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Financing Freedom

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Action What Works



Rita, a woman who lives in the Putterankottai leprosy colony in Tamilnadu, India, received a loan to buy a milk cow.

ages skin, nerves, the upper respiratory tract, and eyes. Following rejection by families and coworkers, many people with leprosy band together in colonies centered in five southern Indian states.

That's where Venkataraman, the All India Women's Conference representative to the United Nations and daughter of the former president of India, went in 1998. She was prepared for naysayers outside of the colonies. But she didn't expect that even the people living in the colonies no longer believed in themselves.

"Padma did you bring us rice?" a man demanded, interrupting her presentation.

When she said no, he persisted.

"Well then, what gift did you bring us?"

She explained that her gift was an idea to help them prosper so that they wouldn't have to beg for things like rice anymore.

He walked away, and 400 people followed him.

She shouted after him, but he spat in the dirt and kept walking.

Five women stayed behind. After Padma explained that they could make up to \$110 a month with a microbusiness, compared to \$15 in the same time period by begging, they made their decisions. One woman took a \$5 loan from Venkataraman for an iron. She started an ironing business, and quickly repaid her loan. The second woman took a loan for saris, and resold them for a higher price. Soon they were the five richest women in the colony. The men changed their minds about free rice, and asked for loans of their own.

Twelve years later, 44 leprosy colonies in India are home to thousands of entrepreneurs who took loans from Venkataraman and the nonprofit with which she works, Atlanta-based Rising Star Outreach. The nonprofit operates on a \$1 million budget and oversees an average of 1,000 microloans at a time. Ninety-two percent of these loans are repaid in full. Although half of the borrowers still beg, the other half no longer do. For its successes, Rising Star Outreach was tapped by Yohei Sasakawa, the WHO's goodwill ambassador for leprosy elimination, to replicate its microloan program throughout India.

Venkataraman has since left the United Nations to work full time with Rising Star Outreach. "Having someone like Padma liter-

Financing Freedom

Microlending in leprosy colonies frees residents from poverty, shame, and isolation **BY MEREDITH MAY**

NOBODY THOUGHT IT would work.

Padma Venkataraman, in New Delhi on business for the United Nations, wanted to do something more than just hand out rupees to the disfigured beggars with leprosy. She wanted to give them microloans to start their own businesses—something no bank or charity had ever attempted.

Critics said the "untouchables" in India's 700 leprosy colonies would not be able to exchange a lifetime of begging for work, let alone be able to repay loans. They also asked who would be willing to do business with leprosy patients in a country where people consider the disease to be a curse.

Although the World Health Organization (WHO) deemed leprosy an "eliminated health problem" in 2000 because its prevalence had dropped to less than one case per 10,000, an estimated 12 million people in India are still suffering from the disease. For them, poverty and social stigma block their access to the free drug therapies that can cure leprosy, which is caused by a bacterium and dam-

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ally getting her hands on the problem is changing the public perspective about people with leprosy and what they can do,” says Jennifer Meehan, CEO of Asia programs for the Grameen Foundation.

SELF-HELP

Becky Douglas, president of Rising Star Outreach, founded the organization in 2002 after visiting India and witnessing the suffering of leprosy beggars. A violinist and mother of nine from Atlanta, she first opened a home in India for children from leprosy colonies. Moved by the plight of the families left behind, in 2003 she joined forces with Venkataraman to begin Rising Star’s microfinance initiative.

The first businesses started through Rising Star Outreach were designed to serve the colonies, which lacked basics such as electricity, sewers, and stores. Using \$5 to \$20 loans, colony residents bought cows and seeds and started farming. One man started a taxi service between colonies so leprosy patients could visit friends and relatives they’d been separated from for years. Barbershops and small groceries opened. Sewing machines started humming. One woman, who had become so depressed that she spent her days with a gunnysack over her head, lifted it off and became a turkey farmer.

