

Pray For Money

The Secret Life of Savers in Lower Assam

Abstract

Banks in the Northeast of India may be missing an opportunity. For years, self-formed savings and loan groups have been evolving. In some village areas households belong to an average of seven different groups. Groups form in unusual ways, and this paper discusses one particular way women in Bidiya village save. They charge for prayers and invest the income into group funds that support livelihood activities such as weaving or household emergencies. But, for all the success of these groups, members would like the benefit of better banking services.

Going Unnoticed

We have no idea how many self-help groups have formed in India, but we do know there are nearly five million in 2010ⁱ. More than that have opened accounts with financial institutions. Each 'bank-linked' group under the SHG-Bank Linkage Scheme of NABARD has the possibility of getting group loans and even grants from banks and governmentⁱⁱ. But just because these groups can be counted does not mean they are all that there is to count. Many more groups, unlinked to banks are forming, disbanding, and reconstituting, independent of the SHG nucleus of champions – NGOs, banks and government.

Homing in on a precise number of savings groups would be impossible. Anyone can form a group. Without any official stamp of approval, a convener can gather in members, encourage them to deposit into a common fund, and then guide the fund toward distributing money back to members in the form of loans.

Homespun groups have been developing for years in pockets of India and now offer a market for banks, cooperatives and post offices. At the moment, groups satisfy many members' needs, but not all. The wise banker should note exactly how these groups work, learn what's missing from their impressive range of benefits, and step into the void with a few good products and a little service.

New Anthropology

In 2008, Microsave published a study on the savings and loan practices of rural areas of India's Northeast. It recorded a dearth of banking outlets in Lower Assam, reporting fewer than one bank branch per 15,500-20,000 peopleⁱⁱⁱ. The authors describe a dense range of local systems that help households borrow and stockpile their cash. Some groups form around clans, others around farming or religious practices.

A fresh piece of surveillance describes bold variations among savings groups in Lower Assam. A banking professor, Abhijit Sharma, with a skill for rural anthropology, went to the hinterlands with his colleagues Depankaj Muzumder and Brett Matthews. There, they recorded the jerrybuilt machinery of local savings groups, which had come to match the financial seasons of rural life.

“Xanchois Samitis: The Fascinating World of the ASCAs of Lower Assam,”^{iv} their paper, describes two villages: one near a trading center and road artery, and another more remote. Both villages have invented solutions to the problem of borrowing and saving. They have managed without the help of an NGO to convert small streams of cash, previously leaking out of household hiding places, into loans for group members. The loan interest builds and when groups decide to close out the fund, members are returned their savings plus interest.

Mazarpara and Khakhrisal are villages on the floodplains of the Brahmaputra. Mazarpara, in the district of Kamrup, is close to a main road; on average, its households belong to *seven* different savings groups, called Xanchois Samitis. Khakhrisal, in the district of Nalbari, is not close to a major road; on average, its households belong to four different Xanchois. These are not government or banked-linked Self-Help Groups. They are locally formed savings groups.

In both villages, group membership includes men and women. Groups have savers, members who prefer to save more than they borrowed, and star borrowers, members who prefer to borrow more than they save and gladly pay interest. Collectively, villagers have woven a complex web of financing options. Funds have different maturities - some liquidating within a year, others after three or five years, and others still never maturing to the point of liquidation. Some groups require regular member deposits, and others one-time “large” deposits, made after the paddy harvest when cash is plentiful. Even groups whose members regularly deposit might mandate a ‘top-up’ month, during which members contribute a disproportionately high amount of funds to their groups to take advantage of seasonal spikes in income.

In some cases, members volunteer to organize the Xanchois, while in others professional managers form them and earn a good living from overseeing multiple groups. Even when groups decline fulltime management, many retain auditors who visit once or twice per year to check the books. Periodically, groups clean house and return all funds to members, or sometimes put the amassed funds in a bank or post office. The money might stay in the bank or be used as the top-up amount to start a brand new group when the time is right.

Pray for Money

In a village near to Khakhrisal, I observed a similar genius for finance. The groups and their products had approached the sophistication of the formal financial system, their core functions having been flexed and detailed to fit about any context imaginable.

