
Relative Risk to the Savings of the Poor in Uttar Pradesh

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Disclaimer

Qualitative research is designed to look beyond the percentages to gain an understanding of the customer's beliefs, impressions, and viewpoints. Gaining such insight generally works best with Focus Group Discussion and Participatory Rapid Appraisal with small, highly targeted samples. Qualitative research is not statistically representative, but is more appropriate for research that seeks to understand complex human responses and financial behaviour.

Individual vs. Consensus Responses

In this study, we present responses to research questions in two different ways: individual and consensus. Individual responses are necessary when questions pertain to bank accounts (or lack thereof), age, occupation, education, and other specific aspects of respondents' profiles. In group discussions, however, the final consensus of the group regarding various key questions is what matters. Individuals can and do change their minds during the discussion. In such cases, we note the final consensus, not each individual's opinion. This difference will be noted in the various charts and graphs.



EXECUTIVE SUMMARY

In order to better understand how low-income households save, and the relative risks involved, *MicroSave* conducted a study in four districts of Uttar Pradesh—Deoria, Ghazipur, Gorakhpur, and Mirzapur—in August 2011 with 454 respondents in 79 sessions.

In Uttar Pradesh, bank savings and livestock are the most popular ways to save and invest (cited in 90% of sessions), followed by savings at home (87%) and Life Insurance Corporation (LIC) policies (76%). Other options include investing in business, jewellery, and deposit-taking NBFCs¹ (Non-Banking Finance Companies). As noted in the *MicroSave* studies in Rajasthan and Tamil Nadu,² all savings associated with the government such as banks, the post office, and LIC policies enjoy high levels of trust.³ NBFCs do not. Nearly all respondents have had a bad experience themselves or know of others who have lost money with these private financial companies.

For security and trust, respondents rank banks and LICs highest because of the government deposit insurance and the certainty they feel passbooks provide. Banks, NBFCs, and LICs also offer the most reliable receipts. The least trusted are home savings and jewellery. Both are easily stolen, and robbery and petty theft are apparently common in many respondents' villages. Respondents believe that LIC policies and investment in business offer the highest returns, while savings at home and jewellery yield the lowest. Easy access to savings is nevertheless a priority, particularly in an emergency. LICs, NBFCs, and business investment are the most difficult withdrawals; savings at home and in banks pose the fewest problems.

Savings preferences have also shifted in the past ten years in Uttar Pradesh. Bank savings, LICs, NBFCs, and business investment have all increased; livestock and land have remained more or less constant; and jewellery is losing favour. The rise in bank savings hinges on the disbursement of government wages and benefits via this channel and a general expansion in bank use due to remittances and financial inclusion efforts. Gains in LIC savings appear due to more LIC agents and better marketing and publicity. NBFCs have also intensified their outreach and sales efforts in this region, although Sahara's savings options will change as of next year and others will follow suit. (Please see first footnote.) Savings in jewellery have waned because of the ever-accelerating



¹ Deposit-taking NBFCs or Residuary NBFCs are a special category of NBFCs. Their current legal status is changing to comply with RBI policy on accepting public deposits. As of June 2008, the RBI requested Peerless and Sahara, the two biggest Residuary Non Banking Companies (RNBCs) in India to phase out the collection of public deposits. See here:

http://money.sulekha.com/rbi-says-sahara-group-companies-can-t-accept-public-deposits_news_25728. Sahara has committed to repaying 19+ million depositors by end-2011

<http://www.business-standard.com/india/news/sahara-to-windparabanking-by-dec-repay-rs-9k-cr/447606> Sahara also hopes to extend its services in other ways, including a credit co-operative society. <http://www.rediff.com/business/slide-show/slide-show-1-sahara-takes-co-op-route-to-beat-sebi-rbi-bans/20110426.htm>

² For more details, please see *MicroSave* studies on Relative Risk to Saving of Poor: [Tamil Nadu](#) and [Rajasthan](#)

³ Throughout this report and related ones on savings and remittances, respondents place their fullest trust in any institution with “government backing”. In fact, guaranteed deposit insurance, provided in part by the government to banks, post office savings, and certain insurance policies, is the basis of this trust, but since this level of specificity is not how respondents understand the security of their money, we do not change the phrases and rationales they use instead.

price of gold and other precious metals and stones, plus the accompanying security risks. Resale value is also too uncertain, and respondents find many jewellers to be untrustworthy.

They also clearly perceive that certain savings are better suited to certain income groups. Respondents see formal savings avenues such as banks, post offices, and NBFCs as the preferred choice for more financially secure households. The “rich” save via banks, insurance, and business investment, they claim, and the next income bracket, the “not so poor” save with NBFCs. In their estimation, the “poor” are more likely to opt for livestock and the “very poor” save at home and in jewellery.



INTRODUCTION

The benefits of savings are obvious and increasing evidence suggests that low-income households are actively seeking new and better ways to invest in a more secure future.⁴ Unfortunately, close to 41% of India's citizens remain financially excluded with no access to formal banking services. Their choices for savings are thus limited and involve more risk. *MicroSave* conducted a study on the relative risk to the savings of the poor in three different states in India in 2011. This report provides a summary of the research results in the northern state of Uttar Pradesh in the districts of Deoria, Gazhipur, Gorakhpur, and Mirzapur. An important part of this study is to help further discussion among policy-makers and other stakeholders on how to improve savings and reduce risk for the lowest-income households.

RESEARCH PROCESS

Research Objectives

The primary objective of the study is to understand the various savings options available to poor people, and the relative risks and rewards each entails.

We will also address the following questions:

- How do low-income households make use of formal, semi-formal, and informal savings systems?
- What factors motivate their choices and which ones are most important or relevant?
 - Trust
 - Rates of return
 - Security
 - Identified goals (education, marriage, health/life/casualty insurance, business or property ownership, other life-cycle events)
 - Convenience
 - Compulsory savings
 - Peer pressure
 - Lack of other options
- How do they perceive the risk associated with formal, semi-formal, and informal savings?
- How have their savings patterns changed over time, if at all?
- How do low-income groups perceive the savings habits of other socio-economic groups?



⁴See [Collins et al \(2009\), "Portfolios of the Poor: How the World's Poor Live on \\$2 a Day" Princeton University Press](#) for a more detailed discussion on how poor households save. For a summary, visit "[PoP Briefing Notes](#)", *MicroSave* and Financial Access Initiative. For research on the impact of micro-savings on poor households, see [Dupas & Robinson \(2011\) "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya"](#) and [Karlan, Yin & Ashraf \(2008\) "Female Empowerment: Impact of a Commitment Savings Product in Philippines"](#).

Research Methodologies

MicroSave used the following tools for data collection:

- **Focus Group Discussions (FGDs):** FGDs, by fostering discussion amongst the participants, provide a window into the thinking behind the choices respondents make regarding personal savings, their preferences, and their understanding of the various risks involved. For more information on the discussion guide, please refer to Annexure 1.
- **Relative Preference Ranking (RPR):** In the RPR exercise, respondents rank savings choices based on various safety attributes. Annexure 2 provides details on the RPR guide.
- **Financial Sector Trend Analysis (FSTA):** FSTA provides an overview of how people make choices about savings, how these choices are changing, and reasons for their new decisions. Please find details on the FSTA in Annexure 3.
- **Financial Services Matrix (FSM):** This exercise explores the savings habits and perceptions of different socio-economic groups in the research sample. For details, please see Annexure 4.

Area Profile

The research locations for this study were Deoria, Ghazipur, Gorakhpur, and Mirzapur. Uttar Pradesh is India’s most populous state with a total population of 200 million in an area of 243,290 square kilometres. The main economic activity is agriculture with wheat, legumes (“pulses”), rice, potatoes, and oil seeds as the principal crops. Uttar Pradesh’s GDP per capita is US\$488, the second lowest in India.⁵ Nearly 40% live below poverty line.

Ghazipur and Mirzapur lie in the south-eastern part of the state. Mirzapur is known for its carpet production. Deoria and Gorakhpur are geographically contiguous. Deoria is located in the eastern fringe of Uttar Pradesh, bordering the state of Bihar. A densely populated district, the major occupation is agriculture. Gorakhpur, in the northeast, offers the best medical facilities in eastern Uttar Pradesh and is the headquarters of the north-eastern Indian railways.

Districts	Population	Density per sq. km	Literacy Rate	Commercial Bank Branches ⁶
Ghazipur	3.3 million	1,073	74 %	163
Gorakhpur	4.4 million	1,336	73%	219
Deoria	3 million	1,220	73%	117
Mirzapur	2.4 million	566	70%	106

⁵ http://unidow.com/india%20home%20eng/statewise_gdp.html

⁶ For bank information, see <http://www.rbi.org.in/scripts/PublicationsView.aspx?id=12671>

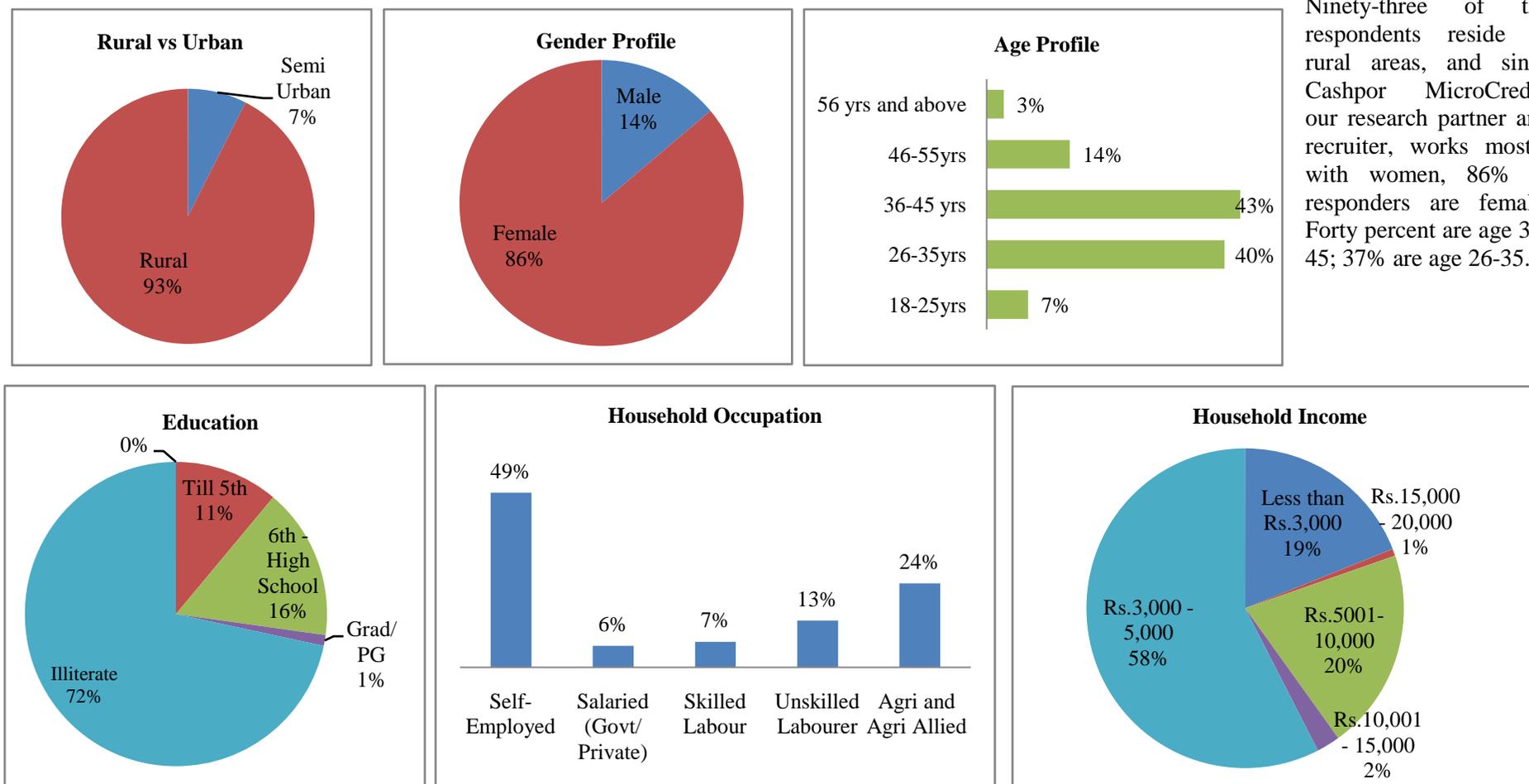
Sample

This study sample included 454 respondents and 79 sessions. Research methodologies and the number of respondents for each are detailed below.

S. No.	Qualitative Research Tool	No. of Sessions	Total Respondents
1.	Focus Group Discussion	29	167
2.	Relative Preference Ranking	19	108
3.	Financial Sector Trend Analysis	11	64
4.	Financial Sector Matrix	20	115
	Total	79	454

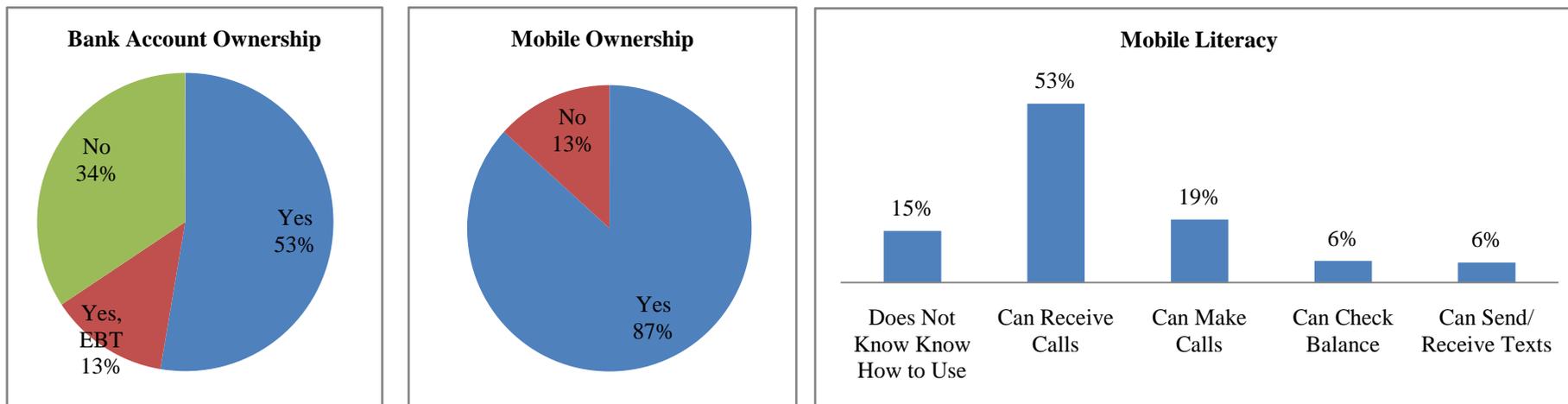


RESPONDENT PROFILE



Seventy-two percent of the respondents are illiterate. Eleven percent have some primary education; 16% have some secondary schooling. Forty-nine percent of the respondents are self-employed (carpet making, tailoring, or their own shops and small businesses). Seven percent are skilled labourers (mostly masons, drivers and carpenters). Twenty-four percent depend on agriculture and related work like dairy for their livelihoods, while 13% are unskilled labourers in the MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) programme and other part-time work. Six percent hold salaried jobs. Forty-eight

percent of the study sample have an average monthly income of Rs.3,000-5,000, while 20% earn Rs.5,000-10,000. One-fifth earn less than Rs.3,000 per month.



