

Chit Funds to CSR: Governing the Erasure of Women's Indigenous Financial Knowledge in India

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Abstract

India's Corporate Social Responsibility law treats women's financial literacy as a gap to be filled. This paper argues that the gap is often a design failure, not an information failure. Long before formal banking reached most Indian households, women ran their own financial systems through chit funds, kuri, and bishi, indigenous savings and credit institutions with roots older than colonial banking itself. These systems carried real financial reasoning: risk-pooling, rotational credit, social collateral, and trust-based enforcement. CSR-funded financial literacy programmes under Schedule VII of the Companies Act, 2013, rarely engage with this inheritance. They import standardised modules that treat women as blank slates. Using Principal-Agent Theory and Sen's Capability Approach, this paper examines the governance mechanics of that erasure. It argues that the accountability gap between CSR principals (corporate boards) and the women these programmes are meant to serve produces a narrow, one-directional model of financial inclusion, one that expands access while ignoring existing capability. The paper closes with governance recommendations for CSR committees to recognise indigenous financial knowledge as a design input, not a barrier to overcome.

Keywords: Indian Knowledge System, Corporate Social Responsibility, gender, financial inclusion, Principal-Agent Theory, Capability Approach, chit funds

1. Introduction

Every year, Indian companies spend thousands of crores of rupees on financial literacy programmes for women. Most of these programmes assume the same thing: that the target audience knows little about money and needs to be taught. This assumption is rarely tested and almost never examined against what women in these communities already practise.

Long before India's banking sector reached rural and semi-urban households, women were already running functioning credit and savings systems. Chit funds, known regionally as kuri, bishi, or chitty, are indigenous financial institutions that predate the arrival of formal banking

in India (Government of India, 1982). These are not folk curiosities. They are structured, rule-bound systems of periodic contribution, rotational payout, and mutual accountability, and women have been central participants and organisers within them for generations.

This paper asks a governance question. If India's Corporate Social Responsibility law under the Companies Act, 2013, is meant to serve women's financial empowerment, why does it so rarely engage with the financial knowledge women already hold? The answer, this paper argues, lies less in ill intent and more in the structure of CSR governance itself: a Principal-Agent relationship where the accountability line runs upward to corporate boards and regulators, not downward to the women being served.

The paper proceeds in five parts. It first establishes chit funds as a genuine Indian Knowledge System with a gendered history. It then reviews the modern, formal parallel: CSR-funded and SHG-led financial inclusion programmes, and what the evidence says about their limits. It sets out the CSR governance architecture under Schedule VII. It then applies Principal-Agent Theory and Sen's Capability Approach to explain why the erasure happens and what it costs. It closes with governance recommendations.

2. Chit Funds as an Indian Knowledge System

The Indian Knowledge System, as recognised under the National Education Policy 2020, comprises the historical and living body of knowledge developed in the Indian subcontinent, spanning philosophy, science, arts, and, less discussed, economic and financial practice. Chit funds sit squarely within this inheritance, yet they rarely appear in IKS scholarship, which tends to gravitate toward philosophy, medicine, and the arts.

Chit funds are legally defined under the Chit Funds Act, 1982, as a transaction in which a group of subscribers contributes a fixed sum periodically, with each member entitled in turn to the pooled amount, determined by lot, auction, or tender (Government of India, 1982). The institution predates formal banking in South India, and evidence points to origins going back to a barter-era economy, later formalised through the colonial and postcolonial periods into today's quasi-banking sector. Regional variants, *kuri* in Kerala, *bishi* in parts of the west, *chitty* in Tamil Nadu, are not separate inventions but dialectal and regional expressions of the same underlying financial logic.

What matters for this paper is who ran these systems. Chit funds and their regional equivalents have historically operated as women-led or women-heavy institutions at the neighbourhood and community level, functioning as informal savings clubs long before microfinance existed as a development category. The financial reasoning embedded in these systems pooled risk, rotational liquidity, trust as collateral, peer enforcement is not naive. It is a sophisticated response to the absence of formal credit access, built and sustained largely by women without institutional backing.

Recent scholarship on IKS has started to name this gap. Pandit (2025) observes that women and marginalised communities have historically played a central role in developing and

preserving indigenous knowledge, and argues that recognising these contributions in curricula would support gender inclusivity in how IKS is taught and understood. Yet this recognition remains at the level of curriculum design. It has not been extended to the governance of CSR-funded financial inclusion programmes, which is where the erasure this paper is concerned with actually happens.

