

BRAC'S PILOT SAVINGS PROJECT: STATUS REPORT

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Introduction and Background

In July and August of 1996, BRAC's RDP launched a pilot savings project in three different areas of Bangladesh: Rajshahi, Narshingdi and Gaibandha. The project consisted of three experimental savings models which were implemented with a proposed life span of two to three years. In these areas the VO (Village Organization) members have access to their savings unlike the present system where access is restricted. BRAC's Research and Evaluation Division (RED) developed a monitoring and evaluation scheme for the Pilot Savings Project (PSP) with regards to the official objectives that were defined in the preliminary report. These objectives are: the provision of access to clients' own savings, the improvement in client well being, the reduction in drop out rates from BRAC and the increase in savings mobilization to financially benefit BRAC.

In April of 1997, Karen Moore and Sadiqunnabi Choudhury presented a report on the Monitoring and Evaluation of BRAC's Pilot Savings Project. Their report focused on BRAC's transition from an NGO involved in microcredit to one involved in microfinance, where BRAC, through its savings and loan programs, could offer the rural poor a whole range of financial services that they would otherwise not have access to. They took an in depth look into BRAC's present savings system and the three Pilot Savings Project models and they concluded that BRAC should focus on making their savings services more flexible, appropriate, clear and transparent.

During the last few months we have continued the monitoring and evaluation process using the spot-checking tools developed by RED. The purpose of spot-checking is two-fold: to check the provision of open access to one's own savings and to examine the attitudes of members and drop-outs towards BRAC and the relevant savings policy. In this paper we will examine the

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results from spot-checking as well as explore the effects of the different savings models on savings mobilization and loan disbursement.

BRAC's current system, is in place in a majority of areas in Bangladesh including the control areas of Durgapur, Kackikata and Gaibandha. Under this system, BRAC members have restricted access to their savings. The official policy stipulates that a member can only access 25% of her savings after 5 years of membership, 50% after 10 years membership, 75% after 15 years membership and 100% after 20 years of membership. However, this system has largely been phased out and generally members are only allowed to withdraw the total amount of their savings upon leaving the VO. This provided that there is money left over after adjustments have been made for outstanding loans. These savings are meant to provide long term security as well as protection against loan defaults since BRAC does not require any collateral for the credit it gives to members.

The Model One savings scheme, which is place in Puthia, Amdia and Gobindaganji allows members to have access to their savings. They are allowed to make two withdrawals per year, although repayment of the first savings withdrawal is required before the second withdrawal is made. A stipulation of the model is that 25% of total savings must be left in the account, however this amount varies between the different branches. The withdrawn savings have to be paid back in 46 weekly installments and the member will not receive any interest on the withdrawn savings for that year.

The Model Two savings system, which has been implemented in Paba, Sonargaon and Polashbari, has the most liberal policy regarding the members access to their savings. Under this scheme, members can withdraw any amount of their savings for any reason any time. Although, loan defaulters have to keep a certain percentage of the loan amount in savings. In actual practice all members have to keep a certain percentage of their loans as savings.

The Current Account system is completely separate from BRAC's normal savings and loan process. Tk. 50 has to be deposited in order for the account to become active and members can make withdrawals and deposits as often as they

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Current Savings Account Performance : June,97

Branch Covered	# of A/C Opened	Net Deposit In Current A/C Jan. - June97	Withdrawal From Current A/C Jan. - June97	Per A/C Holder Avg. Deposit Size Jan. - June97	Per A/C Holder Avg. Withdrawal Jan. - June97	Avg Wkly Savings (Avg. Month) Jan. - June97
160	5,491	1,045,115	3,695,982	190	673	Tk.23

Even though we were not able to include current accounts in our study, we thought we would include a brief summary on the present status of the current accounts

wish. However, there is no interest earned on these accounts. In practice, current accounts have only been available to chick rearers.

Methodology and Limitations

We conducted our study in two regions: Rajshahi and Narshingdi. These areas were chosen because of their proximity and inclusion in the pilot savings project. Altogether our study included five area offices. We included three area offices from Rajshahi: Puthia, Paba and Durgapur and two area offices from Narshingdi: Amdia and Sonargaon. Out of these areas studied two of them had the Model One savings scheme: Puthia and Amdia; two of them had Model two savings schemes: Paba and Sonargaon and one area was a control branch, Durgapur.

