Sewa Bank Products: Savings

Sewa Bank lays great emphasis on savings. More so, when its clients are all self-employed women with low income. Also, from an institutional viewpoint, building a credit loan fund from members very own savings is cost effective. A wide range of different saving schemes are available for members.

In response to demand from members for a variety of saving needs, Sewa Bank has developed a range of saving products and schemes. A lot of effort and research has gone into this.

Sewa Bank thinks not of the tomorrow but the day after and even thereafter. So much thinking goes into each product before it is launched. This is because the products reflect the needs of the members and are designed to meet their needs.

Women do have an instinct for savings if motivated. At Sewa Bank the products are designed according to their cash flow and needs and to achieve this the bank closely observes their financial life, working and living conditions.

Some twenty years ago, Sewa Bank got research done as to the needs of poor women. The main needs came out to be Food, Clothing and Shelter. Accordingly in 1980, the year it celebrated its silver jubilee, three different Saving Schemes were launched.

All schemes of the bank keep in mind the capacity of members to save.

<table>
<thead>
<tr>
<th>Scheme Name</th>
<th>(Daily Savings Scheme)</th>
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<tr>
<td>Chinta Nivaran Yojana</td>
<td>(Worry Riddance Scheme)</td>
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<td>Mangal Prasang Yojana</td>
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<td>Kishori Gold Yojana</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Accounts</th>
<th>Savings/Deposits (Rs.)</th>
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<tbody>
<tr>
<td>2000-2001</td>
<td>1,75,000</td>
<td>26,81,22,000</td>
</tr>
<tr>
<td>2001-2002</td>
<td>1,72,010</td>
<td>46,43,91,000</td>
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<tr>
<td>2002-2003</td>
<td>2,02,706</td>
<td>62,39,28,000</td>
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<tr>
<td>2003-2004</td>
<td>2,56,617</td>
<td>61,96,99,000</td>
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<tr>
<td>2004-2005</td>
<td>2,76,684</td>
<td>62,47,66,000</td>
</tr>
<tr>
<td>2005-2006</td>
<td>2,91,635</td>
<td>66,57,94,000</td>
</tr>
<tr>
<td>2006-2007</td>
<td>3,04,933</td>
<td>65,85,78,000</td>
</tr>
<tr>
<td>2007-2008</td>
<td>3,07,558</td>
<td>73,99,70,000</td>
</tr>
</tbody>
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“A penny saved is more than a penny earned.”

Through constant training, Sewa Bank inculcates the habit of saving to its members. For example by reducing intake of tea or coffee i.e. if a member has 3 cups of tea instead of 4 cups a day, she saves Rs. 5 a day i.e. Rs. 2150 at the end of the year.
Saving Schemes

Jivan Asha - Hope for Life (Daily Savings Scheme)
This savings scheme was formulated by the Board of Directors and started in May 2000 and has been very popular, especially among daily wage earners. The scheme is designed for women who earn a small amount of money on a daily basis and is ideal for vegetable vendors, seamstresses, bidi (indigenous cigarettes) and agarbatti (incense) workers and milk producers. If they save on a daily basis, they would stand to benefit, else there is every possibility that the money earned is easily spent. One of the popular schemes of the bank, Jivan Asha has proved to be a boon and lighted up many homes when in urgent need.

Chinta Nivaran Yojana (Worry Riddance Scheme)
To meet small difficulties and overcome worries Chinta Nivaran Yojana (Worry Riddance Scheme) was started in 1999, the year Sewa Bank celebrated its silver jubilee with contributions ranging from Rs. 40, Rs. 80 and Rs. 120. Under this scheme, deposits are made on a monthly basis for five years. In case of an emergency and after one year of joining the scheme, the member can get a loan (need based) up to Rs. 5000 in lieu of the savings kept with the bank.

Mangal Prasang Yojana (Special Occasion Scheme)
Also launched alongside in 1999 was Mangal Prasang Yojana. This too was for 5 years with contributions being for Rs. 200, Rs. 400 and Rs. 600. This was primarily aimed at helping members during the weddings of their sons and daughters, and in the process also avoid going in for unnecessary loans. Under this scheme, money is to be deposited by the members on a monthly basis for 5 years. At the end of the period amount with interest will be given to her.

Ghar Fund Yojana (House Fund Scheme)
To enable the members to have a house of their own and in particular in their own name was started Ghar Fund Yojana (House Fund Scheme) in 1999 with contributions of Rs. 250, Rs. 500 and Rs. 750. Deposits are made on monthly basis for a period of 5 years or more. With the amount returned after 5 years with interest, women can build their own houses. If the bank finds it appropriate, members will get the same amount as a loan under the bank’s terms and conditions.

Kishori Gold Yojana (Buying Gold Scheme)
Another scheme started in 2004 which motivates members to save for special occasions is Kishori Gold Yojana (Buying Gold Scheme). This was aimed at meeting expenses towards buying gold and gold ornaments during the wedding of their offspring. Also the gold ornaments so bought are an asset and thus a saving. With this intention the scheme was started with contributions of Rs. 50 and in multiples of that. This scheme is where gold can be of help for both the daughter as also the son’s wedding. And therefore one does not have to borrow for that purpose and invite debt. Through this scheme, small savings made gradually or accumulated gold can be used for future occasions which can then be celebrated without tension. Also by joining this scheme, one not only avoids stress, but can look forward to the savings in an emergency.
Loans

Self-employed women need loans for a wide variety of purposes: to buy assets, raw materials, finished goods for resale, redeem old debts, upgrade their homes, buy transportation means such as a handcart or a pedal cart, or to put in infrastructure in their homes, such as water or electric connections.