An art therapy school opened in a colony, and now painters with leprosy are earning \$30,000 a year from their works, which have shown at exhibitions in Berlin, London, Vienna, and the United States. One colony resident discovered woodworking and makes elaborate cabinets and bed frames with carved peacocks and flowers. He now has 20 employees, including a few outsiders, who set aside their biases in the name of a steady paycheck, said Douglas. Outsiders also buy furniture from him, she notes, because “his prices are so much lower.”

“Today in this colony where the carpenter works, no one has to beg anymore,” says Douglas, “They have bikes, motorcycles, and even cars now. They have lovely homes, in some cases better than in the surrounding village.”

Rising Star Outreach’s practices deviate from standard micro-lending models in several ways. The organization does not act as a middleman between donors and borrowers. Instead, Rising Star turns the initial loan over to the leprosy patients, who open a bank account in the colony’s name. A seven-member “welfare group,” somewhat like a city council, then reviews loan applications, chooses whom to fund, and disburses and collects the money, plus interest. Every month, colonies send a representative to a grand meeting with Venkataraman so that she can review the bank ledgers, settle squabbles, and exchange new ideas.

“They don’t repay us, they repay themselves,” Venkataraman said. “At first, when we collected the loans, we charged 3 percent interest, and they cried that I was bankrupting them. Now that they collect their own loans, they charge 10 percent!”

Although it may be unorthodox to hand over the bank box, everything about microfinance in marginalized communities is different, says Douglas. “This community is so fragile. We have to extend repayment schedules when [borrowers] get sick. We have to dig a well to help them get their business going. Caste rules don’t allow

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them to shoo away villagers’ goats, so we have to build fences. We lose 20 percent a year in infrastructure.”

DISCOVERING DIGNITY

Although the costs of lending in leprosy colonies are steeper, so too may be the rewards—especially the newfound dignity that many borrowers experience. S. Srinivasan, a former beggar from a leprosy colony in

Thokkampatti, says that after he took a loan to raise cattle, he felt respected for the first time. Before, tea shops would shoo him away with excuses like they were out of milk or about to close for the day.

“Now when I visit the city to sell goats and cows, the shop owners send a boy to give me tea, and they invite me to stay the night in their shop if I need to rest before the long trip back home,” Srinivasan says.

Sometimes dignity translates into smaller kindnesses. When M. Rangasamy took a loan to buy a cow, he began contributing to his family’s overall health, which earned him newfound respect. “At mealtimes, my daughter-in-law now asks me if I want more rice and meat,” Rangasamy says. “Before she had a guilty face when she served me, because I am old and a burden and she has three children and a husband to feed. I didn’t blame her. But now I am included.”

Dignity can also lead to reduced prejudice from outsiders, said Mila Gavrilova, who led an 18-month Catholic Relief Services microfinance program for the nomadic Roma in Bulgaria. (See “Microfinance for the Most Marginalized” in the fall 2009 *Stanford Social Innovation Review*.) At the beginning, half of her respondents said they would be unwilling to buy anything made by “Gypsies.” But by the end of the program, the scales tipped slightly, and more than half those polled said that they would buy a Roma product.

To unwind even further the cycle of shame and exclusion, Rising Star Outreach also operates programs to keep colony children from becoming the next generation of beggars. The youngsters are now learning English and computers at the Peery School of Rising Stars, named after the Peery Foundation in Palo Alto, Calif., that funded it. Dell Inc. donated 70 computers.

“Most Indian schools boast just one computer,” says Amy Antonelli, executive director of Rising Star Outreach. “Because it is so state of the art, parents from outside the colonies are enrolling their children.”

The student body is 80 percent colony kids; the rest are outsiders. There is a waiting list of 100, and all the leprosy-affected parents must be involved in a microloan program to enroll their child. Tuition is \$20 per year, which stays in an account so children can take the money out when they graduate to start a microbusiness. Currently the school is K-8, but a high school is set to open this year.

“The whole landscape really is changing, but slowly,” Antonelli says. “Children from leprosy colonies whose parents used to bring them begging because they’d get more sympathy are now saying they want to go to Stanford!”

And the man who spat at Venkataraman? Five years after that encounter, she returned to his colony to discuss microloans. Again, he interrupted her. But this time, he had a gift.

A wooden stool.

He had carved it with his own hands. ■