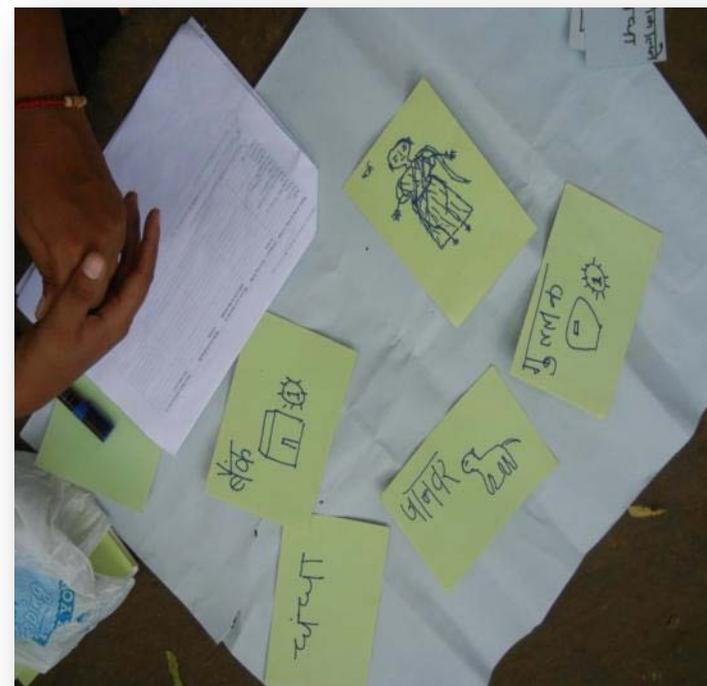
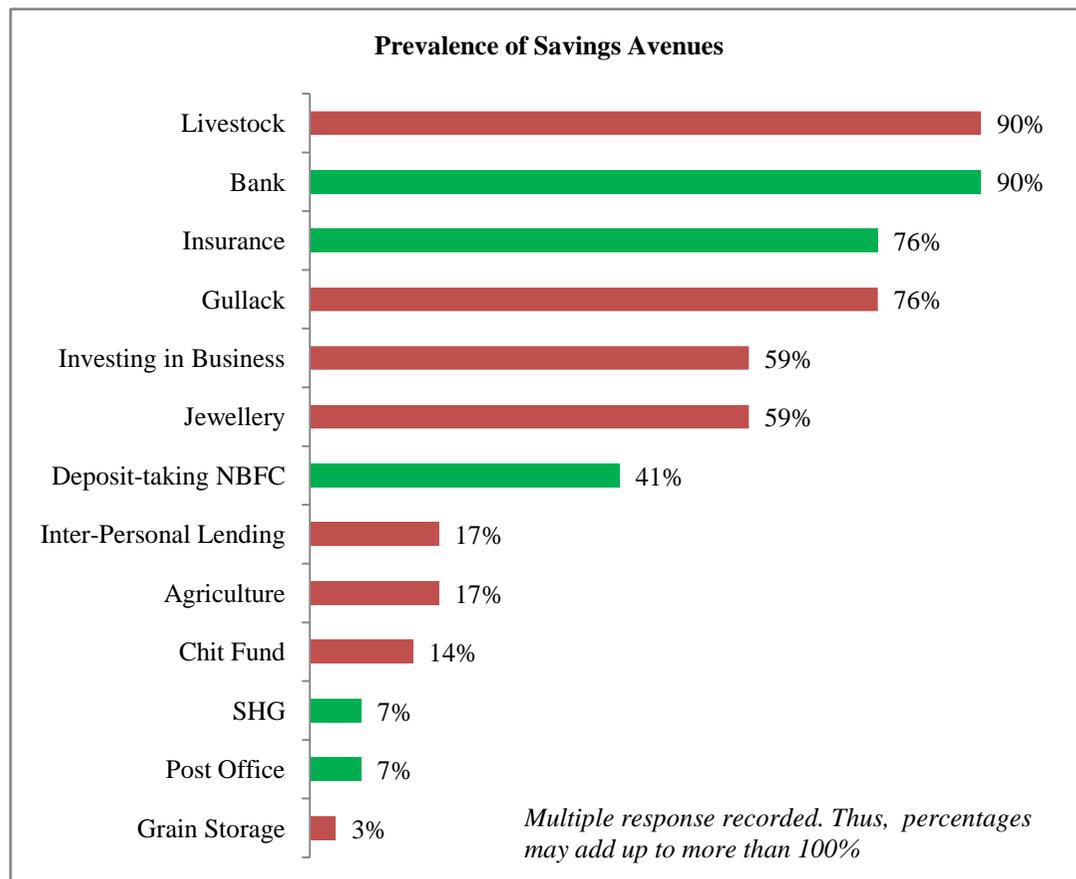
Almost half of the 454 respondents have at least one savings account in their family. Thirteen percent claim they opened bank accounts to receive MNREGA⁷ wages. Eighty six percent also have at least one mobile phone in their household. A little over half the sample can receive calls; 19% can make calls, while 6% are able to read and write text messages.



⁷ Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) is government-funded scheme, which provides hundred days of unskilled employment to every family who volunteers to do the job. To know more visit MNREGA website: <http://nrega.nic.in/netnrega/home.aspx>

PREVALENCE, PREFERENCES, AND RISK PERCEPTIONS

In focus group discussions regarding respondents’ preferences, banks and livestock are the most frequently mentioned favourites; savings at home is a close second, and insurance policies emerge as a strong alternative. Respondents report that almost everyone they know keeps some money at home, either in a *gullak* (a small earthen piggy bank) or in their *peti* (suitcase). (This report uses *gullak* and savings at home interchangeably, as do respondents when discussing savings.) Investing in business, jewellery, and NBFCs such as Sahara and Peerless are other options respondents mention. The bar graph below summarises the prevalence of various savings, and the tables in this section illustrate the risks involved.



Banks

Almost all the respondents in this sample know about or have some experience with banks, but they perceive this saving option to be primarily for households with higher incomes. *“Jinke paas thoda jyaada paisa ho, voh bank mein karte hain. Jaisi aamdani vaise hi bachat”*. (Those who have a little extra money put the money in banks. Savings depend on income.) A small minority claim otherwise, *“Pachaas bhi rupaye hue to bhi ham bank mein rakh sakte hain. Jab chahe nikaal sakte hain”*. (We can put even Rs.50 in the bank. We can also withdraw it whenever we want.)

Respondents appear to save in three ways with banks:

- They save at home until they have accumulated Rs.4,000-5000 or until they sell livestock, land, or farm produce and have a lump sum in hand. (Most prefer to keep some money at home for emergency expenses.) *“Paisa badh jata hai tabhi bank mein daalte hain”*. (We deposit money only when our savings reaches a sizeable amount.)
- MNREGA beneficiaries receive wages via bank accounts opened specifically for this purpose and put some money aside. *“Narega ka paisa aata hain. Jama nahin karte hain. Agar 500 rupaiye aate hain, toh 400 nikalke, 100-200 rupaiye rakhte hain”*. (There is money in our account because NREGA money is deposited in our account; we do not actually deposit money there. If Rs.500 are deposited, then we take out Rs.400 and leave Rs.100-200 there.)
- Remittance beneficiaries⁸ often follow the same strategy. Many leave a portion of the money that relatives working as urban migrant labour send to them in their bank accounts as savings.

“Jiske bache vo dhare. Bahut log hain jinka agar chaalu khaata raha toh phenk dete hain. Jo 5hazaar ya 10hazaar hoga to hi na dalenge?” (Those who save are able to deposit it in banks. Many people just deposit any extra money they have in their savings account. Only if we have Rs5,000-10,000 will we deposit the money in a bank.)

“Sarkare bank me paisa kaise doob sakta hai!”. (How can we lose money with government owned bank!)

“Jab nikale jate hai tabhee na khatra ban jata hai”. (We face risk only after we have withdrawn the money on our way back.)

In general, respondents see no risks depositing their savings in retail banks—although they distinguish between “government banks” (national state and commercial bank branch networks and regional rural banks) and “private banks” (deposit-taking NBFCs and other

private companies which are illegally or para-legally providing savings services to rural households). *“Paisa surakshit rahta hain agar bank sarkari hain. Agar bank private ho tou darr adhik rehta hai.”* (The

“Koi khatra nahi hai bank me, kyu ki uspe bharoosa hai, wo to bohot pehle se hai yaha pe”. (There is no risk involved in the bank. It has been around for years and years.)

money is safe if the bank is backed by the government.⁹ If the bank is private, then we worry more.) The receipts, passbooks and numerous forms involved in bank transactions, while tedious,

⁸ For more details on remittances, please see *MicroSave* studies on Remittance Networks: [Punjab-Uttar Pradesh corridor](#), and [Gujarat-Bihar and Gujarat-Orissa corridors](#).

⁹ Throughout this report and related ones on savings and remittances, respondents place their fullest trust in any institution with “government backing”. In fact, guaranteed deposit insurance, provided in part by the government to state banks, post office savings, and certain insurance policies, is the basis of this trust, but since this level of specificity is not how respondents understand the security of their money, we do not change the phrases and rationales they use instead.

serve to increase their trust in the bank. “Jo likha padi hoy, raseed diye hain, toh vishwas hain”. (There is a lot of written material and receipts, so we have faith.) Others say that banks have been in existence for so many years that they have grown to trust them as institutions. In 20% of the sessions, respondents raise their concerns about theft en route to and from the bank.

Livestock

Investing in goats, cows, buffalos, and in some cases, mules competes with bank savings in this research sample. Livestock assets include: milk (for home use and for sale), dung (as fuel and as insecticide), and the income from the sale of the animals and their young. Usually sales occur annually or biennially, but in emergencies, livestock are a quick way to raise cash. Livestock are also an integral aspect of many respondents’ lives. “Bachat hain, toh jaanvar hain”. (If there are savings, then there are animals.)

“Mar jayegi toh paisa doob jayega. Das hazar ya bees hazar, ka khareeda hai to uska nuksaan hojata hai”. (In case the animal dies, we lose between Rs.20,000 to Rs.30,000.)

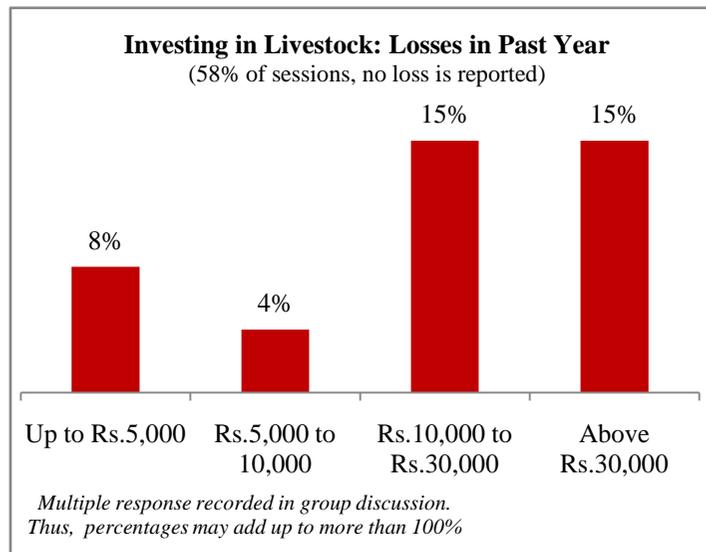
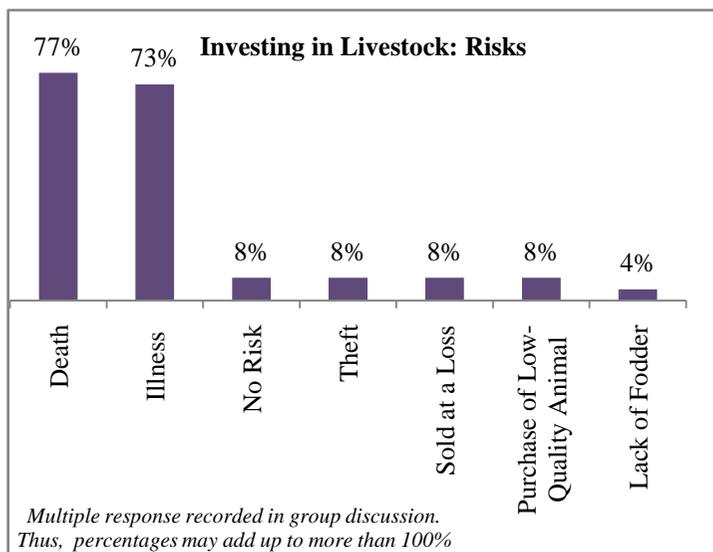
“Dudh ke sath goyada aur 1-2 saal main janwar bhi bechne layak ho jata hain”. (We can sell milk as well as dung cake. Within one to two years, the animals can be sold for a profit)

“Koi bala aayegi, jaanwar ko pehle bechte hain”. (If some ill fortune befalls us, then we sell our animals first.)

A buffalo or cow can cost Rs.30,000 or more, while the price of a goat can be as low as Rs.3,000. Typically, money for the larger purchases comes from accumulated savings, loans, or sale of another animal. Smaller investments tend to come out of household

savings over time. Some respondents mention receiving livestock as a gift when their sons marry.