3. The Modern Parallel: CSR-Funded and SHG-Led Financial Inclusion

The formal, state-and-corporate-backed answer to women's financial exclusion in India has been the Self-Help Group Bank Linkage Programme, run since 1992 under the National Bank for Agriculture and Rural Development, later scaled through the National Rural Livelihoods Mission (Al-Kubati & Selvaratnam, 2023). SHG-BLP is today one of the largest microfinance programmes in the world by reach, and CSR-funded financial literacy initiatives frequently plug directly into this architecture, training SHG members, funding Bank Sakhis, or running parallel literacy drives (Kumar, 2022).

The evidence on outcomes is genuinely mixed, and this matters for the argument here. SHG-BLP participation is associated with improvements in savings behaviour, credit access, and elements of women's agency, including confidence in dealing with financial institutions and government officials (Al-Kubati & Selvaratnam, 2023). At the same time, a large body of literature documents persistent gaps: uneven coverage across states and social groups, modest impact on underlying gender norms, and risks of over-indebtedness and elite capture within groups. Roy and Patro's (2022) systematic review of financial inclusion and the gender gap makes a related point: access to a bank account does not by itself close the empowerment gap, and financial inclusion metrics built around account ownership can overstate real progress.

The pattern that emerges is one of formal success and substantive shortfall. Women gain access to accounts, credit lines, and literacy certificates. What the programmes rarely measure, and rarely design for, is whether this formal layer builds on or displaces the informal financial competence women already carry from chit fund and kuri participation. A woman who has run a rotating credit circle for fifteen years, managing default risk and enforcing repayment through social pressure, is not a blank slate. Most literacy modules treat her as one.

4. CSR Governance Architecture: Schedule VII and the 2% Mandate

Section 135 of the Companies Act, 2013, makes CSR spending mandatory for companies crossing specified thresholds of net worth, turnover, or net profit, requiring at least two per cent of average net profit over the preceding three years to be spent on CSR activities (Government of India, 2013). Schedule VII of the Act lists eligible activity heads, including the promotion of education and vocational skills, and the empowerment of women. Following a 2025 amendment, financial literacy was made explicitly CSR-eligible under the education and vocational skills head.

This is a significant governance lever. CSR committees, mandated at board level, must approve projects, oversee spending, and report annually on impact. In practice, most CSR-funded financial literacy work is delivered through NGO or foundation intermediaries, who design the curriculum and deliver the training. The corporate board approves the budget and the broad activity head. The NGO decides the content. The woman on the ground receives whatever content she is given. This is a three-tier chain: board to implementing agency to beneficiary, and it is at the second link that indigenous knowledge is most often lost, because implementing agencies are incentivised to deliver standardised, measurable, replicable modules rather than context-sensitive ones that start from what a community already knows.

Subramaniam, Kansal, and Babu (2017), studying governance of mandated CSR in Indian government-owned firms, found that CSR spending patterns are shaped heavily by compliance logic: firms spend to meet the mandate and satisfy reporting requirements, not necessarily to maximise developmental outcomes on the ground. This compliance-first orientation is structurally significant for the argument here. A programme designed to satisfy an audit trail has little incentive to invest in the harder, slower work of mapping and building on existing community knowledge.

5. Theoretical Framework: Principal-Agent Theory Meets the Capability Approach

Principal-Agent Theory examines what happens when one party, the principal, delegates work to another, the agent, whose interests and information may not align with the principal's (Jensen & Meckling, 1976; Eisenhardt, 1989). The classic problem is information asymmetry: the agent knows more about the task than the principal can verify, and the agent's incentives may not match what the principal actually wants achieved.

Applied to CSR-funded financial literacy, the principal-agent chain has two distinct legs, and existing scholarship on Indian CSR governance has focused mostly on the first. The first leg runs between the corporate board (principal) and the implementing NGO or foundation (agent). This leg is well studied. Subramaniam et al. (2017) show that boards struggle to monitor whether CSR spending achieves real impact beyond compliance metrics, a classic agency problem of poor observability.