Research was conducted by administering 49 questionnaire-based interviews in the five area offices. The questionnaire was based on RED's monitoring and evaluation process. Within each of the five branches we visited two VOs; respondents included two VO Members (women only), the Program Assistant, the Program Organizer, the Accountant and the Area Manager, as well as four drop out members (women who are no longer with BRAC). The interviews were conducted on a one to one basis and detailed questions were asked with regards to savings accessibility, attitude towards BRAC and the savings policies and Branch Staff workload.

We tried to make the respondent selection as random as possible, but that often proved to be difficult. Our reliance on the Branch Staff to select the VO where we held the interviews and sometimes to select the VO members for us, resulted in our selection process being more systematic than we would have liked. It also may have resulted in some bias being present in our sample. Furthermore, due the severe time restrictions that we faced, we always chose respondents that were available. With the VO member interviews, we included one VO member who held a leadership position (VO chair, secretary, cashier or small group leader) and one regular member. However, it was difficult to always restrict the numbers

to these levels. Administering the interview to four drop out members proved to be quite a challenge and we were not always able to complete this task. Many of the women who had dropped out of BRAC had either passed away, migrated or were not available for interviews. Nevertheless we tried to make the selection as random as we possibly could. We managed to interview almost all of the staff members at the various branches, although some of them were away at meetings.

Other limitations in our study included the presence of the branch staff while the interviews were being conducted. This may have made some of the respondents uncomfortable and thus reluctant to tell the truth. Our second hand information was also not always updated; for example, we went out to Madabdhhi to conduct interviews and gather information on the current account and as it turned out the current account savings scheme had not yet been implemented. This coupled with the aforementioned time restrictions did not enable us to include current accounts in our study.

Results

Our questionnaire was divided into three sections. The first section focused on the VO Members. We wanted to check the members accessibility to their savings and their attitude towards BRAC and the appropriate savings policy. Our second section focused on women who had dropped out of the BRAC program. We were interested in finding out if their departures were savings related and if there were any issues or unmet needs that previously had been unconsidered. The third section of our questionnaire focused on the branch staff. We thought it would be important to note if there had been any significant changes in their workload since the Pilot Savings Project had been implemented.

Village Organization Members

Access

As noted in the Pilot Savings Project Preliminary Report, it is hypothesized that having access to an open access savings policy will lead to an increase savings mobilization and withdrawals, as well as lead a decrease in the drop out rate. There are two facets to accessing savings: appropriate policy and appropriate information dissemination. It is very important that BRAC members have complete knowledge of the savings policy that is being offered to them, otherwise their access is restricted. One of our main purposes with regards to spot-checking was to check the provision of access to one's own savings and ensure that members had complete knowledge of the relevant savings system.

Model One

Our findings showed that the majority of the women interviewed were relatively well informed about the Model One savings system. They all understood that they were able to access their savings. They knew that their savings could be withdrawn twice a year and they were required to repay their savings back before the second withdrawal could be made. We did, however, encounter some discrepancy between the two branches with regards to savings

withdrawal practices. In Amdia the VO members were only allowed to withdraw 50% of their savings, however the official policy stipulates that only 25% of savings needs to be left in the account.

In order to gain a better idea of who was utilizing their savings, we tried to interview both women who had withdrawn their savings and women who had not yet taken the opportunity to withdraw. Many of the women who had withdrawn their savings, cited reasons for doing so such as agricultural cultivation, house construction and shortage of capital. This strengthens the argument that women need access to their savings not only in times of emergency. Those who had not yet taken the opportunity to withdraw had not done so because they had either not encountered any emergency situations or they were concerned about using their savings for their present consumption. A few of the VO members did not want to withdraw their savings because they did not want to have to repay it and were angered by this requirement. One woman stated that it was a burden to have to pay back her *own* savings because she was also in the midst of repaying a loan as well as paying the compulsory savings component; and all of this was on a weekly installment basis!

Most of the women in Puthia deposited about five taka per week in voluntary savings, in Amdia which is a richer branch, the women tended to deposit between 10 and 20 taka per week. Most of the VO members were saving for old age security or for emergency purposes. Some VO members were trying to mobilize their savings for future consumption in order to create fixed assets. Increasing the accessibility to savings had a positive impact on the savings rate; because the women have access to their savings they are more comfortable with making larger deposits and hence the voluntary savings rate increased. Consequently it also had a positive effect on loan disbursements. On account of the increase in their savings rate; the members were entitled to larger loans, since BRAC uses these savings as an insurance mechanism against loan defaults.

