

The Remarkable Story of Champaben

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¹ The authors were invited to participate to the “Exposure Dialogue Programme” organised by SEWA in October 2004 during which they lived with an Indian family for two days and nights. It was by holding long conversations and following the life of their hosts that they were able to obtain these testimonials. This story is about a young woman, therefore it is neither scientific nor can it be generalised, but nevertheless constitutes the reality of a life. The expressed opinions are those of the authors and do not necessarily represent those of their organizations. This story was published in “Microinsurance as Social Protection”, SEWA, October 2004. The authors warmly thank Champaben and her family for their welcome and sincerity during their stay.

Two and a half hours southwest of Ahmedabad lies a small village called Silly. Within that village lies a hamlet. On the edge of this hamlet in a tobacco field there is a small two room hut without running water or toilet facilities. The matriarch of the small universe contained in and around this hut (see Box 1) is one of the most remarkable people we have had the pleasure of meeting. Her name is Champaben, and this is her story.

Box 1: Champaben's Universe

Aside from their labour, the hut and its contents represent the major asset of Champaben's family. Their life revolves around it and as with all things in this story it is a model of efficient (although not necessary risk free²) utilization.

The first room is a combined sleeping room, dining room and utility room. The second room is the kitchen, which has a spotless dirt floor. It contains one piece of furniture which holds a range of metal and clay water holders. It also has a hole on the ground where most of the cooking is done using kindling. In addition there is a hot plate driven by propane gas which is used (sparingly because of cost) when time is short. Finally a small shrine with rose petal offerings occupies one corner of the room. The front porch is floored by the very effective mixture of dried smoothed cow dung and mud used in these parts. Finally, just outside the hut is a small combined bathroom and utensil cleaning facility³. This is fed water from the village bore for an hour each morning, which is collected in a large tank (see front-piece). The family recently borrowed from SEWA to strengthen the hut's walls (which had been severely degraded by heavy rain) and to lay a concrete floor in the general utility room. The main purpose of this latter investment was to stop snakes coming through the floor and threatening the children during heavy rains.

Power and light recently became available through the rigging of a 100 meter connection from a neighbour's house.

Rural India relies on its women. Imagine a life where one has to arise between 4.30am (when the cow is giving milk) and otherwise at 6.00 am, and finish the day's work at around 10.30pm every day, day in day out, just to 'stay alive'. As Champaben is wont to say, 'if we do not look after ourselves who will?'. Even the hour or so she has with her family in the late evening is largely devoted to planning the next day's activities, as every minute counts. The basic objectives of this eternal round of activity are simple – to put three simple but minimally nutritious meals on the table every day and to give one's

² One of the authors, an insurance expert, is of the opinion that the rather amateurish electric power connection has raised the fire hazard in the hut enormously: the main switch was uncovered and on bare wood, exposed to the elements and close to the thatched roof of the cow's adjoining enclosure. A propane gas tank is kept in the second room, the kitchen. All the family's key documents are kept in the house. This is a risk that is unfamiliar to the household and thus unrecognized.

³ All utensils are made of stainless steel and hand washed with water and mud after usage.

children a small chance at a better life. Any objectives beyond these require a remarkable act of imagination and will - and this perhaps is what makes Champaben so special. In a country where more than 90% of the population does not benefit from social protection, Champaben has recognized many of the risks faced by her family and managed to develop a risk management strategy using the available instruments in a largely rational manner. This is made all the more remarkable when one hears her life history.

Champaben is no more than 5feet tall, and has the physique of a fit but perhaps slightly anorexic 11 or 12 year old pre teen who has grown up in an industrial country. She apologises for her build, claiming that she was more robust when she was younger. Champaben is approximately 34 years old, married with two children, a boy of 14 and a girl of 8 (who looks 4, but has a personality out of all proportion to her physical size). Champaben comes from a relatively high caste family and is bound by strict social obligations – other than in her home village, whenever a senior male from her extended family appears she is required to cover her face and drop her head below the face level of the male concerned.

While it is typical for female children to at least complete primary level education Champaben was withdrawn from school after less than two years of education to look after the two children of her brother whose wife had run away. She was approximately 7 years old when she took on these responsibilities. Her parents had four children, a daughter that was already married, Champaben, the youngest, and two sons, when they decided to sacrifice her youth and education to family needs. Recently she took it upon herself to learn to read at SEWA academy, and achieved this within 18 months.

