BRAC'S PILOT SAVINGS PROJECT

MONITORING AND EVALUATION

Status Report April 1997

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Preface and Acknowledgments

This paper is a *status report* of the monitoring and evaluation process surrounding BRAC's Pilot Savings Project, initiated in July-August of 1996. It is a comprehensive look at all the work that has been done surrounding the project, from literature review, to methodology, results, and initial recommendations. If it sometimes seems meandering, this is because it is meant to be a record of completed tasks and emergent ideas, aimed primarily at the BRAC-RED staff member(s) who will hopefully continue what we have come to see as a very important piece of research. A more stream-lined and focused paper will be produced within the coming year, as part of my degree.

I would like to acknowledge Marie-Jo Cortijo, who worked in BRAC-RED on this project from July-October 1996 and contributed much to the thoughts and methods behind this paper. My thanks also go to Stuart Rutherford, for the time he spent discussing (and demonstrating!) savings and credit issues and ideas. Md. Azim Hossain, Associate Co-ordinator (RLF, Accounts & Computer), ASA; M. Mosharrof Hossain, Finance Director, BURO, Tangail; Abdul Hamid Khan, Credit Analyst, Proshika; and Muzzamel Huq, General Manager, Monitoring and Evaluation Department, Grameen Bank, all were very kind to set aside time to explain the savings policies of their respective organizations.

BRAC members, staff, and management in the field and Head Office are gratefully acknowledged for putting up with what must have often seemed like silly and redundant questions. Particular thanks are due AMR Chowdhury, Director, BRAC-RED, for allowing an intern considerable freedom and responsibility - I have learned a lot. All errors of fact and interpretation are of course my own.

Karen Moore
Dhaka, 9 April 1997

Executive Summary

During July and August of 1996, the BRAC Rural Development Programme (RDP) initiated a Pilot Savings Project (PSP), whereby three experimental savings systems were implemented in various areas of Bangladesh, with a proposed lifespan of two to three years. The BRAC Research and Evaluation Division (RED) undertook to develop a monitoring and evaluation process for the PSP. This paper documents the first stages of this process. and presents current research and experience on the topic. It is in particular aimed at BRAC-RED staff who are interested in continuing work on PSP monitoring, and BRAC-RDP staff involved with the management of the programme. This paper is in general concerned with BRAC's transition from an NGO involved in microcredit, to one at the forefront of the movement to provide **flexible, appropriate, transparent, and clear** financial services to the poor.

Part One of this paper commences with an in-depth description of the present BRAC savings system, and the three PSP models. This section is divided into *official policy* and *system in practice*, as it has been found that there is often a significant gap between policy and practice. The normal system in theory essentially only allows savings withdrawals upon dropout, although some members may be able to withdraw if they have been members for more than five years, if they are having *kisti* problems, or if they are in a crisis situation. Model One allows two withdrawals per

year, the second upon repayment of the first. Official policy states that 25% of total savings must remain on the account, but in practice this amount is understood by various levels of staff and membership in many different forms. The Model Two system allows open withdrawals unless the member is behind on her *kisti* in which case a 'fixed fraction' of the loan amount must remain in savings - in practice it seems as if a percentage of any outstanding loan will have to be in savings whether or not the member is behind in payments. The Current Account system is separate from BRAC's normal savings and loan process. In practice, only women in chick rearing units seem to have access to this account.

In the next section, a description of ASA's, BURO, Tangail's, Proshika's and Grameen Bank's savings policies, and the evolution of these policies, will be presented. This is for comparison purposes, as well as to emphasize the changes that Bangladeshi NGO savings policies are currently undergoing. Each NGO discussed has within the last year opened up its savings policy, or is considering doing so.

A literature review of both external and BRAC documents completes *Part One*. Books and articles reviewed are primarily from the 1990s, and are in general concerned with how the poor save. Topics include: why NGOs should be involved in mobilizing savings, the benefits of appropriate savings schemes to the poor, savings practices in the rural Bangladeshi context, and the relation of savings to credit. To conclude the external document review, Marguerite Robinson's 1995 article "Introducing Savings Mobilization in Microfinance Programs: When and How?", based on her experience with the Bank Rakyat Indonesia (BRI) in particular, is discussed at greater length in the context of BRAC's current endeavours. Finally, three BRAC reports are reviewed.

Part Two includes a discussion of the objectives, methodology, limitations, and results of the preliminary fieldwork completed during July-October 1996. The objectives of the preliminary stage of research were essentially to gain an impression of how the PSP was understood and regarded by management, staff, and members. This was in order to confirm the attitudes, objectives, and concerns surrounding different savings schemes, and to determine the quality of information dissemination.

On the basis of sixty-four semi-structured interviews, we discovered that all four savings systems are being run in different ways in different branches and VOs. It seems most probable that an interaction of different views creates actual practice. A comparison of the four different savings models is therefore very difficult, and there is a considerable level of confusion among members in some branches concerning withdrawal rules. It was determined that official objectives are fourfold: to reduce drop-out rates from BRAC, to provide access for members' to their own savings, to improve client well-being, and to increase savings mobilization to the financial benefit of BRAC. The first three of these objectives have been summarized as "the provision of flexible, appropriate, transparent, and clear savings services". In terms of reaction to the PSP, most BRAC field staff and VO members interviewed strongly supported the proposal to open up access to savings.

Part Three includes a discussion of the objectives, methodology, limitations, and results of the second stage of fieldwork, completed during January-February 1997. In order to monitor and evaluate the PSP in terms of the defined objectives, noted above, a three-tiered process of remote monitoring of financial data, spot-checking, and in-depth case studies was developed. Limitations ~~and the general applicability of the study is~~ discussed in terms of the target group of the study, financial data, and data collection. It is surmised that the main limitation of the study is related to the insufficient quality and quantity of financial data collection

Initial observations regarding financial data collected at the branches and Head Office are presented at this point. Firstly, it is very important to disaggregate types of savings and withdrawals, in terms of the forced 5% of loans that must be paid into BRAC savings, own-compulsory and own-voluntary savings, and dropout and non-dropout withdrawals. Secondly, it is noted that the inclusion of a Women's Training Center account in the Paba Current Account scheme may be a viable means of mobilizing loanable funds, as it can be easily predicted when deposits and withdrawals will be made. Thirdly, a brief discussion of branch performance is provided. Fluctuations in net savings due to the non-cooperation movement, Eid, and Durgapuja combined with the commencement of the PSP models, reveal the effects of crises and social pressure, and further underscore the need for opening access to savings. It is hypothesized that ~~that~~ as members' confidence in BRAC and its savings policies rises, withdrawals will decrease in frequency and increase in size, causing a net decrease in withdrawals. Fourth, the contribution of savings to subsidy independence is briefly discussed.

The purpose of spot-checking is two-fold: to determine any concerns and problems relating to the PSP models at the branch staff and member level, and to check how the relevant model is being run. It is recommended that in future work more attention be paid to regions that have not yet been visited (i.e. Current Account branches in Khulna and Kusthia), and to spot-checking drop-outs in branches under the three PSP models.

The main objective of the in-depth case studies was to allow issues regarding savings practices and the determinants of these practices, and women's opinions regarding various savings policies including those of BRAC, to emerge. Results are divided into *Income Frequency*, *Location of Savings*, and *The New BRAC Accounts and Impressions Regarding BRAC Savings Policies*, and findings from the preliminary fieldwork are also included here.

Firstly, it has been noted that about half of the incomes available to our cases are daily incomes, and that most of these are women's own. Further, daily or twice weekly bazaar is common. Secondly, it is apparent that in some areas in particular women have a significant amount of extra-BRAC savings, and it is unusual for a woman not to have any extra-BRAC savings at all.

Thirdly, many women had not heard about the PSP system on offer in their branch, and some of those who had were not allowed to withdraw. Most women were pleased about the opportunity to have access to their savings, although most women who we spoke with under the Model One system did not like the idea of repaying savings to themselves. Most of the respondents who have made withdrawals and who wish to make withdrawals have done or will do so for the purposes of investing in business or land, or for coping with crisis.

Recommendations have been made based on the two stages of fieldwork, background literature, and discussions with other researchers and practitioners. It is concluded that BRAC should focus on making its savings services flexible, appropriate, transparent, and clear. In terms of flexibility, differentiated savings services should be offered (current account, savings account, and fixed deposit scheme), with the possibility of shifting between the systems. In terms of appropriateness, BRAC should allow fixed deposit account holders to choose between savings 'bands'; more frequent deposits should be allowed; and borrowers should have the opportunity to store loan amounts before investment. In terms of transparency, three recommendations are made. Firstly, member passbooks should always rest in the member's hands, should include cumulative totals, and should record the same information as at the branch. Secondly, members should complete courses in basic numeracy. Thirdly, savings and loan security should be separated. Finally, in terms of clarity, PA training should be emphasized, as well as the strengthening of *somity* leaders as resource women, and appropriate advertisement.

Glossary

drop-out	any member who has left BRAC; cause might be member's own or family member's decision, BRAC's decision, death, migration etc.
forced savings	5% of any BRAC loan that must be deposited into savings
HO	Head Office
IAS	Impact Assessment Study
kisti	loan installment
loan requirement	also called 'matching amount'; a percentage of the loan that must be in savings before a loan of that size is issued
matir bank	clay bank
maund	approximately 40 kilograms
mohajon	moneylender
Moulavi	man with religious knowledge, often in charge of a mosque as an *imam* who leads prayer and/or as a *muazzin* who gives the call to prayer
musti/mooti chai	the handful of rice that most rural Bangladeshi women put aside when they cook each meal
own savings	weekly deposit into BRAC savings; 'own - compulsory' is the weekly minimum amount and 'own -voluntary' is any amount above this
PSP	Pilot Savings Project
RDP	Rural Development Programme
RED	Research and Evaluation Division
~~savings loan~~	~~one type of savings system where members must repay any withdrawn~~ savings to their own account
somity	group, club
VO	Village Organization; ideally composed of 35 - 40 members

Draft

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Introduction

Over the last two and one half decades, BRAC has emerged as one of the largest and strongest NGOs in Bangladesh. In particular, BRAC's credit programme - along with those of the Grameen Bank, ASA and Proshika - is one of Bangladesh's 'big four' in development-focused microcredit, as well as one of the most prominent and extensive programmes in the world.

In the last few years, however, there has been an increased tendency for many interested researchers and practitioners to begin to focus on *microfinance*, rather than merely *microcredit.* Savings services are a fundamental part of financial services as a whole, and it is now starting to be recognized that most aspects of savings services have been in large measure neglected by NGOs involved in lending to the poor. This paper is in general concerned with BRAC's transition from an NGO involved in microcredit[1], to one at the forefront of the movement to provide flexible, appropriate, transparent, and clear financial services to the poor.

During July and August of 1996, the BRAC Rural Development Programme (RDP) initiated a Pilot Savings Project (PSP), whereby three experimental savings systems were implemented in various areas of Bangladesh, with a proposed lifespan of two to three years. The BRAC Research and Evaluation Division (RED) undertook to develop a monitoring and evaluation process for the PSP. This paper documents the first stages of this process, and presents current research and experience on the topic. It is in particular aimed at BRAC-RED staff who are interested in continuing work on PSP monitoring, and BRAC-RDP staff involved with the management of the programme. However, it is also hoped that both researchers and practitioners

[1] Microcredit is, of course, only part of BRAC's development activities, along with a range of health and population, education, training, and research endeavours.

in other NGOs will find this helpful in their own pursuit of better savings policies for poor customers.

Part One of this paper commences with an in-depth description of the present BRAC savings system, and the three PSP models. This will be divided into *official policy* and *system in practice*. Much of this information was gathered during the first stages of research, discussed later in this paper. However, it is presented here in order that the reader can understand the PSP system immediately, and thus understand the discussion to follow. The savings policies of four other Bangladeshi NGOs - ASA; Proshika; BURO, Tangail; and Grameen Bank[2] - will then be described, followed by brief literature review in two parts: internal BRAC reports, and external documents dealing with contemporary ideas about savings services for the poor in Bangladesh and elsewhere

Part Two consists of an account of the first stage of the PSP monitoring and evaluation process. In this stage, official objectives of the PSP were confirmed, attitudes surrounding savings policy at various levels of BRAC staff and clientele were explored, and the quality of information dissemination investigated.

On the basis of this preliminary work and the objectives defined, a three-stage monitoring and evaluation process was developed, and this will be discussed in *Part Three*. This process consists of: remote monitoring, primarily of financial data; spot-checking of PSP practices and attitudes towards the various savings policies; and in-depth case interviews, exploring the

[2] The Grameen Bank is in fact no longer an NGO, but a registered bank, thanks to a unique regulation provided in the Ershad period. For simplicity's sake, in this paper 'Bangladeshi microfinance NGOs' can be assumed to include the Grameen Bank.

determinants of rural Bangladeshi women's savings behaviour. Limitations of the methodology, in terms of data collection in particular, will also be discussed at this point.

In *Part Four*, the authors' conclusions and recommendations for both the PSP itself, and the monitoring and evaluation process will be presented and discussed, in the context of the information and ideas presented in the paper. It is argued that in order for the PSP to be successful in all four of its major (and inter-related) objectives - the provision of access to savings, client well-being, decrease in drop-out rates, and the economic well-being of the BRAC financial programme - flexibility, appropriateness, transparency, and clarity of services must be the key focus in the future.

PART ONE: BACKGROUND

BRAC Savings policies in theory and in practice

At present, BRAC is operating its 'normal' savings system, as well as three different experimental models. According to our research, BRAC management has four major goals with regards to this savings experiment: to reduce drop-out rates, to increase savings mobilization to the financial benefit of BRAC, to provide access for members' to their own savings, and to improve client well-being. These goals are all inter-related, and will be discussed in greater detail below.

In this section, the four systems will be described, first in terms of the official policy, and then in terms of how the systems are being put into practice, according to our fieldwork (discussed below). If a certain point is not mentioned in the 'In practice' section, it can be assumed that it is according to official policy.

1. Normal System

A. Official policy

Deposits: VO average must be Tk. 5 per member per week; minimum of Tk. 2 per member per week ('own savings') ; in addition, 5% of any loan disbursed ('forced savings') must also be deposited. Before 1995, the compulsory deduction was 10%: 5% went into the member's savings account, and 5% went into the Group Trust Fund (GTF). Deposits for the GTF are no longer collected.

Withdrawals: It is possible to withdraw 25% of total savings after 5 years of membership, 50% after 10 years, 75% after 15 years, and 100% after 20 years or when the member drops out. It seems as if this system has been in large part officially phased out, so that withdrawals are only supposed to be available upon dropout.

Interest: 6% interest is earned annually on the June balance.

B. In practice

Deposits: Each branch, and often each VO, sets a minimum deposit level, usually of Tk. 5 but often of Tk. 10, and sometimes of Tk. 2.

Withdrawals: The majority of savings withdrawals probably go to 'dropouts' - members who have left the VO due to death, migration, old age, their own choice, or BRAC's choice. However, a significant proportion of withdrawals also seem to go to:

- members who have been BRAC members for more than five years and qualify under the quasi-defunct partial withdrawal rule;
- members in a crisis situation; and
- members who are having *kisti* (loan installment) problems, and authorize their savings to be used for their loans but do not drop out. It seems that some payments made on outstanding loans from savings were initially authorized by the women concerned, but that other 'automatic' adjustments have been made, with the women being asked to sign later.

2. Model One - in place in Amdia (Narsingdi), Puthia (Rajshahi), Gobindgonj (Gaibandha)

A. Official policy

Deposits: Any amount can be deposited to savings accounts. The own savings and forced savings rules remain intact.

Withdrawals: Savings can be withdrawn for any reason, unless the member is behind in one or more *kisti*. Two withdrawals per year can be made, as long as the first withdrawal is refunded before the second withdrawal is made. This system can therefore be called a savings loan system. Members of less than one year may not withdraw. 25% of total savings must remain in the account - i.e. if I have Tk. 1000 I can only withdraw Tk. 750. Savings loans must be repaid within 46 weeks by weekly installment. To open an account. a signature card with attached photo is required.

Interest: 6% interest is earned annually on the June balance. Self-evidently, the member will not receive interest on any withdrawn savings.

B. **In practice** the Model One system operates and is understood in various ways. For example:

Withdrawals: The amount that must remain in savings, as understood by various levels of staff and membership, ranges from:

- none;
- one-fifth;
- 25% of any loan taken;
- 25% of the total savings amount;
- the <u>loan requirement</u>, increasing with each loan taken (2%, 5%, 10%, or 2.5%, 5%, 10%, to a maximum of 20%);
- own - compulsory savings;
- one-half of savings;
- two-thirds of savings;
- 40% of savings.

It seems as if the amount that must remain in the account depends, perhaps, on an interaction of the particular staff member's understanding of the system and her/his perception of the credit and savings behaviour of a particular member.

In one branch, there was uncertainty whether or not a woman had to bring one or more other VO committee members with her when she comes to the office to make a withdrawal. In the same branch, the Current Account passbook was being used for Model One withdrawals and refunds.

Another Model One branch was phasing in the system slowly due to what are perceived by branch staff as practical difficulties with information dissemination. In this branch, currently only about 6% of members have been motivated to open an account, in perhaps one quarter of VOs. Members are discouraged to withdraw if they have outstanding loans.

