business.

I would welcome the opportunity to return to Lucknow and continue to work with NEED to gain a more in depth understanding of the villages, and use this to hopefully generate more substantial suggestions and solutions. I have no doubt that this desire to return and confidence that we could make a significant contribution is largely due to the excellent work by our NEED field partner, Edward Paul. Edward managed the whole process and logistics of our trip along with facilitating our visits and putting us in a position to succeed. Edward ensured that all the ground work had been carried out in advance of our trip so the people we were visiting understood who we were and what we were there to do. He managed the expectations of the villagers and ourselves and provided the perfect conduit between us, going far beyond simply translating our questions and their answers. He provided insight, understanding and ensured we were able to use our limited knowledge of the environment, but significant business acumen to provide the best support we could, and gave us the understanding of where we could do so much more given the opportunity. An opportunity I hope we, or other people who come from Cranfield or other institutions in the future, can take advantage of and continue to build on the good work NEED is doing.

In her book *White Teeth*, Zadie Smith says "If you are told 'they are all this' or 'they do this' or 'their opinions are these', withhold your judgement until facts are upon you. Because that land they call 'India' goes by a thousand names and is populated by millions, and if you think you have found two men the same amongst the multitude, then you are mistaken. It is merely a trick of the moonlight". I could continue to visit this country for several lifetimes and never fully know it, but I am certain that every time I will be amazed by it. It truly is Incredible India!

Steve Gatenby
Cranfield Exec MBA

Experiential Report on the International Business Experience with NEED

1. Reflections and learning

The IBE proved to be a seminal part of the MBA. The reflections and learnings will be outlined in both a personal and a business sense as these were closely integrated.

Application of MBA learned knowledge

The IBE gave me an opportunity to apply knowledge and skills that were acquired through the MBA. Given that the team and I visited villages in rural India that lacked the most basic of hygiene factors, applying business acumen to this situation was challenging. However I found that in particular the grounding in economics, business finance, strategy and organisational behaviour were applied and useful despite the development gulf between the villages we visited and the organisations I would be more familiar with in the UK. Economics was useful in areas such as supply/demand, macroeconomics and competition. Business finance was useful in terms of understanding microfinance potential and the profitability of the business. Strategy was useful in assessing strategic assets, tacit knowledge and innovation.



Self-awareness

Self-development previous to the MBA was useful on the IBE as I had a clear understanding of my strengths and weaknesses but also a renewed confidence in my ability. On reflection I felt that helped me to deal well with the uncertain environment, ranging from the heat and the short time we were there, to the huge difference in business and personal culture. I feel that this confidence has come from the feedback and success during the MBA both at Cranfield and at work.

My preference is for introversion, reflection and structure. On reflection I was able to work with the knowledge of these preferences to deliver what was required. The IBE challenged all of these preferences; introversion was not going to be easy when required to elicit information from strangers that were unsure of my purpose and background. Reflection was not an option given the time constraint. Structure has two strands; as the logistics and preparation by NEED was of such a high quality I felt comfortable at that level, but knew that the requirement to assess a business in a matter of hours, without a clear agenda or leader would be challenging for me. On reflection, while at times I found this challenging; the fact that I worked with this knowledge and did not let this become a constraint was a success for me.

I learnt a lot from my MBA colleagues. Their way of thinking and analysing things, not just when working on the villages but also areas such as logistics and our personal time really helped me to learn new ways of thinking and different approaches.

NEED, India and the villages

The logistics were managed extremely well by NEED, and a special mention must go to Edward Paul, our translator and contact, who did a remarkable job in preparing the villages so well. This made the visits very efficient and allowed us to maximise our time. An improvement I would put forward is that a more direct and earlier communication between the Cranfield team and the country partner would have reduced pre-IBE stress and uncertainty for all concerned.

The village visits proved to be interesting and humbling. While the separate reports will show our business assessment, an individual reflection would be that the level of enthusiasm, the welcoming nature and desire to improve I found both inspiring but also upsetting when put in context. My anchor point is of course set to a level of living that is quite some way from the Indian villages, and I found the level of poverty at times to be emotionally hard, particularly with the much debated dilemmas and contradictions that are raised when debating solutions to such problems. The visit has changed my perspective. A personal action I will take is to ensure that I can do as much as I can to support our recommendations, but also to raise awareness of these enterprises in their need for financial and business support to develop.

2. Summary and next steps

The visit to India was an unforgettable experience. I worked with extremely intelligent MBA colleagues and learnt a lot from them and about myself. We reflected at times during the time we were together and post-IBE agreed we worked well together in spite of the potential issues that we could have faced.

I learnt a lot about an area of the global business community that I did not know before. I learnt a lot about how different, chaotic but ultimately fascinating India is as a country. I plan to revisit India in both a personal and business capacity.

Gary Lobb

Cranfield Exec MBA