As is fairly common in India, in particular in rural areas, her marriage was arranged when she was still very young (at 14 years of age she thinks). Her older sister and father found a husband in the same village in which her sister lived. Her sister is married to a relatively wealthy man with land and a number of milk-producing buffalos and cows. Champaben is expected to help with the milking of these beasts on a regular basis as part of the ongoing barter in labour services which occurs in Indian villages⁴.

Her husband came from a family which had been well-off by local standards. However her father-in-law had fallen afoul of one of the scourges of rural India, alcohol, and drunk half his land away. The remainder went paying for the marriages of her husband's three sisters. Technically the land is held as collateral against loans provided by a moneylender (almost always a dominant local landlord or merchant with political connections). Champaben and her husband maintain a dreamy and unrealistic relationship with this land, although it is now clear that they will never recover it. Under the Indian rural system the moneylender is evidently able to own both the production of the land and can charge interest on the loans. Despite periodic ad hoc payments they now owe Rs170,000 of principal, and have an annual interest bill of Rs40,000 against a gross annual income of approximately Rs24,000 or slightly more than US\$1 per day - and so it

⁴ Her sister's small daughter was a tower of strength in dealing with the additional tasks imposed as a result of having four rather large guests in her meagre lodgings, and with the cooking and cleaning in particular.

is that feudalism is maintained and sustained in rural India. Her husband retains half of a hut in the heart of the hamlet but for risk management reasons they prefer to live in the fields (see below).

Despite her upbringing and circumstances Champaben clearly has a mind of her own. She was unhappy with her marriage contract and in the early stages ran away many times, usually to her brother, a screen printer in Ahmedabad. He appears to be the only one in her family who recognizes the unfairness of her early life, and periodically helps with the cost of clothing her children. Her mother showed little interest in her prospects and problems and her father and sister constantly counselled her to accept her lot, a counsel of despair which she has so far managed to accommodate but not fully accept.

The division of labour in an Indian rural labouring household is highly uneven. Champaben appears to produce well over half of the income and does the great bulk of the domestic chores, including all cooking, cleaning⁵, food shopping and caring. Her responsibilities also include an ailing mother-in-law. The family's major sources of income are:

- Field labour tending the landlord's cash crops (mainly tobacco in this area) for Rs20 per half day (8am to noon and 3pm to 6pm). They are able to count on this source of income for 4 months each year, with 6 months of episodic work. April and May are typically empty months in the fields and it is necessary to work in the building sector or to scramble for what work is available in the towns.
- The proceeds of one sharecropping field. Champaben and her husband would ideally like to grow staples but are required to grow tobacco by the landlord. He provides the only market for their production and will often buy early at a discounted price. Champaben and her husband produce around 700 kilograms of tobacco on their land, only 440 of which are paid for by the landlord (due to deductions made on advances and interests). Their gross income of production amounts to between Rs.6000 and Rs.8000 per year, depending on the price of tobacco, for a profit of between Rs.1000 and Rs.3000.
- The part of their cow's production which is not retained. The cow produces for three months each year (when the calf is born) and its output helps to smooth consumption. It produces 8 litres of milk per day of which the family retains 2. When the cow is producing Mansignbhai, Champaben's husband, gets up at 6am to carry the milk the half hour's walk to a dairy cooperative in a neighbouring town which can handle cow's milk (their hamlet can only handle buffalo milk). The 6 remaining litres are sold around Rs.8 per litre, depending on the price determined by the market (high during the summer and winter and quite low during the monsoon season).

⁵ She uses an impractical improvised brush broom which forces her to stoop: a manufactured broom with a full handle is seen as the tool of lower caste Indians.

- Champaben's work as a representative of SEWA's social protection unit. Nowadays she works about 2/3 of the time for SEWA for which she is paid Rs.50 per day. This work involves long hours on public transport visiting her client base to collect premiums and to sell new business. To the suggestion that she should get a bicycle she responded that in this part of India it would be impossible for a woman to be seen employing such transportation.