Interest: It seems likely that in practice no interest will be given on withdrawn *or* remaining savings during a year in which a withdrawal has been made - i.e. the account becomes a current account as soon as a member withdraws.

3. **Model Two** in place in Sonargaon (Narsingdi), Paba (Rajshahi), Palashbari (Gaibandha)

A. Official policy

Deposits: Any amount can be deposited to savings accounts, maintaining the own and forced savings rules

Withdrawals: Any amount of savings can be withdrawn for any reason, at any time. An loanee behind on her *kisti* must leave a 'fixed fraction' of the loan amount in her savings account if she makes a withdrawal. This 'fixed fraction' is probably the loan requirement.

Interest: 6% interest is earned annually on the June balance.

B. In practice there are more restrictions.

Withdrawals: In most cases, a fraction of an outstanding loan must remain in the account when a withdrawal is made, whether or not the loanee is behind in her *kisti*. In no case can the member withdraw her total savings and remain a member. Many staff, and some members, believe that withdrawals must, or at least ought, to be repaid. A significant number of staff and members feel that if a woman has many (or any) *kisti* left to repay, that she will not be allowed to withdraw.

4. Current Account system in place in all branches in Rajshahi (except Puthia), Bogra, Kusthia, and Khulna

A. Official policy

Deposits: Deposits are made at the branch office. The minimum deposit amount is Tk. 50, and the account must have a minimum of Tk. 50 in it in order to be active. ***Note:*** this system is completely separate from BRAC's normal savings and loan process.

Withdrawals: Cash withdrawals of minimum Tk. 50 can be made at any time at the branch office. If the balance is less than Tk. 50, the whole amount must be withdrawn, and another deposit of Tk. 50 made to reactivate the account. To open an account, a signature card with attached photo is required.

Interest: No interest is earned.

B. In practice: In some branches, the account is only made available to women involved in BRAC chick rearing.

Deposits: Deposits and balances of less than Tk. 50 have been noted.

Savings policies of other NGOs

In this section, there will be a brief description of ASA's, BURO, Tangail's, Proshika's and Grameen Bank's savings policies, and the evolution of these policies. This is for comparison purposes, as well as to emphasize the changes that Bangladeshi NGO savings policies are currently undergoing. It should be noted here that these are the NGOs *official* policies, as the authors in general did not interview members of the four other NGOs.

ASA - The Association for Social Advancement

For the first twenty-two years of ASA's history, ASA's foci were on social mobilization, education, human resources, health, relief, and similar endeavours - it was only in 1990 that ASA recognized that the financial needs of the poor had been largely unaddressed by social mobilization schemes, which have in large measure left the financial power structure of villages intact. In 1991 ASA included in its programming poverty alleviation through microfinance, and the organization has been since developing into a financial intermediary, with commercial funding.[3]

From July of 1992, a mandatory savings of Tk. 2 / week was introduced, and this amount has risen gradually to Tk. 5 - 10 / week over the past four and one half years. Each group of twenty members sets its own level which each member in the group must follow[4], and most groups have set an amount of Tk. 10 or more. 8% interest is earned on mandatory deposits. New members cannot take a first loan until 10% of the loan amount has been deposited; there are no other linkages between savings and credit.

If the member has more than Tk. 500 in their account, up to 90% of mandatory savings can be withdrawn, but only for emergency (i.e. not consumption) purposes. Withdrawn savings are treated as a loan: members must pay back the withdrawn amount plus 5% interest to their own account within a 45 week period. Only approximately 10% of members have availed themselves of this service.

In November of 1996, a voluntary savings mobilization programme was initiated in three units (a unit contains 60 - 72 groups). Expansion is through a 'learning by doing' approach. By

[3] Including PKES (from 1992), Agrani Bank (from 1994), and BASIC Bank (from 1996) funding.

[4] A standardized deposit amount is primarily for ease of accounting and to discourage corruption among staff.

January 1997, fourteen branches had voluntary savings schemes, and by December the target is for all 500 units to be mobilizing voluntary savings. Voluntary savings has been introduced for two main reasons:

- Members have shown that they have both the ability and the desire to deposit more than Tk. 10 / week into their savings.
- Voluntary savings mobilization is a means for ASA to mobilize local resources, as donor and bank funds are limited.

The new system allows for 100% withdrawal of all voluntary savings (this is above and beyond the Tk. 5 - 10 mandatory level). Depending on the frequency of withdrawal, between the bank rate and 8% interest will be earned on voluntary deposits.

Buro, Tangail

In 1989, Buro, Tangail (BT) began with a 5-branch pilot project. At that time both deposits and withdrawals were completely open. Because BT did not yet have donor funding, and because members were testing out the new NGO, huge liquidity problems resulted. Due to this, the 1990 'General Savings Scheme' that was introduced on the basis of this pilot project disallowed member withdrawal at the time of an outstanding loan.

Otherwise, members can withdraw any amount at anytime, leaving Tk. 10 to keep the account open.[5] Reasons for withdrawal are recorded but no one is turned down: if a woman does not want to give the reason behind her withdrawal, the manager does not pressure her. During Eid and Durgapuja, January (when school admission fees are due), and winter in general (when people build and repair houses), withdrawal rates increase rapidly. This does not cause a liquidity problem as 20% of mobilized savings are kept at the branch as liquidity and there is never more than 15%

withdrawn at a time. At one point, a rule was in place whereby 'Village Development Workers' are paid a 2.5% commission on the savings they mobilize; it is not clear if this has occurred in practice.

In the General Savings Scheme, a Tk. 5 / week minimum savings deposit was introduced. There was no maximum deposit, however, any amount above Tk. 15[6] had to be deposited at the branch office rather than in the village during the weekly village meeting. People *do* take advantage of this opportunity: in the week previous to my interview at BT, a woman deposited Tk. 5 000 - remitted backwages from her husband who is a garment worker in Dhaka. Savings earn 7.5% interest each month, on the average balance from the first to the seventh of the month.

In January 1996, two changes were made. Firstly, the limit for deposits made at weekly meetings was raised to Tk. 200.[7] Secondly, a Fixed Deposit Scheme commenced in two pilot branches. Due to political instability, the scheme did not properly begin until April-May. At present 500 accounts have been opened. The interest rate will be 15% compounded annually for a period of three years. Members must make a weekly deposit of an amount of their choice. Originally the savings 'bands' were Tk. 5, 10, 15, 20, but due to client demand, the maximum has been raised to Tk. 150 / week. This is higher than the government Deposit Pension Scheme maximum amount and it is not expected that BT members would be able to maintain such a high level of savings consistently.

[5] At some point a Tk. 100 minimum for withdrawals and interest payments, as well as a once per week limit on withdrawals, was in force; it is unclear if these rules have been followed in practice.

[6] One source states this figure as Tk. 50 (1).

[7] An assessment of the system after this change can be found in reference (1); see below 'Literature Review - External documents'.

Because BT members are demanding an even more open withdrawal system - i.e. where withdrawals can he made even when members have a loan - BT will test an open withdrawal system in two branches in 1998. The interest rate will be reduced for this account, perhaps to 4.5%.

Proshika

Proshika's financial services are presently organized in a rather different way then any of the other NGOs discussed here, in that the group is the focus of lending and saving, and decision-making, rather than the individual and NGO staff respectively. Savings has been considered primarily as an institution-building measure, and secondarily as a means for members to build their own capital, rather than a means to augment Proshika's Revolving Loan Fund. As the 1995-6 Activity Report states, savings are important for group cohesion, collective financial responsibility, 'accomodatativeness' in group decisions, as well as to develop a savings habit and "to prove themselves to be financially mature enough to undertake employment and income generation activities." (2)

There is a mandatory savings amount of at least Tk. 5 / week / member. This is not, however, managed by Proshika, but by the group itself. About one-third of groups have deposited their savings accounts in banks, under the group name, for reasons of security, social status, and 'commercial reasons'[8]. Everyone saves a uniform amount, which is no more than the poorest member can save. During harvest periods and other times when members may have a windfall income, members may have the opportunity to deposit more than the standard amount.

[8] Probably liquidity and returns necessary for business.

The group, through its president, secretary, treasurer and working committee, maintains all savings records. Proshika staff ensure that members are making their weekly deposits, but they only guide and suggest how to use and manage the savings. Instead, the group makes all decisions about whether and how an individual or the group may use savings.

Savings are linked to credit through the requirement that 10% of any project cost is invested by the group.[9] Loans are disbursed to the group for either group or individual lending, but if the group agrees, savings amounts can be for investment without Proshika inputs. However, as it is assumed that "funds based on groups' savings understandably can't be very large", and that "the value added to this fund by the hardship from which the savings come, make the group members extremely cautious in <its> use", savings are usually only invested in traditional, capital unintensive projects.(2)

Total withdrawal is essentially only on drop out, however, for emergency purposes such as illness the group may decide that a member can withdraw. When the savings has been invested or placed in a bank, a member can withdraw up to 25% of the 'dividends' of that investment, with the group's agreement. This rule was implemented two or three years ago on the advice of many Proshika members.

Commencing in June of 1997, Proshika will be initiating a new savings policy. Essentially the new system will consist of members choosing to deposit their savings with Proshika, rather than with the group or at a bank. Many members are interested in the new plan for security reasons. Savings amounts are not expected to increase, only the location of the deposit. Many details, such as interest rate and scope for withdrawal, have yet to be worked out.

Grameen Bank

The Grameen Bank is just that - a bank - and it operates under rather different regulations and conditions from BRAC and the other NGOs mentioned above, in particular with regards to savings policy. Grameen Bank is regulated under the *Grameen Bank Ordinance*, a statutory act from 1983, and is therefore different from both a normal bank, which is linked to the Central Bank, and from NGOs, which, under the *Societies Act*, are forbidden to mobilize savings from non-members. Grameen Bank's savings policies follow two general schemes: those that are under members' control, and those that are run according to standard bank procedures. Group Funds and Center Welfare funds are run by members, and Personal Savings Accounts and Current Accounts are completely individual accounts. Further, each member owns one Tk. 100 share in Grameen Bank, and these shares are transferable upon leaving the organization.

The largest savings system by far is the **Group Fund**, which to date has mobilized 535 crore taka, and is presently at a balance of 349 crore taka. Every member must deposit Tk. 2 week[10] into the group fund, as well as deposit a 'group tax' of 5% of any loan disbursed. Other than this 'group tax', savings and loans are completely separate, and even a member who has an outstanding or overdue loan has the possibility to withdraw savings. The Tk. 2 deposit amount has been standardized primarily for monitoring and projection purposes: the attendance in meetings can easily be checked to see if it corresponds with the savings amount.[11]

This savings fund belongs to the 5-member group, and it is more or less up to the group how it is used. Up to 50% of the total group fund can be withdrawn by a member if the group

[9] For example, a Tk. 50 000 project will be funded by a Tk. 45 000 loan from Proshika matched by Tk. 5 000 from group savings.

[10] Until two years ago the deposit was Tk. 1 / wk.

agrees. Groups are reportedly cautious about letting members withdraw for social consumption purposes. Due to the fact that the member is probably withdrawing more than she herself deposited, she must pay the savings back by installment within a year. Members can negotiate the installment with the group month by month. It is up to the group whether or not interest is charged, but most groups do not decide to do so. If there is a natural disaster, the group can take a decision such that more than 50% can be withdrawn. Members who have suffered a severe personal crisis often go to other groups and even other centers to borrow from group funds there. 8.5% / annum interest has been paid on group funds since 1983. Members can reclaim their own savings ten years after group formation, and some members have done so, often transferring their savings to a Personal Savings Account.

The second group-run account is the Center Welfare Fund which members voluntarily make contributions to for investments in such things as children's education. Approximately 22 crore taka are in this fund at present and the interest rate is the same.

The **Personal Savings Account**, initiated in 1987. is Grameen Bank's voluntary savings account - if members wish to deposit more than Tk. 2 / week, they do so into this account. Withdrawals are open. The same interest rate of 8.5% / annum is charged, unless a member makes more than two withdrawals in a week, in which case she will receive no interest for that month, as per commercial bank rules. Grameen Bank staff salaries are paid into this account, so there is a highly fluctuating savings level as staff withdraw their salaries within a few days of its payment. Personal Savings Accounts at present have a balance of about 32 crore taka.

[11] On investigating the 'Consolidated Cumulative Statement' of January 1997, this actually does balance.

The final type of account is a Current Account, which mostly caters to non-Grameen Bank group members. As per bank rules, there are no restrictions on these accounts: both deposits and withdrawals are completely open, and no interest is paid out. This account was also initiated in 1987, and at present there is more than 60 crore taka in the account. More than 900 of Grameen Bank's 1079 branches have chosen to offer this service.

At this point, Grameen Bank has not put a lot of energy into mobilizing larger deposits from non-members, although there are no legal restrictions against them doing so, as there are for other NGOs. There are two main reasons for this. Firstly, there is the concern that staff will over-emphasize large deposit mobilization to the neglect of poorer borrower members, which would conflict with Grameen Bank's basic philosophy of providing credit to the poor.

Secondly, at present Grameen Bank pays 8.5% interest on savings, despite the fact that the bank rate on deposits has dropped to about 6%. Grameen Bank is able to borrow funds from the Central Bank at 7 - 7.5%[12], or on the money market at 2 - 4% for short term loans. Therefore, mobilizing savings will not be an economically useful thing for Grameen Bank to do unless funds become more expensive and/or savings mobilization can be done in a very cost effective manner. Savings are thus considered by the Grameen Bank as a service to the rural poor, raising their long-term viability through helping them cope with crisis, rather than as an addition to Grameen Bank capital.

Demand for flexible services such as current accounts, savings accounts, and a place to accept and store remittances from abroad, is growing, in particular from those regions with a high

[12] This is the bank rate (prime rate) of 5-6%, plus the deposit rate for commercial banks to the Central Bank.

rate of international migration such as Sylhet, Noakhali, and Comilla.[13] In August and September of 1997, Grameen Bank management will discuss and debate whether to open up savings mobilization efforts even further, to encompass those with potentially larger deposits. One possibility is to earmark certain branches as deposit-takers only, because the Bank does not feel it could also offer the larger loans that larger depositors would want, only to those larger depositors. An expansion of this sort also implies an increased pressure on an already overloaded staff. As branch computerization increases and electricity supply problems are overcome, savings mobilization may not be such a strain on workload.

LITERATURE REVIEW

External documents

It is not the author's intention to review all literature related to savings and development finance - indeed, a complete review would be most notable in its sparsity, relative to that of credit as well as in its historical propensity to deal with the perceived inability for the poor to save.[14] As an indication of the inaccuracy of such a belief, Binayak Sen, in his article "Rural Savings and Investment: Trend and Determinants" (4) suggests that the extremely poor hold 13.5% of their assets as savings (including gold, cash, and food stocks), and the moderately poor hold 26.8% of their assets as savings. Further, over one-half of the landless have some savings. This is despite the weak savings performance of the rural population as a whole - about 40% of the sample households had a zero or negative savings rate in 1994, and about one third of households classified as non-poor had no savings at all.

[13] Further, appropriately designed old age pension and insurance schemes may cease the outflow of Group Fund savings, and provide a useful service to the poor.

[14] As late as 1990, in his important and useful manual Financial Management of Micro-Credit Programs, Robert Christen assumes that the programs in question will be non-savings mobilizers. Although this is primarily due to restrictions in most countries disallowing them to do so, rather than Christen's perception that the poor cannot save, it is a notable gap. (3)

In order to introduce readers to the most current ideas on savings issues, I will present a sample of recent literature, primarily from the 1990s but commencing in the mid-1980s, which is in general more concerned with how the poor *do* save. Although as mentioned the amount literature is relatively meager, there has certainly been enough discourse and evidence of this fact over the past decade that one wonders that it needs to be presented again.

In 1986, Robert Vogel wrote an aptly-titled article, "Savings Mobilization: The Forgotten Half of Rural Finance", based on his experience with a project in Peru (5). Savings were beginning to be considered in some circles, often referred to as the 'Ohio School', as part of "the trend in thinking away from subsidized credit". In this paper, Vogel bemoans the fact that in the previous decade, credit-focused papers outnumbered savings-focused papers - which were predominantly concerned with the determinants of savings ratios rather than the management issue of savings mobilization - by about five to one, and that pro-savings mobilization experiences were in general ignored. Further, he comments,

> "Why has formal finance failed to incorporate the message of indigenous savings and credit societies, that savings and credit are inseparably linked in providing the financial services which the rural population demands?"

He suggests two reasons: savings mobilization is inconsistent with low-interest rate lending[15], and it is easier for organizations to mobilize resources from governments and donors, rather than from the rural poor. A decade later, most microfinance institutions (MFIs) in Bangladesh have long abandoned subsidized interest rates for credit, and it is becoming more difficult to secure donor

[15] This is true from the perceptive of both the lender, for whom it makes little sense to lend out expensive funds at a negligible rate, and the borrower, for whom cheap credit makes it less useful to save.

funds - hence the beginning of the movement towards savings mobilization by MFIs. Vogel goes on to make four arguments in favour of savings mobilization:[16]

- "Policies that improve savings opportunities <through providing liquid deposits with positive real interest rates> will do more to redistribute income towards the rural poor <who can and do save> than any program of subsidized low interest rate loans."
- Savings mobilization has the potential to improve resource allocation, as it moves the rural poor's resources away from unproductive investments, like consumer durables which act as a hedge against inflation, to financial institutions which can invest productively."
- Financial institutions which neglect savings mobilization are incomplete: the institution is neither providing adequate services to clients, nor is it gathering all available information about potential borrowers.
- Savings mobilization has the potential to outstrip the resources available through subsidized loans and grants, and can also provide appropriate incentives to institutions with regards to loan recovery.