Risks are high with livestock, however. Death and disease are the two top perils, coupled with the debt obligation for those who borrow money to finance their purchase. Close to one third of those who invest in livestock report losing over Rs.10,000 of their savings.



Insurance

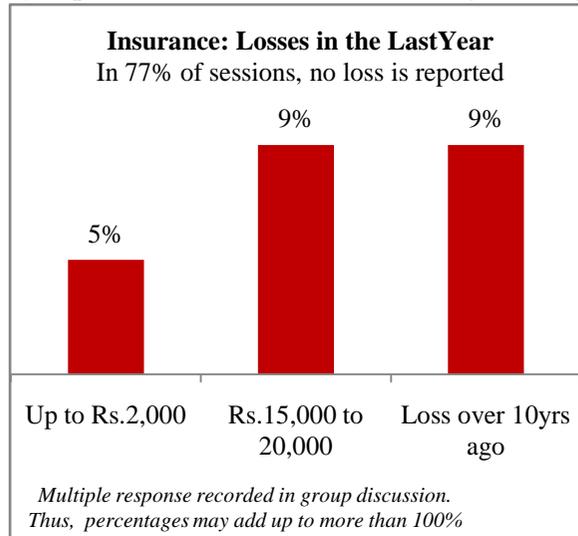
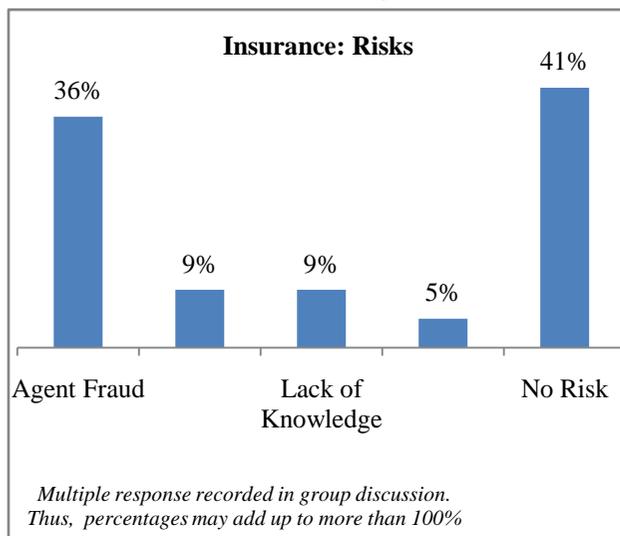
The life insurance policies for this respondent sample issue primarily from the Life Insurance Corporation of India (LIC). LIC, a government-owned insurer, is the largest such savings option with over 1 million agents and close to 270 million policies.¹⁰ Deposits are usually collected on a quarterly basis and these

“Nahe imme kaunsa khatra , har baar raseed milee”. (There is no risk in LIC as we receive a receipt for every instalment.)

policies typically guarantee some money back at the end of the period insured even if death, casualty, or other insured events do not occur.¹¹ These policies are popular and well publicised amongst this sample. Word of mouth and trust in the local LIC agent seem to be the key drivers for this savings option. *“Bahut logon ne karaya hain, toh humne bhi karaya hain”.* (Many others have drawn a life insurance policy. So we’ve also done it.) *“Wo to agent ke kehne pe humne diya”.* (We paid the money just because the agent asked us.)

Most do not perceive LICs to be risky investments. The association with the government serves to reassure many, though several respondents mention instances of agent fraud, including bribes to expedite document approval. In most cases, however, the insurance agents are local and trustworthy. *“Gaon ka agent hain to jabah kahan? Bhar ka agent par bhodasa nahin karte”.* (The agent is from village, where will he go? We do not believe in outside agents.) Moreover, others in their villages have had satisfactory experiences with this form of savings in the past. The two deterrents are the “lock-in” period during

which respondents cannot access their money and the difficulty for some of keeping current with the compulsory quarterly instalment payments.



“Wo to kehte hai 6 sal baad nikaal sakte hai. Time mein nahin nikaal paate hain”. (They are saying that you can withdraw only after six years. We cannot take [money] out in our hour of need.)

“Ab hum unpe vishwass nahi karte, apna swayam jaate hai, agent ko do khaye ga”.(Now we have stopped trusting agents, we go ourselves to deposit the money because if you give it to the agent, he is sure to run away with your money.)

¹⁰<http://www.licindia.in/operations.htm>, <http://www.licindiaagent.com/list-of-all-lic-insurance-policy>, <http://www.myinsuranceclub.com/insurance-news/lic-customers-and-branches-face-problems>

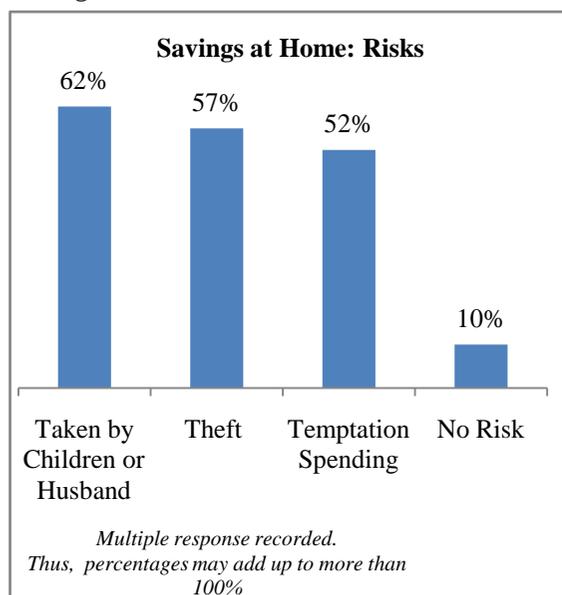
¹¹For more information on LIC products see <http://www.licindia.in/> and http://www.microfinancegateway.org/gm/document-1.9.29756/3588_file_03588.pdf.

One Woman’s LIC Story

Radhedeви, 35 is from a small village Rampurdakuna, Ghazipur. She works as a teacher in a private school. She lost faith in LIC last year when her brother in law died and his family only received Rs.18,000 of the Rs.100,000 policy.

Radhadeви stopped her own LIC premiums shortly thereafter, but has since taken out a new one for Rs.500 month. When asked why, when she already knows she may be duped, “*Bus gadhi se aana Jana hota hai to koi Hadsa ho jaye to bacho ke kaam aayega*“. (I have to travel by bus and train, [to school]. If any accident happens, then LIC will be useful for the children.) She adds, “*Is baar pechan wale se LIC karwaya hai toh bhaag ke kahan jayega* “. (This time I took the LIC policy from a relative, so [he] will not be able to run away with money). Finally: “*LIC pe barosa hai par agent log bhaag jate hai, LIC ka office hai so wahan se nikalwa lenge*“. (I trust LIC. It’s only the agents who run away with money. In that case, [I] will recover the rest from LIC office.)

Savings at Home or Gullak



Almost all respondents save at home in small earthen piggy banks (*gullak*), suitcases, and *almirah* (cupboards). Advantages include ready access to cash in emergencies, especially medical, and simplicity. One simply adds loose change or more when available. However, these same attractions of proximity and convenience also make the *gullak* easy to pilfer for small extras.

Theft is also an issue. “*Ghar ke log le sakte hain, aur log bhi agar jaan gaye, toh chori bhi ho sakti hain*“. (Someone from home can take it. If others find out, they can steal it as well.) Children also steal. “*Ladkan hi le ja sakte hain*“. (Our boys can break it and take it.) Robberies are also common in this part of rural Uttar Pradesh), although most cannot quantify these losses as they seldom count the money in the *gullak*.

“*Jayadhotahai to bank mein jama kar dete hai aur kam hota hai to ghar per rakh lete hai*“. (We deposit large sums in bank and keep small sums at home.)

“*Jab kaam ho jaise ladkan ka phees dena hain to phod ke nikaal lete hain*“. (Whenever we need money, such as paying for school fees, we break it.)

“*Gullack mein do do rupaye rakhte hain. Koi jaroori baat aa gayi, to gullak se utha lete hain*“. (We put small amounts of money in the *gullak*. If we need to the money, then we can easily take it out of the *gullack*.)

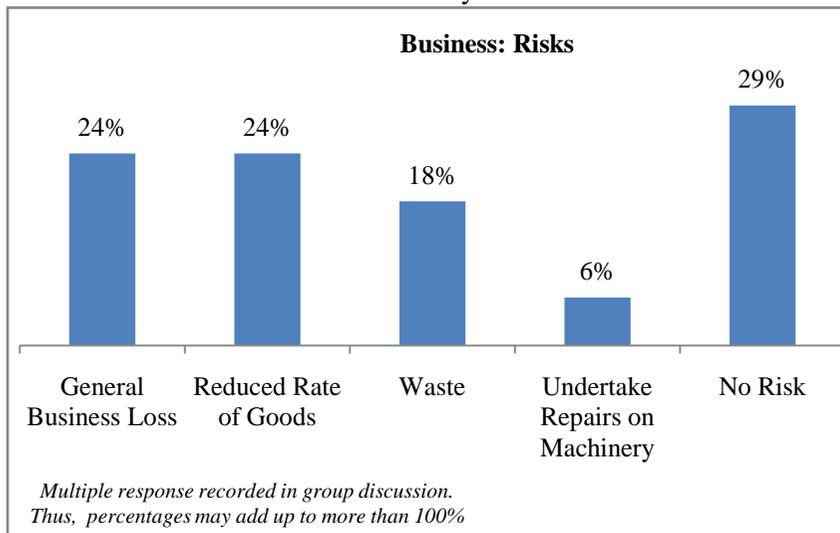
Investing in Business

Many respondents or family members are involved in small businesses and almost everyone claims to put savings back into these enterprises. If a significant investment is necessary to expand or buy inventory, they borrow to do so. Business investment provides a steady source of income, whereas agriculture is seasonal and livestock involve more risk.

*Agar saman kaharab hone wala hain jaise kachcha dandha jaise sabji aur wo nahin bike to nuksan ho jata hain”. (If the material can turn bad in few days, vegetables, for example, then there is always a risk if it is not sold)
 “Aaj nahe tou kal paisa tou dhandhee se nikal he jaaye”. (Money is never lost as it is recovered sooner or later.)*

Respondents see business investment as a relatively safe savings option.

A vegetable seller notes, “*Saag sabji bazaar me beeeche, bina fayeede ke to koi nahe kare*”. (We sell vegetables because it always leads to profit.) Others contend it is a calculated risk, but a necessary one. “*Kaab tak darenge. Aagar darte rahe to kaam dhandha kaise hoga*”. (We can’t stay away from business opportunities for fear of loss. If we are afraid of risks, we can never start a business.) One-fourth of the respondents claim they are often unable to get a fair price for their goods. A similar number also fret about dips in demand and other market uncertainties. No one is able to specify “losses” in this instance as cash flow in and out includes too many other variables.

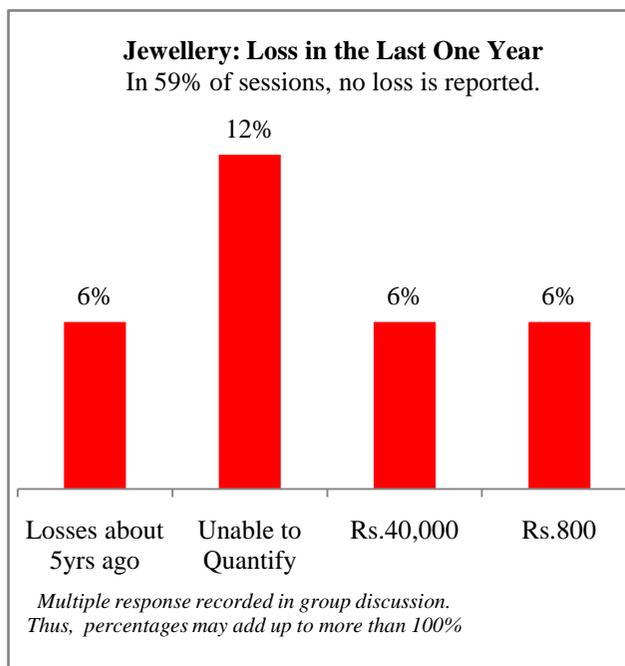
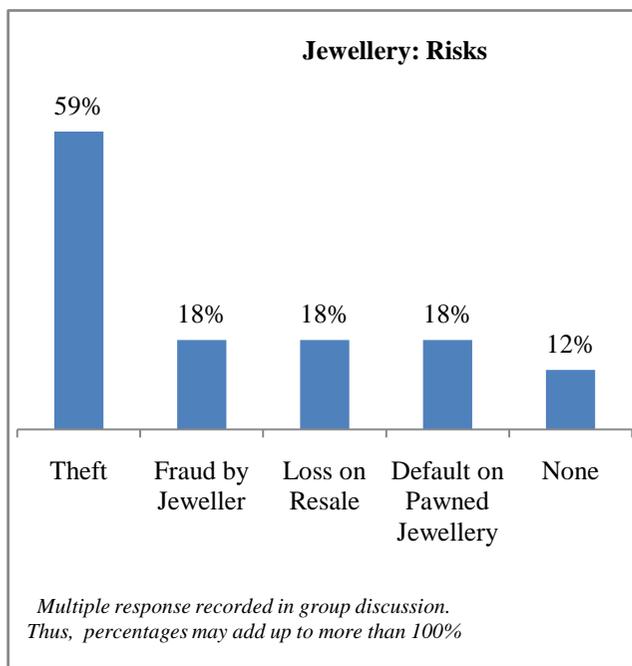


Jewellery

Jewellery is easily converted to cash for family or business emergencies. On paper, gold and other precious metals and stone all appreciate in value over time, And it is a cultural necessity for many families for marriage. “Byaah shaadi lagta hai to khareedte hai”. (If there is a wedding, then we have to buy some jewellery.)

“Dar lagta hai, kahi ghiss gaya, chori hogaya”.(We are scared about the quality and safety of the jewellery.)

Jewellery comes with risks as well. Fear of burglary is uppermost for many respondents. They also mention that when they need to pawn or resell jewellery for an emergency, the amount they receive is too often less than the original price. “Sahi keemat nahi milta hai, hamesha kam hi milta hai” (We never get the same returns, we always get less.) Recovery and resale cheating are problems, too. Once pawned, many respondents find they are unable to come up with the money to recover their jewellery. They also worry about unfair resale exchanges since the jeweller knows more than they do, particularly about gold and silver prices. “Sonaar kat lete hain”. (The jeweller cuts the prices.)



