



WOMEN FRIENDLY MICRO SAVING PRODUCT



Table of Content

EXECUTIVE SUMMARY

05

INTRODUCTION

05

GOAT LOAN

07

MICRO-SAVING PLUS PRODUCT

09

PROPOSITION FOR ALL STAKEHOLDERS

11

Acknowledgement

Authors:

Purna Roy Chowdhury

Associate Director, Gender and Women's
Economic Empowerment, GFI

Bhakti Palande

Project Manager, GFI

Rohit Nandanwar

Project Manager, GFI

Editor:

Somnath Dasgupta

Consultant, GFI

Ganita Dahiya

Manager - Knowledge Management, GFI

Reviewed by:

Piyush Singh

Director - Innovations in Digital Finance, GFI

Tarun Kumar

Lead - Knowledge Management & Communications, GFI

Sristi Jha

Sr. Executive - Knowledge Management, GFI

Executive Summary

Microfinance is recognized as a promising and cost-effective tool in the fight against global poverty, with Grameen Bank's work serving as a strong example. In developing countries like India, microfinance promotes micro-entrepreneurship and women's empowerment through the Self-Help Group model. Although the Financial Inclusion Index shows an increase in financial inclusion in India, women remain the most financially excluded and underserved population due to various social, cultural, and systemic barriers.

Business Correspondent (BC) agents help address these gaps by delivering banking and financial services to the underserved, including women. Female BC agents have been found to serve a higher proportion of women customers, thus promoting financial inclusion. Grameen Foundation India in partnership with the Bill and Melinda Gates Foundation is trying to increase the viability of BC agent networks and focuses on gender mainstreaming, partnering with banks and other financial institutions to offer micro-saving credit leveraged products specifically for women customers.

Introduction

Although financial inclusion has been on the rise globally and in India, a significant gender gap persists, particularly in developing countries. Women face numerous social, cultural, and systemic barriers that prevent them from accessing and utilizing financial services, hindering their economic growth and empowerment. According to the Financial Inclusion Index 2021-22¹, financial inclusion in India has risen to 56.4% in 2022 from 53.9% in March 2021; however, this growth has not been evenly distributed among the population, with women being the most financially excluded, and underserved. The National Health Survey 5 (2019-21)² highlights that India's female population has overtaken males, but restrictive social norms, mobility constraints, lack of identification, limited financial literacy, insufficient assets for collateral, and low levels of digital literacy continue to inhibit women's financial inclusion. Addressing these challenges is crucial for fostering gender equity, economic development, and poverty alleviation.

In developing nations like India microfinance has emerged as one of the most effective strategies

to promote and advance micro-entrepreneurship. This in turn has led to women's empowerment, through the collectivization and capacitation of the Self-Help Group (SHG) model. The Financial Inclusion Index 2021-22 released by the Reserve Bank of India reported that financial inclusion in India has risen to 56.4% in 2022 from 53.9 in March 2021. However, this growth has not been spread evenly amongst the population of India. The quality parameter of the Index reflected in financial literacy, consumer protection, and inequalities and deficiencies in services, continue to show women as the most financially excluded and underserved population.

Most of the microfinance borrowing opportunities are accessed and utilized by male members of the family. The male bias in inheritance law and social norms entitles men to ownership of land and other tangible assets, which are used as collaterals for accessing formal banking and financial services. Women's lack of ownership of property and assets poses a systemic and structural barrier to their economic growth. Additionally, the lack of capital makes it extremely hard for women to become financially

¹Financial Inclusion Index 2021-22

²The National Health Survey 5 (2019-21)

independent. Restrictive social norms, mobility constraints, lack of identification, limited financial literacy, insufficient assets for collateral, and low levels of digital literacy are crucial barriers that women continue to face in them their being financially included.