Vogel completes his paper with a look at how savings were successfully mobilized in a Peruvian project.

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[16] A summary of Marguerite Robinson's useful list "Voluntary Savings Mobilization - Multiple Benefits" can be found in *Appendix 1*. During background reading and discussions related to this report, I came across twenty-four possible benefits of strengthening savings mobilization efforts and opening access to savings. This list was utilized in the first stage of field work to determine the official objectives of the PSP.

Also in 1986, but concerning Bangladesh rather than Peru, and from a different disciplinary field, Thérèse Blanchet wrote "Rural Women, Savings and Credit: An Anthropological View" (6). This interesting study investigates the cultural understanding of women's economy in two rural Bangladeshi environments, at a time when there was no successful NGO MFI in those regions, due in part to a great mistrust of savings schemes and banks. She studies the practices of *musti chal*, keys tied to the ends of saris, and moneylending , all in the context of poverty and Islam. Blanchet points out that activities like *musti chal* are

> "... not only rational planning [but a] ritual gesture. Saving is a virtue of womanhood. It is practised even among those who do not have their fill everyday ... beggar women also save."

Two years later Clarence Maloney and Ahmed Sharfuddin published Rural Credit and Savings in Bangladesh(7). This book further elucidated many local elements of savings, such as the fungibility of the savings, investment, and consumption concepts, women's secret savings, food stocks and other savings in kind, and the social value of saving. It also discussed sources and types of rural credit, as well as the rise of informal savings and loan groups, perceived by the authors as a new phenomenon in Bangladesh and related to the rise in savings and credit schemes run by government, NGOs, and cooperatives.

In 1989 and 1991, Maria Otero published two articles (8,9) which deal with savings in ~~relation to NGOs involved with finance, heralding in a decade where researchers and practitioners~~ are increasingly critical of the 'credit fundamentalism' that has developed out of the successes of Grameen Bank and like organizations.[17] She discusses some of the factors which affect savings.

[17] In this, the year of the **Microcredit Summit** in Washington D.C., 'micro-finance evangelism', as Ben Rogaly calls it, seems to be winning (7). Rogaly suggests that the emergent 'blueprint approach' to microfinance overemphasizes its own impact on the very poor, detracts attention from other types of interventions, and is decreasing the potential for flexibility.

such as interest rates for both savings and credit, as well as income, convenience, and security. Otero then suggests some traits of indigenous savings and credit schemes that make them attractive and successful - for instance, simplicity, flexibility but structure, significant returns, access, and trust.

Rather than relate the characteristics of these indigenous schemes to NGO programmes, she instead goes on to discuss the role of savings in Grameen Bank and ACCION programmes, from the perspective of the MFI. For ACCION, savings are an educational tool, teaching regularity of habit and shifting savers' perception to the long-term; a method of capitalizing microenterprises and reducing savers' dependency on moneylenders; an introduction for savers to the formal banking sector; a guarantee on loans; and a way to avoid liquidity problems and expand the programme. Importantly, and controversially, Otero argues that successfully mobilizing savings requires it to be linked to credit. Vogel, Rutherford, and others would argue that financial institutions are intermediaries between savers and borrowers, and that it is not necessary for a saver 'to ever a borrower be'.

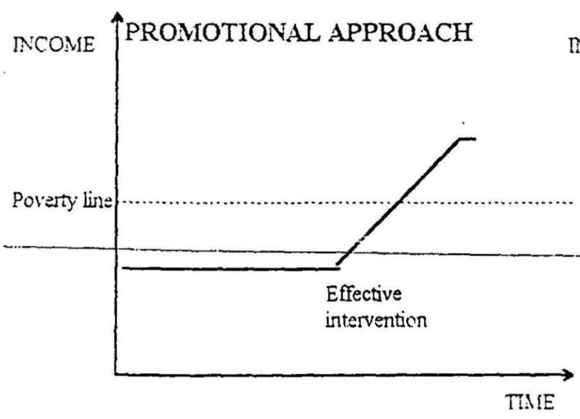
In the last two or three years, there have been numerous conferences and workshops on the subject of microfinance, including the largest and most recent of such conferences, the Microcredit Summit held in Washington D.C. in February 1997, out of which innumerable reports, articles, and books have arisen, many of these yet unpublished.

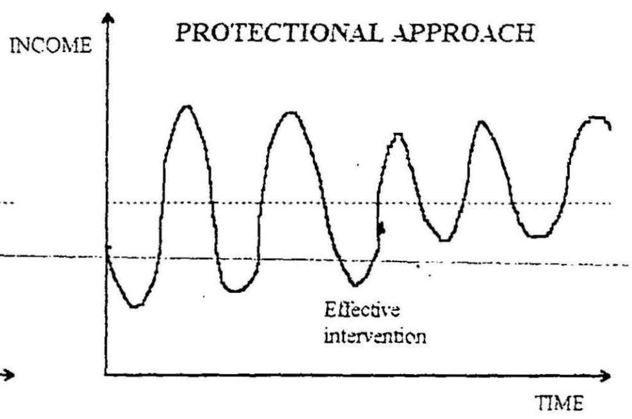
At an IDPAA[18] conference in August 1996, David Hulme presented a paper, "Finance for the poor: Impacts on poverty, vulnerability and deprivation", in which he examines twelve organizations, including BRAC-RDP (11). In it, he clearly makes the argument that financial

[18] Institute for Development Policy, Analysis, and Advocacy, at Proshika.

services for the poor can be aimed at two different, but not unrelated, goals. One of these can be described as a 'promotional' or an 'income-poverty' approach, whereby poverty reduction is conceptualized "as moving households from a stable 'below poverty line' situation to a stable 'above poverty line situation'". This approach emphasizes provision of credit for income generation through self-employment.

The second approach, which has been until now neglected by most MFIs, can be described as 'protectional', whereby poverty reduction is conceptualized as the "dampening of dramatic reductions in income (and other entitlements)". This approach emphasizes emergency consumption loans, relatively low-risk income generating activities that are unlikely to create indebtedness, and voluntary savings mechanisms. The last of these can serve a protectional purpose specifically through "providing facilities for very poor households to 'store' windfall and seasonal cash and earn a return". Inaccessible compulsory savings, Hulme notes, such as exist in the BRAC-RDP system, are more an additional cost of a loan than a tool to reduce vulnerability. The two approaches are clearly demonstrated in the figures below, adapted from Hulme's article.





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Through a protectional approach such as accessible voluntary savings, the very poor may begin to be reached by MFI services such that, as Hulme points out, households may be permitted "to undertake investments that they had previously regarded as being too risky."

Stuart Rutherford, a long-time resident of Bangladesh and an independent consultant researching financial services for the poor, has a lot to say about savings, including about the increasing need for regulation of Bangladeshi MFIs (12). Here, the central theme of Rutherford's work, that credit is actually an 'advance against savings', will be discussed, as it is of prime significance for the way BRAC transforms its savings and credit programme. Rutherford's ideas have been based on his extensive experience with various Bangladeshi NGOs, including ASA and BURO, Tangail, as well as his observance of innumerable indigenous savings and credit schemes[19] in Bangladesh, and elsewhere in the subcontinent and world, predominantly in urban slum areas (13). His recent work, ASA: The Biography of and NGO, is one of the many studies that contains this theme (14).

Financial services for the poor consist largely of services which enable poor people to amass usefully large sums cash (Copestake). They fall into two main types:

1. Those that assist the poor to build lump sums through foregoing the consumption of income.
   - Savings and insurance do this by amassing or buying access to a future lump sum by foregoing consumption now.
   - Loans do this by providing a lump sum now in return for consumption foregone later - i.e. loans are an 'advance against savings'.

   A good financial intermediary will allow customers to choose between these two options.
2. Those that allow assets to be converted and reconverted into and out of lump sums of cash i.e. mortgage and pawn.

limited services in the way of savings and insurance. Loans usually must be paid back in weekly installments - although this is now changing - within a period of a year. It is desired and often assumed by many of these NGOs that the loans are usually invested in income-generating activities that produce a stream of income large enough to pay off the installments. However, as Rutherford points out, an unaccounted number of loans are used for reasons that do not produce a stream of income - consumption, purchase of land and other assets, house repair and construction, health treatment, and social obligations like weddings, for example. Moreover, even those loans that are invested in productive purposes are unlikely to create an increase in income immediately, or weekly. Investments take time to yield profits, and seasonality especially affects many of the agricultural and poultry-livestock activities that many NGO members undertake. Loan installments are thus instead paid out of a member's normal income flow. Therefore loans are advances against savings that already occur - the *musti chal* and clay bank type-deposits that most rural Bangladeshi women make.[20]

Many do want this service - it provides a lump sum now at a reasonable rate of interest, both of which together a poor woman would probably not be able to secure from either a bank or a moneylender. Further, it forces her to make the weekly savings deposits that she knew she could make if necessary. It is often noted as impossible to save at home due to husband's and children's demands. For this woman, "debt is an opportunity", in Dr. Yunus' now infamous words.

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[19] ROSCAs (Rotating Savings and Credit Associations), and ASCAs or *fund somities* (Accumulating Savings and Credit Associations where loans can be taken from the fund). ROSCAs offer the lump sum during the saving process, and ASCAs offer it at any time.

[20] NGO rhetoric is often full of intentions to develop a 'savings habit' among the rural poor - it seems that practices such as *musti chal* etc. may preclude the need for such an effort on the part of NGOs. Of course, some poor are better savers than others - whether due to a higher risk aversion, a greater preference for income tomorrow, or just less carelessness - but being poor in itself does not inhibit the development of a savings habit. Being very poor may limit savings amounts, but this is a different issue.

There are two groups of people, however, for whom this service may not be appropriate. Firstly, there are those who would prefer their lump sum later on. These are people who are already careful savers and who are perhaps risk and debt averse. They have no investment opportunity at present, but would like to accumulate some cash such that if one does arise, or if there is a crisis, or school fees to be paid, they can use their own resources. They would rather save Tk. 25 each week and receive a lump sum of Tk. 1150 (plus interest) at the end of a forty-six week period (the standard BRAC loan term), rather than receive only Tk. 950 today (5% goes to forced, inaccessible savings in the BRAC system), and have to save the same Tk. 25 each week. Further, the withdrawn Tk. 1150 could also be *added* to the Tk. 950 loan at this point, increasing the productive capacity of a first loan. As is mentioned in a paper further discussed below,(1) this might lead to more members saving and fewer members borrowing, which is good for the costs, self-reliance, and stress levels of the borrowers, and good for the NGO which could earn more from fewer loans.

The second group of people are those for whom the level of forced savings that an NGO requires (in order to pay its loan installments) is too high, or at least too risky. Indigenous savings and loans systems often offer 'bands' of savings and loans, such that someone with a higher capacity to save can choose a higher band of, say, Tk. 75 per week, while someone else chooses to save only Tk. 15 each week. For someone whose normal capacity to save is only Tk. 15 each week, a loan that forces them to try to save even Tk. 25 each week for a Tk. 1000 loan, may merely be debt, not opportunity.

Hossain Zillur Rahman discusses coping with crisis in a similar but contrary way (15). He considers that using savings to cope with a crisis is a form of 'negative coping' in that it provides an immediate solution but could impair the long-term resource capacity of the household.

Dissaving (i.e. borrowing), he suggests, "presumes a level of savings . . . which could be seen as an indicator of economic strength." However, in the context of the first of the above two points, recourse to savings in a crisis period may indicate debt aversion and careful financial management. In the context of the second, recourse to borrowing, especially from a relative or neighbour at a subsidized or *howlat* (emergency interest-free loan) rate, may indicate that the household has not been able to save enough to cope.

Rutherford makes the additional point that MFI NGOs usually make no provision for storing the lump sum that a member receives when she gets the loan - it must be spent or invested immediately, otherwise the borrower can face security risks or the temptation to spend the amount in other ways.

Rutherford makes the final point that NGOs might make best use of what he sees as their comparative advantages - "good organization, intelligence, cheap capital, good will, public support, well-intentioned staff" - by offering management services to informal services, which, in his view, are more flexible and multifaceted than the majority of NGO schemes at present.

Rutherford, along with Graham Wright and Mosharrof Hossain, produced a study concerning the increased limit on deposits at field level started by BURO, Tangail (discussed above), in July of 1996 (1). Quantitative and qualitative surveys were both run, with 241 and 16 respondents respectively, and some interesting results emerged.

Savings in BURO, Tangail

With length of membership:

- no significant increase in the members' annual savings
- number of withdrawals may reduce
- amount withdrawn may increase
- net decline in withdrawals over time

"...as members gain confidence, BURO, Tangail's voluntary open access savings accounts are beginning to raise similar amounts of capital as the compulsory savings schemes of the large MFIs"

- 37% of loans outstanding are funded by savings (1995), as compared with 39% at BRAC, and 40% in ASA

Use of withdrawn savings:

- 38% - QUALITY OF LIFE: consumption, improving housing and health care
- 31% - INVESTMENT: acquiring land, education, expanding business activity
- 16% - SOCIAL: marriage and other social functions, acquiring gold and jewellery
- 7% - LOAN REPAYMENT

Before joining:

- 68% had some cash savings: 45% had savings in the household, 36% had savings with another NGO

After joining:

- 50% had savings in addition to those at BURO Tangail: 33% had savings in the household, 34% had savings with another NGO, and 12% had lent savings out with interest

"Either BURO, Tangail's current savings facilities are not meeting all the savings needs of the poor, and/or the members are spreading risk by saving in several places."

- NGO savings schemes have replaced or trivialized other forms of savings like clay banks and informal *somity*.
- Savings is still a female activity. Mobilizing more savings from men is a challenge for NGOs.
- People have joined to save; for many, getting loans is secondary.

One of the most successful organizations world-wide, in terms of sustainable and large scale MFI operations, has been the Bank Rakyat Indonesia (BRI). Marguerite Robinson, who has had extensive experience as an advisor to BRI, as well as to many other MFIs, has been a strong proponent of opening up savings services from an *organizational* perspective. In her 1995 article "Introducing Savings Mobilization in Microfinance Programs: When and How?"(16), Robinson discusses the management implications of adding the mobilization of voluntary public savings to a lending program, given that[21]

> "There is substantial evidence from many parts of the world that:
> (1) institutional savings services that provide the saver with security, convenience, liquidity, and returns represent a crucial financial service for lower-income clients; and
> (2) if priced correctly, savings instruments can contribute both to institutional self-sufficiency and to wide market coverage."

Robinson then goes on to discuss the 'when and how' of the process. The 'when' will only be summarized here; interested readers can look more closely at the article. I believe that BRAC and other Bangladeshi MFIs should work to strengthen the role of an umbrella organization such as the Credit and Development Forum (CDF) as a voluntary supervisory institution, while at the same time lobbying the government for appropriate MFI regulations. Robinson's other conditions, both external and internal to BRAC, I believe are satisfied for the NGO.

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[21] Hans Dieter Siebel, in an unpublished Indonesia country report produced for the 1996 BankPoor workshop (17), makes an even stronger claim:

"In subsistence agriculture in remote areas . . .and marginal informal sector activities, where virtually any type of credit may be inappropriate, savings promotion that strengthens the self-financing capacity of small farmers and microentrepreneurs may be the only responsible financial strategy."

When to introduce a voluntary savings programme

1. External conditions:
   - an enabling macro-economy
   - an appropriate legal/regulatory environment
   - reasonable political stability
   - suitable demographic conditions
2. Supervision of institutions - in order to protect depositors governments must be willing to:
   - modify banking supervision
   - monitor effectively
3. History, capability, and performance of institution:
   - good management
   - operational sustainability

Robinson's seven 'hows' of introducing a voluntary savings service will be dealt with here in much more detail, as it is directly relevant to the process that BRAC is currently going through. Firstly, because "most microfinance clients want to save all the time, while most want to borrow only some of the time", there are many more borrowers than savers,[22] and therefore the nature of the entire programme has changed, including its staff and management, training, security, and loan interest rates (in order to ensure a sufficient spread).

Secondly, Robinson feels that compulsory savings and voluntary savings are incompatible, for two main reasons. One is to do with ideology: compulsory savings imply that the poor must be taught to save, whereas voluntary savings imply that they already know how to save and need appropriate services.[23]

"Don't train the clients, train the staff!"

[22] In the BRI system, which Jacob Yaron considers the organization in his study (18) which is least subsidy dependent, the saver to borrower ratio is five-to-one; at the Bank Dagang Bali, which Robinson considers to be the "oldest sustainable microfinance program", it is over thirty-to-one. This implies accepting non-poor savers.

[23] Deeba and Ara make a similar point in their article: "limitations on members' access to their own savings runs counter to a fundamental organizational goal of BRAC <empowerment through participation and decision-making>. Indeed, BRAC's stance on savings may be interpreted as paternalistic. . . " (19).