Business Opportunities: A Cautionary Tale

In 2007, Saroj's husband came across an advertisement in a local newspaper for a business opportunity involving leaf plates (platters made of leaves for special occasions). The company in nearby Gorakhpur claimed to be the supplier for the small machine required to manufacture leaf plates. To buy the machine and begin manufacturing required an investment of Rs.10,000.

Saroj's husband is from the area and knows how popular leaf plates are, especially during the marriage season. He liked the idea of setting up a manufacturing plant. He consulted with his friends in the same village. They all had heard about the company and the business model. This encouraged him to visit the office to learn more.

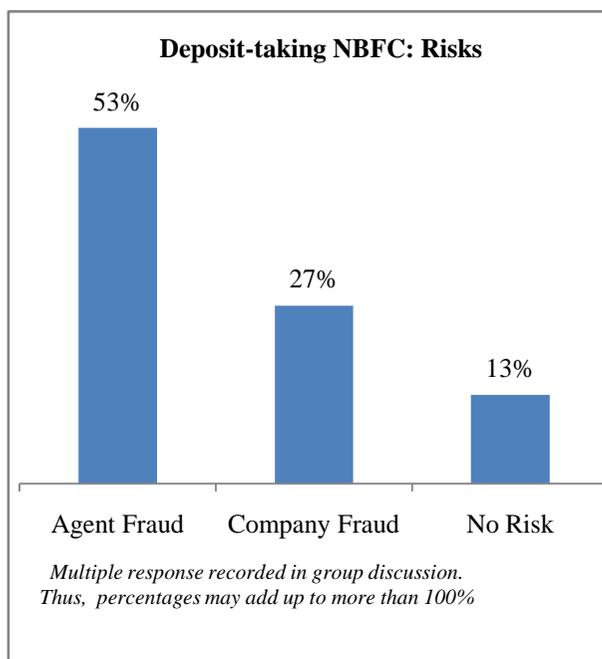
After talking to the company officials, he saw no reason not to invest. He did not have sufficient capital, so he borrowed the Rs.10,000 from the village moneylender at 60% yearly interest. He gave the money to the Gorakhpur company and returned home to wait for his leaf-plate machine.

When it did not arrive, he tried calling the office. No one answered. So he went to Gorakhpur. The company and its officials had vanished. The money was gone forever, leaving a large debt and no easy way to repay it. Saroj's husband continued to pay interest until the end of 2009 when he finally borrowed from relatives to pay off the full amount to the moneylender. Now he was in debt to his relatives, but at least they charged him no interest. He repaid the loan at last in 2010 from his own savings.

Deposit-Taking NBFCs

Deposit-taking NBFCs or Residuary NBFCs are a special category of NBFCs. Their current legal status is changing to comply with RBI policy on accepting public deposits. Sahara, the largest of the RNBFCs, has committed to repaying all depositors by end-2011.¹² New savings schemes may replace the current ones. Nevertheless, in the past five years, disreputable groups, masquerading as non-bank financial corporations, have offered high returns and other incentives to gullible investors. Almost every respondent has an unhappy NBFC story to tell involving money loss and fraud.

¹² For more specifics regarding the terms of repayment pre-maturity, please see <http://www.business-standard.com/india/news/sahara-to-windparabanking-by-dec-repay-rs-9k-cr/447606>



Private Finance Companies: The Price for High Returns

Balmukund Vishweshwar lives in Kewatpura village, Mirzapur district, and works as a carpet maker. He claims he used to earn more as an agricultural labourer, but he fell ill and can no longer do heavy outdoor work.

His private finance company woes began ten years ago. He invested with Sahara through an agent from a neighbouring village and paid Rs.150 a month. After investing about Rs.800, he discovered the agent had run off with the money. *“Agent jaan pehchaan ka tha, par phir bhi bhag gaya. Bahut jaan duba diya apana paisa isme”*. (I knew the agent. Yet, he ran away. Many people lost their money with this guy.) Five years ago, he put some money in Pearls with another agent. After paying two deposits of Rs.300 each, this agent also absconded. Balmukund says he is so frustrated with Sahara and Pearls, he will never invest in them again.

But why did he invest a second time when he knew the risks? *“Sab logon ne daala tha, hamne socha dui char sou de dete hain”*. (Everyone put money there, so I thought I should put money here, too.) He adds, *“Byaaz ke lalach mein dete hain aur saza bhugate hain”*. (We put it there out of greed for higher returns and now we are being punished.)

Respondents typically save in these NBFCs, or “private companies” as they are often referred to, because, with the reputable outfits, small investments can yield higher returns than banks or even insurance. Shopkeepers with a daily income stream find handing over Rs.10-20 to the NBFC agent easy and convenient. *“Choti choti kist hai isliye prayog karte hai”*. (It has small instalments of savings that is why people use it more.) Until now, NBFCs have offered numerous ways to pay: fixed deposits (a lump sum up front), recurring deposits (smaller amounts over time), and doorstep collection.

Nevertheless, since these companies are private and not backed by the government, many believe that they are not trustworthy, and in many cases, these suspicions have proved well founded. The most outrageous tales of hoodwinking innocent investors seem to have happened five to six years ago when NBFCs were first expanding across India. Even so, many remain wary of all NBFCs, including the big names. *“Hum tou Sahara se door rehte hai, sahar ke company hai, hum thaare unpadh aadme”*. (We do not use Sahara as it is company from the city and we are illiterate villagers.)

Moving forward, Sahara and other NBFCs will define new offerings to comply with RBI rulings and to serve those customers who have been happy with this form of savings to date.

Inter-Personal Lending

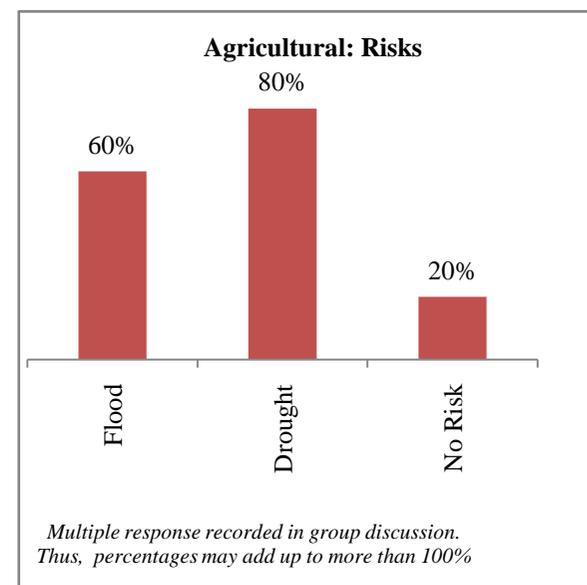
Many respondents lend with interest to friends whenever they have a sufficient amount saved. There is always the risk of default, but “*Pehle ka aadme kharab ba, par ab sab lauta deta hai*”. (People were not that regular with repayment before, now people return the money they have borrowed.) Some note this practice is becoming less common and only occurs if a close friend or family member is in dire need. Other savings options offer better returns and are less fraught with emotional complications.

Agriculture and Land

For those engaged in agriculture as a business (not as day labourers), some route their savings into investing in land and crop improvement. Subsidised agricultural bank loans offer ways to achieve greater returns with small lump sums. These investments and loans are risky, however, as drought or floods can wipe out years of saving with little hope of recouping losses.

Grain

During the harvest season, some respondents also store a portion of their grain to sell at a higher price later. The risk here is that the output depends on the monsoons, and the sale price of the grains invariably fluctuates.



Group-Based Savings (Self-Help Groups and Chit Funds/Beesis)

Chit funds (or *beesis*, or ROSCAs) and SHGs are the most common forms of group-based savings. The funds that respondents use in this study are all informal, community arrangements and almost entirely lottery-based. (Each member puts in a fixed amount each month and, according to lottery draw, one member takes out the entire amount. Then s/he is eliminated from the draw. Each member has access to the pooled sum only once during the lifetime of the chit.) Chit funds are particularly attractive to those who want to plan for larger outlays needed for festivals, school fees, and other significant expenses. Self Help Groups are apparently less common now in U.P. villages than they used to be, according to respondents. Group members were either unwilling or unable to save on a weekly basis and so the groups disbanded. For both chit funds and SHGs, the principal risk is lack of full participation. If every group member does not contribute every week or month, the effort will not succeed—and some participants will obviously lose money.



Post Offices

Respondents mention the post office as a savings option in only two out of the 29 sessions. Most are unaware the post office even offers savings, although a few mention they receive postal money order remittances.

Saving Down – Borrowing To Save

Jalpa, 58, lives in Bharunhana village, Mirzapur district, and is an MFI client. Jalpa says that since her ability to save is very limited, and Cashpor loans are the only way for her to have access to lump sum amounts of money. She notes regretfully, “Yehi aadhar hain, hamare liye”. (This is the basis of our financial lives.)

For some low-income households, loans are “future savings”. Instead of saving up by setting aside some money until it grows to a useful sum, people like Jalpa save down. They take a loan today and repay it by using a portion of their income as repayment.

Jalpa’s family income comes from her son’s wood-cutting and furniture business, but until recently, it has not been enough to sustain her family of five. Their family received a buffalo when her son got married last year, but the animal has yet to give milk. Nevertheless, Jalpa appreciates the buffalo dung, which she uses as manure for gardening, as fuel for cooking, and as insecticide for their floors and walls as is common in rural areas of India.

Meanwhile, thanks to her Cashpor loan, her son has expanded his business. With the small amount extra, she manages to pay Rs.450 every week towards her Rs.18,000 MFI loan.

Another MFI member claims she would not have been able to invest in land had it not been for a microfinance loan. “*Peeche jaameen lee hain. Hamare paas paisa nahin tha toh hamne usi ke liye karza liya tha*”. (The land behind this is ours. We did not have money to buy it, so we took a loan for that.) But “*Yahan len den wala hain. Bachat vaala koi nahin hain*”. (There are only people who give loans here; no one provides savings.)

SAVINGS ATTRIBUTES

The risk of losing one’s savings or investment is what everyone hopes to avoid. Nevertheless, “security” is not the only attribute that matters to respondents and they make savings choices based on other attributes as well. This section explores those attributes and how various savings choices differ for each. We asked 108 respondents in 19 sessions to compare savings methods with perceived rewards and risks. The graphs present the accumulated average score of each savings option against each attribute.

All the savings avenues, except business investment and jewellery, appear in at least 14 sessions. (The two exceptions appear in only eight.) The graphs present the accumulated average score of each savings option against each attribute. Respondents rated their perceptions of savings channels in light of the listed attributes on a scale of 0 to 5 (0 for minimum and 5 as maximum). The graphs present the weighted average score of each saving avenue against each attribute. The overall Relative Preference Ranking (RPR) score represents the average attribute scores from all sessions.

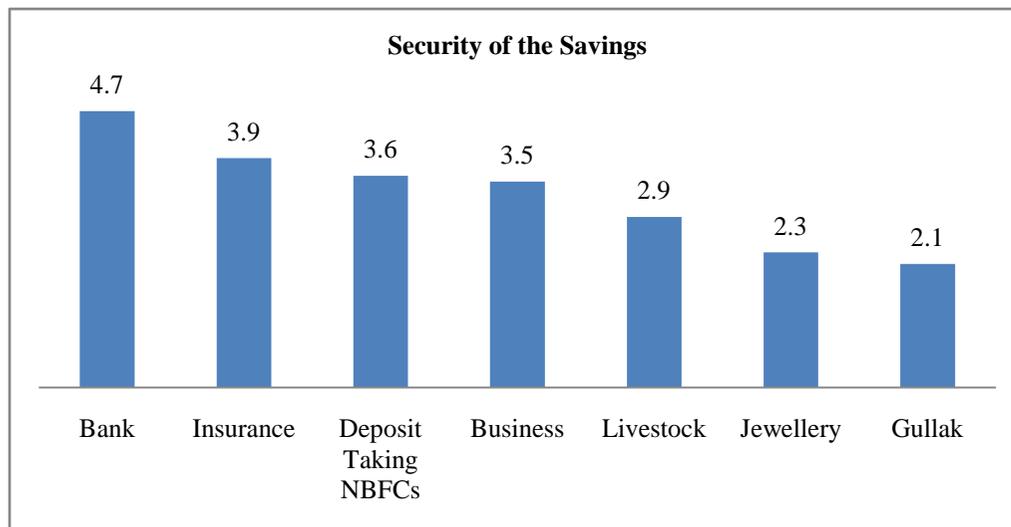
Security. Respondents rate banks as the most secure venue for their money. “*Bank mein sabse jyaada surakshit hain*”. (Bank is always the safest place to save.) They trust bank security to discourage robbers and looters, and most understand that the government vouches for depositors’ funds. They acknowledge, however, the journey to and from the bank with cash in hand can be dangerous.



LIC policies are also seen as a secure option because of their government association. Most respondents believe LIC agents are less likely to commit fraud. “*Sarkari hai, bhale hi byaj kam de, par paisa surakshit rahega, sarkar ka agent hai to badmaashi nahi karega*”. ([LIC] is government-based. Even if they give low interest, we know that our money will be safe with them. Also, since LIC agents are government representatives, they will not run away with the money.)

Savings Attributes

1. **Security.** Low/no incidence of fraud or theft.
2. **Return.** Interest or other benefits accrued.
3. **Trust.** Level of comfort in the security of deposits and the reputation of the institution or individual safeguarding these savings.
4. **Ease of withdrawal.** Convenience, speed, and ease of accessing savings for emergencies.
5. **Physical evidence.** Transaction receipts, passbooks, physical infrastructure, identity cards, and uniforms to help reinforce security and trust.



NBFCs, specifically Sahara in this instance, are ranked only slightly lower than LICs. In their efforts to win villagers' trust with exceptional customer service and ethical agents, Sahara has apparently managed to impart a stronger sense of security as well.

Investing in business is less secure as prices and markets obviously fluctuate. And livestock are only secure for as long as they are healthy and giving good yield. Once they fall sick, the money is lost.

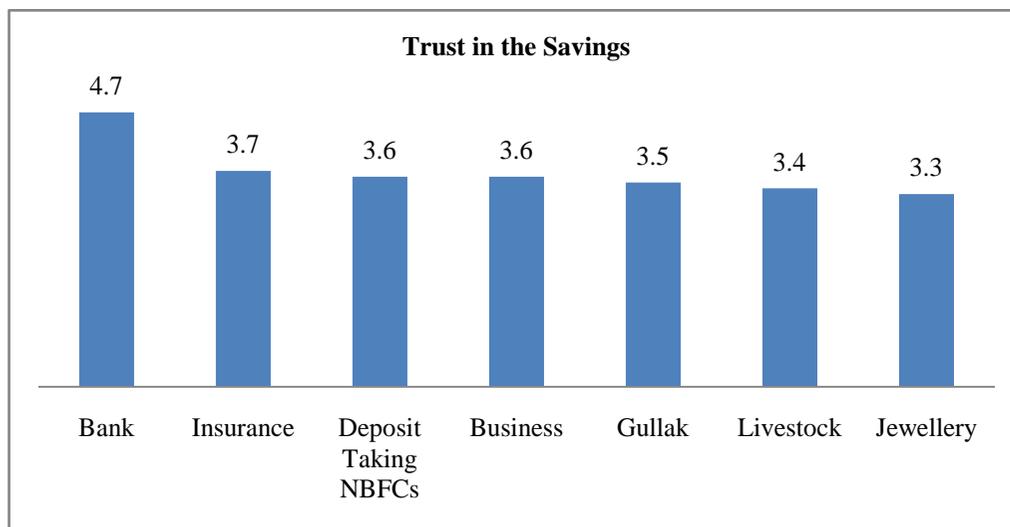
Gullaks are even less certain for savings. *“Ek mahine mein tees baar dalte hain. Kam bharsa hain, tabhi toh kam dalte hain. Agar hamara ladka le jayega toh kam le payega”*. (In a month, we put money here at least 30 times. [But] we trust it less, that's why we put less money here. If our children take the money, then at least they take less money from us.)

Jewellery is also all too easily stolen or lost while at work in fields. *“Gehna toh gum ho sakta hain, chori ho sakti hain. Man lejiye kahin pehen ke chale gaye aur woh gir giya, kisi ne kheench liya. Abhi abhi harijan ki basti mein, ladki ka gehna chori ho gaya hain”*. (Jewellery can get misplaced and stolen. Imagine if we wear it and go somewhere, then it could fall down without our knowledge or someone could simply snatch it from us. Just the other day, a girl in the *harijan basti* had her jewellery stolen from her.)

Trust. Banks are also the most trusted savings avenue. Respondents explain that since banks are government backed, they will return lost or stolen money to depositors. *“Kharab ho bhi gaya to 2-3 dine mein vapis aa jayega. Aur paisa toh hamesha sruakshit hain isme kyunki sarkari hain”*. (Even if the computer is under repair, it gets resolved in two to three days. And money is always safe because its government-backed.) *“Poori risk leta hain chori ka”*. (Bank is willing to take the risk of theft.)

“Chori chori dus-dus rupaye bachate ghar mein taki mahine mein teen sou rupaye ho jaye. Lekin phir bhi koi ghar mein nikaal leta hain, bacche utha lete hain, pati daaru ke liye le leta hain. Ikatha nahin ho pata hain aur ikko nahin bachta hain”. (We save ten rupees every day to save up to about Rs.300 per month. Even so, someone at home manages to take it, our children or the husband take the money so that they can drink. We simply are not able to save up any lump sums and in fact, not even one rupee is left at the end.)

Second in line for respondents' trust are LIC policies. LIC now has an established reputation for timely payments and a reliable local agent network. Most LIC customers, however, have never seen an LIC office and they would not know where to locate one. If the agent leaves, they would be unable to resolve their problems or find out more about their policies.



Respondents give mixed reviews to deposit-taking NBFCs. (Worth noting here and elsewhere: since Sahara is the largest NBFC in this region, respondents typically refer to all such companies as “Sahara”. This was not the case, however, when respondents were rating Sahara for security.) A minority of respondents worry that NBFCs might run away with their money. *“Che saal baad paisa milta hain. Dub gaya toh?”* (We get the money only after six years. What if the company cheats us?) Nevertheless, most believe Sahara and other well-established NBFCs are trustworthy because they have many clients in many locations. *“Itna bheed hai, sab barte hai, sab nikaalte hai, isliye poora bharoosa hai”*. (There are many people, many of them deposit, and many of them withdraw; therefore, we have full trust on them).

The other remaining savings avenues receive similar scores. Investing in business is worrisome as one can easily end up with a loss.

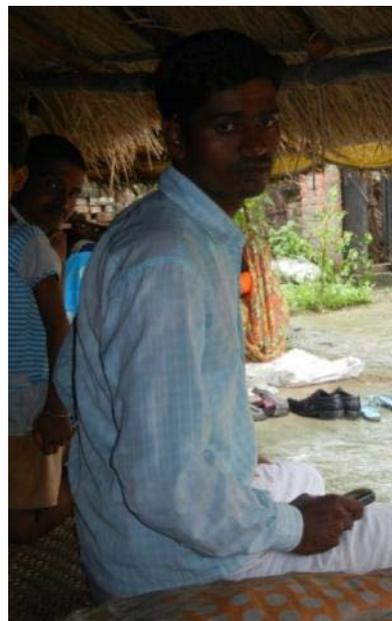
Livestock do not inspire trust either. *“Naseeb ki baat hain. Mar bhi sakta hain”*. (It is matter of luck. The animal could die). However, respondents also seem to feel that both business and livestock yields may be commensurate with the effort accorded them. *“Sab apne hath se karte hai, apne aap pe bharoosa hai”*. (We do everything on our own, and we trust ourselves). Respondents note the risk inherent in these options is in part theirs to manage and control.

Gullaks and jewellery are trusted by some and not by others. Their supporters point out that both are trustworthy because they are readily available in times of need. *“Mauke pe taiyaar hai”*. (It is always ready whenever there is a need.) The disadvantage with *gullaks*, as noted above, is that everyone finds them readily available. And jewellery, if pledged or sold during emergencies,

...And Now The Agent’s Story

Duler, 25, is an agent for PACL India Limited (“Pearls”). When he became a Pearls agent three years ago, he admits it was difficult for him to build a clientele. *“Pehle dikkat hoti thi kyonki company nayi thi, toh sab logon ko samjhana padta tha”*. (Earlier, it was quite tough since the company was new in this area, and I had to explain [Pearls] and its products to people.)

Today, in this village of 1,500 people, there are 17 Pearls agents. Duler has graduated to a super-agent and manages about 20 recurring deposit accounts, 20 fixed deposits accounts, and ten other agents. He believes that people deposit money in NBFCs for two reasons. *“Choti choti kist hai isliye prayog karte hai. paisa dugana ho jaata hain”*. (It has small instalments of savings, that is why people use it more, and our money doubles over time.)

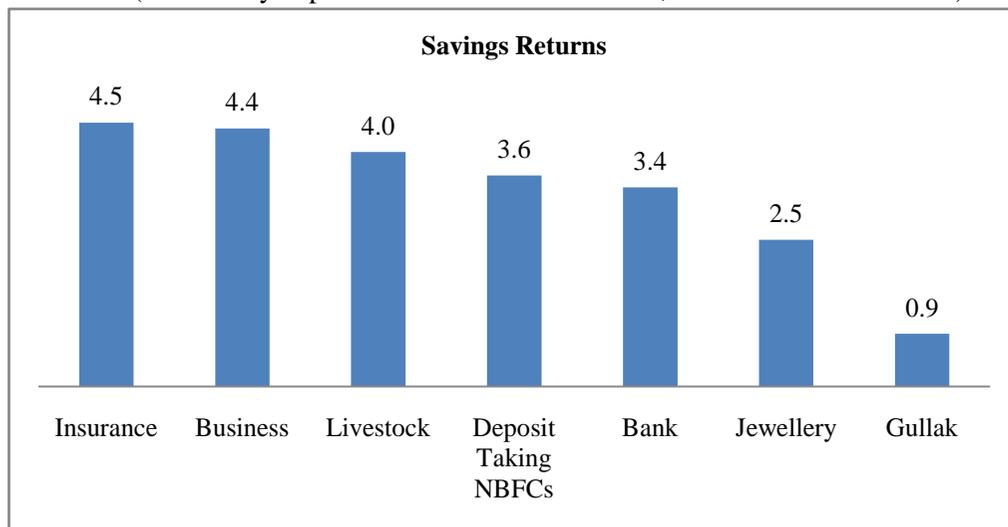


will usually fetch a lower price than at purchase.

Return on Investment. Respondents rank LICs as the most profitable savings option, since they not only offer financial security to their family, but also deliver handsome returns at maturity. *“Beema sabse jyaada phayda hain. Che saal mein duguna hota hain aur ekhattha milta hain”*. (Beema has the highest return. In six years, you can double your money.)

Respondents consider business investment and livestock the next most profitable choices. For low-income households, these two avenues are a common source of income. *“Dus hazaar ka khareedte hain toh chaar din ke bad choudah hazaar mein bech sakte hain”*. (If we buy livestock for Rs.10,000, then four days later we can sell it for Rs.14, 000.)

Banks are all about convenience rather than benefit, respondents claim. *“Jo paisa rakha rehta hai wo aapne jagah per rehta hai. Lekin Phayda kuch nahi hota ha”*. (The money deposited in bank remains intact, but the returns are little.)



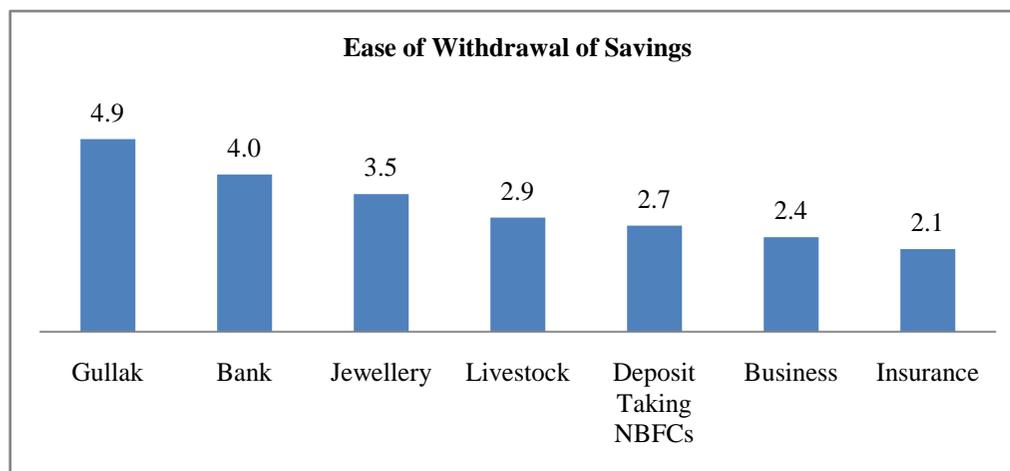
“Bank ka interest to gobar ke barabar hai”. (The interest rate offered by bank is equivalent to the money fetched by selling cow dung.)

Sahara offers nominal returns and at stipulated times. *“Sahara mein janwar se kam phayda hai kyunki usme saath saal intezaar karna padta hai , jaanwar to kabhi bhi bech sakte hai”*. (Returns in Sahara are less than livestock as one has to wait for seven years, whereas livestock can be sold anytime.)

The returns from jewellery are also low. Respondents say that when they wish to resell or pledge, the amount they receive is always lower than what they paid for it. *“Kisi ke paas girvi rakhenge, toh bhi sood lete hain. Aur phi nahin chuda paye toh, gehne nahin milta hain vapis. Aur bechenge toh utna nahin milega jitna naya banao toh”*.

(Even if we pledge the jewellery, we have to pay interest. If we are unable to return the money, we lose the jewellery altogether. Also, selling it does not fetch as much as [what] we paid for it.)

Savings at home, of course, yields no interest at all.



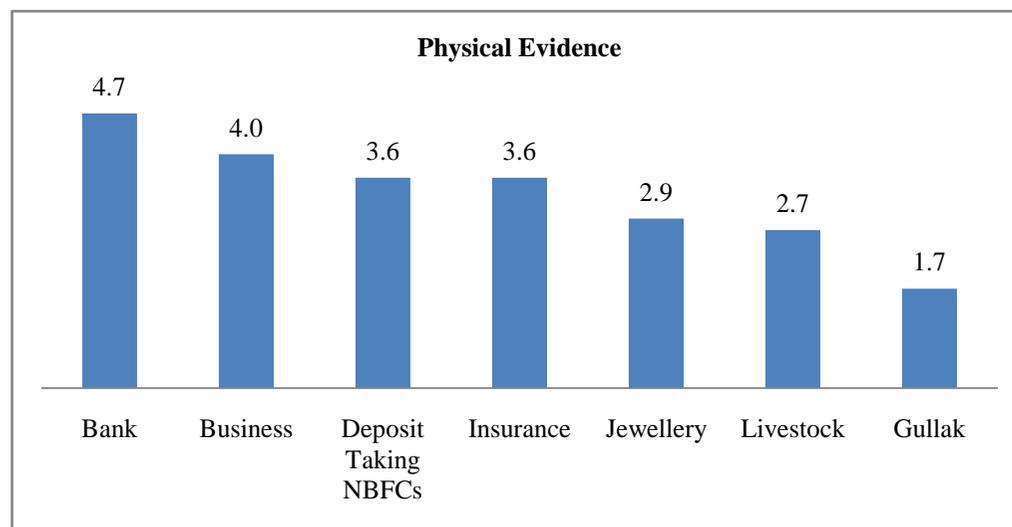
Ease of Withdrawal. *Gullaks* and banks are the most convenient when it is time to withdraw money, respondents maintain. *Gullaks* are an arm’s length away and easy to break. In fact, many respondents save at home precisely to deal with unexpected money problems. Banks are next best, respondents say, since they allow unrestricted withdrawal of money from most accounts. ATMs in some areas have made withdrawal even more flexible and convenient. “*Bank mein bhi kabhi bhi nikaal sake hain, ATM se nikaal sakte hain*”. (One can withdraw money easily at the bank as well as through ATMs.) However, some complain that withdrawing money from the bank entails tedious procedures and an extended time commitment. “*Ek baar hum gaye the, computer bigad gaya. Phir doosre din gaye, tab bhi nahin nikla. Aur ek baar mera beta mujhse bola ki bank bandh ki wajah se panch din band rahega*”.

(Once I could not take my money out as the computer was not working. I went again the next day, and I still could not take my money out. In another instance, my son told me that the bank was closed for five days because of a strike.)

Jewellery is in the top three for ease of withdrawal. In an emergency, respondents note they can easily pledge it to raise money. Livestock, NBFCs, business investments and LICs are all difficult to withdraw money from—for obvious reasons. “*Late lagega bechne mein, grahak aayega to hi na bikega*”. (It takes time to sell the livestock; they can only be sold if there is a customer.) Withdrawing money locked up in NBFCs and LICs prematurely results in high penalties. Even then, respondents do not receive their money until all their documentation is in order.

“*Gullak to hamesha pass hota hai, kabhi bhi tod sakte hai*”. (Gullak is always with us and we can get money anytime).

Finally, respondents note the point of a business investment is to provide steady income, not to meet cash emergencies. “*Dhandha turant paisa nahe deta, dhandhe me bechee tabhee na mil payee*”. (Business investments cannot be taken out quickly; [withdrawals] depend on the amount of sales.)



koi sabot nahin hain. Maan lijiye ki kisi ka aadmi peeta hain, woh toh do chapat maar ke le jaata hain". (There is no evidence of how much I save at home. If my husband comes home drunk, he will probably just beat me up and take my money.)

When respondents purchase jewellery and livestock, they seldom get a receipt, which offers any legal protection. For livestock, they are able to check the animal before they purchase it. "*Kuch nahin milta hain sabot ke naam pe. Lekin hum doodh dekh hi kharidte hain*". (We do not get any receipt. However, we do check the milk before we buy the animal.) For jewellery, most respondents find it impossible to verify the jeweller's claims.

"Sonar likh ke deta hain lekin saade kaghaz pe deta hain. Uske praman ka kya guarantee hain? Kal agar woh chala gaya to usko kaun dhundega?". (The jeweller writes the value and amount of gold on a plain piece of paper and gives it to us. The paper's authenticity can never be verified. If he leaves tomorrow, where will I search for him?)

"Jaanwar ya gehna: vohin par pasand kar ke lena hain. Agar baad mein kuch hua, toh koi guarantee nahin hain". (Whether it's livestock or jewellery, we have to make a choice, then and there. If something happens later, there's not much we can do.)

Physical Evidence. Banks rank first in physical evidence. Respondents like the reassurance bank passbooks and transaction receipts provide for deposits. Business investments also do well as the increased inventory, new tools or technology, expanded shop, or new hire serve as tangible proof of their savings at work.

Respondents place NBFCs and LICs below banks as both only provide receipts for their deposits and do not offer passbooks. Agents take on average five to ten days to issue receipts for their monthly instalments. Some respondents note that NBFC receipts are meaningless anyway since private companies can still make off with their money and no receipt will bring it back. "*Rasid hote hue bhi kuch bharosa nahi ho raha hai*". (I am not able to trust [them] even after I have the receipts.)

Gullaks offer even less useful physical evidence. "*Kitna daala hain,*

PERCEPTIONS OF SAVINGS PREFERENCES FOR DIFFERENT INCOME GROUPS

Respondents' Definitions of Income Groups	
Rich	Not So Poor
<ul style="list-style-type: none"> ▪ Better lifestyle: “<i>Baithne uthne ka dhang acha hai, rehan sehan ach hai</i>”. (They have better lifestyle, better way of living.) ▪ Good source of income: “<i>Naukri chakri hai, accha vyapar hai</i>”. (They have a good job, a thriving business.) ▪ Good houses (<i>Pucca Houses</i>): “<i>Ghar dwar acha hota hai</i>”. (They have nice houses.) ▪ Property. “<i>Dher kheti bari hoti hai</i>”. (They have large amounts of land.) 	<ul style="list-style-type: none"> ▪ Decent Job. “<i>Naukri hti hai jo accha paisa deti hai</i>”. (They have a job that pays well.) ▪ “<i>Inka to karobar hota hai, acha khate hai, bachate hai</i>”. (They have their business, they earn well and save enough money.) ▪ Able to provide education for the children. ▪ Able to provide ample food for the family. “<i>Roti khila sake apne pariwaar ko</i>”. (Should be able to provide food for his family.)
Poor	Very Poor
<ul style="list-style-type: none"> ▪ “<i>Poora din kam karte hain, tab jake apna pet bhar</i>”. (They work hard for whole day, then only earn enough to arrange food for their family.) ▪ “<i>Maati mathara karte hai, kha rahe hai</i>”. (They work as labourers and earn to sustain.) ▪ Moderate living standard. “<i>Madhyam khana peena hai, aanth sakte hai</i>”. (They are able to manage the basic amenities of life.) ▪ “<i>Inko sarkar ne BPL ghoshit kiya hai</i>”. (Categorised by the government as below the poverty line.) 	<ul style="list-style-type: none"> ▪ No regular sources of income: “<i>Inka to koi sahara nahi hota, aur kabhi kabhi kamai ho jati hai</i>”. (They have no regular income.) ▪ “<i>Wo to mazdoori karte hai</i>”. (Most are labourers.) ▪ Two square meals are a struggle. “<i>Ek baar ke khane ke baad, agli baar ke khane ka bharosa nahi rehta hai</i>”. (After one meal, he has no certainty for the next.) ▪ “<i>Bachon ki padhai likhai nahi kara payenge</i>”. (Not able to educate their children.)

This section provides an overview of how respondents perceive various savings options for various income levels. In this financial sector matrix exercise, participants listed savings strategies they are aware of in their neighbourhoods for the rich, not so poor, poor, and very poor. Then they scored who they believe uses which type of savings in these groups (and in many cases, also offered reasons why). A score of 0 means no use by that income group and 5 means they think everyone in that group uses this method.

Since respondents came up with the savings options, they only addressed those and not the full spectrum available. Please note these matrices are also their perceptions, not necessarily the reality in their locales. In some cases, and in certain quotes, these participants identify themselves as “poor”; in others, they maintain a more neutral objectivity.

The data collected from the 20 exercises appear in two separate graphs. The first shows the scores for those savings which participants mention in more than 12 exercises (Savings, Income Group I). The second shows the scores for those which participants discuss in four to seven exercises (Saving Income Group II). Savings options mentioned fewer than four times do not appear in this analysis.

According to the participants in this exercise, the rich, prefer bank savings accounts, insurance and business investment. The not so poor are more likely to opt for deposit taking NBFCs, they maintain, and the poor choose to save in livestock more than other categories do. For the less prevalent savings options, these

respondents believe the rich invest in land, while the not so poor save via the post office, agricultural investments, and jewellery. Their sense is that the poor prefer jewellery, and the very poor have no distinct preference for any savings.

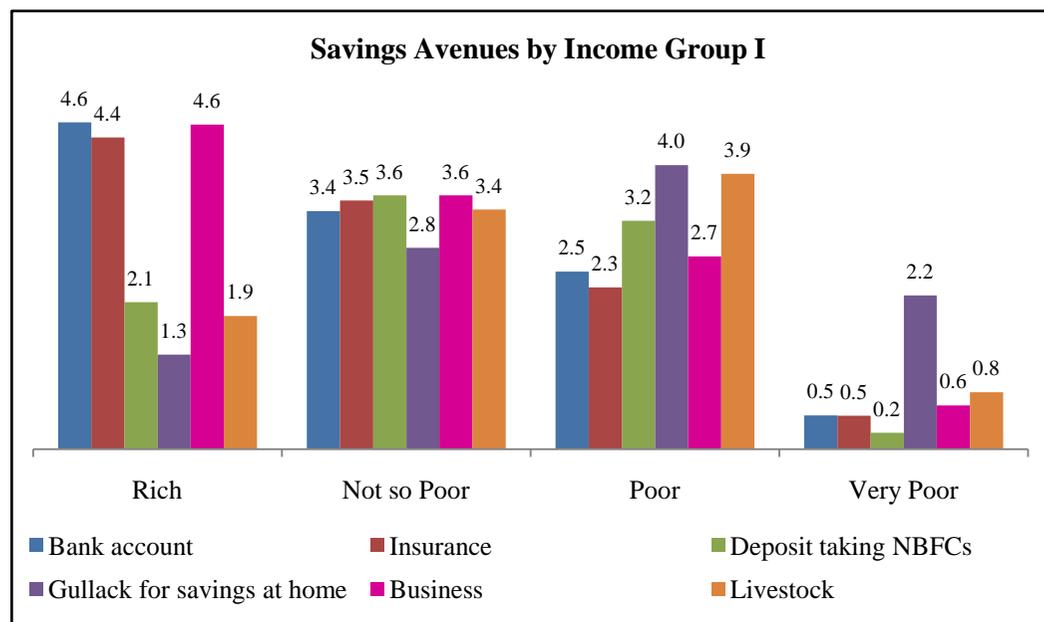
Banks

The use of bank accounts is directly proportional to income level, respondents maintain. Referring to themselves as “poor” in this case, they claim, “*Bank me to hum (the poor) paise jama nahi karate hai, wo to jinki zyada aamdani hoti hai wohi karte hai*”. (We do not use banks to save; people with high income use them.) They also perceive the rich as having better relations with banks because they have other accounts besides savings. Respondents claim the other income categories have lower surplus income and save less in banks. Very poor households either have no bank account or only have one to receive welfare transfers from the government. “*Narega ka paisa aata hain. Jama nahin karte hain. Agar 500 rupaiye aate hain, toh 400 nikalke, 100-200 rupaiye rakhte hain*”. (There is money in our account because NREGA money is deposited in our account; we do not actually deposit money there. If Rs.500 is deposited, then we take out Rs.400 and leave Rs.100-200 there.)

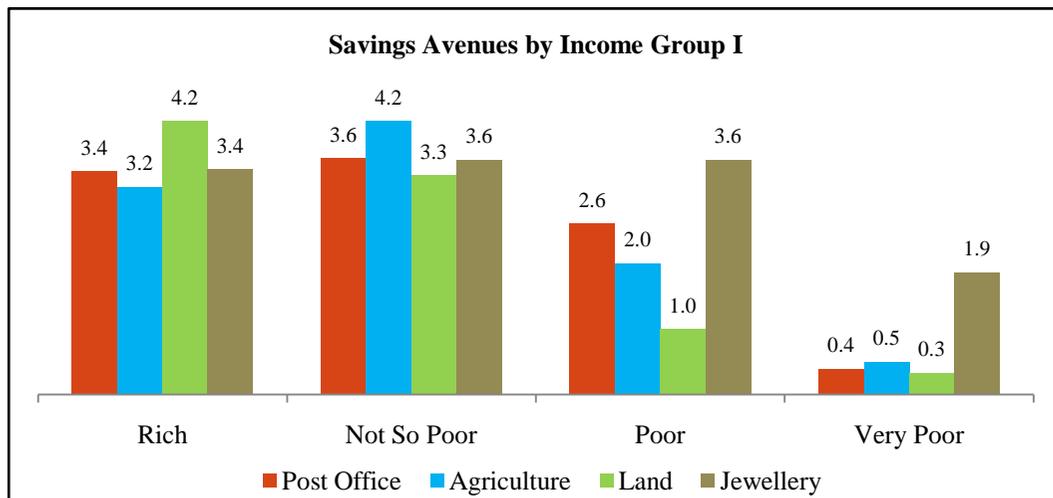
Respondents point out that the behaviour of bank staff is a deterrent for the lower-income categories. The poor and very poor, particularly illiterates, have a hard time opening and maintaining savings accounts and unhelpful branch staff do very little to ease these difficulties.

Insurance

Insurance is no different from bank savings. Participants believe the rich are the most likely to invest in multiple insurance policies. “*Ameer ke ghar mein, chote se bade ka –sabka bema hain*”. (In the rich man’s house, everyone has an insurance policy, from young to old.) They claim the not so poor and poor also invest in insurance but with lower instalments. “*Gareeb aadme halka fulka bima hee kara pata hai*”. (The poor go for lighter insurance policies.) They note the very poor do not have the wherewithal to invest in insurance. In their opinion, the rich are the only ones who can afford regular premium payments—and afford to wait for longer-term rewards. All other income groups need to dip into their savings more frequently to meet emergencies and life-cycle events. “*Aameer aadme to intjaar bhee kar sakta hai*”. (Only the rich can afford to wait.) They claim the rich also invest in insurance to save taxes.



“Gareeb bank nahin ja pate hain. Voh bahut door ba”.
(The poor can’t go to the bank. It is really far away.)



jama karne khaadat nahi". (The rich do not save in Sahara, because they are not in the habit of saving Rs.1-2.)

Deposit-taking NBFCs

Respondents believe NBFCs are most attractive for the not so poor, followed by the poor and the rich. They say that, as with bank savings and insurance, the very poor cannot afford this option. Since NBFCs require small deposits on a regular basis, the not so poor who manage small-scale businesses with daily cash flow are the best target for this type of savings. In their opinion, this is the reason the not so poor prefer Sahara more than other income categories do. The attractive returns offered by NBFCs allow the not so poor to save more and improve their lives with less at their disposal. *"Madhyam isliye karte hai, ki kal aage badne ka moka milega"*. (The not so poor save here, to elevate their standard of life in future.) Respondents believe the poor also save with NBFCs when possible to help meet longer-term requirements. They assume the rich have other safer and more suitable options. *"Amir Sahara me paisa isliye nahi lagate, kyu ki inko ek, do rupya*



Savings at Home

Participants claim the poor prefer *gullaks* the most, followed by the not so poor, very poor and the rich. They believe the rich and not so poor need not save in *gullaks* as they can park their savings in bank accounts. *"Aamir ka Gullak bank balance hota hain wo Gullak kya istemaal karenge. ATM gullak hain amir ke liye"* (For the rich, the bank balance acts as a *gullak*. Why would a rich person use *gullak* if he has ATM card?)

Participants note the poor save very small amounts on a daily basis and the *gullak* is both accessible and convenient for them. *"Ghar pe bachat karma sabse acha hai, kyunki isse jab zaroorat ho tab paise nikaale ja sakte hain"*. (Savings at home is the best option as we can draw the money conveniently in case of any emergency.) They repeat that bank savings

"Gareeb sabse jyaada karte hain. Do-do ladkiyan hain to thoda to paisa rakhte hain. Ameer log to jeevan bema karte hain aur madhyam log bank ka prayog karte hain". (Poor people save here the most. If you have two daughters, you have to save somewhere for them. The not so poor save in insurance and the rich save in banks.)

are often uneconomical for the poor, and branch staff do not take kindly to very small deposits. They claim the very poor are not able to save anything.

Business Investment

Here again, the savings preference trend appears to be the same as for banks and insurance. Participants believe the rich are most able and willing to invest in business, followed by the next two income groups. The differences, they claim, are simply in scale and type of business. The rich apparently invest in capital-intensive businesses such as wholesaling and distribution of merchandise to retailers. The not so poor and poor invest in less capital-intensive opportunities such as street vending, snacks shops, etc. *“Pehle dhandhee me na pasisa lagayege take paisa badhee, tabhee ja ke kahe auur lagayee”*. (We need to invest in business first, so that we have money to invest or save elsewhere.) However, participants remind us, the small levels of capital the poor work with, and the regular depletions for emergencies, are always a threat to the momentum and sustainability of their

business. The very poor, they claim, do not have enough capital to invest in business.



Rich: *“Dhani bhaari bhaari cheejh khareedte hain, sampan hain”*. (Rich people invest in bigger things, they are already well-off.)

Not So Poor or Poor: *“Gaya, bakri hota, toh sochenge ki thoda aur paisa badhayenge”*. (If you have a cow and goat, then they think, this way I can increase my wealth.)

Very Poor: *“Murgi murga hi khareedte hain.”* (They only buy chickens.)

Livestock

The poor prefer to invest in livestock more than other income groups, participants believe. The not so poor also buy livestock and the rich rank third, followed by the very poor. The poor have very small savings and a pressing need for additional income. Investing in small animals requires less cash and their milk, dung and ultimate sale can yield income and even profit. *“Jo garib hain wo gayen nahin rakh sakte. Wo bakri rakhte hain. Bade jaanwar mahnge hote hain aur kam hi log rakh pate hain”*. (Those who are poor try to save in goats instead of cow and buffalo. Cows and buffaloes are preferred by middle class.) The rich apparently keep animals for their own consumption.

According to participants, these numbers are small and the preference is for cows due to their comparative cleanliness. *“Dhani log gobar saaf karna nahi chahenge”*. (The rich will not clean dung of livestock.) They also prefer larger-scale investments such as a dairy where each animal costs as much as Rs.50,000-60,000 and proper feed and medicine are included. The animals the poor or not so poor keep cost anywhere between Rs. 10,000-20,000, participants claim.

Post Office

The not so poor are more likely to use post office savings than other income groups, respondents believe, followed by the rich and the poor. Respondents observe that people from all income categories except the very poor are aware of the postal banking services. *“Daak khane ke baar mein tou sab jaante hain, ghar ke kareeb hota hai. Isliye sab ismein bachat kar sakte hain”*. (Everyone knows about post office savings. As it is near the villages, everyone can use this

avenue.) The not so poor have businesses that generate regular, small cash flows, and both the post office and NBFCs work well for them. (NBFCs offer a higher return, participants note, and thus are probably still the preferred choice for the Not So Poor.) The National Savings Certificate offered by post offices is likely to appeal to the rich, participants suggest. The poor have less opportunity to save, and respondents claim the very poor do not even know that post offices offer banking services. “*Ati gareeb to post office ka naam hi nai jante*”. (The poorest in a village are not even aware of the post office.)

Agriculture

The preference trend here is similar to the post office with the Not So Poor first, followed by the rich, the poor, and the very poor. Food security and additional income are the reasons the not so poor invest in agriculture, participants believe. Among the lower-income categories, they are also the only ones with some land ownership and capital to invest. Even though the rich often own large tracts of land, they do not farm it themselves. According to participants, they lease their land to others and share half of the harvest in return. As the poor and the not so poor generally do not own agricultural land, their involvement is limited to working as farm labourers.

“*Ameer log jyaada karte hain. Rupaye hain toh khareed sakte hain. Hamare paas zameen hain, hum bechte hain*”. (People with money invest in land the most. Since they have money, they buy land. Since we have land, we sell it.)



Land

Investing in land requires capital that only the rich can afford, participants claim. “*6 lakh rupaiye ki zameen hai to aamir hi kharidenge*”. (Land costs almost Rs.600,000; therefore only the rich will be able to afford it.) When the rich invest in land, they do so with future resale in mind. “*Wo to garibon ki jameen kharid lete hain. Jaab paisa badhta hai to bench dete hain*”. (The rich purchase land from poor. They resell it at a better price.) The not so poor and the poor invest less in land, participants note, since it takes time to accumulate enough money for the investment. “*Garib apni poori jindagi main bahut se bahut ek baar kahrid payenga jamin*”. (In their whole lifetime, they are able to invest in land not more than once.) Moreover, participants note, other investments such as business offer quicker returns than land or agriculture.

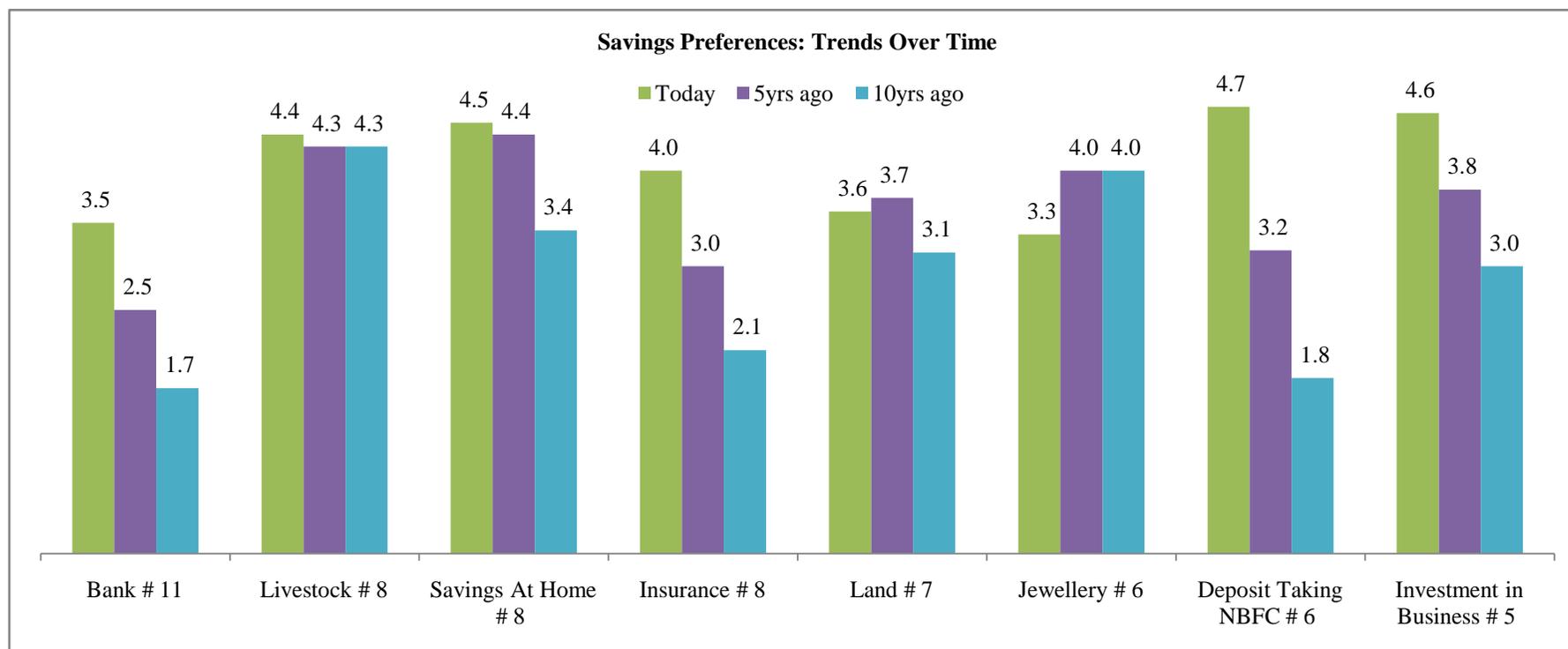
“*Gehna ati gareeb bhi khareedte hain, jo ameer hain voh paanch hazaar ka khareedte hain, toh ati gareeb paanch sau ka khareedte hain*”. (The very poor also buy jewellery, where rich people buy for Rs.5,000, poor people buy for Rs.500.)

Jewellery

Respondents believe jewellery is popular with the rich, not so poor, and poor alike—and less so for the not so poor. The rich like to show off their jewellery as a status symbol, participants claim. The poor also invest in jewellery, as it is easy to convert to cash in times of need. The very poor invest very little in jewellery, participants maintain, and whatever meagre investment they make is intended for the marriage of their children.

TRENDS OVER TIME

Risks and attributes, and perceptions of both, can change over time. This section provides an overview of the perceived success, or failure, of the various savings avenues in this study over the past ten years. We asked respondents to provide a score ranging from 0-5 where 0 represents the worst possible savings option and 5 represents the best for three different time periods—today, five years ago, and ten years ago. *MicroSave* conducted 11 trend analysis sessions with 64 respondents for this exercise. The legend in each chart indicates the number of trends, which respondents chose to consider. Savings options that appeared fewer than five times were not included in this analysis.



Banks

Although there has been a two-fold increase in bank savings, respondents still perceive banks to be reserved for individuals with higher incomes. “*Paisa hon to jaye, paisa bachta nahin hain*”. (We are not able to save money, how we can visit in bank?) The surge in bank use is attributed largely to MNREGA and other government programs that have switched in the past five years to distributing benefits almost exclusively via bank accounts. “*Pehle bade bade log bank mein jaya karte the. Abhi to sarkar ne aisa kar diya hai ki sab ki pahuch ho gayi hai bank tak*”. (Earlier, only the rich used to go to the bank. Now, thanks to the government efforts, everyone has access to the banks.) Branch networks and ATMs have also expanded the presence in rural U.P. locations in the past decade. Respondents complain nevertheless about travel time to and from branches, and the long lines and paperwork once there. Respondents claim that awareness levels are higher now, although many apparently remain unclear about the distinction between “government banks” (state and commercial banks) and “private banks” (deposit-taking NBFCs which provide local collection and sometimes doorstep service to rural households). Unfortunately, the inability to distinguish between the two for some respondents means that those who have had bad experiences with NBFCs often harbour the same prejudice toward commercial banks.

“*Jana hota hain, line mein lagte hain log, tab paisa jama hota hain, isiliye bank mein nahin jate*”. (We have to visit the bank, stand in line, and then, we are able to deposit. Therefore, we prefer not to go to banks.)



Livestock

Livestock investment remains high for all three periods with little change. Livestock are bought and sold every two to three years and have always proved profitable if they remain healthy and reproduce. In the last few years, the high price of milk has meant improved profits for the owners of buffalos and cows. The result has been an increase in investments in milk-producing livestock and a shift away from draught animals such as oxen. “*Ab bas dhudharoo janwar hai*”. (Now there are only milch animals.) Nevertheless, respondents are also wary about this savings channel moving forward. The rising price of cows and buffalos, and the lack of fodder make livestock an increasingly expensive investment. “*Ab kheti aur zameen bhi kam ho rahi hai, isiliye janwar rakhna mushkil hai. Bhoosa bhi itna mehnga hogaya hai*”. (Now agriculture is decreasing, therefore it has become difficult to keep livestock. Fodder prices have also increased too much.) “*Ek gaye ab 30,000-40,000 main aati, ab to shaadi byah mein hi mil pata hain*”. (A single buffalo cost Rs.30,000-40,000. We are not able to get one unless we receive it as a gift as part of the marriage celebration.)

“*Gai, ghodu to sab log kareede hai, aur ye to pehle se karta hai sab*”. (Everybody has invested in the livestock and it’s been done since beginning.)

Savings at Home

Savings at home have actually increased in the past decade. Respondents claim that they will always keep a certain amount of money at home. They say it is easy to save this way and it gives them a sense of security—and access to ready cash in an emergency. *Gullaks* are also universal, even amongst the poorest households. “*Ab jo bheekh mangata hai uho 1,000 ghar pe rakhata*”. (Even the beggars are capable of saving Rs.1,000 at home.) The value of savings has also apparently become clearer to many respondents in the last ten years. And saving at home is easier than visiting the bank. “*Bank nahi ja sakte baar baar isliye gullak mein karte hai*”. (One cannot visit bank repeatedly, so we deposit our money in the *gullak*.) Nevertheless, many save in a *gullak* first and then deposit a lump sum in a savings account for greater security.

“*Yeh to ghar ki bank hai*”
(This is the bank of the house)

LIC or Insurance

Insurance is growing in popularity due to improved understanding of the benefits of protecting against uncertainty and better access to LIC agents. “*Das saal pehle nam-o-nishaan nahi tha. Pehle arth yug nahi tha, arth ki bachat nahi thi*”. (Ten years back, this avenue was not present. Earlier, people were not so savings-oriented.) Respondents believe that modern life and new development mean more accidents. Since many now have more income due to remittances, the protection LICs offer, plus the payout at maturity, is ever more attractive. (Worth noting: LICs were also only introduced in rural areas about five years ago and incomes for most respondents were lower then.)

“*Aajkal accident durghatna hoti rehti hai, kam khayenge lekin bema karenge*”. (These days more accidents are happening, therefore we will get the insurance done even if we have to eat less.)

Agriculture and Purchase of Land

Agricultural investment has increased only slightly over the last ten years. Many respondents voice their concern that agriculture is no longer a viable way to earn money. “*Kheti se kuch nahi hota. Isi ke chalet to hum garib hue hai*”. (Agriculture does not give us high enough returns. It is the reason why we remain poor.) The price of land has also risen dramatically over the last ten years due to rising prices in general and better infrastructure around villages. Respondents note it is much more difficult for the common person to invest in land and to cultivate it now. New technology helps, however, and many continue to earn a small profit.

Jewellery

Jewellery as a savings channel has decreased over the last ten years. The main reason for this is the rising price of gold. Theft has also become far more prevalent, and respondents claim jewellers are less trustworthy now than previously. When they do sell or pawn jewellery to raise money, they usually get less than they what they paid for it. Increased awareness of more secure savings options has also contributed to jewellery’s decline. Weddings, however, ensure some form of jewellery investment for most families, “*Thoda bahut sona sab ke pass hota hain, shaadi byah to sabke ghar mein hoti hain*”. (We all have some [jewellery] at home; there are weddings in everyone’s house.)

“*Jitna mehnat aur paisa lagate hain, utna hi mil jata hai, bas utna hi fayda hota hai*”. (We are only able to recoup our investment in agriculture, just barely breaking even.)

Deposit-taking NBFCs

Savings in deposit-taking NBFCs have shown the most dramatic increase in the last decade. Ten years ago, these organisations had limited outreach in the areas profiled. In the five years that followed, they had outreach but a very poor reputation. Gradually, NBFCs have built better agent networks and rebuilt trust in the interim. They also offer an important service—small, regular deposits that in time yield high returns. “*Choti choti kist hai isliye prayog karte hai*”. (It has small instalments of savings, which is why people use it more.)

[As noted in previous sections, NBFCs’ role and offerings will be changing in the near future. For more information, please see the first footnote.]

Investment in Business

Investment in business also shows consistent growth over time. Many of our respondents are self-employed. As a result, they put their savings back into their business in order to provide them with an income. “*Dukaan me char hazar lagaye to ek hazar bach jaaye*”. (If we invest Rs.4,000 in our shop, we can save Rs.1,000.) Ten years ago, many of these small traders were engaged in agriculture and that was their preferred saving option. They also claim they had no access to either savings or loan channels. Today they use a combination of both to invest in their business. In general, respondents perceive that their communities have become more entrepreneurial and now have a much stronger desire to increase their income. Ten years ago, they claim people were more complacent and accepting of their circumstances.

CONCLUSION

In order to understand savings options for low-income households and the risks they face, *MicroSave* conducted a study in three different states in India. This report provides a summary of the results of this research in the northern state of Uttar Pradesh in India.

The results indicate that a combination of formal and informal savings—bank savings, livestock, savings at home, and insurance (LICs)—are the four most prevalent. Less formal savings such as investing in business, SHGs, and jewellery are also popular. NBFCs, notably Sahara, are slowly but steadily regaining respondents’ trust after a difficult period five to six years ago of widespread NBFC agent fraud. Trends over time show that low-income households are learning more about personal finance, becoming more entrepreneurial, and moving toward more investments in formal savings, although more affluent income groups still dominate for banks and insurance. The poorer the household, the more likely they are to be using *gullaks* and other informal savings. This may change as income levels gradually increase, in part due to internal remittances, and in part due to the emergence of more small businesses.

Annexure 1: Focus Group Discussion

<ul style="list-style-type: none"> • Thank you for coming – we are grateful for your time. • We are from an organisation called <i>MicroSave</i>. <i>MicroSave</i> is a research organisation which helps financial institutions design products and services for those who do not get adequate access to prompt and affordable financial services. We try to ensure that the clients' voices and ideas are heard by the institutions which provide financial services. • We are trying to understand what channels you use for savings and your experience with it. We seek your opinion to understand the reasons for usage of a particular channel. Result of this study will be used to support Banks and other institutions in providing better quality services/products to their clients. • Your names and any personal information will be kept confidential – so please feel free to express your opinions. Answers you provide here are neither right nor wrong. Every opinion is important. We would very much like to record (take notes) of these discussions to help us remember them and so that we do not miss any of the issues and ideas you give us. • As a first step we should introduce ourselves. My colleague will prepare the name-tags to help us remember your names. 	
Warm up Question: (About 5 Min)	
<ul style="list-style-type: none"> ▪ What is your name and your occupation? ▪ For how long you have been living in this area 	
General Questions (About 20 Minutes)	Related Probes
1. How do you manage the large life cycle expenses like marriage, funerals?	<ul style="list-style-type: none"> ▪ Probe how clients manage their large expenses? ▪ Is it loans from relative, money lender/MFIs or Bank or saving, insurance?
2. How do you manage the emergency expenses – for example when someone falls ill?	<ul style="list-style-type: none"> ▪ Probe how clients manage their emergency expenses? ▪ Is it loans from relative, money lender/MFIs or Bank or saving, insurance?
3. Where do people in this community save if they have any surplus?	<ul style="list-style-type: none"> ▪ Probe for formal, semi formal and informal systems/services
4. Where do people get information on the types of places to save?	<ul style="list-style-type: none"> ▪ Who do you ask about financial services or products?
Core Questions (About 30 Minutes)	Related Probes
5. What are the various Savings avenues where you accumulate savings? [record all savings avenues]	<ul style="list-style-type: none"> ▪ What channels/systems do you use for saving? ▪ Is it at a regular frequency or you can deposit anytime you want? ▪ Do you put it directly to the saving avenue or first accumulate it in your home and then save it?
6. What are the risks involved in saving with each channel/system? [record all the risks, saving avenue wise]	<ul style="list-style-type: none"> ▪ How safe is your money in different saving avenues available. ▪ Whether you have lost saving in any of the channel? ▪ What kind of loss? ▪ What were the reasons?

	<ul style="list-style-type: none"> ▪ Do you perceive any other risk in using various avenues
<p>7. Which channel/system do you find most suitable for people like you and why? [record the group's response and corresponding reasons]</p>	<ul style="list-style-type: none"> ▪ Your preference and reasons for using a particular channel ▪ Why are you not using all the avenues/ any particular avenue? ▪ How accessible is each avenue? ▪ Are you satisfied with quality of services received through different channels ▪ What are the direct and indirect costs of using the channels, like transport, opportunity cost
<p>Closure Thank you for your contributions in this discussion. Do you have any questions/comments for us?</p>	

Annexure 2: Relative Preference Ranking

Purpose: Relative Preference Ranking allows us to see how clients and potential clients perceive the financial service providers and components of the financial services they provide. It also helps challenge pre-conceived notions about poor people's attitudes towards financial service providers, what matters to them, and why they have those preferences.

Procedure:

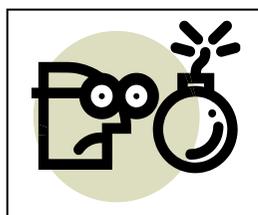
1. Find people who are interested and willing to try.
2. Get participants to list all the financial service providers in the area (including, if appropriate, the informal services such as RoSCAs ["merry-go-rounds"] etc.) Probe to ensure that you have a complete list and try to ensure that the participants have a reasonable level of knowledge of the services they provide. Follow up with points of interest and encourage participation by different people.
3. Put this list along the top of the relative preference ranking matrix.
4. Get the participants to list the most important elements of the financial services that are being ranked. Probe for further criteria/components. Follow up with points of interest and encourage participation by different people.
5. Get participants to list all the criteria/components generated in this way on the left hand side of the matrix. Remember to make negative ones positive/neutral (e.g. "high minimum deposits" becomes "minimum deposit" or "low possibility of getting credit" becomes "possibility of getting credit").
6. Ask participants to rank the financial service providers for each component of the financial services they provide by putting bottle-tops/stones/seeds in each box.
7. Probe - ask participants questions like the following:
 - a) Why is this financial service better at meeting this component/criteria?
 - b) Why is this better than that one? etc.
8. Listen and learn from the participants – particularly as they discuss the merits of each financial service provider/criteria.
9. You should then finish with a table that looks something like:

Savings Services

Risk Related attributes	Post Office	Co-op Bank	Arusha SACCO	RoSCAs
Agent's Fraud	1	2	3	4

Service Provider closed	4	2	1	3
	2	1	3	4
	2	1	3	4
	3	2	1	4
	1	2	3	4
	1	4	2	3
	2	1	3	4
	3	2	4	1

Note: The totals of these columns are of little value unless each score is given a weighted value according to the relative importance of each of the components/criteria.



PITFALLS:

Sometimes PRA participants do not know enough about the financial services in an area to complete the exercise. The moderator should be sure when recruiting clients for the group, that she has selected clients with an understanding of the various financial service providers used by the community.

Annexure 3: Financial Sector Trend Analysis

Purpose: This tool is useful in determining which financial services have been used over time and thus understanding the changes in the use/availability of a variety of financial services over time, and why participants used them. The listing of financial services here is only tentative and will require modification based on the participants' knowledge and awareness of the various products.

Procedure:

1. The exercise is best done in a closed area with the assistance of a small working group of 6-8 individuals from the same socio-economic stratum. When an MFI is seeking to understand the needs/realities of the poor, they should focus on carefully selecting poor participants for this exercise.
2. If necessary the exercise can be repeated with other groups from other strata.
3. The researcher should develop an initial listing of financial services (formal and informal sectors) available and used in the community.
4. Work with the participants to review, edit and develop/expand the list of financial services that are/were available and used in the area. This part of the exercise should be undertaken with care and as much probing as possible. Please also note that in many societies and cultures, people are unwilling to admit to the existence of interest-earning money-lenders working in the communities, and so this part of the matrix should be handled with appropriate tact and persistence!!
5. Once the list has been developed, turn it into a matrix by making columns for "This Year", "Last Year", "5 Years Ago" and "10 Years Ago". Participants should then be asked to place 0-5 stones/seeds/bottle tops to indicate the use level of the different financial services available.
6. Once step 5 has been completed, each participant should do the same for the previous year.

7. Once step 6 has been completed, participants should do the same for the situation for around 5 years before.
8. Once step 7 has been completed, repeat the same for 10 years before.
9. Alternatively, some find it useful to ask clients about the use level/popularity of one of the financial services this year, last year, 5 years ago and 10 years ago (i.e. completing the row first before moving on to the next financial service).
10. Either way ensure that you CHECK by comparing both vertically and horizontally as the final step to complete the exercise.
11. Listen and learn from the participants – particularly as they discuss how and why each of financial services have been use more or less over time.
12. The final matrix will look something like:

Financial Service	<i>This Year</i>	<i>Last Year</i>	<i>Five Years Before</i>	<i>Ten Years Before</i>
Formal:				
• Formal bank: savings account; current account; deposit account; loan account	*	**	**	**
• Insurance company: life, health/accident, pension or other policy				
• Formal employee pension or insurance scheme				
• Building society loan or savings account				
• Leasing company loan				
• Post Office savings account or savings certificates	****	**	**	***
Semi-formal:				
• MFI group-based savings and loan, or loan-only membership		***** *	**	
• MFI individual savings and or loan account	***	**	*	
• Credit Union (or Thrift and Credit Co-operative, or FSA)	*	***	**	
Informal:				
• Moneylender	**	**		
• Pawnbroker		*	***	*****
• Deposit collector (private for profit, usually charging a fee)	*****	***	*	
• Money guard (employer, senior relative, patron etc.)		**	**	*
• Saving at home in a money box	*****	**	*****	**
• ROSCA (a cash round: a rotating fund received equally by all in turn)	**	***** *	*****	**

• ASCA (a non-rotating fund built by pooled savings from which some members borrow)		***	***	
• Savings club (no loans)		**** *	*	
• Reciprocal lending arrangements	****	****	*****	****
• Informal insurance fund (e.g. by market traders to guard against a fire)	*	***		
• Burial funds and other informal insurance for personal uses	****	**** *	****	****
• Saving with a supplier (who supplies goods/materials to saver)		****		
• Event-specific contribution arrangements (e.g. we all pay 5,000 shillings when a birth occurs)		*	**	***

Annexure 4: Financial Services Matrix

Purpose: This tool is useful in determining which financial services are used by which socio-economic or socio-cultural strata of society, and why, and thus the potential for designing or refining appropriate financial products. The listing of financial services here is only tentative and will require modification based on the participants' knowledge and awareness of the various products.

Procedure:

1. The exercise is best done in a closed area with the assistance of a small working group of 6-8 individuals from the same socio-economic stratum. When an MFI is seeking to understand the needs/realities of the poor, they should focus on carefully selecting poor participants for this exercise.
2. If necessary the exercise can be repeated with other groups from other strata.
3. The researcher should develop an initial listing of financial services (formal and informal sectors) available and used in the community.
4. Work with the participants to review, edit and develop/expand the list of financial services that are available and used in the area. This part of the exercise should be undertaken with care and as much probing as possible. Please also note that in many societies and cultures, people are unwilling to admit to the existence of interest-earning money-lenders working in the communities, and so this part of the matrix should be handled with appropriate tact and persistence !!
5. Once the list has been developed, turn it into a matrix by making columns for “rich”, “not-so-poor”, “poor” and “very poor”. Check that the participants are happy with and understand these classifications – for example, they may need simplifying down to just “rich”, “not-so-poor” and “poor”.
6. Once the matrix is completed ask the participants to place stones/seeds/bottle-tops (on a scale of 1-5) to indicate the level of use of each of the types of financial service by each of the socio-economic strata.
7. Listen and learn from the participants – particularly as they discuss how and why each of financial services are used by each of the socio-economic strata.
8. The final matrix will look something like this:

<u>Financial Service</u>	<u>Rich</u>	<u>Not-so-Poor</u>	<u>Poor</u>	<u>Very Poor</u>
Formal:				
• Bank: savings, current, deposit & loan accounts	*****	**		

• Insurance company: life, health/accident, pension or other policy	****	*		
• Formal employee pension or insurance scheme	***			
• Building society loan or savings account	*			
• Post Office savings account or savings certificates	**	*****	*	
Semi-formal:				
• MFI group-based savings and loan, or loan-only membership		*****	**	
• MFI individual savings and or loan account	**	***	*	
• Credit Union (or Thrift and Credit Co-operative, or FSA)	*	***	**	
Informal:				
• Moneylender		**	*****	***
• Pawnbroker		*	***	*****
• Deposit collector (private for profit, usually charging a fee)		****	***	
• Money guard (employer, senior relative, patron etc.)		**	***	*
• Saving at home in a money box		**	****	*****
• ROSCA (a cash round; merry-go-round)	**	*****	*****	**
• ASCA (non-rotating fund of pooled savings; borrowing allowed)	**	***	***	
• Savings club (no loans)		*****	*	
• Reciprocal lending arrangements	*	****	*****	
• Informal insurance fund (e.g. by market traders to guard against a fire)	*	***		
• Burial funds and other informal insurance for personal uses	****	*****	****	****
• Saving with a supplier (who supplies goods/materials to saver)		****		
• Event-specific contribution arrangements (e.g. we all pay 5,000 shillings when a birth occurs)		*	**	***



PITFALLS:

- ✓ The moderator need not classify the financial services into “Formal”, “Semi-Formal” and “Informal” with the clients - that can be done later in the notebook. However, you may want to assist clients to discuss certain institutions one following another (Banks, Insurance Companies) because of their nature; You do not want to allow the list to get too long.
- ✓ You may ask the clients if there are any cards which belong together because of their similarity of services (especially if you have generated a very large list with the names of individual institutions). You may come to an agreement that if “all of these banks you have named offer similar terms according to what I have heard you say, can we then discuss them as one group? Are there any we should discuss separately?”

Make sure you have selected PRA participants who can adequately discuss many financial services