Business Correspondent (BC) agents have emerged as a predominant way to deliver banking and financial services to the underserved, which largely includes women. Research shows that a woman BC agent serves a higher proportion of women customers, thereby addressing a critical gap in financial inclusion. Gender Inclusion within BC business serves a dual purpose. Firstly, it takes financial products and services to the last mile, bringing door-step delivery and convenient access to services to women customers, the majority of whom remain either excluded from

or underserved by banking services. Secondly, having more women BCs as agents boosts employment opportunities at the community level and also establishes these women as local role models as successful, influential, and respected entrepreneurs who deliver financial services to remote and underserved populations.

The BEADS (BCNM Experiments & Demonstrating Scale) project implemented by the Grameen Foundation India, with support from the Bill and Melinda Gates Foundation, has worked to increase the viability of the BC agent networks with a deliberate focus on gender mainstreaming. Under BEADS, GFI partnered with a co-operative and a small bank to offer micro-saving credit leveraged products specifically catering to women customers.

Description of the Products

	Goat Loan in partnership with a cooperative bank	Micro Saving Plus Product with a small bank in India
Objective and Background	Grameen team used a Human-Centric Design approach to understand the financial goals, needs, and economic status of women customers, resulting in the creation of the Goat Loan	A human-centered, innovative product designed to create credit accessibility and increase saving behavior among customers while supporting BC Agents in gaining a customer base and viability. Benefits for BC Agents include income from transactions, loan disbursement, and retention of existing customers.
About the product: Process, Eligibility, and Verification	<p>The cooperative Bank provides a Goat/ Sheep Loan to customers based on their accumulated regular savings over a minimum period of 6 months, with the loan amount equivalent to the price of the goat/sheep the customer wishes to buy. Customers repay the loan through installments with the assistance of BC agents, who receive a commission for each successful repayment.</p> <p>The bank's team verifies that the customer has bought a goat/sheep with the loan and guides the customer on how to nurture the animals through their goat doctors, ensuring the loan is used solely for the intended purpose.</p>	<p>Customers open a Recurring Deposit (RD) account through an impaneled BC Agent with a minimum amount decided by the bank and maintain the RD account for a specified time.</p> <p>After the tenure, customers can avail themselves of a loan of 1.2-1.5X of their RD balance, with the possibility of upgrading to a larger loan after successful repayment, subject to the bank's lending terms and conditions</p>

Goat Loan

Goat Loan: An Overview

The Grameen team applied a Human-Centric Design (HCD) approach to understanding the financial goals, ambition, and economic status of the target customer base. The HCD inquiry also probed into the product requirements of the women customers. The Goat Loan was then designed based on the findings and analysis.

Under this initiative, the cooperative Bank gives a Goat / Sheep loan to a customer based on the accumulated regular savings in her Savings Account, for a minimum period of six months. The loan amount is equivalent to the price of a goat/sheep that the customer is willing to buy. The woman customer has a choice to make regular savings for a minimum period of six months, to be considered eligible for the Goat Loan. Existing savings account customers of the cooperative bank are being verified with their savings balance and their saving frequency for the last six months. New customers can open a saving account along with an RD account to save regularly. They are offered to save regularly in the savings and RD accounts. They can save a minimum of Rs. 200 in the RD account and Rs. 100 in the Saving account. But regular saving is mandatory. The lending bank will undertake

credit appraisal of the customer based on her saving pattern, regularity in the saving, and the monthly amount deposited as savings in the bank. The customer then repays the loan in installments to the BC agent either in cash or through assisted digital payment. The agent gets a commission on each loan collection and successful loan repayment. The maximum tenure for the loan is 18 months but customers can foreclose the loan if they have enough before the completion of the loan tenure.

Goat loan customers select the goat/sheep and after getting the loan she buys the selected goats. cooperative bank team verifies that the customer has bought a goat/sheep out of the loan amount she received. The bank has its goat doctors. After buying the goat, those doctors visit the customer and guide them about the nurturing of goats. They also do testing and other medication if required with very minimal charges. This clearly shows that the loan is being utilized for buying goats and not for other consumption.

In villages, due to women's lack of control over their income and finances, the loan issued in the name of the woman is often taken over and used by the husband or other family members.



Even in the case where the woman takes a loan for her own business, she is unable to utilize the loan amount for her venture. This power dynamics within the family, coupled with women's lack of ownership of assets, compromises a woman's creditworthiness before the financial institution and her autonomy in financial decision-making.