The second reason is to do with Robinson's experience that people are uncomfortable making voluntary deposits into an account or institution where they also have compulsory, inaccessible savings, which are in effect security for the *lending* organization. Therefore, BRI separates loans and savings entirely: voluntary savings are entirely accessible (according to the scheme that the client chose; see below), and there is a *loan guarantee* mechanism[24] attached to the loan.

Thirdly, Robinson emphasizes the importance of designing and pricing financial services together. Pilot projects have a role in determining labour costs, demand, and necessary interest rates for a profitable spread *and* attractive service. She also makes several suggestions regarding changes that she perceives are necessary in lending policy with the advent of large-scale savings mobilization. She recommends splitting (commercially-funded) financial services from (donor-funded) social services, although she does not adequately explain why this is in particular necessary due to the introduction of savings mobilization.[25] Robinson also recommends for those MFIs which have not yet done so, increasing loan limits and providing individual loans, in order to attract some large depositors who will also be large borrowers if they choose to take a loan.[26]

Fourth, deposit instruments must be designed in to meet local demand. BRI, with its highly successful differentiated savings programme, is a model in appropriate design: 77% of BRI account holder have a SIMPEDES account, which offers high levels of liquidity (i.e. unlimited

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[24] The loan guarantee mechanism consists of an obligatory additional 25% of the interest rate per month. It is called a ***prompt payment incentive***, because if the borrower has made every loan installment on time and in full, s/he gets the guarantee back in full as a lump sum, either after six months or at the end of the loan period.

[25] This is certainly a path that BRAC is considering, if the Bangladeshi government provides a banking license. However, as Hasan Zaman has pointed out to me in a BRAC seminar, commercial sources are not often comfortable with the potential for cross-subsidization of programmes.

[26] BRAC does provide individual loans, although within a peer group setting, and it is experimenting with larger loan sizes in its MELA programme, as noted above.

withdrawals), and positive returns, and also incorporates a lottery. There is also a differentiated interest rate within the programme, dependent on deposit amount (20). TABANAS accounts provide savers with higher returns, but less liquidity, and was originally a national savings programme designed to attract very small savers, including children. Deposito Berjangka is a fixed deposit instrument used by wealthier villagers who want high returns, and by those planning for long-term goals. Giro is a current account with no real positive returns. Many members hold more than one account. Robinson notes that the 'liquid, semi-liquid, fixed' continuum has also been adapted by BancoSol, a highly successful MFI in Bolivia, and that there is demand for it in Kenya, among members of K-REP, the Kenya Rural Enterprise Programme.

Fifth, human resource development needs to be emphasized, whether a bank is making the transition to accept poor customers, or, as in BRAC's case, a lending NGO is beginning to mobilize savings on a large scale. In the second case, Robinson suggests that this involves educating staff about the rationale behind the change, showing them that the poor can and do save, and strengthening their basic financial skills. As will be discussed below, in BRAC's case human resource development must focus on instilling a commitment to clarity and transparency, if BRAC's financial services are to keep their good reputation - one of the most valuable assets a bank has, and even more important when the bank holds the customer's savings.

Sixth, marketing strategies need to be changed.

> **"A credit programme must select borrowers who are trusted by the lending institution. In savings mobilization, however, it is the customers who must trust the institution."**

Robinson points out that word-of-mouth is still the best form of advertising, but other locally appropriate (such as rickshaw loudspeaker messages, in the Bangladesh context?) forms of advertising can be used to attract customers once appropriate instruments have been designed.

Finally, Robinson suggests a sequence of actions that she recommends be followed when an institution is implementing a new savings policy. This will be discussed here in the context of BRAC's progress. Firstly, international experience must be noted, which BRAC-RDP management did do in 1994 through their visit to BRI and Badan Kredit Kecamatan (BKK), also in Indonesia (15). Experience of other MFIs has been noted in all studies produced by BRAC-RED mentioned above.

Secondly, demand studies and initial staff training must be carried out. The former has been done in a very haphazard fashion in BRAC. Perhaps BRAC needs to change its strategy from attempting large-scale evaluations of the *impact* of delivered services, to carrying out large-scale market surveys to determine the *demand* for potential services. This is part of the paradigm shift from 'beneficiary' to 'customer'.

Staff training has been limited to a half-day meeting with relevant branch managers, accountants, and Credit POs (Program Organizers), but not with the PAs (Program Assistants) who are more in touch with members on a week-to-week basis. The PAs are instead 'trained' by the managers to 'mobilize' *kisti* repayments and weekly savings deposits.

Next a pilot project must be run - BRAC did this in 1993 as noted above, although its purpose was more to determine potential costs and profits of the program rather than the appropriate price and design.[27] The fourth step is to revise the pilot project - which has been done, to an extent. There seems to have been a rather half-hearted attempt to standardize procedures and make the process clearer and more transparent, as was recommended in the evaluation of the first study. There was no attempt to promote the effective running of the system through setting targets for staff. Deeba and Ara's recommendation that the pilot project be expanded to at least thirty branches was ignored.[28] Recommendations in both articles to offer differentiated savings services were implemented in an inconsistent manner. Rather than offer two or three different types of service to the *same* customers, each service was offered in a *different* branch, making a comparison of demand difficult. Further, two of the three models offer different levels of liquidity at the same level of interest, and two of the three offer essentially unlimited liquidity at different rates of interest, rather than increasing liquidity partnered with decreasing returns. A description of all three models plus the original system is given above.

The pilot project revision stage is to be accompanied by wider staff training and management information system and logistics development. BRAC-RDP did develop some stationary for use by the different models at this point, but it is not clear which branches use which forms, and much useful information has been excluded.

"An institution that tries to implement its new savings program before its management information system is ready, and the staff well-trained in its use, is asking for trouble."

The last two stages of Robinson's recommended process are gradual expansion and market penetration - neither of which BRAC is prepared for at this point.

[27] Design was considered from an organizational, not a client, perspective.

[28] The recommendation was ignored in part - the Current Account system is in place in over forty branches, but this was not originally part of the PSP.

BRAC Documents

The issues of savings mobilization and access to savings emerged in BRAC as a focus of research four years previous to the commencement of the current PSP.[29] In July, 1992, a study on the reasons behind savings default was begun (21). 'Savings default' was narrowly defined as the failure to save money in four consecutive weekly meetings, and five of the eleven RDP Area Offices (AOs) which showed high levels of savings default were selected for the study.[30] Two hundred defaulters were interviewed, and important results included:

- 50% of respondents were reluctant to save because there were no emergency withdrawal services;
- 20% of respondents found it difficult to attend three or four consecutive meetings due to illness, temporary migration, difficulty in saving and repaying a loan concurrently, and lack of money to pay the loan installment;
- 90% of respondents did not know the savings interest rate;
- almost all members are regular savers until they get their first loan, at which time 8-10% become defaulters - accordingly, older VOs have higher default rates;
- men were about twice as likely as women to default ; and
- about three quarters of the respondents saved elsewhere before joining BRAC, but only about one fifth saved elsewhere after joining.

The study observed that AO staff placed little emphasis on encouraging and supervising savings deposits.

[29] The studies noted here are, obviously, those which made an important contribution to the study of savings services. More notable, in both BRAC and external documents, is the lack of volume of work on the savings issue, in comparison to credit, and the volume of work on microcredit that disregards savings entirely.

[30] Interestingly, one of these branches was Gaibandha, chosen by RDP as a 'designated control' branch in the current PSP.

The experiences of other Bangladeshi and international NGOs and rural development banks as well as that of BRAC, reflected in the study described above, lead BRAC RDP in March 1993 to initiate the first pilot savings scheme. In ten RDP/RCP[31] branches throughout Bangladesh, members were to be allowed to withdraw their savings when they wished. A fixed implementation policy or standardized stationary were not given to the branch offices by RDP, in order to allow the Head Office (HO) to observe how the project would be translated into practice by Area Office staff.

In July 1994, an evaluation report was produced (22). The report focused on four issues, and the major findings were as follows:

- Despite a tendency for branch staff to focus their outreach efforts more on a perceived necessity to limit withdrawals than on the accumulation of savings, the scheme was considered to have a significant impact on savings mobilization.. This impact was noted as an average increase in own savings per member per month of more than 20%, from Tk. 14 to Tk. 17. This figure was arrived at by comparing each of six model branches to a control counterpart of the same age and in the same region.

- The scheme seemed to have a positive impact on VO members' attitude towards BRAC, as withdrawal of savings in case of an emergency (e.g. illness) was now possible. In order to have access to such a facility, many members stated that they would even agree to a reduction in the interest rate on their savings. This information was gathered through interviewing eight to twelve members of two VOs (one male and one female) in each of the six model branches. As noted above, the "Savings default" study suggested that 50% of respondents were savings defaulters because they

[31] An RDP branch becomes an RCP (Rural Credit Programme) branch after four years of existence. RCP branches are supposed to be independent profit centres.

could not withdraw their savings in case of emergency. Similarly, the first RDP Impact Assessment Study (IAS) found that 25% of the respondents who dropped out during the period of study gave as a reason *no provision for direct protection against hardship* (23).

- Although there was considerable diversity in the implementation of the scheme, three important commonalties emerged:
  - members with overdue or large outstanding loans had their withdrawal limited or disallowed;
  - a minimum savings balance was always to be maintained; and
  - in some branches, the withdrawn savings were to be repaid before another withdrawal took place.

  A standardized procedure was recommended, as well as the use of photographs and signature specimen cards.

- The cost-benefit and projection analyses carried out lead the authors to claim that, *at the rate of savings mobilization* generated at that time, it would take several years for a branch to become financially self-sufficient in its credit and savings programmes *based on savings alone*. A branch eight years old, for example, could become self-sufficient in three to four years, while a younger branch of only two years may take eight to nine years to reach the same point. Two points must be noted here:
  - The projections do not account for the increased returns from an ever-growing loan fund, based in part on savings mobilized.
  - The projections use as their starting point present savings rates. Hence, a two year old branch that had *always* had open savings may be able to attain self-sufficiency in perhaps six or seven, rather than eight or nine years.

  In order to speed up the process, the study recommends that branch staff spend more time and energy on savings mobilization, that the

> savings service be opened to those outside BRAC's target population, that differentiated savings schemes be offered, and that the interest rate be lowered further.[32]

In 1995, another savings scheme was developed, and the subsequent report included an assessment of members' and staff's response to the potential system, based on a series of qualitative semi-structured discussions in 16 VOs under four AOs (18). The proposed scheme is a highly conditional one, as the authors claim that net savings actually *decreased* during the 1993-4 pilot project, due to members making frequent withdrawals. The proposed scheme consists of the previous years savings for "savings loans" which would be made available to members in the case of death, severe illness, or disaster, and which would have to be repaid in monthly installments within six months, at a 6%/year interest rate. Interest would be credited to the member's account. Members with overdue loans or savings loans would not be able to take a savings loan, and no member could withdraw more than 50% of their savings in excess of the matching amount of any loan taken. Although respondents felt that access to savings in the case of emergency would be beneficial, it is important to note that

- the idea of paying interest on withdrawn savings, even to oneself, received mixed reactions, and
- that members' definitions of emergency situations are much broader than that of the proposed scheme.

The authors thus suggested that a pilot project be implemented whereby in at least 30 branches open savings be offered on the conditions that the savings loans are repaid within 6 months, but not with interest, and that they are for emergency purposes only, broadly-defined.

[32] In January 1994, the interest rate on savings was dropped from 9% to 6%.

The new PSP is essentially a follow-up to the 1993-4 project and evaluation, and Ara and Deeba's report, although many of the more cogent suggestions have been significantly moderated or not implemented at all.

PART TWO: <u>INVESTIGATING THE RATIONALE BEHIND THE PSP</u>

Objectives

The objectives of the preliminary stage of research, undertaken July-October 1996, were essentially to gain an impression of the PSP was understood and regarded by management, staff, and members.

1. To confirm the attitudes, objectives, and concerns surrounding the different savings models among BRAC management, staff, and membership. This was for several reasons
    - to set up indicators for the success of the PSP based on the official objectives of the project;
    - to determine reactions to the PSP at different levels of staff and membership;
    - and to strengthen a 'three-way information flow' between HO, branches, and members.
2. To check the quality of information dissemination - i.e. to determine how the models were being run in practice, such that
    - it could be determined whether the model areas provided a consistent and rigorous enough basis for comparison with normal areas.

Methodology and limitations

The preliminary research was undertaken through the administering of sixty-four questionnaire-based interviews in nine branches[33] and HO. The semi-structured nature of the

[33] Amdia, Sonargaon, Katchikata (Narsingdi); Puthia, Paba, Durgapur (Rajshahi); Gobindganj, Palashbari, Gaibandha (Gaibandha).

questionnaire allowed for flexibility, in response to the particular knowledge and perspective of each respondent, as well as enough form to make the interviews comparable. Respondents included VO members (women only), Program Assistants (PAs), Credit Program Officers (POs), PO Accounts, Managers, and three members of RDP and RED management. The questionnaire guidelines were pre-tested once at the HO level, and once in each of the Model One and Model Two areas near Dhaka, as well as in one 'normal system' branch. Changes and additions were made, primarily with respect to the sequence of topics. Content changes were minimal. Detailed questions were asked, regarding the nature of the savings policies, as well as about the respondents attitudes and beliefs surrounding BRAC policies and savings in general.

In each branch, our target was to interview two VOs, their respective PAs, two credit POs, the PO accounts, and the manager. We were almost always able to complete this task., but some staff members were on leave or at meetings. An attempt was made to collect a limited number of women (between five and ten) for the VO interviews, and to include both those involved in leadership positions (i.e. chairwoman, secretary, cashier, small group leader), as well as regular members. It was occasionally difficult to restrict numbers to these levels. Other limitations of the study included the team's reliance on the staff of each branch to direct us to two VOs where we could hold our interview, and the impracticability of visiting very remote VOs. Nevertheless, we attempted to make a random selection of VOs, accounting for age and location, and choosing two ~~VOs with different PAs.~~

Most of our preliminary field work was undertaken in September and October; this was slightly too early for the models to be in full swing, although the PSP had commenced in August. We were only apprised of the existence of a third model - the Current Account system - late in our fieldwork. Thus, any questions regarding this had to be spontaneously improvised, and branches were not visited with the intention of researching the Current Account system. At that time, therefore, a rigorous preliminary investigation of that model was not undertaken.

Results

Many of the results of this preliminary stage of research are apparent in the 'In practice' section of the BRAC savings policies described above, as well as in the official objectives of the PSP. In terms of policies in practice, it is apparent that all four savings systems are being run in different ways in different branches and VOs. This in itself would not be a major problem if the variations were only due to different local conditions, and if the system was transparent enough such that HO could evaluate modifications. However, it is often difficult to understand exactly which staff member's views were actually being put into practice, and it seems most probable that an interaction of different views creates actual practice. This makes a comparison of the four different savings models very difficult. Further, the situation had also created a considerable level of confusion among members in some branches concerning withdrawal rules.

As noted above, in terms of the objectives of the PSP, it was determined that official objectives are fourfold: to reduce drop-out rates from BRAC, to provide access for members' to their own savings, to improve client well-being, and to increase savings mobilization to the financial benefit of BRAC. Over the course of further reading, fieldwork, and discussions, the first three of these objectives have been summarized as **"the provision of flexible, appropriate, transparent, and clear savings services"**.

Flexible is here defined as a service that offers multiple differentiated schemes, in this case savings schemes with different combinations of liquidity and returns. *Appropriate* implies tailoring the scheme to the targeted client group - in this case, for instance setting minimum deposit levels that are not too high, and allowing people to make deposits in their own village. *Transparency* is the quality of a system whereby policies and policy changes are made available to all staff and membership involved in the organization. *Clarity* is a way of providing information that is understandable. It is hypothesized that if the service is flexible and appropriate, members' well-being will be enhanced and dropouts relating to the lack of access to emergency funds will decline. Essentially, if member's are choosing to use the service, it is likely to be good for them in one way or another - i.e. financially and/or socially.[34] Further, if the service is both transparent and clear, members will be able to make their own decisions regarding their own savings, ensuring their own access.

BRAC management and staff have sometimes articulated that access to one's own savings should be considered a 'human right', but we believe that this is not exactly the case. Sometimes, as in the case of Fixed Deposit Schemes, people decide to restrict their own access to their savings - they 'volunteer to be compelled' because they know that it is good for their financial health. On the other hand, the opportunity to make one's own decisions regarding one's own financial activities and indeed one's life is perhaps the very essence of 'human rights', and of empowerment', one of BRAC's major goals. If a member has been lead to believe that her savings are her own to use as she pleases, disallowing access to savings becomes unjustifiable. If savings are security for loans, this should be policy - then a woman can decide if she wants to place enough savings with BRAC to get a loan, while putting *actual* accessible savings elsewhere.

[34] Intra-household resource demands, and husbands using wives' savings for the 'wrong reasons', as one of our cases mentioned (discussed below), are difficult issues to deal with. However, it is our contention that it is not the financial service provider's place to monitor how savings are used. Beyond only allowing the woman herself to make withdrawals, there is nothing that BRAC 'bank' can do to prevent husbands from utilizing women's money in ways that she does not agree with. This is perhaps a task for HRLE and NFPE.