The second leg, which this paper argues is under-examined, runs between the implementing agency (now acting as principal to the beneficiary relationship) and the woman receiving the training (agent in name only, since she has no real capacity to shape programme design). This is a distorted principal-agent relationship: the "agent" here is meant to be the beneficiary of the exercise, but she has no voice in defining what she is taught, no channel to indicate that she already runs a functioning credit circle, and no mechanism to redirect the programme toward recognising and formalising what she knows. The accountability line runs upward, from implementing agency to board to regulator, never downward to the woman on the ground. This is the governance mechanism through which indigenous financial knowledge gets erased. Not through malice, but through a structural absence of any feedback channel that would let it surface.

Sen's Capability Approach supplies the second half of the argument. Sen (1999) argues that development should be judged not by resources or access alone but by the real freedoms, or capabilities, people have to live the lives they value. Financial inclusion, in this framing, is not achieved when a woman opens a bank account. It is achieved when she has genuine, expanded capability to manage her financial life on her own terms. Nussbaum (2011) and Robeyns (2005) extend this point for gendered contexts specifically: capability expansion must account for the social arrangements, including existing informal competencies, that shape what a person can actually do with new resources or knowledge.

A recent empirical study makes the mechanism concrete: financial knowledge alone does not translate into financial well-being for women unless it is paired with confidence and, crucially, the opportunity to apply that knowledge in practice, a finding the authors explicitly frame as consistent with Sen's approach. Standardised CSR literacy modules that ignore a woman's existing chit fund experience are incomplete in a deeper sense. They narrow her capability, because they position her existing competence as irrelevant, or worse, as something to be corrected and replaced, rather than as the foundation on which formal financial inclusion should be built.

6. Discussion: How CSR Governance Enacts the Erasure

Put together, the two theoretical lenses point to the same governance failure from different angles. Principal-Agent Theory explains why the erasure happens: no accountability mechanism exists to force implementing agencies to consult, document, or design around indigenous financial practice, because their real accountability is upward to the board and regulator, not downward to the community. The Capability Approach explains why the erasure matters. It is not a missed opportunity for efficiency. It is an active narrowing of women's real financial agency, dressed up as an empowerment intervention.

This is where the title of this paper is meant to be read literally, not rhetorically. The transition from chit funds to CSR is not a transition from an informal, backward system to a formal, modern one. It is a transition in whose knowledge counts as legitimate. Chit funds and kuri survived for over a century without state or corporate sponsorship because the financial logic embedded in them worked for the women who ran them. CSR-funded literacy programmes, backed by regulatory mandate and corporate budgets, often start from zero, as though this inheritance does not exist. The governance structure of Schedule VII, with its compliance-first incentives and its absence of any beneficiary-facing accountability mechanism, makes this erasure close to inevitable rather than accidental.

7. Towards a Governance Model for Recognising Indigenous Financial Knowledge

Three governance changes follow directly from the analysis above.

First, CSR committees approving financial literacy projects under Schedule VII should require implementing agencies to conduct a baseline assessment of existing informal financial practice

in the target community, including chit fund, kuri, or SHG participation, before designing curriculum content. This converts an invisible gap into a documented design input.

Second, CSR annual impact reporting, already mandated under the Companies Act, should include a specific disclosure on how programmes engaged with, built on, or displaced existing informal financial systems in the community served. This creates the missing downward accountability line, at least in reporting terms, and gives boards a basis to question agencies whose programmes ignore local practice entirely.

Third, where feasible, CSR-funded financial inclusion programmes should explore formal recognition or linkage models between existing chit fund and kuri networks and the formal banking system, rather than treating SHG-BLP as the only legitimate on-ramp to inclusion. Some early precedent exists in how SHG-BLP itself was built by linking informal groups to banks. A similar linkage logic, applied to chit funds, would formalise rather than displace an already functioning system.

None of these changes require new legislation. They require CSR committees, and the boards that sit above them, to treat Schedule VII compliance as a floor for genuine engagement with community knowledge, not a ceiling defined by the easiest, most standardised intervention to report on.

8. Conclusion

India's CSR law was built to channel corporate resources toward social good, and financial literacy for women is one of its most common expressions. This paper has argued that the good intentions behind these programmes are undermined by a governance structure that has no mechanism to recognise what women already know. Chit funds, kuri, and bishi are not relics to be replaced by formal financial literacy. They are a living Indian Knowledge System, built and sustained by women, that CSR governance has largely failed to see. Fixing this is not a matter of better curriculum design alone. It is a matter of governance: building accountability lines that run downward to the women CSR programmes are meant to serve, not only upward to the boards that fund them. Until that changes, CSR-led financial inclusion will keep expanding access while quietly narrowing the very capability it claims to build.

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