Outcome of the intervention


Female customers understand a single goat may not be sufficient for rapid business growth. To address this limitation, they combine their savings with the loan amount to purchase two or three goats. Sometimes, they use their savings to construct a shed or buy food for the goats.

These women show a strong interest in entrepreneurship rather than working on others' farms. They are eager to develop their businesses, accumulate assets, and achieve financial independence. They continue to repay their loan installments even if they have not yet started earning money from goat farming. Their existing savings help them in repaying the installments while they continue saving in their Savings and RD accounts. This product has made female

customers recognize the importance of saving, their contribution to the loan amount for starting a business, and sustaining their savings without relying solely on their business.

To address the gender barrier, one of the strategies adopted by the cooperative bank was the introduction of the Goat Loan product. This product not only provides a collateral-free loan to women but also helps create small assets in the form of goats. This facilitates the growth of women-owned enterprises and ensures a sustainable livelihood for them.

Ruksana Shiekh availed herself of the Goat Loan a year ago. In an interaction with the GFI team, she said the loan has provided her with an opportunity to contribute to her family's income. Ruksana also mentioned that a goat gives birth to a kid twice a year, which when sold off, would provide her with a substantial income. This money can then be used to save more, repay the existing loan, and allow her to take more Goat Loans. This will expand her business and ultimately help her become financially independent.



Ruksana Shiekh availed herself of the Goat Loan a year ago. In an interaction with the GFI team, she said the loan has provided her with an opportunity to contribute to her family's income.

Figure 1: Goat Loan Distribution in Satara (March 2022 to February 2023)

As of January 2023, a total of 193 loans have been disbursed and 2,793 customers have opened RD accounts under Goat Loan in the cooperative bank. The introduction of this product has developed saving behavior among women customers and instilled confidence among these women in starting and owning their businesses. Furthermore, these women are now inclined to save in the formal banking system, leading to their financial inclusion.

We have seen that since the cooperative bank is providing loans for only one goat, women are contributing their funds to the loan amount and buying more goats. They reported that “There is the same cost in nurturing one or two goats but the benefit is double”. Additionally, because a single goat will take time to grow the business, two or three goats generate more income at the same time. This clearly shows that women are

very much interested in growing their goat farming business and they are calculating profit for the future.

Rajnandini Deshmukh, a housewife and another beneficiary of the Goat Loan, said during an interaction, that even though her family was financially well-off, the goat loan has motivated her to start her venture and earn money. She is now able to take financial decisions independently, save regularly, and contribute to the family income.

Goat Loan, as a micro-finance product, is impacting the lives of several women in the state of Maharashtra in India. If implemented with sustained enthusiasm and customer centricity, products like these can be game changers for the industry.

Micro-Saving Plus Product

Micro-Saving Plus Product: An Overview

The Grameen Foundation India used a Human-Centered Approach to design the product, conducting research across the country, including banks and customers. The resulting product aims to address both customer and bank needs by managing risk, increasing creditworthiness, and promoting saving habits.

The Micro-Saving Plus Product is an innovative, human-centered financial solution designed to enhance credit accessibility and encourage saving habits among customers while simultaneously supporting Business Correspondent (BC) Agents in expanding their customer base and increasing their viability.

Customers registering for this product must initially demonstrate consistent saving habits or have a good saving history with the bank through

a designated CSP/BC Agent. After evaluating the customer's saving behavior, they become eligible for a loan amount greater than their savings. This product offers various benefits, including monetary incentives for BC Agents, such as income from every savings transaction, a percentage value for the loan amount disbursed, and income from repayment transactions. Furthermore, the product contributes to the long-term viability of BC Agents by retaining existing customers, attracting new ones, increasing trust, and enhancing customer relationships with the banking system. This increased trust also enables BC Agents to cross-sell other bank products.