In terms of reaction to the PSP, most BRAC field staff and VO members interviewed strongly supported the proposal to open up access to savings. This was primarily due to the likelihood that the service would help people during crisis periods, in particular by offering an alternative to borrowing from *mohajons* at high rates of interest. Members and staff both stated that member confidence in BRAC would increase. It was often surmised that branches or particular VOs had reached a certain level of maturity, awareness, or savings amount, such that members were ready for a more open system. However, some staff - and even a few VO members - expressed a fear that due to a tendency to withdraw too much or too often, members would not be able to build up their savings for future security or to get loans. It is hypothesized that the provision of flexible and differentiated savings services will overcome this problem. Reactions to specific models are included below in *The new BRAC accounts, and impressions regarding BRAC savings policies* section of the in-depth case study results.

On the basis of the above-mentioned results of preliminary fieldwork, a three-tiered monitoring and evaluation procedure was set up. The focus of this procedure was originally on the four objectives defined by BRAC management - reduction in dropouts, client well-being, access to savings, and BRAC finances. As fieldwork progressed, the procedure was streamlined to meet with the streamlined version of the objectives, discussed above, and to take into consideration constraints on time and information. This process will be dealt with below.

PART THREE: Monitoring progress towards defined objectives

Objectives

After completing the preliminary fieldwork, we understood better what measures of 'success' we should be using and we began the study proper (January-February 1997). Because this was still in the early stages of the PSP, much of the information gathered can be considered baseline - i.e. it is expected to change during the course of the project, and success will in large measure be determined by how much it does so. The PSP Monitoring and Evaluation process has been divided up into three parts: remote monitoring of financial data, spot-checking, and in-depth case studies. After a discussion of the limitations and the general applicability of the study, each of these will be discussed in turn, focusing on methodology and preliminary results

Limitations and the general applicability of the study

1. Target group of study

This study has included women who already are BRAC members, or, in limited cases, who have been members in the past. Results regarding the determinants of rural Bangladeshi women's savings behaviour are only generalizable to populations with access to BRAC financial services. In consideration of the tendency for NGOs to cluster in the same areas of the country, and in consideration of the fundamental similarities of the financial services offered by major NGOs in Bangladesh[35], results may also be generalizable to an extent to populations with access to the financial services of other NGOs.

The sole focus of the study on BRAC members is due to time limitations, as well as to the official objectives that have been articulated. These essentially all focus on current membership -

[35] This 'fundamental similarity' could be defined as: regular savings deposits which are inaccessible, leading to loans, all within the context of a *somity*. Admittedly, NGOs' loan packages in particular are becoming more diverse, with BRAC, for instance, testing out much larger loans in its Micro-Enterprise Lending Assistance (**MELA**) programme, and experimenting with monthly, rather than weekly, loan *kisti* and savings deposits. Savings policies also are changing, as this paper discusses. Thus, women's response to BRAC will become less generalizable to other NGOs over time, and focus will have to turn to specific policies.

providing them access to their own accumulated savings to augment their own well-being, such that they will wish to deposit more of their savings with BRAC, and not wish to drop out. However, as discussed in the *Literature Review*, savings services may be a means of reaching the so-called 'poorest of the poor' - those without the financial capability or confidence to take loans to improve their well-being - with financial services. If this had been articulated by BRAC as an objective, more time could have been spent talking to women who are not members of any NGO or *somity*, regarding their financial behavior and their exclusion from financial services. This is definitely a potential focus for future research. The IAS comparison sample set could be used for this purpose.

Initially a spot-checking of drop-outs, regarding the role that savings played in their decision to leave BRAC, was planned. However, it was later felt that IAS II data covering drop-outs would provide a sufficient indication of why women were leaving BRAC under the normal savings system in force during the last three years. However, in future work a greater emphasis should be placed on spot-checking drop-outs in branches under the three PSP models. In particular, if IAS II determines, as IAS I did, that access to funds in times of emergency is a major reason behind drop-outs, those branches included in both the IAS II and PSP studies should be checked.

2. Financial data

As one of the main objectives of the PSP is to augment the economic well-being of BRAC through increased savings mobilization, it is obvious that monitoring of financial data is required, in order to see both *how much* and *how quickly* changes in savings can be expected to occur if the PSP were to be extended to all BRAC branches, as well as to confirm that the costs of the programme do not outstrip the benefits. However, during the course of the PSP monitoring efforts, it has become increasingly apparent that BRAC systems are not currently set up in a way such that monitoring of savings data can be done with a great deal of confidence. This is primarily due to the fact that different branches record their own financial data in different ways, and to different levels of comprehensiveness, as well as that there is some types of data that branches do not record at all. The 'Basic Information Sheet' that branches are asked to complete has been the best source of most data; however, even it suffers from some difficulties. *Appendix 2* consists of recommended passbook, VO, and branch level forms for both the current account and other savings systems. As the PSP will be continuing for more than two years, it is not to late to put some of these new, simple monitoring systems in place. If not, monitoring of financial data will have to be done by going to the respective branches, rather than in a more cost-effective *remote* fashion.

The chart that has been developed to record PSP data (see *Appendix 3*), includes headings for all information that was recorded by at least one branch. It is possible, therefore, to record this information without incurring huge increases in workload or stationary. Amdia-RCP keeps a monthly record of how many members have deposited more than Tk. 5 / week that month, which is very important to note the growth in voluntary savings. Puthia-RCP records the number of savings defaulters - those who did not make one of the Tk. 5 / week deposits. This is also a useful piece of information, as it helps to indicate what the *median* savings deposit is, instead of just the *mean*. The third important piece of information, only recorded in some branches, was a month-by-month record of how many accounts (i.e. current accounts or Model One accounts) have been opened. This data is interesting in that it indicates how many people want the option of withdrawing, but have not actually availed themselves of the opportunity.

The manner in which drop-outs are recorded is also a matter of interest, as non-dropout withdrawals have different implications from withdrawals made by members who are no longer with BRAC. For accounting purposes, a 'drop-out' should be any member who is no longer a BRAC member for **any** reason. This includes members who have: left of their own will, been asked or forced to leave, died, or migrated. Further, drop-outs need to be recorded more rigorously than they have been. For some reason, some branches report that for some time they were instructed by HO not to worry about recording drop-outs, although this could be in part due to some confusion over the 'Basic Information Sheet' form, which shows that no *cumulative* drop-out data needs to be recorded.

Further, discrepancies appear between HO and branch level data, in particular for membership figures, essential for calculating per head savings rates. This is perhaps the simplest type of data to record and there is certainly no excuse for inconsistency. Discrepancies also appear regarding 5% of loans deposited and withdrawals. These gaps have been noted in particular by comparing July and August 1996 figures from the branches and HO.

Finally, it must be noted that the number of branches running Model One and Model Two systems (three branches each) makes the general applicability of financial experience almost impossible, especially in addition to the fact that, as noted above, different branches run their systems in different ways.

3. Data collection

Financial information, especially when it may involve women's 'secret' stashes of money, are often delicate issues to discuss. When the interviewer is an NGO worker, certain information may be tempered or emphasized in order to either please the NGO worker or try to extract resources from her/him. Further, because one of the field workers on this project is a foreign woman, crowds often gathered, sometimes making it even more difficult for a respondent to go into the intimate details of her financial status. The presence of husbands also had this effect. However, in most cases enough time was spent with the women to disperse crowds and gain some level of the women's' trust, such that we feel that the information is valuable. IAS household surveys helped to judge the accuracy of information.

Remote monitoring of financial data

Financial and other relevant data has been collected directly from branches for the period July 1996 to January 1997 for six branches: Dhenaidah ('normal' system), Amdia and Puthia (Model One), Sonargaon (Model Two), Paba (Model Two and Current Account), and Chapai Nawabganj (Current Account). Except for Sonargaon, these are the same branches in which case studies were done. Data for additional branches has been collected from RDP - MIS for the period January - August 1996. In consideration of the limitations commented on above, it is difficult to make any strong interpretations or recommendations at this point, especially as the program is still only in its first phase. However, some initial observations can be made.

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1. Disaggregation

Firstly, it is very important to disaggregate types of savings and withdrawals, clearly most apparent in consideration of the forced 5% of loans that must be paid in BRAC savings. This factor not only greatly affects the scale of savings, but it also affects the variance to a slight extent. This effect can be noted by comparing Chart 2 (on the following page) which includes 5% of loans, to Chart 1 which does not. Note in particular Amdia and Chapai Nawabganj: both branches' own savings trends are more stable than the own savings plus 5% of loans.

The distinction between own-compulsory and own-voluntary savings must also be made. This draws attention to the fact that different minimum levels of savings have been set for members in different branches, such that members believe a certain amount is necessary to conform to in order to receive a loan and remain a member. The following box gives an indication of the *compulsory* weekly savings amount in each branch:

Puthia: Tk. 5	Amdia: Tk. 5
Paba: Tk. 5	Dhenaidah: Tk. 2
Chapai Nawabganj: Tk. 5	Sonargaon Tk. 9.725 (weighted)

This implies that a member in Dhenaidah, Chapai Nawabganj, or Sonargaon may be thinking along the same lines:

> I must deposit Tk. 2 (or 5 or 10) each week in order to be a member and get loans and other services. I'll deposit a bit more now and then, because I'm able, and because I like to show the other members in my VO that I'm able.[36] It's probably good for me in my old age too. But I won't deposit as much as I could, because I can't withdraw it when I need to.

[36] In Durgapur, one VO told us that they all deposit a little more than they have to, because they have a sense of friendly competition.

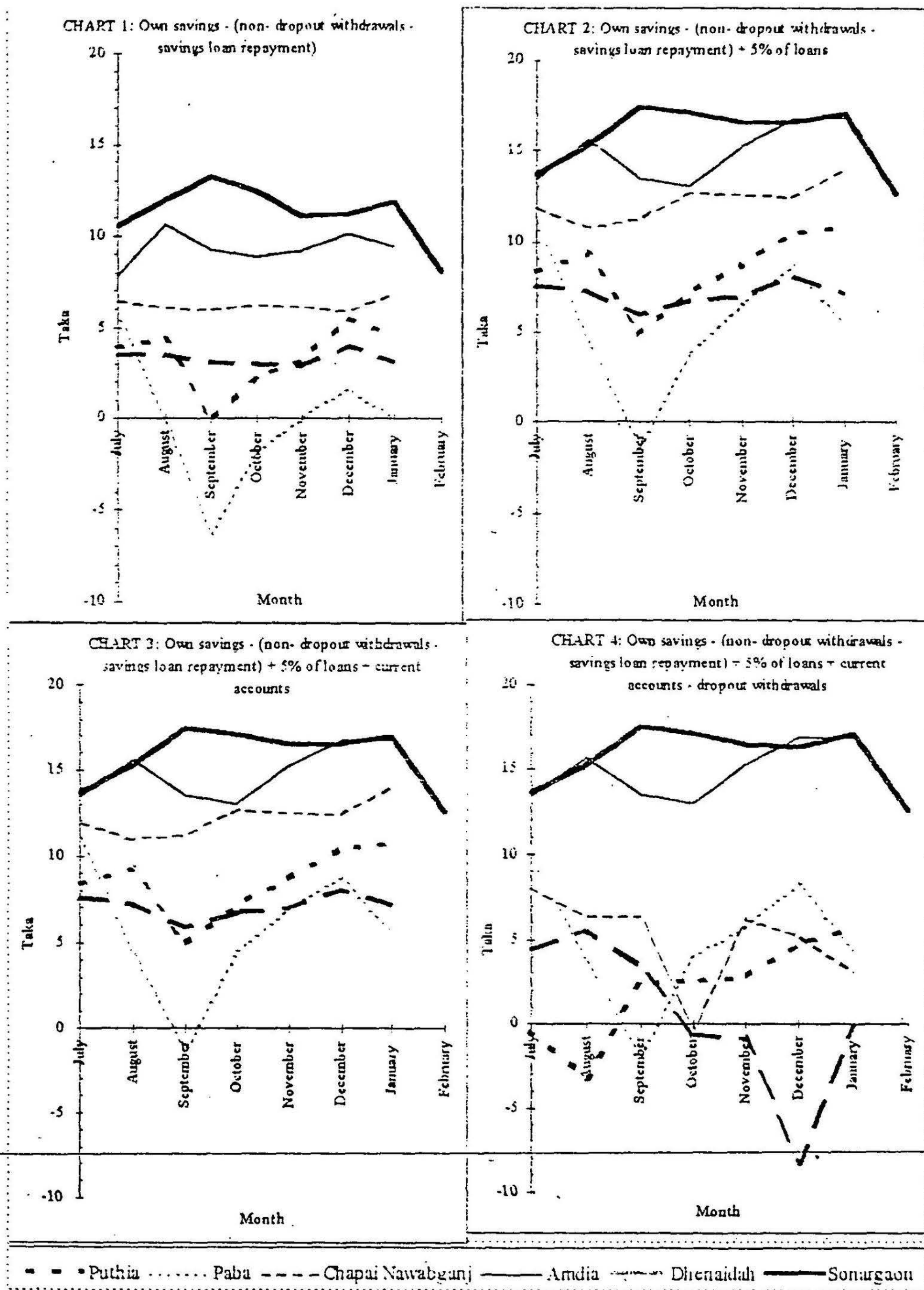


CHART 1: Own savings - (non- dropout withdrawals - savings loan repayment)
CHART 2: Own savings - (non- dropout withdrawals - savings loan repayment) + 5% of loans
CHART 3: Own savings - (non- dropout withdrawals - savings loan repayment) + 5% of loans + current accounts
CHART 4: Own savings - (non- dropout withdrawals - savings loan repayment) + 5% of loans + current accounts - dropout withdrawals
Taka
Month
20
15
10
5
0
-5
-10
July
August
September
October
November
December
January
February
Puthia
Paba
Chapai Nawabganj
Amdia
Dhenaidah
Sonargaon

Draft

Thus, the average *voluntary* savings of these three branches ends up being similar: Tk. 1.3 for Dhenaidah in the period charted, Tk. 1.2 for Chapai Nawabganj, and Tk. 1.5 for the younger Sonargaon.

However, the voluntary-compulsory distinction is not a perfect measure for two reasons: first, different VOs within a branch may have different minimum savings levels set for them by different PAs; secondly, many seemingly voluntary deposits may be in a way forced, as members need to deposit increasingly large 'matching amounts' to receive subsequent loans.

Even more important is the necessity to distinguish between dropout and non-drop-out withdrawals. Puthia, Dhenaidah, and Chapai Nawabganj are strongly affected by drop-out withdrawals, whereas in comparison, the otherwise weak Paba emerges in Chart 4 looking relatively strong. This implies that, in order for BRAC to fulfill its objective of making savings a major source of funds, attention must be placed on reducing dropouts. As mentioned above, if IAS II discovers that many dropouts are due to lack of access to crisis funds, the provision of more flexible savings services - or, as Muzammel Huq of the Grameen Bank suggests, old age pension schemes[37] - may aid in this endeavour.

2. Current accounts

Despite the fact that this is an entirely separate account and, as a completely liquid account, cannot be relied upon to mobilize loanable funds for BRAC, it has been included here in Chart 3. The liquidity of the account is apparent in the lack of effect its inclusion has on total savings in Chapai Nawabganj. However, in Paba, the Women's Training Center holds an account in the groups' name. Each individual savings amount is essentially a fixed deposit of Tk. 25 / month for

18 months to 2 years, but the account itself must be liquid because VGD members can withdraw their deposited funds when the group of 150 women completes the cycle. In Paba:

November 1996:	600 women (4 groups of 150) deposited Tk. 25 each; 3 groups finished the cycle	Tk. 15000
December 1996:	150 women (1group) deposited Tk. 25 each	Tk. 3750
January 1997	1 group joins: 300 women (2 groups) deposit Tk. 25 each	Tk. 7500

Group accounts such as this may be a viable means of mobilizing loanable funds, as it can be easily predicted when deposits and withdrawals will be made.

3. Branch performance

Finally, some comment can be made on the performance of the specific branches included. Chart 5 represents the 13 month history of Amdia and Puthia (Model One), and Sonargaon and Paba (Model Two). Gobindganj and Palashbari, the respective Model One and Model Two branches in Gaibandha district, were found to be almost the same as Paba and Puthia with regards to scale and trend of net weekly savings per member, and thus for clarity's sake these branches have not been included on the graph.

Amdia, an 11-year old branch, and Sonargaon, a 3-year old branch, both near Dhaka in ~~Narsingdi and Narayanganj districts respectively, are both performing well. The slightly better~~ record for the newer branch confirms the present trend of declining enthusiasm and conscientiousness on the part of members, reflected in lower savings and repayment rates. Although net savings in all branches were dramatically affected by the period of non-cooperation

[77] Personal communication, March 8, 1997.

in February-March 1996, Sonargaon in particular recovered quickly, showing resilience of membership.