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We had entered into Bidiya, a village of the Chaygaon township (called a ‘circle’) in Lower Assam. In a word, Bidiya was beautiful. Tidy homes of bamboo, thatch and mud, and some of wood, rose along impeccable dirt lanes, all prettily fenced and swept smooth. Teak, bamboo, areca palm and jackfruit trees formed bowers over the lanes, shading animal sheds, gardens and perfectly dug fishponds. Bidiya was an agricultural village that farmed and sold paddy and wove shawls made of a prized silk, called eri.

The main lane clusters of houses faced mud courtyards, each a short walk to the open rice fields stretching in every direction from the leafy village.

Seventeen women gathered in a communal courtyard. Anju, the leader in a white sari – all were dressed in white saris - narrated the history of the Nam Party (“Prayer Group”). The rest of the women, members of the group, took their places on wooden benches or red plastic chairs. Anju welcomed to the closely-knit club Mr. Das, a banker from the State Bank of India, Mr. Muzmander, a researcher from the Indian Institute of Bank Management, and me, a teacher at Tufts University.

“We pray for money,” Anju said. The group went from house to house, during times of celebration or seasons of worship, and sang. In return for their musical prayers, they were paid in cash by their hosts.

A bent and wrinkled woman named Bhabani stepped forward. She started the prayer group about forty years ago. At the time, Nam Party’s music came from its members’ voices, since no one owned any instruments. They knew the vocals would sound better if accompanied, however, so the Nam Party bought gongs, cymbals and drums, with the income from their singing. After much practice, they started charging a higher price for each performance. Over the years, the Nam Party continued to invest in larger or finer instruments; from time to time, it held feasts for members and friends. The group grew so large that it split into two. The instruments, Anju said, were valued as heirlooms, the treasure of the group.

The Yellow Vault

About seven years ago, a particular branch of the original singing group felt the instrument collection was sufficient and wanted to hold a portion of group earnings - the troupe had started receiving up to 400 rupees (about \$8) per visit - to put into a common fund. Since then, this faction had ‘broken’ its fund twice, meaning that it distributed all savings and earnings back to individual members to use in any way they saw fit – to fix their homes, buy a handloom or pay for school.

As soon as the group disbursed the money and dissolved the fund, it started a fresh cycle of saving and lending. In its current, two-year cycle, the savings group, called generically in this part of Assam ‘Xonchois Samiti’, had saved 8,000 rupees (\$160 USD) in a branch of the UTI bank. To increase the fund, fed largely by the earnings from paid prayer, each member contributed an additional 20 rupees per month.

Angu Das, was the leader of this Nam Party, the prayer group, as well as the Xanchois Samiti, the savings group. The groups were one and the same. Anju explained that the group saved more than their holdings in the bank, and kept some cash close at hand. “We have collected another 3,000 rupees (about \$70) that we store with us here.” Sumitra, the group

secretary seated near Anju, raised the yellow plastic bag that contained some cash and also the group's record book.

"We each agreed at the beginning of this cycle," said Anju, "to buy a certain number of shares every month. For example, Minu agreed to contribute seven shares," she pointed to a member seated near her. Monthly, Minu contributed 140 rupees (\$2.80 USD) to Xanchois. Each share was worth 20 rupees, and, though most members contributed more than one share per month, many could manage only one. "We name the shares after each of our children. It's a way to remember how much we put in."

"What do you do with the money?" Mr. Das, the banker, asked. They lent it to members. The loans went mainly to women who wanted to purchase Eri yarn. Working steadily, women could weave about four silk shawls in a month and bring in close to 2,000 rupees (\$40 USD) per shawl. The group also lent for household emergencies. While the stated rule limited each person to borrowing up to twice her savings, Anju admitted that this was sometimes adapted.

The seventeen members of the Nam Party escorted us to their temple, its steps facing onto the expansive paddy fields and surrounded on three sides by fronded trees. Inside the temple on Thursday evenings, the Nam Party prayed, rehearsed and perfected its repertoire. Much was discussed at these gatherings. For example, last week the singers tried to convince two members to stand and lead the songs. In male prayer groups, men Pathaks, leaders, stand and lead the musical prayer, something women's group do not do. "Yes," said Anju laughing. "The women are trying to convince me to be a Pathakani. I am thinking about it, but have not yet agreed. Next week we decide."

Rock Stars

This group was all confidence. It knew exactly what it wanted and how to get it. Anju told us that members were now rehearsing for the Raas festival in the fall. "It includes a days-long competition," she said, "in which musical groups from all over Assam compete for money and recognition." The Nam Party had been practicing and felt "likely to win." After their aspired win, they could expect to receive invitations to perform from across Assam.

It turns out this Nam Party reflected the village norm. Five singing groups had emerged from about 200 households. Three had musical instruments.

The housing cluster just down the lane had another such group that prayed for money. One older woman reported regularly saving in both her savings group and in her household account at the local bank when, rather suddenly, her husband died. She tried to withdraw her bank savings, but was told the paperwork would take at least a week to process. The group lent her 1,000 (\$20) rupees immediately so she could pay for the funeral. When she finally got her cash from the bank well after the services, she repaid her group. She said it was more important to keep her group happy than to please her bank.

Self-Help from Places Other than Self

Some savings groups, vulnerable to the messianic call of government-promoted self-help, had begun to dream of transforming into a bank-linked SHG. One particular pray-for-pay group cradled to the "best singer in the land". Twenty-five years ago, when the young

vocalist turned twelve, her music started to gain local fame. A singing group soon rose up around her.

Like its neighbor, this Nam Party over time began self-financing activities – savings and loans. Cash went into a communal fund, making it a Xanchois. Any surplus not lent to members was stashed in a sun-yellow polythene sack or in a group account at the bank.

The group registered as a self help group (SHG) and took out a loan of 2.5 lakh (about \$4,000 USD), the principal of which it was required to repay only half to remain in good-standing with the government and allied bank. When the time came for the group to keep its part of the bargain and pay what it owed, however, members seemed to have “had a disagreement.” The group disbanded, its constituents fading into the latticework of Bidiya. Reconstituted as a new group, and perhaps with a few pangs of guilt or maybe unpleasant memories about the disagreement, members chose to forego lending savings to other members and instead deposit group savings into a bank.

Wait for Money

Singing was the not only way to stockpile cash in Bidiya. A small galaxy of options served residents. Some members of Xanchois had memberships in several other savings groups, each collecting different deposit amounts and liquidating group funds over different periods. The women reported twenty-five different savings groups in the village area.

If savings had become the ‘new debt,’ or the new way to obtain needed cash, debt was still an old and thriving business in the village. Besides the Xonchois that had sprouted from somewhat mysterious origins during the past decade, Bideya bloomed with other credit choices. Villagers could join a self-help group, either bank-linked or government supported, pledge gold ornaments and jewelry against an individual loan, or approach a moneylending club.

One such club was started by a five men who, a few years back, had launched a profitable business providing food and music for marriage festivities, which bought in at least 3,000 rupees (\$600 USD) per reception. They decided to invest their earnings into credit for the residents of the Chaygaon township. Nearby, a similar moneylending club required its five partners to deposit 500 rupees (\$10 USD) regularly, often daily, into a collective pot for moneylending. The club could lend up to 6 lakh (\$6,000 USD) to any one borrower and charged an interest of 10% per month.

As we walked from the temple to a new, equally pristine housing cluster, two dark-vested men rolled their motorbikes past us down the lane and into the dun-colored, earthen common area where we were about to gather. We learned later that these men were agents of a microlender. The agents explained that some of the villagers were angry with them. It seemed a promise had been made: the microlender had offered to issue loans to newly-formed and registered financial self-help groups after six-month of successful operation. Some women had formed new groups, but had not received the 21,000 rupee (\$420 USD) loan despite thirteen months having passed. The agents said that they felt badly about disappointing customers, but it was not their fault. Administrative glitches were slowing the process down. The women would have to wait.

Waiting around was not something the women of Bideia did particularly well. As Anju said, “We used to go from house to house when we needed cash, and in a way, we were begging.” They waited for money, hoped for it, and if they were lucky borrowed it. Now they could go out and pray for it. Or they could dip into one of their many caches. They had choices, beyond the charity of neighbors, the hassles of self-help groups or the failed promises of microlenders. They were vexed at the microlender’s delay and let the agents know it.

Secrecy and the Squawk factor

To a mainstream financial advisor, the residents of Bidiya might seem well hedged in their investments: different dates of liquidity for each group, different products, maturities, compositions of borrowers, and rules of conduct.

Indeed, the Nam Parties and their off-sprung savings clubs were now part of a thick weave of financial activity. And according to many experts, their savings needs should have been satisfied: they had the convenience of quick withdrawal from their groups (there was always a little left in the yellow bag for sudden emergencies); they were enjoying handsome returns upwards of 5% per month; zero defaults; and near perfect information about fellow borrowers - something that approximated savings insurance. The Xanchois, it could be said, had met the basic conditions of good micro-savings: ease, safety, returns. One crucial element, however, was missing: Women lacked privacy.

In 1990, Parker Shipton wrote about squawk factor.

In communities where one has many relatives, as is usual, there is a delicate balancing act, and besides any ethical issues involved, the “Squawk factor”, the potential for complaints and accusations, must enter every individual savings decision^v.

Shipton thus describes the need for privacy in the Gambia,^{vi} where communities work to keep money away from hands that spend. Is hiding savings cross-cultural, as serious a need for Gambians living in the backwaters of the Gambia River as for people like you and me, and the women of Bidiya?

When someone gets ahead of the rest of us in a race to accumulate, we tend to squawk, sending out signals to anyone who will listen. Someone is gathering in wealth.

If we are on the gathering end and not the squawking end, we must keep money hidden, out of the clutches of family and friends. To do so, we need secrecy. The more we have saved, the more secrecy needed. No one need know how much we stash away here and there, else they will envy it, ask for it, or steal it. That leaves us and the ladies in Assam with the dilemma of where to store our money. In Bidiya, the women have their groups to safeguard money from husbands and neighbors. But how will these women keep others in the same group from knowing how much each has stockpiled individually beyond the group?

I asked the women in the Nam Parties openly, in the presence of at least fifteen other women: How much is each of you saving in the bank? This question followed from members reporting that many had opened individual bank accounts, even though the bank was far, often closed, and fraught with reels of red tape for simple transactions.

Not surprisingly, in the public space of the courtyard, I got vague answers. “Savings is up to each household.” “We do not have to save a specific amount in the bank, only what we can.” I probed and questioned more about their personal savings. Finally, one member said: “Would you like to come for tea at my house?” making it clear she would not confide her bank-held savings.

Opacity and its Virtues

Transparency, an oft-touted feature of group-based finance, brings with it communal meetings, public records, and ‘action audits’^{vii} which collect loans and interest payments, document fines and missed deposits, and report profits. When it’s time to clear the books and harvest the fund, group leaders tally the shares, apportion their value, and distribute cash dividends to each member, for all present to witness. In the absence of a more formal, legal mechanism, oral and visual observations comprise the chief means to protect savings, profits, and the transactions that help liquidate a fund^{viii}.

However well transparency may do its job in keeping group savings safe, it is the foe of individual stockpiling. Stockpiling meets a basic social need to store and sometimes hide wealth. Some might call it hoarding. Whatever we call it, it is a yearning for a surfeit of rice in the silo, potatoes in the larder, or wood in the woodpile, to be spent or invested later, after trouble has passed or a new bounty has presented itself, when the time is right.

Every woman knows that, by squirreling away money, she can face the unexpected without a quick, desperate forfeiture of family treasures. Stocks of cash can be destocked to educate children, fund a wedding, build a ‘pucca’ house, or pay for retirement.

Savings groups are a good way for women to amass cash^{ix} under the scrutiny of many pairs of eyes, but a poor way to protect money from the local grapevine. Money, once visible, is vulnerable. Husbands, their creditors, and mothers-in-law can help themselves once a woman’s savings is revealed. Secrecy is the sole solution that protects a woman’s precious stockpiles from the erosion of household demands, and from the relentless obligations that accompany transparency. The world of development assistance, which extols collective action and communal accountability - in a word ‘groups’ - does not permit enough secrets. Hence, we turn to the world banking.

Brief Case Banking

As the banker from the State Bank of India and I departed Bidiya by car, we wondered about the activity we had just seen. “They have invented a perfect wheel,” said Mr. Das. “We needn’t reinvent it.” Households seemed part of a tough, evolving tissue that soaked up and time-released cash surpluses. A financial cartographer could spend days plotting the elaborate mesh - singers and savers, lenders and borrowers, weavers and farmers – all shunting money into bags, banks and the hollow stalks of bamboo, hiding it from spouses and trying to hide it from each other.

As a banker, Mr. Das didn’t need to substitute these self-made solutions. He wanted, he said, to find ways to service needs that a group couldn’t meet on its own. What would those be? “They need ready cash and they need it privately. I would never substitute for these groups.” Through banking, he aimed to offer solutions that group could not supply on their own.

We drove for two hours north and east of Chaygaon, to the edge of a small town that straddled a crossroads. Our car stopped in front of the Drishtee kiosk, which had just become point of service for the State Bank of India. Drishtee was a chain of highly visible franchises that provided computer training and internet services.

The kiosk had a desk, a computer and two chairs in a closet-sized space beyond the glass storefront. At the entrance outside, in the open air, sat the SBI Tiny attendant and her banking apparatus. Tiny it was. The full kit, no bigger than a briefcase, had transformed the Drishtee computer-learning center into a functional bank costing SBI Rs. 35,000 (\$700) in equipment cost.

The service, which Mr. Das called “a human ATM”, was managed by the Drishtee franchisee and now SBI agent, Anita. Within just a few months, she said, customers were “gathering like buzzards.” She had opened 2,500 new accounts in sixty days.

Anita told us that customers liked the convenience, the receipt, and “knowing that only I know how much they put in and take out.” Others could watch and see who visited the kiosk, but only Anita verified how much they handed over or withdrew. They knew their secret was safe with her. Her business depended on it.

The kiosk and SBI Tiny are a beginning. Customers want the services the kiosk provides, to be sure, but it must actually provide them to make a difference. While the manager had signed on 2,500 new accounts, 1,200 future customers had cards languishing in a box in the kiosk. Anita said, “They have been sitting here for some time. It took weeks for the cards to arrive and customers got tired of asking for them.” This was not the only occasion I would hear this complaint. I heard it again about three hours away, in the Garo Hills, from a self-help group that had become the local agent for SBI Tiny. Same story: many customers, no Smart cards.

Bankers: Open Your Eyes

Despite the banking system’s spread into rural areas, few seem to be sticking to the simple rules of customer courtesy and delivering on promises. And few seem to be looking at the miniature, interlocking financial universes managed by villagers themselves. If bankers were to open their eyes, they might see the secret lives of savers. They would notice a market of disciplined scrimpers who, from time to time, amass profitable blocks of cash. They would also notice a market of disciplined debtors who have been trained over years to repay. They would see savers who want discretion and borrowers who want flexibility. They would see demand, pent-up demand, ready to be served by efficiency, convenience, security, and, of course, a little privacy.

ⁱ N. Srinivasan, *Microfinance in India: State of the Sector Report*. (London: Sage Publications, 2010): 12

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- ⁱⁱ N. Srinivasan. *Microfinance in India: State of the Sector Report*. (London: Sage Publications, 2008): 17
- ⁱⁱⁱ Madhurantika Moulick et al. “Understanding and Responding to Savings Behavior of Poor People in the Northeast of India”. (Lucknow, India: Microsave, 2008): 2
- ^{iv} Abhijit Sharma, Brett Matthews, Dipankaj Mazumder, Indian Institute of Bank Management. “Xonchois Samitis: The Fascinating World of the ASCAs of Lower Assam”. (*Indian Institute of Bank Management*, Guwahati, 2009): 3
- ^v Parker Shipton. “How Gambians Save – and What Their Implications Imply for International Aid”. (*World Bank*, Washington DC, 1990): 17
- ^{vi} Shipton, *How Gambians Save*, 45
- ^{vii} Hugh Allen and Mark Staehle. *Village Savings and Loan Associations*. (Internet: VSL Associates: 2007): 79
- ^{viii} Hernando de Soto. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. (New York: Basic Books, 2000): 21
- ^{ix} Stuart Rutherford. *The Poor and Their Money*. (Oxford: Oxford University Press, 2000): 5.