Customers interested in the Micro-Saving Plus Product have a choice to open a recurring deposit (RD) account through an affiliated BC agent with a minimum deposit determined by the bank. The RD account should be maintained for a specified period, such as six months or one year. Upon

completing the required tenure, customers can avail themselves of a loan amounting to 1.2 to 1.5 times the accumulated RD amount or according to the bank's lending norms. After successful loan repayment, customers can upgrade to larger loan amounts, up to two or three times the initial sum. In this process, BC Agents play a vital role in channelizing the product for both banks and customers.

BC agents are instrumental in promoting financial inclusion across India, but their earnings depend on the number of customers served and the services they use. Research indicates that cash-in, cash-out (CICO) transactions are the top service customers use at Customer Service Points run by BCs, accounting for a significant portion of their earnings. Since 2006, the BC Agent network has evolved, expanding the range of services offered and improving customer relationships.

Outcome of the Intervention

Grameen Foundation India implemented the intervention in partnership with a small bank. As an experiment, the bank introduced the project to Self-Help Group (SHG) members. A total of 28,719 women customers were enrolled by 68 BC Agents, of which 32 were female BC Agents. These customers saved around INR 64.6 crore over nine months. With an average ticket size of INR 35,000, the bank's loan exposure to these women is approximately INR 30.15 crore, assuming a

conservative 30% qualification from the pool of customers who opted for the product.

The Bank sees this loan as more secure than non-collateral loans. As all group members are not availing themselves of the loans at the same time, the RD account opened by the other group members can mitigate the Bank's risk to some extent. As all group members are offered to open RD accounts, and if anyone defaults on repayment, the liability rests with the Joint Liability Group (JLG) members. The product has a leverage of 58%, indicating a low associated risk.

Designing such innovative products strengthens women customers who want to support their families. It also increases the saving habits among women. Moreover, exposure to such products increases credit accessibility among underserved populations who struggle to find credit facilities from structured institutions.

Gayatri Devi is a customer who opted for the Micro-Saving Plus product. She lives in the small village of Vellore in Tamil Nadu, where she runs a grocery shop. For the past two to three years, Gayatri has been trying to invest more in her shop to increase her income.

She attempted to connect with financial institutions, but her lack of banking records made finding solutions difficult. Gayatri also considered taking out a gold loan, but the required