Approximately half of the family's gross income goes on food and at least another 20% was allocated to the education of their 13 year old son. He has recently had to be withdrawn from private school and is now at the mercy of India's largely non functional state school system. Typically, she has now become involved in the governance of the hamlet state school as Chairman of the School committee⁶, as well as chairman of the Mothers committee. This can only have come at the cost of an already minimal sleep budget. She is determined that her daughter will at least finish primary school but is not clear how this will be funded⁷. The cost of education of her daughter is about Rs.600 per semester, while the secondary education of her son can cost up to Rs.5,000 per year.

Much of the rest of their income is absorbed in input costs for the cow and their sharecropping field, and power costs. The costs of production for the land are exorbitant in comparison with the revenues. The costs of the material cover mainly fertilisers (Rs.700), sulphate (Rs.600) and water for irrigation (Rs.30 per hour, for 10 hours a month) which amount to an approximate total of Rs.2,500. The cost of labour comes up to about the same amount, essentially resulting from staff hired in the high season, which can total up to 14 labourers during 1 or 2 days, paid Rs.20/day/person (on a three times a year basis for planting and maintenance) and 4 persons during 7 days throughout the harvest period, paid Rs.25/day/person.

Overall Champaben is able to save Rs.20 (US50cents) per month, slightly above the average for her peers. Thus the basic consumption safety margin in a typical rural labouring household is very thin indeed, and risk management becomes the ongoing preoccupation after income production. This can take on bizarre manifestations. Champaben is so concerned about the health of her cow, (which recently produced a calf which she hopes will become a milk producer) that she has given up drinking tea as an offering to whichever deity is responsible for its health.

Champaben is fully aware that she needs to start now if the family is to minimize their demands on the moneylender when their daughter is betrothed, although she is determined that her daughter will not have to suffer educationally the way she did⁸.

⁶ Despite this our visit to the school to speak to the children was the occasion of her first invitation ever to sit, uncovered, at the same level as the village elders and senior teachers. This was evidently a momentous moment for her.

⁷ Aside from the cost another reason girls are not sent to secondary school is a fear of leaving them by themselves on country roads.

⁸ She has already received inquiries about her son's hand and the challenge will be to avoid making decisions for economic rather than compatibility and opportunity reasons.

Serious illness and accidents together with social obligations, mainly arising from wedding costs associated with daughters and funeral costs when husbands die, are the major life cycle costs that the poor Indian family incurs. These appear to underpin the ongoing feudal dominance of landlords and merchants in rural India. As already implied the amounts involved are sometimes massive compared to average incomes.

Risk management in rural India tends to be a function of what is experienced rather than what can be imagined. The major recognized risks are health, death of a spouse, crop failure, natural disaster and death of a valuable animal. Historically village dwellers have not had access to risk transfer mechanisms and have relied on income smoothing mechanisms, the most pervasive of which is the moneylender. Small amounts (up to Rs.5,000) can be typically borrowed interest free within a village, but must be repaid within 3 months. However once a substantial sum becomes involved the only resort is typically to the moneylender, who typically charges 10% p.m. simple interest for unsecured loans. In times of drought the government has provided work for income, but this does not fully smooth consumption. The last serious drought saw the family losing Rs.10,000 of income and having to borrow this amount.

In the absence of large risk-pooling mechanisms covering the informal economy and rural sector workers, micro-insurance mechanisms of various kinds set up by community-based organizations have become available in certain parts of India⁹. This is the case in Champaben's village where livestock insurance is available through the dairy cooperative and life, accident and health insurance through SEWA. Unfortunately these can run afoul of the endemic petty corruption which pervades India at the level of individual transactions, and product design needs to accommodate this reality. Two examples quoted from Champaben's own experience will serve to illustrate:

1. Champaben's son has always had health problems. Recently he sprained a limb, requiring three visits to the local primary health care center. The first visit involved a direct interaction with the physician and cost Rs.700. This was recorded and subsequently recovered under the cashless reimbursement system that SEWA has recently established in parts of Gujarat. The two subsequent visits cost Rs.150 and involved interactions with the physician's assistant, who failed to record the payments and evidently pocketed the money. Recovery has proved to be impossible.
2. Champaben at one stage owned a buffalo, a superior milk producer to the average cow. A good buffalo is worth Rs.10,000. This animal subsequently died, and she has never been able to settle the claim.