Model Two

Paba and Sonargaon were the Model Two areas we visited. We found that all the women knew that they could access their savings under the new system, although there seemed to be a discrepancy between the two branches regarding the withdrawal rules and processes. In Paba the women were allowed to withdraw their savings for any reason, any time. However in Sonargaon the VO members could only access their savings in times of emergency. Furthermore, VO members in Sonargaon were required to keep 15% of their loan amount in savings at all times and this could not be withdrawn. We received many complaints about this; many members found it very discouraging. We also found that the VO members, especially in Sonargaon, were only allowed to withdraw money when they deposited extra savings (beyond the required amount) into their accounts. In addition, they were only allowed to withdraw the amount equivalent to their extra savings. To calculate this amount they would take the average savings size and compare it to the amount of one members savings; anything above the average amount was considered excess savings and could be withdrawn. According to the staff this was the only way to calculate the amount of excess savings since it is all deposited into the same account. These restrictions do not coincide with official PSP policy which states that all members have access to their savings, nor have these restrictions been made by Head Office; these are all local arrangements.

Most of the women who had withdrawn their savings had done so for the same reasons as those in the Model One areas, savings was withdrawn for house construction, emergency situations and daughter's marriage. For those who had not withdrawn, it was mainly because they had not encountered any emergencies or they were saving their money for old age. The voluntary savings rate is considerably higher in Sonargaon, which is a considerably richer branch. The VO members saved between ten and twenty taka in Sonargaon and around five taka in Paba. We found that the amount of voluntary savings deposited on a weekly basis increased under the new system; the members were more comfortable with

saving larger amounts because they knew they could access their savings when they needed too. However total savings actually decreased because the women tended to withdraw more often. Since the model two savings was implemented, there has been an increase loan size among the women. This has been attributed to the fact that women save more under the new system and this enables them to obtain larger loans since BRAC uses the members savings as a security device against loans.

Attitude

Our study consisted of a short section on attitudes of the VO members. The purpose of this section was to examine the attitudes of the current members towards BRAC and the relevant savings scheme.

Control Branch

In Durgapur, we found that there was a very positive attitude towards BRAC among the VO members. Nevertheless they were split on the issue of having an open access savings system. Half of the women interviewed really liked the current model, they were saving for old age security and therefore did not want to withdraw their savings for any reason other than an emergency. On the other hand, half of the women really wanted to access their savings. They would like to see BRAC implement a more flexible policy, thus they could access their savings whenever they needed too.

Model One

Overall the attitude towards BRAC and the Model One savings policy is very positive. All the VO Members that we interviewed preferred the Model One system to the old one. They were very pleased that in times of desperation, they would no longer have to go to a money lender nor would they have to drop out of BRAC in order to withdraw their savings. However, despite its popularity many members were split on the savings repayment rule. Some VO members said that

their savings were for old age security so they would have repaid their savings loan back anyway, while others were outraged that they had to repay their own savings; in addition they felt that repaying their savings really created a financial burden on them and their families.

Model Two

We found that in Paba and Sonargaon there was overwhelming support for the Model Two savings system. Many VO members said they had found the old system too conservative and restrictive. They were happy to have access to their savings, now they no longer had to save money in their houses or go to a village money lender in times of emergency. Moreover they found that their voluntary savings increased and this enabled them to obtain larger loans.

Drop Outs

In each of the branches we visited, we interviewed four women who had dropped out of BRAC. Our purpose for this was to ensure that there were no issues that had previously been overlooked or unconsidered. Our assumption was that there would be savings related drop outs which we wanted to further investigate. However, contrary to our beliefs, we did not find any significant correlation between savings and drop outs.

Control Branch

In the control branch, Durgapur, we interviewed three women who had dropped out of BRAC. We did not find a significant correlation between the drop outs in the control branch and lack of access to savings. Out of three interviewed, one woman had dropped out because she needed to withdraw her savings for her daughter's marriage and the only way to do this was to leave BRAC. She mentioned that she would have liked to have remained a member; however that was not possible under the current savings scheme. The other two members

reasons for dropping out were not savings related. One dropped out because BRAC would not give her a larger loan and the other one was asked by BRAC to leave the VO for reasons of dishonesty.

Model One

We found that many women in Puthia cited loan kisti problems and familial pressure, especially from their husbands as reasons for dropping out of BRAC. In Amdia, which is a relatively well off branch, the main reason cited for dropping out was the development of the womens' businesses. Most of them had accumulated enough capital, therefore they no longer needed the loans. Almost all the women withdrew their savings except two who used their savings for loan adjustment purposes. It took about two weeks for the women to get their savings from BRAC and most of them used it for consumption purposes or for purchasing cows and sewing machines. Many of the drop outs had not heard of the new savings system because they had already left BRAC when it was implemented. However those who had heard of it liked the idea because the VO members could access their savings in times of emergency.

Model 2

Most of the drop outs in Paba mentioned loan kisti problems and family pressure as reasons for dropping out of BRAC. However, in Sonargaon the women left because they found the loan size too small and it was no longer profitable for them to continue their membership. They all mentioned that they would have remained members if BRAC had offered larger loans. Two women in Paba said that BRAC had too many rules and regulations and were too strict with their loan repayments. One woman said that she was never given her loan on time and thus proceeded to join the Bangladesh Rural Development Board (BRDB). All the women withdrew their saving upon dropping out, except for two women who had to make adjustments for outstanding loan. The women used their savings for investing in businesses, purchasing cows and cultivating land. In

Paba it took the women one month to obtain their savings and in Sonargaon it took three to four months! The women in Sonargaon had never heard of the new system because they had dropped out before it was implemented. We felt that these women could have really benefited from the savings scheme because they had a lot of extra money to deposit; they all had Deposit Pension Scheme (DPS) accounts at commercial banks. In Paba they ex VO members liked the new system and were happy that BRAC had finally implemented a flexible savings scheme.

Branch Staff

Part of our study included spot-checking the branch staff. We wanted to note any changes in their workload since the implementation of the Model One and Model Two savings schemes. Our respondents in each of the branches included the Area Manager, the Accountant, the Program Organizer and the Program Assistant.

Model One

In the Model One areas most of the branch staff spent between 10% and 40% of their time on savings related work, depending on their position in the branch; the credit program assistants tended to spend the most. Since the implementation of the new savings system, we found there to be a minimal increase in the proportion of time spent on savings related work and no significant increase actual working hours.

All the staff members commented on how popular the new savings system was among the members. The area manager in Puthia thought that open access savings was a wonderful opportunity for the rural people because there is no bank within the vicinity and furthermore a commercial bank would never accept such small deposits. One of the credit PA's in Puthia mentioned that although the Model One scheme is popular there are some limitations. Most of the women are

not happy about having to repay their savings before they can withdraw again; their rationale is that it is their own money, therefore they should not be forced to repay it. They also only allow ten VO members to withdraw at one time, because they are afraid of having a shortage of funds. However, despite these limitations, he said that voluntary savings had increased because the members had more confidence in BRAC.

Model Two

The responses from the branch staff in the Model Two areas were very similar to those in the Model One areas. No one felt that this new system created extensive amounts of work, however we did find that the workload increased more in the Model Two areas than in the Model One areas. They, like the staff in the Model One areas, stated how popular the new system was among the members. However, the accountants in both Sonargaon and Paba mentioned that, in spite of the popularity, there are some restrictions. The accountant in Paba felt that open savings posed a risk for BRAC because if everyone started withdrawing their savings, BRAC would face a severe shortage of funds. The accountant in Sonargaon had the same concerns, he also stated that since BRAC uses the members savings as security against loan defaults, when members withdraw their savings this security diminishes. He also mentioned that only those members who deposit extra savings into their accounts, are allowed to withdraw money.

Conclusions and Recommendations

Overall the Pilot Savings Project seems to be running quite well. As mentioned before the purpose of spot-checking was to check the provision of access to saving and attitudes towards BRAC and the relevant savings policy. The members seem pleased with having a more flexible savings policy and their confidence in BRAC has increased. Now that the members know that they can access their savings when needed, they are more comfortable with depositing larger amounts of money into their savings. This increase in savings mobilization has consequently led to an increase in loan disbursements. Since BRAC uses the loans as a security measure against loan defaults, the members are now entitled to larger loans. Despite the resentment of the repayment rule in the Model One areas and all the restrictions in the Model Two areas, the open access savings policy tends to have overwhelming support from members as well as the branch staff

It was very evident to us that in terms of policies and practices, the Model One and Model Two savings schemes have been carried out in different ways among the various branches. Many of the branches have imposed their own local arrangements and this makes comparing the models quite difficult. Moreover, we found that the savings models are not carried out in the way that is stipulated in the official policy. According to the official policy, all members in these areas should have access to their savings, however this does not seem to be the case. Access to savings is still restricted for many VO members.

At the beginning of the report we defined the official objectives of the PSP as the provision of access to clients' own savings, the improvement in client well being, the reduction in drop out rates from BRAC and the increase in savings mobilization to financially benefit BRAC. We feel that the Model One and Model Two savings schemes should be carried out according to the official policy,

otherwise it defies all the PSP objectives. Therefore, it is imperative that a mechanism from Head Office is devised to monitor whether the various branches are following the official PSP policy or whether they enforcing their own local restrictions. This is extremely important if these objectives are to be achieved and if the savings schemes are going to be implemented in other regions of Bangladesh.

Appendix 1

Questionnaire: Spot-Checking

Part 1: Access to savings

1. Can you withdraw your savings?

Do you mean you can withdraw

2. When can you withdraw your savings?

b. How often / How many times can you withdraw your savings?

c. If you have withdrawn your savings once, can you withdraw again?

3. How much / which savings (CA)?

4. Why have you / have you not withdrawn?

(to be filled in)

How many times have you withdrawn your savings?

Do you have any other savings accounts?

5. Why have you / have you not opened an account (CA)?

6. How much do you deposit? Why?

7. Has your voluntary savings increased under the new savings model?

8. Has your loan size increased / decreased under the new savings scheme?

Part 2:

A. Attitude

1. What is your opinion of the new system compared to the old system? Why?

2. Which one do you prefer? *old*

b. Why?

The new system is better than the old system because it is easier to use and it is more efficient.

B. Drop Outs

1. Reason(s) for drop-out:

- a). loan kisti problems
- b). old age
- c). developed ?
- d). emergency need for savings
- e). inability to pay weekly savings deposits
- f). pressure from family
- g). other _____

2. What would have made you stay a BRAC member?

3. Were your total savings withdrawn when you dropped out?

b. How long did this process take?

c. What was done with these savings?

4. What is your opinion of the old and new savings systems?

b. Why?

5. Did you save before becoming a BRAC member?

b. Do you maintain the 'savings habit' now?

C: Branch Costs

Part 1: Workload

1. Approximately what proportion of your time do you spend on savings related work?

b. Has this increased due to the new system?

2. Are you able to complete the day's savings and credit work on the same day?

b. Have your working hours increased due to the new system?

3. How many Model One / Model 2 / Current Accounts are there?

4. Is the system popular?

5. Has the Savings rate been increased overall under the new savings model?

Part 2: Stationary

Any costs of new stationary required for the new system as well as stationary costs i.e. passbook or photos that the members have to pay for themselves. *(Ask the members)*

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Pilot Savings Branch Performances :

Model	Area	Savings Withdrawal(Total)		Weekly Savings(Own)		Net Savings Deposit		Avg.Member Wkly Savings		Avg. Loan Size	
		July- Dec96	Jan.- June97	July- Dec96	Jan-June97	July- Dec96	Jan-June97	July- Dec96	Jan.- June97	July-Dec96	Jan-June97
								(Avg. month)	(Avg. month)		
Model 1	Puthia	1,445,170	964,837	735,267	706,935	125,785	537,773	18.7	19.2	4,270	4,287
Model 1	Amdia	1,431,215	1,681,447	1,343,198	1,458,762	747,533	876,915	33.9	34.4	6,092	6,829
Model 1	Gobindogonj	1,851,738	753,608	1,046,870	1,006,978	(13,768)	1,047,045	20.7	20.0	4,224	4,520
Model 2	Paba	1,072,181	959,571	919,533	951,941	747,952	756,620	24.1	24.5	4,416	4,521
Model 2	Sonargaon	59,270	100,178	1,270,260	1,305,189	1,709,840	1,762,211	46.0	42.3	3,846	4,216
Model 2	Palasbari	615,722	512,101	829,393	806,464	893,021	985,463	20.1	19.4	4,221	4,492
	Total	6,475,296	4,971,742	6,145,521	6,236,269	4,210,363	5,966,027	26.0	25.9	4,775	4,811