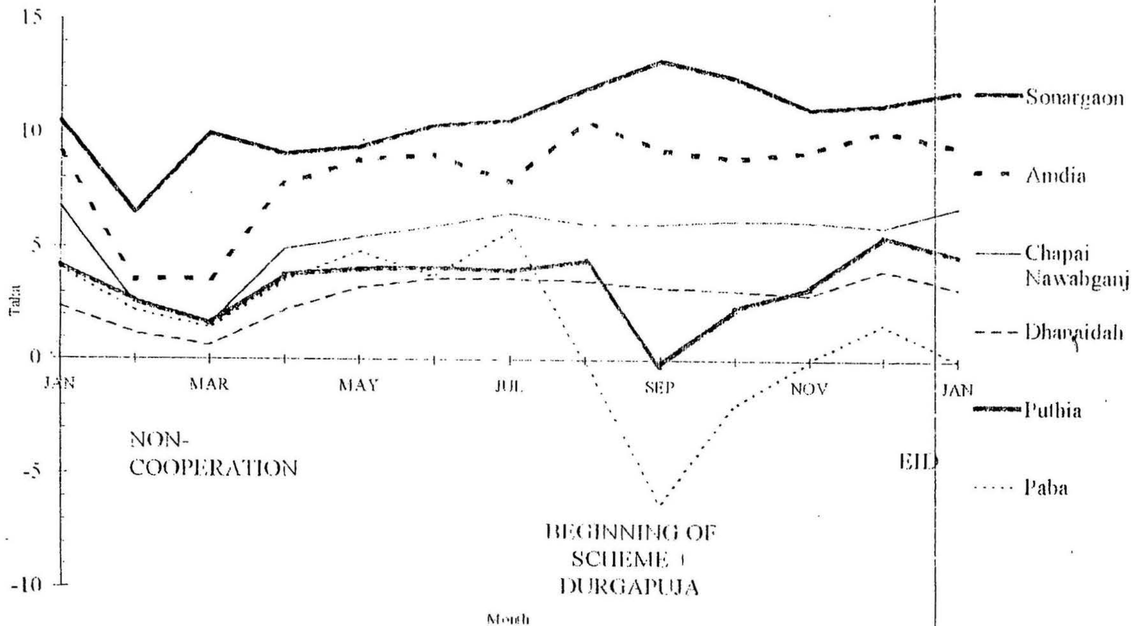
On the other hand, Paba and Puthia seem to be affected more strongly than Amdia and Sonargaon by a 'testing' of the new systems during their inceptions in August 1997, resulting in a net outflow of savings in those branches. In must also be noted that the beginning of open savings corresponded with Durgapuja, during which Hindu members make 'social expenditure' withdrawals for clothes and gifts.[38] This also occurred, though to a lesser extent, before Eid, during the month of January, although by the beginning of December savings had recovered to its former levels from the earlier declines. Fluctuations in net savings reveal the effects of crises and social pressure, and underscores the need for opening access to savings.

In consideration of BURO, Tangail's experience, it can be hypothesized that as members confidence in BRAC and it's savings policies rises, withdrawals will decrease in frequency and increase in size, causing a net decrease in withdrawals. It is further likely that deposits will increase in size, and possibly in frequency if an appropriate collection system is set up.

[38] Although Hindus make up a relatively small proportion of the population in the areas studied (2.2-11.7% in 1991 according to the Banagladesh Bureau of Statistics), the effect is *in addition* to that of the beginning of the open savings system. Also, the religious breakdown of BRAC members in the areas is unknown.

Weekly net savings per member Jan96 -Jan97

Own savings - non-dropout withdrawals + savings loan refunds



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In Dhenaidah, the minimum own-compulsory savings deposit is only Tk. 2, but this seems like an absolute minimum and most members do not operate at that level all the time. Dhenaidah's chief problem regarding savings seems to be dropouts, and the results of the IAS II survey of Dhenaidah will have to be completed before a hypothesis can be made regarding whether a branch such as this could open up savings withdrawals. If many of the dropouts there occur due to lack of access to funds in times of emergency, then an open savings policy may increase net savings. Further, if our cases in Dhenaidah are representative, then a second savings problem is actually a loan repayment problem - perhaps in Dhenaidah in particular BRAC members could make use of a savings service that does not require or pressure them to take loans. Chapai Nawabganj is a stronger branch in terms of net weekly savings per member, perhaps due to the profits generated by its proximity to the Indian border, but it is also strongly affected by dropout withdrawals.

It is apparent that different branches manage their savings schemes in different ways, and there are some other factors affecting branch performance such as location and age. Therefore, it is suggested that the performance of the model branches is evaluated against that of a random sample of branches of different ages and locations in the country (see *Appendix 4* for sample set).

4. Savings and subsidy dependence

As noted above, the main objectives of BRAC's PSP can be summarized as provision of transparent, clear, flexible and appropriate savings services, and the economic well-being of BRAC. These are, of course, different facets of the same issue: BRAC's viability depends on the viability of its members, and in particular the economic viability of BRAC is based on whether or not BRAC members utilize BRAC financial services. Drop-out rates are a clear indication of some sort of dissatisfaction regarding BRAC services[32], and BRAC is attempting to reduce dissatisfaction by introducing savings services that are more flexible and therefore useful for members. Savings mobilization will increase, adding to the loan fund, such that more loans can be advanced to those who can use them profitably, enhancing BRAC's economic viability.

One means to measure the economic viability of an NGO is by considering how 'subsidy dependent' the organization is. In his 1992 Discussion Paper *Successful Finance Institutions*, Jacob Yaron developed a *Subsidy Dependency Index* by which it could be determined how much the interest rate on loans would have to increase to eliminate subsidized funds from an organization's budget. This measure has been applied to BRAC, the Grameen Bank, and other MFIs - including, as mentioned above, BRI - the only organization with no subsidy, according to Yaron's definition.

Our attempts to adapt the SDI such that one could determine the necessary increase in savings mobilization such that subsidy could be eliminated at either a branch or organizational level have been in large measure unsuccessful, for two main reasons. Firstly, the SDI itself has been employed in different manners by different authors, and no clear 'user's manual' has emerged (17, 24, 25, 26). Secondly, much of the financial data required by the SDI is unavailable in BRAC, due primarily to accounting procedures. In future work, two ratios might be utilized to determine change in the contribution of savings to declining subsidy dependence at branch level: savings / outstanding, and savings / subsidized funds. Again, savings should be disaggregated to give an

[32] Drop-out rates are never a *perfect* measure of client dissatisfaction. For instance, 'graduates' - those members who are no longer in the socio-economic group that BRAC serves and thus have 'dropped up' - may be totally satisfied with the services that were provided but no longer need them. On the other hand, a woman may be satisfied with BRAC's financial services but be compelled to drop out by a (usually male) relative who does not want his wife in an NGO *somity*. This may be an indication of a sort of dissatisfaction with another part of BRAC's work, namely, 'women's empowerment'.

indication of how own savings, 5% of loans, and dropout / non-dropout withdrawals, are contributing to subsidy independence.

Spot-checking

The purpose of spot-checking, the second level of PSP monitoring, is two-fold: to determine any concerns and problems relating to the PSP models at the branch staff and member level, and to check how the relevant model is being run. Spot-checking involves three aspects of the PSP: the provision of open access to own savings; the attitudes of members towards BRAC and its savings policies; and savings-related branch costs. During the first stage of the PSP monitoring and evaluation process, information regarding these three aspects was only collected at the branches where in-depth case studies were being held. Spot-checking was not done in a comprehensive manner as was planned, as time was instead being spent on gathering clear financial data and on the in-depth case studies.

In future work, spot-checking of branches other than the case study branches - in particular those Current Account branches in Khulna and Kusthia which have yet to be visited - will become necessary. It is recommended that anytime an RED researcher from any team goes to one of the PSP branches, that they be asked to gather information from branch staff and members on a basic level regarding the PSP. For example, basic questions such as "How many Model One / Two / Current accounts are there?", "Is the system popular?", and "Has the new system lead to a lot more work?", can be asked to one or more branch staff. Members can be asked "Can you withdraw your savings?" , "How much?", and "Do you prefer the new system to the old system?" If a PSP researcher her/himself is doing the spot-checking, more specific information regarding deposits, reasons for opening or not opening accounts, and how members are motivated to make voluntary deposits can be gathered. Also, branch level financial data can be collected as per the chart in *Appendix 3*.

In-depth case interviews

The case studies conducted were chiefly *exploratory* - that is, the main objective was to allow issues regarding savings practices and the determinants of these practices, and women's opinions regarding various savings policies including those of BRAC, to emerge. The case studies completed are a first step in the comprehensive study of the savings practices of rural Bangladeshi women in the predominating context of NGO credit and savings schemes. The cases do not presume to be representative or explanatory, but it is believed that the women chosen represent an interesting cross-section of BRAC membership, and that hypotheses based on the determinants of savings practices could be made from the information gathered. The focus was on developing a qualitative knowledge of the reasons behind quantitative savings-related behaviour. It is hoped that over the course of the PSP that these women will be visited one or two more times, in order to explore the effects of different internal and external economic and policy forces on savings behaviour.

1. Income frequency

For poor women, there are almost always demands made on her income, by children's, husband's, or her own needs. ***Shireen*** is a disciplined saver: she puts Tk. 1-2 in a secret place each day, and deposits Tk. 10 into her BRAC account at her Sunday VO meeting. However, many women find that "saving in the house is almost impossible". If there is no place that she can deposit income at the time that she receives it, it is likely that the amount will be spent, rather than saved and deposited later. The amount that a rural Bangladeshi woman is able to save may therefore depend to a large extent on whether the frequency of her income matches the frequency of the savings instruments available to her. Each of BRAC's savings services essentially provide the opportunity to make a deposit once per week on a set day at the VO meeting, unless a woman wants to make the sometimes significant journey to the branch office. In first-year branches, the opportunity to save is monthly. According to our fieldwork, very few women come to the office to make deposits.

The sixteen women with whom we discussed income and expenditure information had a total of (at least) 51 income-generating activities carried out by members of their households, from which to draw funds for consumption, investment, and savings. Some women receive payment for one job in different ways and at different times - for instance, *Murzina* gets *daily* food for her and her children, along with a sari and 1/2 *maund* rice every month or so, for doing housework for others. Therefore, 51 IGAs lead to 55 incomes. In addition, two women receive 31 kg of rice per month - not from a income generating activity as such, but from the income generating possession of a VGD (Vulnerable Group Development) card. This means there are 57 incomes in the group - an average of more than 3 ½ incomes per woman.

Of these 57 incomes, 29 (51%) were daily. 20 of these were the woman's own income generating activities, and one was a schoolboy's. Every household has at least one source of daily income. Daily income comes from such activities as selling eggs and milk, embroidering shawls and tailoring clothes, and selling medicine as a *shasto shebika*, as well as driving a rickshaw van, running a shop, or working as an agricultural day labourer.

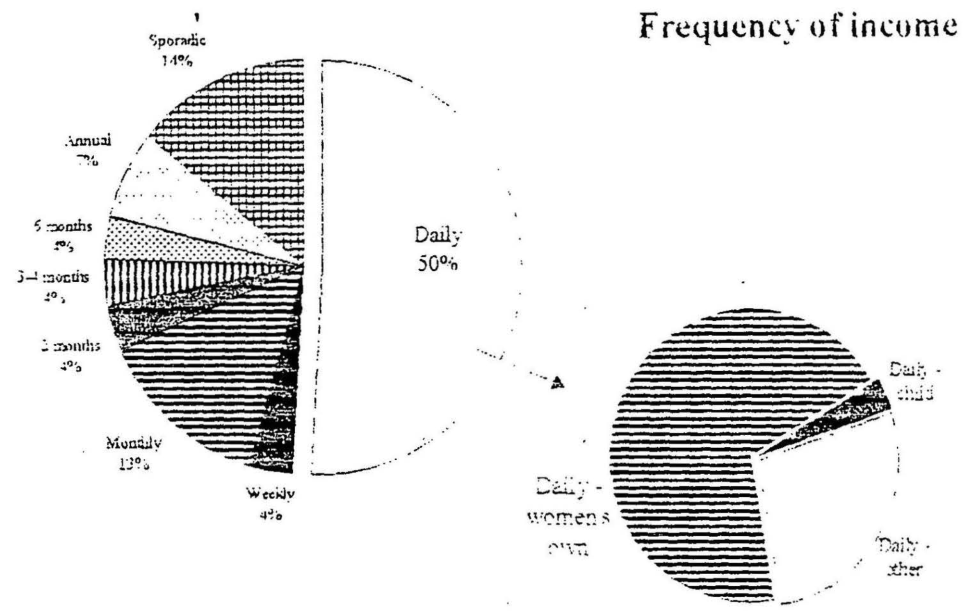
Only two of the income generating activities provided a weekly income, and these were both in the same household. *Runa's* husband works in a power loom center where his income is weekly, and depends on the electricity supply and how many yards he is able to weave. The family's other major source of income is from 3 rickshaws, purchased with *Runa's* last two loans, which have been hired out. *Runa* also stitches shawls and sells eggs.

Eight income generating activities provided a monthly income. One of these, *Shireen's* job as a government health worker provides only Tk. 40 / month, but *Reshma's* daughter has an office job which brings in a significant Tk. 2000 - 3000 / month. *Shuma* works as a cook for road crews and receives a monthly income plus food, and *Murzina* does housework for others, receiving payment in kind at least every month. The other two income generating activities are both men's: one is a deep-tube well 'driver', and the other works in a towel mill. Two women receive 31 kg of rice each month as they are VGD card holders.

Incomes were provided every two months, three to four months, and six months, by two income generating activities each. Poultry rearing provides an income every two months; sericulture every three months, and rice harvests are often biannual. Further, *Jhorna* receives remittances from her husband who works in Malaysia every three to four months. Four income generating activities provided annual incomes - two rice harvests, one banana garden, and one pigeon-rearing venture.

Eight incomes could be labeled as 'sporadic'. The activities that have lead to these earnings are: the produce that results from the occasional mortgaging in of land; the occasional sale of poultry or livestock; the sale of *muri*, which occurs primarily during certain periods like Ramadan;

carpentry and construction work (3 men in one household); and remittances that come 'when and how much the remitter is able'.



Most women would therefore benefit from the opportunity to save daily, as well as having a convenient place to deposit less frequent or sporadic earnings when they are available. Further, five respondents specifically mentioned that they purchased their food every day - 'daily bazaar' - and one mentioned that they do bazaar twice weekly. This strengthens the argument for a daily savings system. BRAC ~~might consider setting up and supporting a local savings~~ *scheme* in each VO. Women could commit themselves to making a daily deposit (or otherwise) with their small group leader, who would then deposit the collection with BRAC once per week or month at the VO meeting. It would have to be made clear and confirmed by group decision that the cashier was essentially holding fixed deposits, *not* a Current Account.

2. Location of savings

Excluding *musti chal* and food stocks, 14 out of 16 women have access to extra-BRAC savings. Only one woman, ***Shahnaz***, has no extra-BRAC savings at all.

In our cases, *musti chal* was a relatively small savings endeavour, providing 1-5 kg of rice per month for own consumption (in time of shortage or normally), donation to the mosque, or sale to provide BRAC savings. ***Jewel*** often 'sells' her *musti chal* to her husband, in order to get her BRAC savings. However, in the IAS II qualitative study, one woman was interviewed who had 4 *maunds* of *musti chal*! In Mollarhat, the IAS II team found that the local *Moulovi* are fighting against NGOs like BRAC - one community hypothesized that the *Moulovi* think they are going to lose the *musti chal* collections as it is transformed into NGO savings deposits. During our preliminary study, one woman sold her *musti chal* to provide her with money for the transport costs involved in taking a loan from BRAC; another woman claimed that "*musti chal* is the Sonali Bank of her household".

Further excluding savings stored at home or in a *matir* bank, 12 women have access to extra-BRAC savings, or have had in the past. Only four women mentioned that they have or had a *matir* bank; however, they all mentioned having significant amounts of money in their *matir* banks in the recent past: Tk. 500 used for Eid clothing, Tk. 1000 used to buy a deep tube well, enough to buy a goat, Tk. 500-700. *Matir* banks are kept, because, as one woman put it, "a crisis won't give notice before it comes". On the other hand, one woman mentioned that BRAC has replaced the *matir* bank in her home.

Four women have bank accounts, including one who deposits her VGD savings there. All these accounts are in the woman's own name.

- ***Khaironessa*** has deposited Tk. 100 each month in a fixed account since November 1996; the staff suggested Tk. 25 / month. She will get the deposits back as a lump sum at the end of the year.
- ***Jhorna*** receives and deposits, on average, Tk. 25 000 every 3 - 4 months, as a remittance from her husband who works in Malaysia.
- Ten years ago ***Khadija*** deposited Tk. 26 300 into a fixed deposit account. At one point she withdrew Tk. 6 300 and the remaining Tk. 20 000 is in a fixed deposit for two years. The manager in this area (Chapai Nawabganj) suggests that many women have FDS (Fixed Deposit Scheme) and DPS (Deposit Pension Scheme) accounts, and that it may be more appropriate for BRAC to offer this service in this area, rather than a Current Account. This is due to the remoteness of many villages, as well as the high potential profit levels earned due to proximity to India. "Why save at 6% when you can trade at 30%?"

In addition, ***Khadija's*** daughter-in-law holds a bank account with her husband, but it is at present empty.

Three of the four respondents from Dhenaidah (control area) have at present or in the past had a significant amount (Tk. 2 500, Tk. 4 000, and Tk. 12 500-14 000) of land mortgaged in, at times using BRAC loans to do so. This is the only region that we visited where this seemed to be a ~~widespread practice. Essentially, one pays for the use of a piece of land and consumes, uses, or~~ sells its products until the mortgagor can afford to purchase the land back. Profit is the returns from the land.