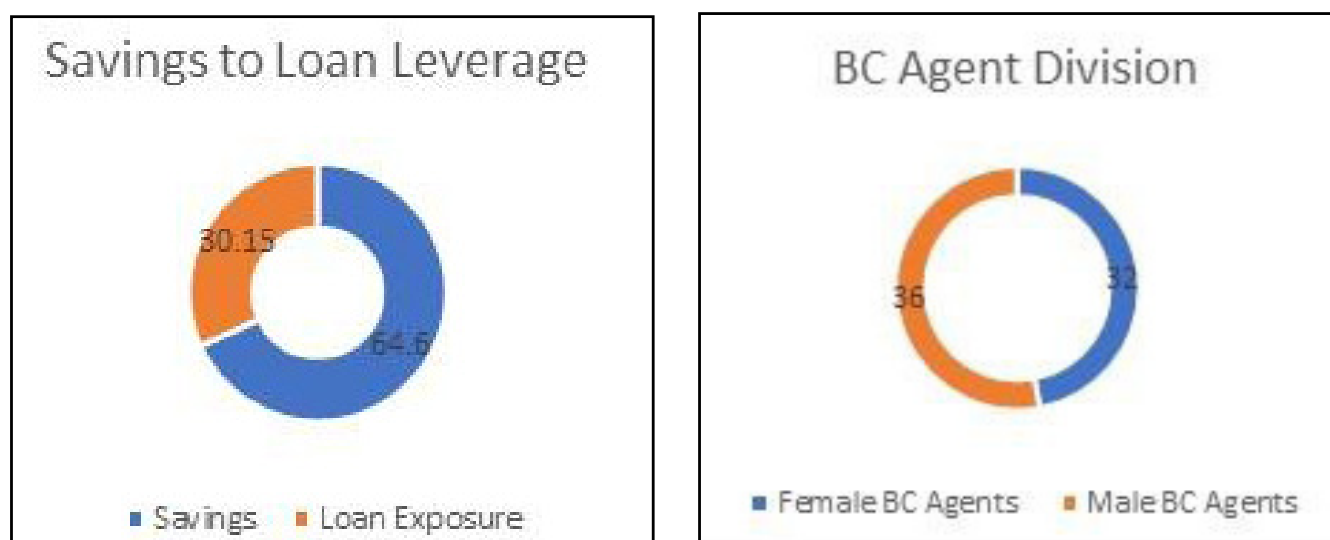


Figure 2: Outcome of Micro Saving Plus Product

amount was too high and the interest rate was unaffordable. She even explored local institutions that offer loans at higher rates, but this option proved to be challenging as well.

Gayatri learned about a female BC Agent named Sarita who offered a product that required opening a recurring deposit (RD) account with a bank. After doing so, she would be eligible for a loan of up to twice the amount deposited in the RD account. Knowing Sarita for a long time and trusting her, Gayatri opted for the Micro-Saving Plus Product.

Gayatri opened a recurring deposit or RD account through Sarita, putting in INR 1,000 a month. Since this product was a pilot with the bank, the

loan was booked as a JLG loan, as the group's transactions with the BC/Bank were in good standing. Subsequently, Gayatri received a loan of INR 55,000, which she invested in her business. Now, her earnings have increased by 60% compared with her previous monthly income.

Through the support of the BC agent, Gayatri has built trust in the BC channel and benefited from the Micro-Saving Plus Product. She can now easily approach the Customer Service Point for bank services without spending extra time and effort. This convenience has allowed her to save time and access the benefits of the formal banking system right at her doorstep. Gayatri is happy with her decision to enroll in this product.



Propositions for all stakeholders for Goat Loan and Micro-Saving Plus Product

Figure 3 provides an overview of the key propositions for each stakeholder involved in the Goat Loan and Micro-Saving Plus Product. These innovative financial solutions have been designed to benefit banks, BC Agents, and customers alike, by addressing specific needs and fostering

financial inclusion. By focusing on accessibility, income generation, and financial empowerment, these products create a win-win situation for all parties involved and contribute to the overall growth and sustainability of the financial ecosystem.

	Goat Loan	Micro Saving Plus Product
Bank	<ul style="list-style-type: none"> • This product will help the bank attract and get more deposits, which will lower the cost of funds, and leverage PMJDY overdraft as product and PSL targets. • A captive disciplined customer of Goat Loan can now be offered other financial products by the bank in line with the needs and interests of the woman customer. 	<ul style="list-style-type: none"> • Risk management: By requiring customers to maintain an RD account and demonstrate consistent saving behavior, banks can evaluate creditworthiness and reduce lending risks. • Expanded customer base: The product encourages new customers to engage with the bank, resulting in an expanded customer base and increased deposits. • Enhanced reputation: Providing innovative financial solutions tailored to customers' needs boosts the bank's reputation for offering accessible and inclusive banking services.
BC agent	<ul style="list-style-type: none"> • The loans are mainly sourced through a BC agent. The agent, therefore, plays an important role in generating more awareness and uptake of the Goat Loan product among the women in their community. • This loan adds to the basket of products offered by the agent and leads to an increase in their income with the commission earned on each installment from the recovery of the loan. 	<ul style="list-style-type: none"> • Increased income: BC Agents benefit from additional income through earnings from every savings transaction, a percentage value for the loan amount disbursed, and income from repayment transactions. • Enhanced customer retention and acquisition: Offering this innovative product helps retain existing customers and attract new ones, thereby expanding their client base. • Improved trust and customer relationships: As BC Agents play a crucial role in channelizing the product, their involvement leads to increased trust among customers and stronger relationships with the banking system, enabling them to cross-sell other bank products.
Customers	<ul style="list-style-type: none"> • This product does away with the hassle of collateral loans that plague women customers. • The Goat Loan has created excitement among women in the target community to begin their independent ventures in the goat farming business. Many of them have already started or expanded their businesses. • Thus, the loan helps the women become financially independent, and uplift their economic and social standing in the community. 	<ul style="list-style-type: none"> • Access to credit: The Micro-Saving Plus Product enables customers to access loans based on their saving habits, allowing them to meet various needs and improve their financial well-being. • Encouragement of saving behavior: By linking loans to RD accounts, customers are motivated to develop consistent saving habits, promoting financial stability and planning. • Empowerment and financial independence: This product enables customers, particularly women, to access credit and build their businesses or support their families, fostering empowerment and financial independence