Thus there is a need for both honest insurance processes and honest service delivery processes to be in place before micro-insurance mechanisms can be said to be truly effective. During our visit we often heard about medical service providers who will not

⁹ A recent study carried out in India has identified around 60 micro-insurance schemes all over the country. Out of 43 schemes for which data are available, more than 5.200.000 people are enrolled, mainly under health and life insurance coverage. [Source: India: An Inventory of Micro-Insurance Schemes, ILO/STEP, Geneva, 2005].

work with SEWA's cashless settlement system, because it removes the opportunity for doctors, paramedics and hospital administrators to extract speed payments from patients and their families.

Notwithstanding this, insurance is clearly a fundamental need of the economically active poor in India. It serves a role in dealing with idiosyncratic risk that savings and credit usually cannot (see Box 2). If pricing is fair, subsidies well structured (see below) and sales and service can be put onto an efficient basis it will go a long way to helping smooth consumption, guaranteeing people's access to health services and help people to finally escape their servitude to the moneylenders.

However there will also always be a need for governmental support. Thus the implementation of such insurance mechanisms for the working poor should be accompanied by a clear definition of the role of the State, both in terms of subsidising costs and ensuring at least the most basic services are available for the poorest of the poor. Without premium subsidies (ideally fixed to ensure a progressive transfer and to minimise distortions) the benefits offered by micro-insurance schemes will be limited by the modest premiums that can be paid by the economically active poor and not be available to the poorest at all. Concerning the coverage of health care related risks, where the State ideally guarantees access to services to everyone, local micro-insurance schemes can be one of the mechanisms to operationally achieve this objective¹⁰.

Box 2: When Insurance is the preferable risk management mechanism

A precondition for an insurance market to form is that the market price of the insurance is less than the individual's certainty equivalent of the risk involved. Certainty equivalents are likely to be higher for the poor given their small margins for error. The individual must also have a degree of confidence that the insurer will pay out if necessary. Finally alternative risk management mechanisms must have financial and transaction costs which are higher than the insurance premium and related transaction costs.

The main alternatives to insurance (aside from risk management¹¹) are savings buffers and credit. The scope for savings amongst the working poor is very limited given their day to day survival needs and social obligations and non-existent for the poorest of the poor. Credit is normally not going to be available, except from a moneylender, in the event of a major loss, and will typically be related to accrued savings for the more modest needs met through MFIs. Even if sufficient credit is available, servicing costs could tip the family over the edge into poverty or at least feudal servitude. Thus insurance, if the cost to the consumer is low enough, becomes the logical instrument to cover relatively infrequent losses which can have a significant effect on consumption patterns.

¹⁰ It could be argued that these objectives should continue to be met through transfer payments. However fiscal pressures and well known problems in delivering through the Indian bureaucracy point to localized public private partnerships as being more effective.

¹¹ The main reason the family lives in a field is so that they can watch their crops and Champaben's cow.

In addition the state will always be needed in times of systemic disaster. For the poor this role should build on the past success of the pay for work schemes combined with an enhanced capacity to quickly replace lifeline infrastructure.

Champaben has purchased a comprehensive insurance package for her family covering accidental death (Rs.65,000 sum insured), natural death (Rs.20,000 sum insured), sickness insurance (a small number of highly relevant interventions and relevant drugs) and property insurance.

Sickness insurance in particular appears to play a critical role in maintaining the family's consumption. Champaben's other major relatively high-probability risk, loss of the cow, is not insured because of the cost and her previous experience. Hence her appeal to the local unseen powers. For Champaben and the other 140.000 members of VimoSewa (the social protection system of SEWA), micro-insurance organisations not only provide a solution to their daily financial problems but also empowers the neediest, reinforces their confidence in a better future for their children and constitutes a means to achieve larger social inclusion. This community-based force gives Champaben energy and brings her to assert that « SEWA is like a mother and father to her ».

Champaben and her ilk live on the edge in a world of risk. It is hard to think of something which would improve the lot of the working poor more, including a reduction in their stress levels, than adequate, attractively priced and effective universal insurance arrangements. The challenge of achieving this remains to be met.