One woman, ***Runa***, has used both BRAC funds and her own money to loan Tk. 4 000 and Tk. 5 000 out to others for paddy husking - after one year she gets the capital back along with 8 and 10 *maunds chal*, worth Tk. 3 200 and Tk. 4 000 each![40] This is a rate of 80% interest per year.

Two women hold accounts with other NGOs. ***Reshma*** is the president of both her BRAC and Proshika groups, and she at present has Tk. 420 in her Proshika account which she accumulated between September 1995 and July 1996. Often her Proshika deposits were much larger than her BRAC ones (about Tk. 5 / week) because Proshika issues group loans only when group savings can provide 10% of a project cost. Essentially all of ***Reshma's*** BRAC and Proshika loans have gone into her poultry business. ***Shuma***, also the president of her BRAC *somity*, has about Tk. 2000 in her Grameen Bank account. Almost all of her BRAC and Grameen loans have been used and repaid by her son-in-law; she seems happy to provide him this service, as she has essentially disowned her own son.

Most women we spoke to said that they had never really heard of non-NGO *somity* in their area, especially for women. ***Jewel's*** husband, a rickshaw van driver, used to be in a van driver's *somity*, but it stopped 'just like that'. ***Runa's*** husband is the cashier in the cooperative at his power loom center. He deposits Tk. 10 / week, and although loans are available at 3% / week, he has not availed himself of this opportunity as yet.

On the other hand, although few of our cases could point to examples of non-NGO *somity* based savings, a few were mentioned by VO members during our preliminary fieldwork. Some of these had become defunct since the BRAC *somity* started, but several still existed, including members from BRAC and other NGOs, as well as women who do not belong to an NGO. A

[40] It is interesting to note that, in the case of paddy costing Tk. 5 / kg, the borrower would make Tk. 1000 to the lender's Tk. 4000, in the case of a Tk. 5000 loan.

particularly creative scheme existed whereby about ten or fifteen women accumulated their *musti chal* together and then sold it. With the money they purchased plates, glasses, and cutlery, which they rent out during weddings and festivals, sharing the profits. In another VO, women stated that they have so much faith in BRAC that they would not restart the savings group which had dissolved since last year's flood.

It was already apparent during the preliminary field work that in some areas in particular women have a significant amount of extra-BRAC savings. One woman in Paba told us, "Of course we have more in our own hands that with BRAC!" These savings rest at home in cash and kind: in a bank or post office account in a woman's own name, or the name of a child or husband: or in a community-based non-NGO *samity* or investment club. Further research needs to be done on the extent and fluidity of these savings, and the methods that are used to mobilize them. The IAS II survey may provide an indication of extra-BRAC savings. However, in consideration of the fact that the IAS II team were seen as BRAC staff, it may be the case, as it was for us, that not all extra-BRAC savings were mentioned or correctly estimated.[11]

[11] Several times we noted significant savings that the IAS II team had missed, and it is likely that the reverse would have happened if we did not have access to their findings

3 The new BRAC accounts, and impressions regarding BRAC savings policies

1 Case Pseudonym	2 Branch savings scheme	3 Reason for withdrawal	4 Why she would like to withdraw
Runa	Model One	Has not been allowed	To add to loan amount and open a grocery shop
Shireen	Model One	Has not been allowed	To deposit in commercial bank so she can withdraw freely; to add to loan amount and retrieve mortgaged land/ house repairs
Jhorna	Model One	Has not heard of system	-
Jewel	Normal	Automatic adjustment by BRAC to repay loan	Crisis
Husnara	Normal (dropout)	-	-
Murzina	Normal	-	Crisis, lean season, poultry business
Raheia	Normal (inactive)	Has not been allowed	No longer interested in BRAC and wants savings back
Lia	Current Account	Has not heard of system	Crisis, thrift
Khadija	Current Account	Has not heard of system	Grants to her children when they need it
Reshma	Current Account	Has not heard of system	Daughters' marriages in future
Shahnaz	Current Account	Has not heard of system	Crisis, especially illness
Khaironessa	Current Account / Model Two	Poultry business (Current Account); automatic adjustment to pay off missed *kisti* (Model Two)	-
Hasina	Current Account / Model Two	Agricultural inputs	Crisis, especially illness
Sultana	Current Account / Model Two	Advance for husband's milk business	-
Shuma	Model One	Daughter's HSC exam fees	-
Josna	Model One	House repair after storm and clothing	Daughters' marriages in future

A. 'Normal' system

In Dhenaidah, no PSP model is offered. Two of the four women we interviewed there were quite unhappy with the BRAC savings system. *Jewel* had her loan that she had fallen behind on repaid by BRAC staff, who 'adjusted' her savings and informed her later. She and her VO President both consider this very bad practice, as it takes away funds that could be used in a crisis period. Both women would prefer to be able to withdraw their savings during crisis periods rather than take loans - previously from neighbours, now from BRAC - but the latter was absolutely unwilling to forego interest for this service, as "the people here are too poor". Before BRAC, *Jewel* had no idea about savings or *somity*. *Jewel's* husband knows the details of Janata Bank's Fixed Deposit Account, but he mentions that they will not take such tiny deposits as BRAC does.

Rahela and her husband are inactive members; neither attend meetings. According to them, BRAC staff lost both their records and then refused to give them any more loans. Their savings were taken without their permission to pay off their outstanding loans, and now they have no way of withdrawing the perhaps Tk. 500 BRAC savings between them that is left. As they are living more or less from hand to mouth, this sum is very important to them - perhaps 10% of all the other assets they hold.

Murzina related for us the history of compulsory savings since she joined in October 1990. For the first two years, Tk. 1 / week was required. Then for three or four years, savings deposits really were not compulsory, so she never gave when she had an outstanding loan. In the last few months BRAC has started to put the pressure on, and now she gives Tk. 3 - 4 / week. She remembers that she was originally told that she could withdraw Tk. 3 000 out of Tk. 5 000, but now the PA says withdrawal is only on dropout. *Murzina* would like a Current Account system so she would not have to borrow from relatives during crisis periods. Before BRAC, *Murzina* had no savings.

Hosnara is a 'drop-up', that is, a woman who left BRAC because she (her husband) felt that the family had no more need for loans now that the house is repaired and he has a wage job. Her outstanding loans were paid off by whatever savings she had in BRAC.

B. Model One

Interviews were done in two areas which are offering Model One services: Amdia, the old, well-performing branch near Dhaka, and the slightly younger Puthia, in Rajshahi. In Amdia, two out of three of our cases had opened accounts. *Runa* joined in order to get more money to add to her loan amount - she wants to open a grocery store, and feel she needs Tk. 10 000-20 000 for this enterprise and other needs. She has been told that she can withdraw Tk. 1 000 (of her total savings of about Tk. 5000), and after she repays that amount, withdraw another Tk. 1 000. However, her PA says that withdrawals take time, and has not allowed her to withdraw yet. This may be because she currently has two loans outstanding. She is unhappy that she has to repay the amount: "One repays someone else's money, not one's own!" On the other hand, one of the major reasons that she saves is to earn interest, so perhaps she would have repaid the withdrawn amount in any case.[45]

Shireen has also opened an account - her understanding is that she can withdraw Tk.2 000 out of Tk. 4 000. She has been told that she will be able to withdraw when the others do. She wishes to make a withdrawal and deposit it into a commercial bank such that she can have open

[45] During our preliminary fieldwork, women in one VO remembered exactly how much interest they had earned five months previous, to the last *taka-poisha* - it is obviously very important to them.

access to it - to have eventual access she does not even mind paying back the BRAC savings.[13] Alternatively, she will add her savings withdrawal to her loan amount and get back the land she mortgaged to pay for her daughter's marriage. *Shireen* would prefer a Current Account which is totally separate from loans and offers free withdrawal, useful for house repairs and the like.

The third Amdia case, *Jhorna*, had not heard of the Model One system until *Shireen* gave her a knock on the head and reminded her. *Jhorna* suggested that a Current Account might be useful for her as she receives remittances from her husband and the bank is far (although closer than the BRAC office). The two women together said that they are observing BRAC, to 'see what happens'.

In Puthia, we spoke to two women, both presidents of their VOs. *Shuma* - with a Grameen Bank account, a VGD card, and a son-in-law who uses and repays all of her loans - has made two large withdrawals through the Model One system: Tk. 1 300 (repaid in two lump sums) and Tk. 1 600. According to family members, these sums were used to pay for her married daughter's HSC fees! It is difficult to determine whether *Shuma's* son-in-law was behind this withdrawal as well as the loans. If not, the withdrawal facility may have provided *Shuma* with funds to pursue an activity - educating her daughter - that her son-in-law was indifferent to.[14]

Josna, also a VGD card holder, made a withdrawal of Tk. 1 600 in order to repair her house which was damaged by a storm, and to buy some clothes. She was able to pay back the amount within about five months, in a series of installments plus two lump sums. She did this by

[13]During our preliminary fieldwork, a woman mentioned that if BRAC were to open up savings she might move her money from Janata Bank to BRAC 'Bank'.

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selling eggs and poultry, as well as receiving money from her husband - they are *his* savings in any case. She saves with BRAC in order to get loans, but also to save for her daughters' marriages, rather than keeping it at home and spending, and she is happy about the opportunity to withdraw.

Reactions to the Model One account during our preliminary fieldwork in October 1996 were similarly split. Focus-group discussions were held in all the Model One areas with members from a total of five VOs. In one area, members of one VO were very happy to have access to interest-free funds during crisis periods, and they felt that the repayment rule was both fair and common sense - "we would have repaid it anyway!" Members of two VOs in another area, however, although happy that they now had access to their savings, were outraged that they should be expected to repay their own savings on an installment basis. Some of these women felt that in general their concerns were not being listened to by BRAC, and that decisions were made in Dhaka irrespective of their local needs. In another area, where security is a problem, the Model One system was very popular despite the repayment rule.

C. Model Two

We interviewed three members from Paba, a Model Two branch that also offers a Current Account service, but only to chick rearers.[15] The limited differences between these accounts must be emphasized again here. The Current Account is entirely separate from the BRAC credit system, and offers open withdrawals and deposits at the branch, but no interest. Model Two savings officially offer open deposits (at the branch or VO meeting) and open withdrawals (at the branch),

[14] Shuma has raised her four daughters since her husband died eleven years ago. One is married with her HSC pass, another is in nursing school on government scholarship, and the youngest two are both in Class S. Shuma is certainly determined to educate her daughters.

[15] In our understanding, this is despite the decision that was made at HO that those branches in Rajshahi offering Model One (Puthia) or Model Two services should not also offer Current Account services.

unless the member is behind in loan payments in which case a 'fixed amount' must remain in the account. 6% interest is paid on Model Two savings. In practice, there are certainly many more restrictions on Model Two accounts than would be thought from official policy, as noted in *Part One*.

Khaironessa, a chick rearer, holds a Current Account. Until August 1996 she was only depositing Tk. 2 in her normal account, and now she deposits Tk. 4-5; but in her Current Account she has made working capital deposits and withdrawals of Tk. 1 000 - Tk. 3 420. She also is making monthly deposits in the bank, as noted above. At one point, when ***Khaironessa*** had fallen slightly behind in her loan repayment after making a large deposit to her Current Account, BRAC automatically withdrew Tk. 150 from her normal account by using Model Two facilities, and had her sign. Further there is a discrepancy between her own idea of how much was in her Current Account, and BRAC records, as the office holds her passbook. As well as for working capital (chick purchase and sale, and feed), because chick rearing is a relatively risky activity, it seemed as if the provision of Current Account facilities will be helpful to ***Khaironessa***. She mentioned how her chickens suffered a disease during the winter months, and that she coped by using her own savings.

Hasina on the other hand is not involved in chick rearing, although she received BRAC training, because she is afraid of high chicken mortality. Therefore she does not have a Current Account. However, she is very happy that she now has the opportunity to withdraw in times of crisis. Before opening the account, when her son had typhoid the family managed from household savings and by reducing household expenditure to pay costs of Tk. 1 000. During the lean season, household savings must be spent, food stock consumed and loans taken from the *mohajon*. She prefers the option of drawing on her own savings, although she hopes to save enough for livestock too. *Hasina* has already made one withdrawal, for agricultural inputs like paddy and fertilizer. *Hasina* believes that she can now withdraw any amount from her account, leavings the deposited amount from any outstanding loan. Her only concern about the Model Two system is for *other* women: if a woman's husband is not good, she may be forced to withdraw for the 'wrong reasons'.

Sultana's husband is a milk trader with a daily income. *Sultana* is able to make larger than average deposits - previously Tk. 25 / week, now Tk. 10 - because her husband has a good and steady income.[16] He often must make deposits of Tk. 1 000 to those who provide him with milk. *Sultana* has made a withdrawal of Tk. 1 500, and states that it is much easier to manage these milk business deposits now that there are withdrawal facilities. It seems as if her situation would lend to using a Current Account facility, but because she is not a chick rearer the service is not available to her in this branch. She also lives quite far from the BRAC office.

During our preliminary fieldwork, focus-group discussions were held in all the Model Two areas with members from a total of six VOs. The Model Two system was, in general, popular. However, by those we were able to ask (as we did not at that point have full details), the Current Account system was preferred to any other possibility. This was primarily due to it being the most open system, but also because it is the one that women who have 'business sums' to deposit and withdraw could choose for themselves. It was often implied that these women would deposit more significant amounts and not withdraw for frivolous reasons. Some staff members, however,

[16] According to our thumbnail sketch of Sultana's husband's income and expenditures, either her faith in his financial strength is unfounded, or he is earning a lot more than he told us, perhaps through adulterating milk.

expressed a concern that a Current Account system in particular would lead to a significantly increased workload, especially for the PO Accounts.

D. Current Account

Other than in Paba, we interviewed four women in Chapai Nawabganj, a 'pure' Current Account branch, with only 13 Current Accounts. None of these four women had heard of the Current Account system, although one woman had in fact opened an account! According to branch records, ***Reshma***, the president of her VO, opened a Current Account in September by depositing Tk. 20.[17] She instead very clearly explained to us her 'chicken account': she deposits Tk. 2 000 with BRAC when she purchases chicks, and gets the deposit back when she sells BRAC the grown chickens. Branch staff suggested that perhaps she bought the chicks for Tk. 2 000 and forgot, or deposited the Tk. 2 000 into her Current Account (not according to branch records). ***Reshma*** thinks a Current Account would be useful, though not a necessity for her.

Originally BRAC told ***Reshma*** that she would be able to withdraw one half of her savings after five years of membership, but the PA has not said anything about it since. She will want to withdraw for her daughters' marriages.

Lia and her mother-in-law ***Khadija*** (who holds the impressive fixed account at a bank) have not heard of the Current Account system either, but both think it would be very useful - ***Lia*** for thrift, and to use during crises, and ***Khadija*** in order to be able to give Tk. 1000-2000 to her children when they need it, rather than have to borrow from neighbours. Although in a VO with a different PA from ***Reshma***, ***Lia*** and ***Khadija*** originally heard the same story regarding withdrawals. Now when the PA is asked, she says it is up to HO. ***Lia*** and ***Khadija*** continue to save, (about Tk. 9 / week and Tk. 5 / week respectively) in the hope that one day they will be able to withdraw for occasions like marriages and melas.

Although *Shahnaz* has regularly given Tk. 5 / week since she joined BRAC in 1992, her branch records state that she has perhaps half the amount she should, and the PA keeps her passbook. Although she too has not heard of the current account system at all, she thinks it would be useful if she were sick or experiencing a crisis period. Because she sells milk and eggs, and periodically livestock and poultry, as well as receiving remittances from her sister in Dhaka, a Current Account would also be useful for her in terms of working capital.

PART FOUR: Conclusions and recommendations

The theme of this paper has been the development of BRAC's financial services - in particular savings - into a more flexible, appropriate, transparent, and clear system of schemes This will become increasingly important as BRAC moves towards the creation of a BRAC bank and as competition from other organizations grows, in particular as BRAC expands into urban areas. Many of the conclusions and recommendations that have emerged during the course of this paper have in fact been made in BRAC studies based on the previous pilot project and other experiences, but they will be reiterated here, along with some new ideas.

First, in terms of **transparency**, it is recommended that three main changes are made. First, the passbook and branch level records should be changed in the way suggested in *Appendix 2*. This will ensure several things. Members' passbooks and branch records will record exactly the same information in the same way, leaving little possibility of discrepancy arising. (Further,

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[47] The official lower limit for deposits and withdrawals is Tk. 50.

passbooks should always be in the member's hands, not with the PA or at the office, as was sometimes found.) Totals in passbooks will be cumulative, making it easier for members to know exactly how much savings they have. The forms will aid the PSP monitoring and evaluation effort by allowing all relevant information to be collected in a clear and ordered manner. Thus HO RDP or RED can understand branch practices and trends, and make suggestions or recommendations to improve performance.

Secondly, it is strongly suggested that every BRAC member involved in savings and loans complete a basic numeracy course. Many members are only able to sign their names, and while this is certainly an important and confidence-building step for illiterate women, it also implies that women can now sign documents that they cannot understand - not much better than a thumbprint. From the perspective of financial transparency this is a deplorable condition. If one level of women's empowerment is holding an NGO account, the next major step is understanding it themselves, and not having to rely on NGO staff, relatives, or friends to explain it to them.

Thirdly, it is recommended that if BRAC wants to retain a portion of savings as security for loans by making it inaccessible, that this is made clear to members. That is, savings and loan security should be separate. The term 'security' is used here rather than the term 'collateral' for two reasons. Firstly, 'collateral' has the implication that the asset will be seized upon loan default. 'Security' implies a more flexible policy whereby members prove their loan-worthiness through saving a certain amount, and realize that the obligation to repay will not go away if they default. Secondly, donors have grown attached to the sugar-coated concept of 'collateral-free loans to the poor'.

In terms of **clarity**, it is recommended that PAs - the staff that are in the most contact with members, are trained to present financial information and changes in policy to VOs in the clearest manner possible, leaving time for questions and concerns to be brought up. Many PAs are already experts at this task, but many others are careless. It is suggested that branches strengthen the role of the women in the VO Working Committee as resource people. Thus, when a member has a question about whether she can make two withdrawals in a week from her current account, for example, she can ask her president or cashier, who will be more likely to have this information.[42] Simple forms of advertising can also be used to promote BRAC savings systems in a clear fashion.

In terms of **flexibility**, differentiated savings systems should be offered, as has been suggested by the Zaman et al., and Deeba and Ara studies, and as is very successful in the BRI among other systems. There need only be three models to start with: a completely liquid current account which offers no interest, a savings account with restricted withdrawals that offers some interest (i.e. 6%), and a fixed term deposit account that requires regular deposits, does not permit withdrawals, and offers a higher level of interest (i.e. 10%). It is possible to make these systems even more flexible by stipulating that, for instance, if you withdraw more than once in three months from your savings account, it becomes a current account for that year, or, if you withdraw from your fixed deposit account, it becomes a savings account and you lose your chance for the higher interest rate. This will motivate members into depositing but not withdrawing unless

[42] As Stuart Rutherford and I discussed, I might not know the full details of my bank account, but I know that at any time I can refer to the sheaf of papers they gave me, or ring up their 1-800 number to find out. BRAC members should have a similar opportunity.

absolutely necessary. Then, after BRAC sets up a uniform reserve requirement for branches, a predictable amount of loanable funds will become available.[49]

In terms of appropriate services, BRAC is already providing services far more appropriate to poor rural women than banks, but some lessons can be learned from women's own savings habits and from indigenous savings *somity*. First of all, women should be able to choose the savings level most appropriate to themselves - i.e. a savings 'band'. This, in combination with the provision of a fixed deposit scheme, may motivate the very poor into joining BRAC and starting Hulme's process: building up a savings base, reducing their own vulnerability, and preparing themselves for 'promotion' through credit. A fixed deposit scheme with bands to choose from may also aid in mobilizing savings from those who have larger amounts of savings or working capital to store and invest. At present BRAC is restricted to mobilizing savings from its members, but members will increasingly be receiving larger loans through the MELA scheme. Thus, it seems likely that the upper limit of the BRAC credit programme target group will shift upwards, and that BRAC will continue its slow progression towards bank-hood.

Secondly, they should be able to make deposits as frequently as they have the cash to do so. We found that about half of household income are daily incomes, and that most of these are women's own incomes; further, the types of expenditures women have are frequent and small - i.e. children's pocket money, books, health, kitchen goods and cosmetics. This implies a convenient deposit-taker, as members who live far from branch offices or outposts are at a

[49] BURO, Tangail reserves 20% of its savings but never has withdrawals of more than 15%, even during 'peak' withdrawal season. Zaman et al. found that stable deposits were approximately 80% of average retained deposits, and estimated that 40% of unstable deposits would have to be available in semi-liquid form for BRAC members to withdraw. Taking the case of Faridpur branch, they then calculated that total loanable funds were 92% of the average retained deposit - therefore, 8% would have to be reserved.

disadvantage. PAs should also be prepared to provide some types of withdrawal facilities during their field visits. Thirdly, it implies a secure place to put all or part of loan funds if the opportunity to invest it is not yet available, or if an investment is not expected to immediately bring enough returns to pay initial *kisti*.

A means of motivating branches to provide the types of savings services described may be to set targets for savings mobilization irrespective of levels of withdrawals - for instance, setting a target for Dhenaidah of raising the own savings rate to Tk. 5 / member over the next one year. It would be important to press on managers that the increase of own-compulsory levels of savings (i.e. coercion) would not be tolerated, and a monitoring system to this effect must be in place. Essentially, branch staff must begin to use the same type of motivational tools that are utilized in other MFIs like BRI and the formal banking sector: advertising, and incentives with regards to returns and prizes.[50]

What are the implications of these recommendations for the present PSP? Promotion of savings mobilization within each of the systems in the relevant branches should become the focus of branch staff - only then will we get a clear picture of the actual potential of the various models. It is hypothesized that if this occurs, savings rates will rise and net withdrawals fall, such that savings will be able to make a larger contribution to branches' Revolving Loan Funds. The recommended changes in the monitoring system will make these changes easier to note.

[50] It is recommended that BRAC contact Marguerite Robinson at HIID with regards to providing training on how branch staff can effectively measure savings.

Separating savings from credit

For a woman to get a Tk. 1,000 first loan, she will have to make deposits of Tk. 5 week for six months (Tk. 120), and deposit 2% of the loan amount (Tk. 20). This Tk. 140 is loan security. When she has completed her loan payments, this amount will be returned to her with 6% interest if she has made all her payments on time. For her next higher loan, there will not be a required series of deposits, but the security amount will be 10% of the loan.

She will be motivated to deposit her returned security in a fixed deposit account, savings account, or current account. Deposits and withdrawals to and from any or all of these accounts will be according to her wishes. To join the fixed deposit scheme she will have to commit herself to making regular deposits at a level and time frame of her choice - for example, Tk. 5 or 10 per week, Tk. 50 per month, or Tk. 50 per week.

Motivational tools such as advertisements, competitions, and prizes may be used to generate savings, like in the BRI system.

Travelling banks

PAs could be equipped to provide deposit and withdrawal services on their weekly rounds. Exceptionally large withdrawals - the figure could be set according to the average *kisti* payment and periodically reduced - would have to be requested the week before or collected at the office, in order to avoid the situation where the PA has not collected enough *kisti* and depsoits to cover withdrawals.

There could also be a maximum number of people that could withdraw in a week, and a VO would have to decide among them who it would be if there were more women interested in withdrawing.

The branch office would also issue withdrawals.

Barefoot bankers

At present there are BRAC paravets, shasto shebikas (health workers), NFPE teachers, HRLE specialists . . . all drawn from the local community. Why not barefoot bankers?

PAs could encourage and manage local savings *somitis* which could provide savings or fixed deposit services in the form of ROSCAs or ASCAs, or current account services in the form of a 'village safety deposit box'.

Or, simply, there could be a trusted (and literate) person who collects savings during the week at any time, by wandering from house to house like a shasto shebika, and who then deposits it with BRAC under each woman's name.

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Appendix I

Voluntary Savings Mobilization: Multiple Benefits

I. <u>*Benefits to clients: households and/or small and medium enterprises (SMEs)*</u>

A. Deposit instruments appropriate for local demand

1. Emergencies and unexpected investment opportunities
   a) fully liquid
2. Managing irregular income streams, especially seasonal variations
   a) liquid, semi-liquid, fixed - depending on nature of income stream
   b) multiple accounts
3. Investments
   a) usually fixed, but sometimes liquid/semi-liquid depending on nature of investment (i.e. land vs. school fees)
4. Social and religious obligations
   a) fixed, semi-liquid, liquid
5. Old age and disability
   a) direct, through savings to care for oneself
   b) indirect, through investing in children's education etc. in the expectation that they will care for you
   c) fixed
6. Building credit ratings
   a) variable

B. Liquidity

C. Returns

D. Improved financial management

VO: Sundoraach Para

Name : Alia Begum

Male family member's name : | w/o | √ d/o | m/o | - | Shiraj Hossain

Membership no.: 002

Balance: 855

Date	Weekly deposit	Extra voluntary deposit	5% of loan	Withdrawal or savings loan	Savings loan repayment	Savings loan outstanding	Balance
3/03/97	5	10	-	-	10	20	330
0/03/97	5	10	100	-	10	10	1005
7/03/97	5	5	-	-	10	-	1025
4/03/97	5	5	-	-	-	-	1035
1/03/97	5	10	-	-	-	-	1050

VO-wise savings record

VO: Sundoraach Para Month: March

Balance at end of previous month: 2080

ame	Male family member's name	Membership no.	Weekly deposit (compulsory + extra voluntary)					5% of loan	Withdrawal or savings loan	Savings loan repayment	Savings loan outstanding	Ba
			Week 1	Week 2	Week 3	Week4	Week 5					
ia aum	Shiraj Hossain	002	5+10	5+10	5+5	5+5	5+10	100	-	30	-	h
ssea latun	Omar Ali	016	5+5	5	5+5	5	5	150	- 650	50	600	.
SUBTOTALS			10+15	10+10	10+10	10+5	10+10					
TOTAL			50+50					250	- 650	80	600	1:

CHECK:

2080 + 100 + 250 - 650 + 80 = 1050 + 810 =1860 √

Number of compulsory weekly deposits missed: 0

Number of members who made voluntary extra deposits: 2

Number of drop-out withdrawals = 0

Number of non-drop-out withdrawals = 1

MONTHLY BRANCH RECORD[51]

Branch: Ramgram　　　　**Month:** March

Balance at previous month end	5550
Compulsory weekly deposits	110
Extra voluntary weekly deposits	135
5% of loans	600
Withdrawal/savings loan	-750
Savings loan repayment	120
BALANCE	5755

Number of compulsory weekly deposits missed	1
Number of members who made voluntary extra deposits	3
Number of drop-out withdrawals	0
Number of non-drop-out withdrawals	2

[51] Monthly branch record example is given for a branch with 2 VOs: Sundergach Para and another VO, information not given. Total membership of this second branch is 4.

II. *Benefits to local groups, organizations, and institutions*

a) savings accounts that can be held in the name off associations can improve financial security, decrease opportunities for corruption. an improve the accountability and financial management of group funds

III. *Benefits to financial institutions*

IV. *Benefits to the economy, development, and equity*

a) increases the resources available for productive investments

b) reaching the very poor

c) encourage self-finance of investments

Adapted from: Marguerite S. Robinson, Financial Intermediation at the Local Level: Lessons from Indonesia. Part Two: A Theoretical Perspective. (Cambridge, MA: Harvard Institute for International Development. Development Discussion Paper No. 482. 1994). 99-103.

Appendix 2

Recommended passbook, VO-wise, and branch level savings record forms

Register and passbook
to record a member's current account activity

> Information and the way it is recorded should be the same in the office register and member-held current account passbook, otherwise the system is not transparent. Because the current account system is entirely separate from the normal savings and loan system, a separate record and passbook are needed.
> Note: balances are cumulative - this makes it easy for a woman to know how much she has.

Name : *Johora Khatun*

Male family member's name : √ w/o d/o m/o *Omar Ali*

VO: *Sundarpach Para* Membership no.: *016*

Date of opening account : *03 / 03 / 97*

Date	Deposit	Withdrawal	Balance
03/03/97	550		550
31/03/97	350		900
05/05/97		700	200
29/05/97	1200		1400
12/06/97		1250	150

Name : *Nurjahan*

Male family member's name : w/o d/o m/o √ -

VO: *Chandaram* Membership no. *033*

Date of opening account : *15 / 04 / 97*

Date	Deposit	Withdrawal	Balance
15/04/97	50		50
25/04/97	225		275
31/05/97		200	75
12/06/97	425		500
29/06/97		200	300

Register to record month end branch-wise data

Month: March
Balance at end of previous month: 0
Total deposits: 900
Total withdrawals: 0
Net savings: 900
Balance at end of month: 900

Number of accounts opened: 1

Number of withdrawals: 0

Month: April
Balance at end of previous month: 900
Total deposits: 275
Total withdrawals: 0
Net savings: 275
Balance at end of month: 1175

Number of accounts opened: 1

Number of withdrawals: 0

Month: May
Balance at end of previous month: 1175
Total deposits: 425
Total withdrawals: 1450
Net savings: -1025
Balance at end of month: 150

Number of accounts opened: 0

Number of withdrawals: 2

Month: June
Balance at end of previous month: 1900
Total deposits: 1625
Total withdrawals: 900
Net savings: 725
Balance at end of month: 1900

Number of accounts opened: 0

Number of withdrawals: 2

Model One, Model Two, and the 'normal' system, are all part of the normal savings and credit scheme, and therefore the present system of recording should be used. Withdrawals are allowed from any savings that have been accumulated over a membership period, not just those savings deposited since an 'account' was opened, or since the scheme began. The Model Two and 'normal' passbooks etc. should include the same information as presented below for the Model One system, without the 'Savings Loan Repayment' or 'Savings loan outstanding columns.

Savings passbooks and registers should be entirely separate from loans passbooks and registers.

Withdrawals due to a member leaving BRAC for any reason should be made clear on the passbook and VO-wise branch record.

Savings passbook
VO: Sundorgach Para
Name : Johora Khatun

Male family member's name : | √ w/d | d/ | m/o | - | Omar Ali

Membership no.: 016

Balance: 1225

Date	Weekly deposit	Extra voluntary deposit	5% of loan	Withdrawal or savings loan	Savings loan repayment	Savings loan outstanding	Balan
03/03/97	5	5	-	-	-	-	1235
10/03/97	5	-	150	-	-	-	1390
17/03/97	5	5	-	-	-	-	1400
22/03/97	-	-	-	- 650	-	650	750
24/03/97	5	-	-	-	10	640	765
31/03/97	5	-	-	-	40	600	810

Appendix 3 - Branch level financial data collection chart

BRANCH	July 96	Aug 96	Sept 96	Oct 96	Nov 96	Dec 96	Jan 97
Membership							
Own savings							
Compulsory							
Voluntary (#)							
5% forced							
Current account (# of accounts)							
Savings loan repayment							
GROSS							
Total withdrawals							
Dropout withdrawals (#)							
Non-dropout withdrawals (#)							
NET							

# savings defaulters							
# of Model One accounts							

Membership = total number of members that month

Own savings = weekly (or monthly, in the case of first year branches) savings deposits

Compulsory savings = membership x compulsory monthly savings in that branch (Tk. 8 or Tk. 20)

Voluntary savings = own savings - compulsory savings = amount of deposits made above the compulsory amount
(#) = number of members depositing more than compulsory amounts

5% forced = 5% of any loan taken that must be deposited in the member's savings account

Current account = net change in amount in all current accounts recorded at month end
(#) = number of accounts that month

Savings loan repayments = for Model One branches, the amount members have repaid of their withdrawn savings for that month

GROSS = Own savings + 5% forced + current accounts + savings refunds

Total withdrawals = withdrawals made by dropouts + withdrawals made by non-dropouts
(#) = number of dropout/non-dropout withdrawals that month, respectively

NET = GROSS - Total withdrawals

# of savings defaulters = # of members who did not make compulsory savings deposits that month

# of Model One accounts = # of members who have opened an account by bringing in photos and signing a specimen card; the number of withdrawals will be less than or equal to the number of accounts

N/A = information not available
- - = information not applicable
? = information questionable

Appendix 4 Sample set

Code	Branch	District	Age (years)	Model
1	Thakurgaon	Thakurgaon	2	Normal
2	Kurigram	Kurigram	2	Normal
3	Feni	Feni	2	Normal
4	Goainghat	Sylhet	3	Normal
5	Rupganj	Narayanganj	3	Normal
6	Kulaura	Moulvibazaar	5	Normal
7	Bhabanipur	Dinajpur	5	Normal
8	Jhenaidah	Jhenaidah	8	Normal
9	Dhenaiadah	Natore	8	Normal
10	Katchikata	Narsingdi	10	Normal
11	Gaibandha	Gaibandha	10	Normal
12	Jamalpur	Jamalpur	10	Normal
13	Gobindganj	Gaibandha	6	Model One
14	Puthia	Rajshahi	8	Model One
15	Amdia	Narsingdi	11	Model One
16	Sonargaon	Narsingdi	3	Model Two
17	Palashbari	Gaibandha	7	Model Two
18	Paba	Rajshahi	7	Model Two
19	Sherpur	Bogra	3	Current Account
20	Debhata	Satkhira	3	Current Account
21	Bagerhat	Bagerhat	3	Current Account
22	Daulatpur	Kusthia	4	Current Account
23	Mazira	Bogra	5	Current Account
24	Chuadanga	Chuadanga	7	Current Account
25	Durgapur	Rajshahi	8	Current Account
26	Chapai Nawabganj	Chapai Nawabganj	10	Current Account

Appendix 5
Timeline

Date	Activities	
July 1996	Inception of Current Account system	Background work and research proposal write-up
August 1996	Inception of Model One and Model Two systems	
September - October 1996	Preliminary field work - Information dissemination, attitudes and objectives	
November 1996	Preliminary report write-up	
December 1996 - January 1997	Development of case study and spot-checking materials; gathering of financial data at HO level; visits to other NGOs	
February 1997	Case studies and spot-checking	
March - April 1997	Status report write-up	K. Moore departure

August 1997	Spot- checking	
February 1998	Spot-checking and mid-PSP financial assessment	K. Moore completing thesis
August 1998	Spot-checking and case studies	
February 1999	Spot-checking	
August - December 1999	Final assessment and report write-up	