Figure 3: Key Propositions for all stakeholders involved

Way Forward

There is a need to improve BCs capacity to promote and sell the goat loan. Also, creating the need for entrepreneurship among rural women is very critical to sustain this product. BC's improved capacities will help in this. Once they get more customers they will understand their monetary benefits and this will help BCs in increasing their income.

At the same time, women customers will get opportunities to start or grow the business of goat farming to build their livestock assets.

The accurate potential scale of the product can be assessed if it gets observed for the next 3-4 years when cooperative banks and other financial institutions adopt and scale it.

We are disseminating the learnings from goat loan and micro saving plus products with the industry and hope to get more takers of the concept. However, the development and adoption of women-friendly micro-saving products needs

to be accelerated, ultimately contributing to the financial empowerment and economic resilience of women in rural areas and beyond. A few recommendations and strategies to do that are as follows:

- **Develop women-centric financial literacy programs:** Design and implement financial literacy programs specifically tailored for women, focusing on the importance of savings, investment, and risk management. This will empower women with the knowledge and skills to make informed financial decisions and utilize micro-saving products effectively.
- **Enhance accessibility and convenience:** Ensure that micro-saving products and related services are easily accessible to women by leveraging technology, such as mobile banking and digital platforms. This will enable women, especially those in remote areas, to access financial services without facing significant barriers.



Design and implement financial literacy programs specifically tailored for women, focusing on the importance of savings, investment, and risk management.



Introduce incentives, such as higher interest rates or bonus payments, for women who maintain regular saving habits. This will encourage consistent savings behavior and help women build a strong financial foundation.

- **Customization and flexibility:** Offer a variety of micro-saving products tailored to the unique needs and preferences of women, with flexible terms and conditions that accommodate their financial situations. This may include products with smaller deposit amounts, flexible tenure, and withdrawal options.

- **Collaborate with community-based organizations:** Partner with community-based organizations, such as Self-Help Groups (SHGs) and women's cooperatives, to promote and distribute women-friendly micro-saving products. This will foster trust and facilitate the adoption of these products among women, who may feel more comfortable engaging with familiar local institutions.

- **Incentivize regular savings behavior:** Introduce incentives, such as higher interest rates or bonus payments, for women who maintain

regular saving habits. This will encourage consistent savings behavior and help women build a strong financial foundation.

- **Monitor and evaluate impact:** Implement a robust monitoring and evaluation framework to track the progress and impact of women-friendly micro-saving products. This will help identify areas for improvement, address challenges, and ensure the effectiveness of these products in achieving their intended goals.

- **Expand partnerships with financial institutions:** Collaborate with a broader range of financial institutions, including banks, credit unions, and microfinance organizations, to promote and scale up women-friendly micro-saving products. This will enhance the reach and impact of these products, benefiting a larger number of women across various regions.

About Grameen Foundation India

Grameen Foundation India (GFI or Grameen), a wholly owned subsidiary of Grameen Foundation USA, is a not-for-profit organization that specializes in designing and implementing innovative programs to help the poor access finance, livelihood opportunities, and health & nutrition information. Grameen addresses demand-side and supply-side barriers through scalable models, the use of technology applications, and innovative partnerships. Working closely with Banks, Financial Institutions, farmers organizations and agribusinesses, we help people build assets, weather crisis, manage risk and become resilient. Since its inception over a decade ago, Grameen Foundation India is growing from strength to strength, deepening its impact to enable the poor, especially women to create a world without poverty and hunger.



E-86, Lower Ground Floor, Suncity,
Sector 54, Golf Course Road,
Gurugram-122011, Haryana, India
idf@grameenfoundation.in

Follow Us On:

