



Extending Savings Services Among The Masses A Case Study¹

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Abstract

Traditionally banks consider low-income groups as unviable customers and desist banking with them. However, the self-help movement, which gained momentum in the nineties, altered this trend. The case study of South Canara District Central Cooperative Bank (SCDCCB) shows how a proactive bank can profitably serve low-income groups by combining financial services with a series of other products. The poor prefer to have a savings product not so much for interest income, but for developmental services, loan products and collective bargaining power they acquire by being part of an SHG. By tying up with Navodaya Grama Vikas Charitable Trust (NGVCT) for non-financial services, SCDCCB has managed to set up more than 20,000 SHGs in its operational area with 1,80,000 members in a span of seven years. Institutions aiming to extend savings services to the poor can make it effective and sustainable by introducing services such as education, health and insurance.

1. Introduction

The coastal districts of South Canara, North Canara and Udupi of Karnataka have one of the highest concentrations of banking operations in the country. Late Molahalli Shiva Rao established South Canara District Central Cooperative Bank (SCDCCB) on November 30, 1913. It was the 7th central cooperative bank in the erstwhile Madras Presidency. It became operational on 24th January 1914 with its head office at Puttur, which was shifted to Mangalore in 1927. Several banks have their origin in the undivided South Canara District, a region known to have the highest number of bank branches in India.

SCDCCB operates in South Canara and Udupi, with its head office in Mangalore. It has 53 branches including the service branch and 192 Primary Agriculture Cooperative Societies (PACS), which operate as local financial institutions known as Vyavasaya Seva Sahakari Bank (VSSB).

SCDCCB happens to be one of the few cooperative banks that are successfully functioning in India. It has been instrumental in promoting more than 800 institutions, such as the Primary Agricultural Cooperative Societies (PACS),

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² The author acknowledges the support of the Ford Foundation for conducting this case study.

Marketing Cooperative Societies (MCS), Urban Cooperative Banks (UCB), including non-agriculture credit societies and other miscellaneous types of societies. It has a share capital of INR 135 million and deposit of INR 5210 million for the financial year 2006-07. *Annexure 1* depicts the Statistical highlights of the bank in the past decade.

SCDCCB works closely with Navodaya Grama Vikas Charitable Trust (NGVCT) registered in 2004 to streamline the promotional and welfare activities of Navodaya Self Help Group Project promoted by SCDCCB. In a span of seven years the project has formed more than 26,000 SHGs with a membership of about 250,000. Women form 53 per cent of the members in the six districts it presently operates. Major achievements are in the two districts where SCDCCB operates, where more than 20,000 SHGs comprising of about 180,000 members are formed and functioning. The NGVCT provides a range of services including health and insurance to its members. Micro credit and savings services are provided by SCDCCB directly.

This case study aims to document the different savings products and the institutional mechanisms developed by SCDCCB for mobilizing savings. Also it attempts to capture the impact of the activities on the savings behavior of the poor. The study is based more on secondary data and information gathered through interactions with SCDCCB, NGVCT staff and SHG customers.

2. Navodaya Self Help Groups

Navodaya Self Help Group Project was established at Sural, Karkala Taluk of South Canara district in January 2000 by MN Rajendra Kumar, President of SCDCCB with an aim to empower poor and promote socio-economic development. Four officers of the SCDCCB were put in charge of promoting SHGs by training local animators. The project was subsequently registered as Navodaya Grama Vikas Charitable (NGVC) Trust on 1st October 2004 at Kodiabail, Mangalore.

NGVC Trust took over the responsibility of forming SHGs, while the Bank, which works very closely with NGVC Trust, continued to extend savings and credit services. NGVC Trust conducts training and welfare activities, provides insurance, health services and vocational training, whereas savings and loan disbursement activities are managed by SCDCCB through its branches and VSSB.

NGVC Trust operates in six districts whereas SCDCCB services are limited to the designated districts of South Canara and Udupi. In these two districts, Navodaya had 20,539 SHGs as on July 2007. The Navodaya SHG in South Canara and Udupi are linked to SCDCCB branches or the Vyavasaya Seva Sahakari banks formed under the Primary Agricultural Cooperative Societies promoted by SCDCCB and in some cases to commercial banks, depending on the proximity of such banks to the SHGs. In the other four districts, the SHGs are linked to other cooperative and commercial banks.

3. Savings Products

3.1 General products and services

SCDCCB has developed different types of savings and loan products, which it offers to persons from farm and non-farm sectors.

SCDCCB has been innovative in developing new products and modifying the existing ones based on demands. The products are designed and customized by a team of Assistant General Managers (AGMs) who periodically meet to assess the performance of existing products. Management's approval is obtained before launching new or redesigned products. The team also recommends changes in the interest rates as and when required and gets the approval of the management.

Apart from the regular products such as current account, savings bank account, fixed deposit and recurring deposit, the following products were designed by of the bank.

Table 1: Products Designed by the Bank

Sl. No	Name of Product	Features of Product
1	Mangala Nagadu Patra (Cash Certificate for education purpose)	<ul style="list-style-type: none"> • Aimed to ensure education of children • Minimum opening sum INR 100 • Further multiples of INR 100 • Renewals can be made with fractional amounts • 1 per cent deducted for premature encashment • Loan can be availed on the deposits
2	Kalyana Nidhi Nagadu Patra (cash certificate for marriage purpose)	<ul style="list-style-type: none"> • Lock-in period 2 years • Fixed period 5 years • Minimum opening sum INR 100 • Further multiples of INR 10 • Face value INR 1000, 100, 50, 10 • Interest paid in a cumulative compounded manner on quarterly basis • Loan can be availed on the deposits
3	Amirtha Dhara Nagadu Patra	<ul style="list-style-type: none"> • Launched during platinum jubilee celebration of bank • Maturity value of INR 100 and multiples thereof • Loan can be availed on the deposits
4	Students saving deposit scheme	<ul style="list-style-type: none"> • Aimed to develop savings habit among children. • Minimum opening sum INR 25 • Student above 12 years can open this account • Collection at school once in a month
5	Akkshaya Vethana Yojane (scheme for retirement planning)	<ul style="list-style-type: none"> • Scheme aimed at retiring persons • Period of deposit – 73, 87, 138, 175, 188, 204 and 227 months in multiples of INR 25 • Monthly income will accrue after one month of maturity of deposit and will be deposited in the SB account • Lock in period 61 months • To allow withdrawal before 61 months, one month notice is necessary, with 1 per cent below the rate of interest applicable for the period

		<ul style="list-style-type: none"> Loans can be availed on the deposits
6	Nithya Dhara Deposit (pigmy/daily deposit scheme)	<ul style="list-style-type: none"> Daily deposit scheme designed to attract small savings from tiny enterprises, street vendors, etc Minimum opening sum INR 10 Further deposits INR 5 or multiples thereof Minimum period 12 months, maximum 60 months Deposit collected by agents at door step

Overall there is progress in deposit mobilization by SCDCCB over the past three years as can be seen from the table below.

Table 2: Deposit Mobilization

(In Million Rupees)

	31-03-2005	30-03-2006	31-03-2007
Current accounts	338.87	521.69	402.66
Recurring deposit	668.34	832.26	879.91
Fixed deposit	1854.71	1993.92	2253.24
Other deposits	1179.19	1355.80	1678.55
Total	4041.11	4703.67	5214.36

The 'other products' listed above comprise of savings bank accounts, six different savings products listed above as well as the savings deposit of INR 221.31 million (2007). These were mobilized from about 180,000 odd members of Navodaya SHGs with an average saving of Rs.1,200 per person. SCDCCB together with the NGVCT has initiated one of the largest numbers of SHGs in the State, reaching out to the masses.

4. Savings Mobilization

Once the savings product is developed, its features are advertised through various media including the website of the bank. Posters and pamphlets, both in English and vernacular, play a major role in mobilizing savings. While existing customers are encouraged to save, regular feedback is taken from them for developing new savings products. Recognizing business opportunity in the social aspirations of the people, SCDCCB developed savings products for education, marriage, Retirement plans, etc.

The SCDCCB has three types of membership with a total of 1,031 members as on 31st March 2007 who are the owners of the bank. From among these members, a governing council comprising of 14 members is elected as per the rules and regulations of the Karnataka Cooperative Societies Act 1959. Both the institutional members and individual members extend their support in the savings mobilization drive.

The Managing Director is the Chief Executive Officer of the bank and is assisted by five General Managers. Assistant General Managers come next in the hierarchy with clerical and other staff working under them. Each of the 53 branches has a Branch Manager, clerical and support staff. Altogether the bank has about 400 staff members.