Sewa Bank has been providing a wide range of loan products to meet the productive credit needs of its clients. The bank requires that a woman save regularly for at least one year before she is eligible to apply for a loan. In the absence of traditional collateral, a regular savings record has been a necessary form of security in Sewa Bank’s experience of banking with the poor for well over 30 years.

Each loan is sanctioned following a pre-loan check at the women’s home by a Sewa Bank field worker. The amount sanctioned depends mainly on the field worker’s recommendation, as she is deemed to know the client best.

A customised client credit risk rating instrument is then completed to help determine the amount of the loan to be sanctioned. This instrument has been developed by Sewa Bank, with inputs from professional consultants and tailored to reflect the conditions and situations of Sewa Bank customers.

Sanjivani Loans

Sanjivani or “rebirth” is a special loan product designed for the wives of mill workers laid off due to the closure of textile mills in Ahmedabad. Thus, most of these families have now become female-headed households. Sanjivani loans, coupled with business counseling from the Bank and marketing services from SEWA, help these women to start new business or expand existing ones.

Housing Loans

My house is my asset, my savings, my workshop and my place to rest. Improved shelter increases my productivity and security,” says Manjubaben, a bull roller.

Financial institutions have been reluctant to give women housing loans, for women are still perceived as more housewives who are high credit risks. Housing loans are not seen as productive loans which will lead to an increase in income.

Housing, however, is a productive asset for millions of women who are poor and work out of their homes, and thus, access to housing finance at long term, affordable rates is a prime necessity. Moreover, among the poor, those with assets are less vulnerable to the vagaries of life than those without assets. Thus, asset-creation is important in the battle against poverty and financing housing a powerful weapon in the fight. Providing women credit for housing empowers them, giving greater control over their lives, homes and productivity. Now Sewa Bank gives loan up to Rs. 3 lakhs for buying a house.

Sewa Bank’s Housing Finance

Sewa Bank has found that as the economic security of SEWA members increases, the demand for housing loans and housing-related services also increases. Most importantly, and as a rule, loans for a new house require that the house be built in the name of the women borrower, thereby creating an asset for the women.

Sewa Bank has given loans for housing purposes to thousands of women. These include loans to repair or replace a roof, wall, floor or door, for monsoon proofing, adding a room or kitchen, upgrading as well as loans that could be used as deposits for rent and to buy or build a new house. Loans were also taken for infrastructural facilities such as water or electricity connections, building toilets and paved approach roads to the houses.

The repayment rate of loans - a high 99% - amply demonstrates the credit worthiness of poor women working in the informal sector.

Providing ATM services is routine today, but what makes Sewa Bank different is that its clientele are poor self-employed women, not necessarily literate. What scores is their willingness to learn, grow and reach out.
Loan Options

Infrastructure Loans

Forty year old Motiben spins thread at home for a living. She took three loans totaling Rs. 18,000 to improve her house. First she built a front porch which she uses as her workplace, and so she is not disturbed by the activities of the family. During the monsoon season, Motiben was unable to work as her clay floor used to get wet and slippery and this reduced the productivity of her spinning wheel and damaged the yard. Motiben tiled her clay floor, plastered the walls, thus reducing the dampness during the rains. With these changes Motiben’s output tripled, from Rs. 700 to Rs. 2000 per month.

The provision of improved housing and infrastructure for poor women forms an important part of the overall development strategy of Sewa Bank. Even though considerable investment and effort has been made by various private and more importantly public agencies, the lack of adequate and affordable living conditions remains a reality for most of the informal sector. This is certainly true for the clients of Sewa Bank residing in the slums of Ahmedabad.

The rationale behind addressing the housing and infrastructure-related needs to members of Sewa Bank include the following:

• Keeping SEWA members and their families out of homelessness
• Helping them upgrade their home, thereby improving their productivity and quality of life
• Improving access to water, sanitation and other basic infrastructure services
• Providing an asset to increase their economic security

In order to aid the process of accessing better infrastructure facilities, a critical factor of production for many self-employed women, Sewa Bank has developed a variety of financing options and loan products.

Secured (Gold) Loans

In India, majority of women own some jewellery and gold is seen as an investment - a form of insurance against bad times. Even the poorest of women own some jewellery, usually given to her at the time of her marriage. Sewa Bank has designed a secured loan product based on jewellery as collateral. This was again developed in response to demand from clients who wanted instant loans, using their jewellery as collateral. This prevents them from going to pawnbrokers or money lenders, who give higher rates and often reclaim the jewellery (selling it to a third party) before the loan due date. Up to 80% of value of the jewellery is retained with Sewa Bank until loan is fully paid. Realising the importance of gold as an investment, the bank now also gives loan for buying gold.