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# WORKSHOP ON UNDERSTANDING AND RESPONDING TO THE SAVINGS BEHAVIOR OF LOW INCOME PEOPLE IN THE NORTH-EAST OF INDIA



This publication was produced for review by the United States Agency for International Development. It was prepared by *MicroSave* for DAI.



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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

**Guwahati, Assam**

**June 13, 2008**

# CONTENTS

**BACKGROUND ..... 1**

**THE WORKSHOP ..... 3**

**HIGHLIGHTS..... 5**

**ANNEX 1: AGENDA FOR THE WORKSHOP ON SAVINGS  
IN THE NORTH-EAST ..... 9**

**ANNEX 2: WORKSHOP PARTICIPANTS LIST ..... 11**



# BACKGROUND

The microfinance sector in India has witnessed an exponential growth in the recent years. However the growth has not been uniform. Remote areas like the North-Eastern Region (NER) of India have remained out of the radar. Also, within the spectrum of financial services offered, savings services in particular have been promoted the least, though all clients need them. The services delivered are supply led which again results in product failures and client needs and demand remaining unmet.

Microfinance initiatives have been introduced in the NER only in the recent times, and thus informal systems thrive in the area, especially for savings. *MicroSave*, in collaboration with the Indian Institute of Bank Management (IIBM), Guwahati, undertook a qualitative market research to design client oriented products and services -East, based on the financial preferences and behaviour of the low income population. The study focused on the 4 States in North-East -Assam, Meghalaya, Tripura and Manipur. A total of 136 focus group discussions were held using different PRA tools which covered 1046 respondents from 14 financial institutions.

Four products have emerged from the study.

- **General Savings Account:** Simple demand savings account that encourages people to enter the formal financial system. It welcomes and helps people develop a relation with a secured financial institution.
- **Short Term Recurring Deposit Account:** Helps save up small lump sums to address a variety of small and often recurring client savings needs or to achieve small dreams.
- **Long term Recurring Deposit Account:** Aimed to help strengthen coping capacities significantly by savings up for planned expenses and reducing dependence on loans.
- **Monthly/Annual Fixed Deposit with Certificate Account:** Simple, flexible fixed deposit product that captures seasonal cash surpluses for future use.



# THE WORKSHOP

On completion of the research, *MicroSave*, hosted a workshop in Guwahati to present the prevailing client demand for the above products to the service providers. The key objective of the event was to share the findings of the field-based research and to deliberate on the recommended products and their delivery mechanisms which can ensure financial inclusion in this part of the country. The research and event is commissioned by USAID and was entrusted to *MicroSave* by DAI.

This forum was successful in bringing the demand of the sector, as revealed through the research and the suppliers of savings options together. It was able to bring together the key players of the sector and engage over 50 participants in a vibrant discussion. The workshop received a wide coverage both by print and television media. In the television media, it was covered by the National Television Channel (Doordarshan) and also by a leading local news channel – NE News. In the print media, it was covered by the Economic Times, Daily Tribunal, Assam Tribune, Shine News.



# HIGHLIGHTS

The workshop was inaugurated by Shri P. K. Mishra, Director, IIBM and Shri Brij Mohan, Chairman, *MicroSave*.

Shri Brij Mohan in his inaugural speech reinstated how savings has continued to be the forgotten half of microfinance. He presenting some key findings and the products from the research report and highlighted that it was an outcome of about 400 hours of client interaction. He appreciated the need and role of such client oriented researches in reinforcing that known facts, such as the low income can and do save and that they also loose significant amounts of their savings, but no significant action has been taken so far. He invited banks and other financial institutions in the area to take this up as an opportunity and a challenge to develop and implement such market-led financial products to meet the huge unmet demand for savings of low income households in the area.

Shri P. K. Mishra, Director, IIBM, expounded on the role of such studies in helping develop a more inclusive financial services scenario. He dwelt on the collaborative arrangement between the two institutions which made the effort possible and assured his continued cooperation in taking further the task of provision of market-led inclusive financial services by fostering more and stronger partnerships and linkages with various key institutions in the area.

In her address, Srimati Shashi Rajagopalan, independent expert, pointed out the predominance of a credit-led microfinance, though savings was an urgent need of all. She outlined the indigenous savings mechanisms in different parts of the country and world, which were relevant for North-East, and laid out some of the learning that banks could adopt from the products and systems developed by the people themselves. She also emphasized on how the



financially excluded need to save for a variety of reasons including coping up with emergencies, asset purchase and even for access credit. Dr. Jayanta Madhab delivering his key note address

Dr Jayanta Madhab, former advisor to the Chief Minister of Assam, in his key note address, spoke on the typical challenges of the NER due to the diversity and peculiarity of the region and its people. He also highlighted the fact that as parts of the NER were sparsely populated a single strategy might not work for the entire region.

Abhijit Sharma, Faculty, Indian Institute of Bank Management, who played a key role in the research, dwelt on the current financial scenario and explained with empirical evidence how the current mainstream financial landscape in the NER has proved to be inadequate to achieve the goal of financial inclusion. He

suggested that innovation in product and processes with the use of latest technology can substantially increase the outreach and thus improve the financial landscape in the NER.

Shri Falguni Rajkumar, Secretary, North-Eastern Council (NEC) talked about the plans of the NEC for the NER and the recent initiatives taken. From his vast experience in some of the key roles in public service across India, Shri Rajkumar explained why mainstream banking in the North East has not been as successful as in many other parts of the country. One of the main reasons for this he shared, is the one-size-fits-all approach of bankers and financial leaders of the country so far. He went on to add that a totally different, localized approach and attitude is needed from service providers to be able to succeed in achieving the goal/vision of total financial inclusion. He appreciated that the research had taken into account the diversity in the region, while designing the products.

Shri S Vishvanathan, Chief General Manager, State Bank of India, gave an account of the challenges the banks faced in the North East in expanding their operations. He detailed on how partnerships and cooperation among other banks and concerned departments are required to initiate and manage a rapid but organic expansion of financial and banking network in the North East.

Shri Subroto Das, Chief General Manager, Reserve Bank of India (RBI) then deliberated on RBI's vision for financial inclusion in the NER by emphasizing the need for branch banking for continuity and regularity of relationships and services alongside the agent and business correspondent network. He ended his presentation with the use, potential and importance of technology for achieving the vision of inclusive financial services. In this regard, the role of RBI in making delivery of financial services through the Banking Facilitator and Banking Correspondent route was discussed in detail<sup>1</sup>.

Graham AN Wright, Programme Director, *MicroSave*, brought in the international perspective on savings mechanisms adopted by the low income. He reiterated that the needs are diverse and thus multiple coping mechanisms are also adopted by the clients to address their needs. He shared example of Equity Bank in Kenya and Grameen Bank of Bangladesh to show how financial institutions have come forward with effective savings products and how the institutions have hugely benefited in the process.

The final presentation was by Madhurantika Moulick, the lead author of the savings study, who presented the key findings and the detailed products that are being recommended by the research team. She shared the way the service providers in the workshop were perceived by the market that they serve in relation to the product attributes that were identified as most important by the savers. She reinforced that there was huge demand in the market which was waiting to be tapped and that the need was urgent as the people are continuing to lose huge amounts to fraudulent operators.

While deliberating on the findings of the study and the modalities for operationalizing the findings, other speakers and participants including Shri Sitaram Rao from SKS, Gouri Shankar from Standard Chartered Bank and Raj Khaira from FINO, were of the view that institutions need to develop creative delivery channels using agents and lock boxes or e-banking systems including the use of mobile phones. The workshop ended with a presentation by FINO on their new options on POS and Mini ATMs which help savings services to be delivered at door step and more important, risk free.

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<sup>1</sup> Under the Business Correspondent model, The Reserve Bank of India has allowed commercial banks to appoint/use intermediaries (within some specified categories) to extend financial services. It was followed by another circular, in April, 2008, limiting the Business Correspondent Operations within 15 kms of a bank branch. This has raised concerns all over the country regarding the goal of financial inclusion for the un-banked in India.

The prominent attendees included Mr. S. Balan from IIBM, Mr. Srinivasan an Independent Consultant, Rupali Kalita and Amiya Sharma from RGVN, D. Sharma from IIBM.

The MFIs of the NER - Rashtriya Gramin Vikas Nidhi (RGVN), Nightingale Charitable Society, Lakshmi Development Institute, Grameen Vikas Manch, and Grameen Sahara also appreciated the research findings in helping them understand their market better.

The workshop culminated with vibrant and action-oriented group discussions by all participants on 'How Financial Institutions can Best Respond to the Opportunities and what Support Can Other Stakeholders Provide'. Special attention was given to the opportunities for the use of technology for financial inclusion.

The workshop ended on a very positive note with different suppliers viewing the existing demand from their own perspective.



# ANNEX 1: AGENDA FOR THE WORKSHOP ON SAVINGS IN THE NORTH-EAST

## JUNE 13TH GUWAHATI

Time	Topic
9.00-9.30am	<b>Welcome Addresses</b> – Mr.P.K. Mishra, Director IIBM and Mr. Brij Mohan, Chairman, <i>MicroSave</i>
9.30-10.00am	<b>Key Note Address</b> – Dr.Jayant Madhab, former Adviser, Chief Minister of Assam
10.00-10.30 am	<b>Indigenous Saving and Banking</b> – Ms. Shashi Rajgopalan, Independent Expert
10.30-11.00am	<b>The Current State of Financial Services in the North-East</b> – Mr. Abhijit Sharma, Faculty, IIBM
11.00-11.30am	<b>Tea/Coffee</b>
11.30-12.15pm	<b>The RBI's Vision for the Financial Services in the North-East</b> – Mr. Prashant Sharan, CGM, RBI
12.15-1.00pm	<b>Challenges for Banks Working in the North-East - CGM, SBI</b>
1.00-2.30pm	<b>Lunch</b>
2.30-3.30pm	<b>Understanding and Responding to the Savings Behavior of Poor People in the North-East of India</b> – Mr. Graham A.N. Wright / Ms.Madhurantika Moulick
3.30-4.30pm	<b>Group Work:</b> 1. How Can Financial Institutions Best Respond To The Opportunities? 2. What Support Can Other Stakeholders Provide? (Moderated by Graham A.N. Wright of <i>MicroSave</i> ) 3. Technology for financial inclusion (Moderated by Raj Khera, FINO)
4.30-5.00pm	<b>Tea/Coffee</b>
5.00-6.00pm	<b>Report Back From the Groups</b>
6.00-6.15pm	<b>Valedictory Speech – Sponsor</b>
7.00–7. 30pm	<b>Demo of POS based system by FINO</b>
7.30 onwards	<b>Dinner</b>



# ANNEX 2: WORKSHOP PARTICIPANTS LIST

S.No.	Name	Organization
1	Nilmani Gangopadhyay	Grameen
2	Sitaram Rao	SKS Microfinance
3	Sushant Pal	IFC
4	Subroto Das	RBI
5	R V Mishra	Canara Bank
6	Ghanashyam Pathak	
7	Amit Kr. A	
8	Olee Bora	North Eastern Development Finance Corporation (NEDFI)
9	Anup Kr.	
10	Shekhar P	
11	P Subuddhi	
12	D C Biren	
13	D Sharma	
14	Ms. M S Blyan	
15	H P Sathpathy	UCO Bank
16	Antony Kashung	
17	A K Jain	
18	Naresh Mitra	
19	J L Baidya	SIDBI
20	Partho Patwari	MicroSave
21	Hiren K	
22	S Balan	BIRD
23	N. Irabanta S	The Luxmi Development Institute
24	Rupali Kalita	RGVN
25	D F War	
26	Shashi Rajagopalan	Independent Consultant
27	D D Mali	IFC
28	G Gourisankar	Standard Chartered Bank
29	Amiya Sharma	RGVN
30	Indranee Dutt	
31	Jayanta Madhab	Advisor Govt. of Assam
32	Raj Khaira	FINO
33	Ajanta P	IDBI
34	Akash Kumar	Axis Bank
35	R K Sahwo	
36	Anup Jyoti Sand	
37	Satish Kalra	Punjab National Bank
38	N D Singh	North Eastern Development Finance Corporation (NEDFI)
39	S C Das	Grameen Sahara
40	N. Srinivasan	Independent Consultant
41	Anup Sharma	
42	Dipankaj Mazumdar	Gramya Vikash Manch
43	Debabrata Sarma	IIBM
44	Mr. Falguni Rajkumar	North Eastern Council
45	Graham A. N. Wright	MicroSave
46	Manoj Sharma	MicroSave
47	Madhurantika Moulick	MicroSave