NGVCT, with a total strength of 247 staff members, has introduced structured savings mobilization among the poor and near poor communities through the promotion of SHGs. In addition to promotion of SHGs, NGVCT offers a number of related welfare and development services such as education, health, insurance and training. At the end of financial year 2006-07, a total of 30,538 SHGs were in operation in the two districts with SCDCCB functioning with a total saving of INR 221.31 million. During the same period it extended loans to 15,505 SHGs to the tune of INR 528.29 million. Shri Kshethra Darmasthala Rural Development Project (SKDRDP) operating in the same district, for example, has about 34,300 groups with a total savings of INR 475 million and extended loans to the tune of INR 730 million.

5. User Perceptions

The largest chunk of poor customers of SCDCCB is from Navodaya Self Help Group Project. By virtue of the group account they are customers of SCDCCB. The user perceptions are drawn from interactions with SHG members and individual customers.

Parvathi Navodaya Self Help Group was established in 1997 and joined Navodaya SHG Project when the latter was initiated in the year 2000. It has 11 women members who save Rs. 10 per week and have a total savings of Rs.48,000 as on July 2007. Chandrika, an anganwadi worker is the President of this group. This group has its account at Bajpe VSSB.

The members receive financial and technical services from the bank and the welfare services from the Trust. They said, over the years the bank as well as the Trust had consulted them on various issues, which has helped enhance their self-esteem to a great extent. They have received technical help from the bank to form a dairy cooperative. Though they are aware of the different savings products of the bank, so far they have not taken up any of the savings product other than the savings in the SHGs. With the existing economic conditions at their household level it is hardly possible to take up more than one savings product. As they were already making weekly saving in the SHG, they did not feel the need to take up any other savings product.

The members, however, see the advantage of other services such as education support, health services, insurance, in addition to the possibility of loan linkage, as the key incentive for continuing the savings. The Group has obtained bank linkage for consumption as well as for productive purposes such as setting up petty shops, dairy, food processing, vegetable cultivation, etc. The members are willing to save a little more provided such additional savings offer better and more effective services.

Nitya Dhara Deposit or the 'Pigmy Saving' as it is popularly known is a popular savings product among small entrepreneurs. Its doorstep collection is a great convenience. For own account workers and other poor people it offers flexibility, both in terms of the amount that could be saved and time of deposit. This account can be opened with as little as Rs.15 where Rs.10 forms the initial deposit and Rs. 5 or the multiples thereof as the savings amount. Though it is known as a daily deposit, it is possible for customers to choose a weekly, fortnightly or even a monthly savings

option. Therefore, it is a popular saving option among different segments of the customers.

6. Analysis

SCDCCB rediscovered the business opportunities in working with the poor in the late nineties from the experience of others. Learning from the experience of many financial institutions which realized that women are highly bankable (Grameen Bank, SEWA), SCDCCB, decided to extend savings and credit services to SHGs. It also saw that extending financial services to the poor not only made business sense, but also enhanced the CSR profile of the bank. Therefore, it established Navodaya Self Help Group Project in the year 2000 using the model where banks themselves form and nurture SHGs, open savings account and provide loans. However, after the NABARD's directive against banks playing the dual role of promotion of groups and lending, a new Trust – Navodaya Grama Vikas Charitable (NGVC) Trust was formed in 2004 to take up the promotion activities, whereas the financial activities of the group continued with SCDCCB. The formation of the Trust as a separate entity has resulted in larger coverage and extension of non-financial development services to the members. The Trust is a separate legal entity operating in the two districts where SCDCCB has presence, but is also expanding to the other districts of Karnataka.

The formation of a separate institution for the promotion of SHGs and extending various non-financial welfare services to the group members was a turning point for SCDCCB. It not only enhanced its business, but also demonstrated its social responsibility of addressing the financial and other aspirations of the low-income groups. The presence of a large number of banks in the two districts where SCDCCB operates has not only created high expectations of banking services, but has also made the banking environment highly competitive. The awareness level of poor customers too is high. SCDCCB has mobilized INR 221.3 million from more than 30,000 SHGs and provided loans to more than 50 per cent of the SHGs to the tune of INR 528.2 million in a span of seven years.

SCDCCB has designed products in accordance with the socio-economic environment in which it operates. Also it has been alert to the changing market trends and responded with proactive actions. It has a series of savings products to cater to the needs of different customer groups as well as their requirements, such as education, marriage, and retirement. While it has a range of financial services, Navodaya SHG Project and Daily Deposit Schemes have successfully targeted low-income groups in rural areas and small towns.

SCDCCB offers competitive returns on its savings products and provides safety on par with national standards. The products are flexible and have reasonably good liquidity. The spread of 53 branches and 172 PACS afford the convenience of operation in terms of accessibility. Also the bank staff has been sensitized to avoid creating any psychological barrier especially to the low-income group customers. The commission agents provide doorstep deposit access to Pigmy account holders.

Almost the entire range of saving products has an inbuilt feature for loan on savings, though none of them was linked to any insurance scheme. Early withdrawal penalty

does not exceed 1 per cent on the interest payable and the tenure varies from product to product. Annexure 2 lists the factors used to analyze different savings products by SCDCCB.

Navodaya Self Help Group Project experience demonstrates that the low-income group customers expect a range of welfare and development services, and not just savings. When it comes to savings among the poor, they save not so much for the returns it offers in term of interest, but for other services, including being part of a group, which enhances their bargaining power. They also look for the safety of their saving, and consider the bank a secure place.

Capitalizing on these attitudes, SCDCCB has effectively retained the financial services and tied up with NGVCT for promoting new SHGs and for providing welfare and development services. This way SCDCCB has increased its customer base in a comparatively short duration.

7. Conclusion

SCDCCB has developed a range of savings products for the rural, urban, poor and not-so-poor customers. While its product range mainly addresses the needs of not-so-poor customers, it has developed a special product for the poor in the form of Navodaya Self Help Group Project. For the general customers it uses the strategy of providing variety of savings products for meeting the socio-economic needs of families over the years; it targets the poor customers not so much with a variety of savings products, but with the variety of services.

Taking advantage of the growing Self Help Group movement, especially among the women, SCDCCB has found a profitable proposition in establishing a savings product for low-income groups. Through Navodaya Self Help Group Project it has demonstrated that providing financial services with a social agenda of improving the economic condition of the poor can be accomplished without incurring loss. A key lesson learned in the case is that providing financial services alone is not sufficient while banking with the poor.

The bank has been successful in achieving volumes and profits due to its ability to respond swiftly to the changing market trends. Also, rather than focusing only on high savings group, it has achieved greater volumes by reaching out to small savers.

It is open to designing new products to meet the requirements and aspirations of its customers, and constantly reviews its products based on customer feedback. The case reiterates that to effectively promote savings product among the poor on a sustainable basis, rendering additional services such as education, insurance are essential.

Annexure 1

Statistical Highlights - SCDCCB

(Rs. in lakhs)

Sl. No.	Details	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Membership:										
	1. Government	--	--	--	--	--	--	--	--	--	--
	2. Societies	788	801	803	785	783	777	838	836	834	839
	3. Associates	--	--	--	--	5	41	90	133	164	192
2.	Share Capital	669.04	712.74	716.50	730.31	743.20	759.51	755.85	787.83	1059.80	1349.88
3.	Reserves	273.14	424.05	409.95	464.54	533.78	903.15	1,188.20	1539.86	2031.77	2491.32
4.	Deposits	14,061.54	19,002.42	24,322.10	28,928.82	38,189.27	37,397.58	38,336.61	40400.46	47036.73	52143.66
5.	Borrowings	1,946.26	1,809.56	1,901.84	2,035.83	2,972.05	4,322.46	5,549.38	4719.17	8413.91	16893.55
6.	Working Capital	17,766.28	22,882.50	28,696.34	34,450.30	44,670.94	44,975.65	47,471.07	49697.20	60142.69	74734.60
7.	Investments	5,534.65	8,478.26	8,366.33	9,412.14	15,223.51	13,365.73	14,428.18	14599.66	15955.29	19385.32
8.	Loans Outstanding	10,377.34	12,109.27	17,863.79	21,794.11	25,253.10	27,110.30	28,736.20	29951.90	38845.57	49345.82
9.	Over dues	333.08	211.04	244.02	534.41	980.78	1596.74	2,813.82	3,014.11	3,159.98	3158.05
10.	Percentage Of										
i.	Recovery (June)	100.00	100.00	100.00	100.00	100.00	100.00	99.41	100.00	100.00	100.00
	ST (Agrl.)										
	MT (Agrl.)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Total	100.00	100.00	100.00	100.00	100.00	100.00	99.42	100.00	100.00	100.00
ii.	Percentage Of	98.53	99.27	99.21	99.04	99.12	98.51	97.59	97.81	99.12	99.23
	Recovery (All Types)	(June)	(June)	(June)	(June)	(June)	(June)	(June)	(June)	(June)	(June)
	(June) ST										
	MT	91.16	92.78	92.33	80.57	75.40	69.59	55.25	56.66	67.44	60.93

	Total	97.35	97.69	97.38	94.32	93.62	91.14	85.77	87.80	91.99	92.31
11.	Profit	152.18	129.32	143.58	258.38	259.89	404.48	405.16	459.97	507.18	407.39*
12.	Dividend Declared	11.00	10.50	11.00	11.00	11.00	10.00	10 per cent	10	12	11
13.	No. of Branches	28	37	41	44	44	45	49	50	51	52
14.	Yield on Assets	12.53	11.70	11.99	12.24	10.98	11.26	10.13	9.59	9.05	8.21
15.	Cost of Funds	9.33	8.96	8.78	8.68	8.58	7.73	6.66	5.76	5.41	5.31
16.	Financial Margin	3.20	2.74	3.21	3.56	2.40	3.53	3.47	3.83	3.64	2.90
17.	Net Margin	0.97	0.76	0.44	0.83	0.66	0.95	0.99	1.03	0.98	0.84

Annexure 2
Framework for Analysis of Savings Product

Institution's Name:

South Canara District Central Cooperative Bank

	Parameter	Mangala Nagadu Patra (Education purpose)	Kalyana Nidhi Nagadu Patra (Marriage purpose)	Amirtha Dhara Nagadu Patra (platinum jubilee deposit scheme)	Akkshaya Vethana Yojane (retirement plan)	Nithya Dhara Deposit (Daily Deposit scheme)
1	Target Group					
	a) Rural / Urban	mostly rural	mostly rural	mostly rural	mostly rural	mostly rural
	b) Income group	any	any	any	any	Any
	c) Occupation	any	any (primarily for girl children)*	any	any (mostly for salaried people, scheme is open to all)	any (primarily entrepreneurs and self-employed, scheme is open to all)
2	Returns	9.00 per cent	8.50 per cent	9.00 per cent	9.50 per cent	2 per cent
3	Safety	high (strictly following back rules and RBI regulations)	high (strictly following back rules and RBI regulations)	high (strictly following back rules and RBI regulations)	high (strictly following back rules and RBI regulations)	high (strictly following back rules and RBI regulations)
4	Flexibility					
	a) Amount	medium (Opening amount INR 100 or multiples thereof, renewals can be made by fractional amount)	high (minimum opening INR 100, face value INR 10, 50, 100, 1000)	medium (maturity value INR 100 and multiples thereof)*	medium (minimum INR 25 further deposit in its multiples)	high (door step collection, minimum opening sum INR 10, further details INR 5 or multiples thereof)
	b) Frequency	non applicable	not applicable	not applicable	not applicable	high (daily, weekly, fortnightly and monthly collections)

5	Liquidity	medium (no lock in period, though 1 per cent is deducted for premature withdrawal)	low (minimum 5 years deposit with lock in period of 2 years)	medium (no lock in period, though 1 per cent is deducted for premature withdrawal)	low (lock in period 61 months with monthly or quarterly interest accruals)	Medium
6	Convenience	medium (proximity of branches)	medium (proximity of branches)	medium (proximity of branches)	medium (proximity of branches)	high (doorstep collection)
7	Cost of Delivery	*	*	*	*	*
8	Extended Features					
	a) Insurance	none	none	none	none	None
	b) Loan on savings	yes	yes	yes	yes	*
	c) Withdrawal	with penalty of 1 per cent less interest	no interest payable if withdrawn before lock in period*	with penalty of 1 per cent less interest	with penalty of 1 per cent less interest even if withdrawn in the lock in period)	*
9	Regulatory	regulated	regulated	regulated	regulated	Regulated
10	Tenure	*	5 years (lock in period 2 years)	*	61 (lock in) 73, 87, 138, 175, 188, 204 and 227 months	minimum 12 months, maximum 60 months, in multiples of 12 months*
11	Confidentiality	yes	yes	yes	yes	Yes