

[Even though Vijay Mahajan (VM) is well-known as a professional, we knew little else about him, so we decided to interview him for the publication with the first ever HSBC Access Award for Outstanding Contribution to Microfinance Sector.]

*Tell us something about your early life and how it has shaped you?*

VM: I was born in 1954 in Pune, in a Punjabi family. My father worked as a Civilian Ordnance Officer in the Indian Army. I am the fourth among four brothers, all three elder ones joined the defence services. My father took early retirement and settled down in Jaipur and put me in the St Xavier's School. My first encounter with poverty and helplessness took place when the school sent us to visit a government hospital. An old man asked me to write a post card to his family, to let them know that he was in hospital for the previous month. This experience shook me – that someone had to wait for a month to have a post card sent to his family.

*Is this what brought you into rural development work?*

VM: No. That's a much longer journey. One of my brothers, Ashok, had a huge formative influence on me. Among other things, he made me read about Dr Albert Schweitzer, who dedicated his life to providing medical care to Africans. I was selected to join the Indian Institute of Technology, Delhi (IIT-D) in 1970. It was here that I first went to a village, as part of the National Service Scheme. I read about the work of Bunker Roy in Tilonia and was very impressed. Being in Delhi, I had a chance to interact as a student activist with a lot of Members of Parliament, media people and thinkers. India in the first half of 1970s saw a lot of turmoil – the Bangladesh War, the *Nav Nirman* student movement in Gujarat, the JP Movement and finally the Emergency. I was very eager to do something but not finding the right channel.

*So, what did you do?*

VM: Upon finishing B. Tech, I was selected as a Management Trainee in Philips India, part of the Dutch electronics multinational. I was assigned to a marketing job and was posted as a sales executive for northeast in Guwahati for two years. It was here that I developed a love for rural areas, touring extensively. Later I became a marketing executive based in Calcutta Regional Office of Philips. From here, I travelled extensively in Bihar and Orissa and saw poverty in the hinterland. It was a lot like Satyajit Ray's film *Pather Panchali*. I started visiting some NGOs who were working in development.

I used to read voraciously. Two books that affected me a lot were Schumacher's "Small is Beautiful" and "A Guide to the Perplexed". I was restless and wanting to do something about the palpable poverty I saw in rural Eastern India and in urban Calcutta. I came to know about Prof Ravi Mathhai, the founder Director of the Indian Institute of Management, Ahmedabad (IIM-A). Ravi had stepped down after successfully launching the Institute and set up the Jawaja Project for rural development in southern Rajasthan. I decided to apply to the IIMA and was selected in its post-graduate program, starting mid 1979.

*That is certainly an unusual way to move into rural development! In what way did IIMA help you?*

Well, there was no IRMA (Institute for Rural Management, Anand) then, else I would have gone to IRMA. The two years at IIMA changed my life. From Prof Ravi Matthai and his colleague, Prof Ranjit Gupta, I not only learnt to think about rural development in a holistic micro-to-macro framework, but also I picked up much needed concepts of economics from Prof C Rangarajan, who later became Governor of the Reserve Bank of India. From Prof Khandwalla, I learnt rigorous analysis and design of organisations, from Prof Ganesh, change agency. The one person who was not on campus, and indeed was not even alive, but from whom I learnt a lot was Vikram Sarabhai, the great institution builder and co-founder of IIM-A.

*We heard you got the Gold Medal for academic achievement at IIMA and got married to a batchmate?*

Well, both are true. I was so much into academics that I did well enough to share the Gold Medal with two others, one of whom is in the IAS and the other is the Treasurer of the biggest company in India. On the second point – yes, I proposed to my classmate Savita at the end of my summer job in Jawaja, telling her that I was likely to work in rural development the rest of my life. Despite the warning, she accepted, and we came back engaged, in the second year.

*What did you do after graduating from IIM-A in 1981?*

I joined IIMA visiting Prof NCB Nath to work on rural development issues and was introduced to Deep Joshi, then a Program Officer with the Ford Foundation, New Delhi. Deep articulated what I believed in – that well-educated professionals should work in development roles at the cutting edge, close to poor communities. Deep had worked in the Sukhomajri project near Chandigarh, for soil conservation to prevent the Sukhna Lake from silting up. But he learnt

that more than engineering, the equitable norm of water sharing worked to make the project a success. Deep introduced me to Shri Loganathan, co-founder of a Gandhain NGO called Association for Sarva Seva Farms (ASSEFA), which was promoting livelihoods for landless poor who got donated land under the Bhoodan movement of Acharya Vinoba Bhave.

Like the character Mathieu in Jean-Paul Sartre's trilogy "Roads to Freedom", I decided to overcome my existential confusion, and build my commitment by plunging into action. I left my recently wedded wife working in Delhi and moved into a village in Gaya district of Bihar, to run ASSEFA project there. Using donor funds and bank loans, we began sinking borewells and installing irrigation pumps and pipelines for Bhoodan farmers. That is when I first learnt to form groups and use them for a number of development purposes, like management of pumpsets and sharing of water equitably. Loganathanji, Deep and Mr Mathew of ASSEFA would visit me once in a while, as I expanded the work to three districts.

*What is the story of PRADAN? The 2009 Magsaysay Award to Deep Joshi does not mention you, although he was cited as the co-founder.*

The idea of PRADAN was embodied in the long form of its name - Professional Assistance for Development Action. As I said earlier, Deep and I had a meeting of minds on the issue that "professionals should engage in development action" in early 1982 and I started "proving that concept: by working in ASSEFA. Then, Deep, Lognanathanji and Mr Mathew (now with Deepalaya) helped me establish PRADAN in late 1983. The first Chairman of PRADAN was Mr Aloysius Fernandez, a former Jesuit who had just joined MYRADA. Initially, like I was working with ASSEFA, most PRADAN colleagues were placed with various NGOs to work on grassroots projects. Later we started some of our own projects to work directly with rural communities. Deep Joshi quit the Ford Foundation and joined PRADAN in 1986.

*What did you do after that?*

Deep's joining enabled me to continue working creatively in the field, while we both built the organisation. Deep's Ford Foundation colleague Ravi Narain (now ED of NSE) introduced us to Mr Brij Mohan, then a Manager in the Industrial Development Bank of India. He used to manage the rural industrialisation program of IDBI. Under this program, and the leadership of a first batch IRMA graduate, Sankar Datta, we started a rural enterprises project in Kesla block of Hoshangabad, MP. Guru Charan Naik from IIMA joined to run the mushroom

project, while Dr Pradeep Bose and Dr Rakesh Kaushik, both veterinarians and IRMA graduates, joined to run the poultry project. One of the summer trainees from IIM Ahmedabad who worked with us in 1986 was Nachiket Mor.

Biswajit Sen, another IIMA 1978 graduate joined us and we together started work with dalit carcass flayers in Barabanki UP and tribal tasar silk rearers in Santhal Parganas, in what is now Jharkhand. Then, Inderjit Khanna, Joint Secretary in Ministry of Rural Development, who was also involved earlier with the Jawaja project of IIMA, asked us to come up with a methodology to improve the planning, implementation and monitoring of the Integrated Rural Development Program, and we started doing this in the Kishangarh Bas block in Alwar district of Rajasthan, full of Meo Muslims.

*When and why did you leave in PRADAN? Did you have differences with Deep?*

VM: Since 1981, I had done intensive field work for about seven years in Bihar, Madhya Pradesh and Rajasthan. I lived and worked in villages, coming to Delhi only a few days every few weeks. Savita continued to work in Maruti Udyog in Delhi. By 1988, things were beginning to get frayed, and when Savita got a fellowship to go to the US, I decided to join her as well. Dr Kamla Chowdhry, former Professor at IIMA, who had got to know Savita and me well, was instrumental in this decision, which Deep also supported. So I took sabbatical leave from PRADAN for a year and went to the Woodrow Wilson School of Public and International Affairs at the Princeton University, USA, as a mid-career fellow. The Ford Foundation supported me financially for this. After a year in the US, during which Savita and I were blessed with a son, Chirag, we decided to return to India, to our respective jobs.

I continued in PRADAN another two years. By 1991, PRADAN's work was beginning to be regarded by other NGOs, donors and the government. But my year in the USA had made me think differently. I wanted to try to work on an approach which would be large scale, either through changing policies or building large project like Dr Kurien's National Dairy Development Board and its Operation Flood. However, the country had plunged into chaos – first Rajiv Gandhi was assassinated, then the Mandal Commission related agitations. I decided to move out of PRADAN in 1991 and join as an assistant to the Planning Commission member Shri LC Jain. At that time Smt Ela Bhatt was also a member, and I was beginning to do some work for her as well. But this did not last long as the VP Singh government fell. Deep was dismayed but let me go. We had no differences, and indeed he became a BASIX co-promoter.

*So what did you do after leaving PRADAN?*

I just became a self-employed consultant and started doing assignments related to rural livelihoods. The first big one was for the Swiss SDC and NABARD – a nationwide study on the rural non-farm sector. This became very large in scope and I co-authored a book called *The Forgotten Sector: Non-Farm Employment and Enterprises in Rural India* (London: ITDG, 1996), with Thomas Fisher.

In the meanwhile, Elaben had asked me to look at SEWA Bank and see why it was not able to increase its credit to the level of its deposits. Also, I got a study from the World Bank on Financial Services for the Rural Poor and Women, which I decided to do jointly with Bharti Gupta Ramola, an IIMA batchmate, working in Price Waterhouse. Based on these studies, which included an exposure visit to Shorebank USA, Grameen Bank and BRAC in Bangladesh and Bank Rakyat Indonesia in 1995, I conceptualised BASIS as a “new generation livelihood promotion institution” and it was set up in mid 1996. Bharti, Annap Seth, Joe Madiath, Nagarajan, Ashok Singha and Partha were deeply involved with the early stage conceptualization of BASIS and even came with me to some of these trips.

I was also involved in developing a strategic plan for the Sir Ratan Tata Trust and they later helped me with start up funding during the first year of BASIS. This was a loan of Rs 1 crore, which I repaid in a year.

*What was different about BASIS as compared to PRADAN, ASSEFA or MYRADA, all of which used credit to promote livelihoods?*

VM: First, BASIS was to achieve scale and run on commercial funding and not on grants. This meant it would have to borrow and to underpin that need equity capital. That would be possible only in a corporate structure and not as a non-profit Society. Second, though we knew even then that credit is a necessary but not sufficient condition for promoting livelihoods, and decided we would provide the other services as well. Third, we were conscious that at no conceivable scale could we address India’s poverty and livelihoods problem by ourselves and so we will have to have “a 1000 BASIS” and we will have to contribute to building the sector, by building institutions and influencing policy to make it more supportive.

*How do you think you have done on these three objectives?*

VM: I think we have done very well. Till Sep 30, 2009 BASIS had helped support the livelihoods of over a million poor households in the agriculture,

allied and non-farm sectors by extending micro-credit worth over Rs 2000 crore (USD450 million). All except about Rs 20 crore out of this is commercial funding, in terms of bank loans, underpinned by equity of about Rs 60 crore.

On the second point - BASIX goes well beyond micro-credit to offer a “triad” of livelihood promotion services including savings and insurance services, agricultural, livestock and enterprise development services and institutional development services to rural producers and their groups. It has over half a million fee-based customers for these services. We have a company in energy, environment and climate change and harvesting micro carbon credits. Now we are setting up academy for vocational training.

*What’s your personal contribution to the third dimension – sector building?*

VM: I have helped build the sector by both policy work as well building institutions. In policy, I served on the 1995 RBI Working Group on Credit through SHGs, which drew the roadmap and created the enablers for the dramatic growth of SHGs from 5000 in 1995 to nearly 5 million now. Al Fernandez and Yashwant Thorat were with me.

In 1999, I served on the National Microfinance Task Force headed by Mr Nanda and we opened the door for bank lending to MFIs and for a supportive regulatory framework for microfinance. Viji Das of FWFB, Jayshree Vyas of SEWA, and Vasimalai of PRADAN and later DHAN were with me on this. Since 2005, I serve on the Insurance Regulatory and Development Authority (IRDA) of India. Elaben and I share this forum.

In 2007 I was a member of the Dr C. Rangarajan Committee on Financial Inclusion, and in 2008 of the Committee on Financial Sector Reforms, chaired by Prof Raghuram Rajan. Each of these have created a supportive policy environment. For example, the whole thrust on financial inclusion has come from the Rangarajan Committee, while several ideas, including the UID, have come from the Raghuram Rajan Committee

At the state level, I helped conceive and establish the Andhra Pradesh Mahila Abhivruddhi Society (APMAS) for capacity building of self-help groups and their federations. I served as its Vice-Chairman for five year, with Dr Kotaiah, former NABARD Chairman as APMAS Chair. In Rajasthan, I helped build and operate the Mission on Livelihoods (RMOL), whose Vice-Chair was Mr ML Mehta. Thus I have been lucky to have the most wonderful people to work with.

At the national level I helped establish and co-chaired for four years with Elaben, Sa-dhan, the association of community microfinance institutions. More recently, I co-led with Vasudevan of Equitas, the Alpha initiative for credit information sharing among MFIs.

*Have you been active at the international level?*

VM: At the international level, I was a founder member since 1999 of the Development finance Forum, which articulated the Capital Plus strategy. Since 2006, I serve on the Executive Committee of the Consultative Group to Assist the Poor (CGAP), a global microfinance body with 40 donors as members and hosted by the World Bank. Currently I also co-chair, along with Prof Greg Dees, the Global Council for Social Entrepreneurship.

*With all these impressive achievement, have you ever got any honours?*

VM: As a principle, I don't believe any award or honour should be applied for. So when in 2002, I was selected as one of the 60 "Outstanding Social Entrepreneurs" of the world, by the Schwab Foundation, set up by the founder of the World Economic Forum (WEF), Davos, I was pleasantly surprised. In 2004, I was conferred the Distinguished Alumnus Award by the IIT, Delhi.

*Do you have nay regrets or any failures that others can learn from?*

Failures I have plenty, but regrets are few. I am very prone to trying new ideas, many of which fail or succeed only marginally. For example, I consider the fact that BASIX is regularly compared to MFIs doing only micro-credit, as a failure of communication or positioning. Another major failure was our inability to persuade the current Rajasthan Government to complete the implementation of the Bhamashah Women's Empowerment Scheme, for which we had opened bank accounts for 42 lakh women in 45 days, jointly with PNB and ILFS.

My main regret is that I have not spent enough time with my immediate family – my wife Savita, my son Chirag and my daughter Chandni and my 90 year old mother who lives with us. I spend 15 days a month or more travelling and this militates against family life and even personal health care. I had to have a cardiac bypass surgery when I was 50.

Another regret I capture in the quote

“BASIX nay Ghalib nikamma kar diya, Varna aadmi thay hum bhi kaam kay”

(BASIX has made be useless Ghalib, othersise I was a useful fellow once)

I get little time to indulge my hobbies – travelling for leisure, although Savita manages to get the us out as a family at least twice a year for a few days each. I also loved to read literature, particularly poetry, but now am too tired at the end of most days to do so. The same is true of listening to classical music, both Indian and western, although I am not an expert in either.

*What are the things that make you the happiest when you look back?*

Well, many things. I am delighted that I have had a chance to build a sector which now provides support to at least 70 million poor households. While many thing can be improved and several negatives exist, we should look at the scale of the achievement in just 15 years.

I am also happy that between PRADAN, BASIX and the other organisations that I have helped set up, I have brought in at least a couple of thousand young professionals into the development sector. Many of them now occupy senior positions in government, banks, insurance companies, funding agencies and NGOs.

*We heard that you recently inducted an international banker as CEO of BASIX? What would you like to do now? We heard you may join politics.*

We have inducted Sajeer Viswanathan, from Citibank, London as CEO of BSFL, which is the flagship, but one of the seven companies/entities in the BASIX Group. All other companies/entities had CEOs already and I was acting as CEO of BSFL only for the last 15 months.

I was and continue to be the Chairman and Group CEO of BASIX. My plan is to retire when I reach 60, in October 2014, and by then reach the goal of providing 10 million poor households with a full suite of livelihood services, in a sustainable way.

As for joining politics, I am happy that two of my former colleagues are already Members of Parliament - Sandeep Dikshit and PD Rai. I am not keen on elective office. However, I am very happy to give advice on issues of my competence to politicians, particularly upcoming ones who will be the future leaders of India. I see that as a legitimate way of spreading my work on promoting livelihoods for the poor.