Ashrai
A Savings-Led Model for Fighting Poverty and Discrimination

by Brett Matthews
Dr. Ahsan Ali

Abstract: Ashrai is getting results with a savings-led model among minority peoples in northwest Bangladesh. These people are mostly landless and illiterate, and earn about $50 a year per person. They are a vital population segment that microfinance institutions in Bangladesh and elsewhere are unable to serve successfully. Ashrai began its field work ten years ago by replicating Grameen Bank, but rapidly learned from its clients that they needed savings at least as much as loans; flexible loan repayment schedules structured around seasonal cash flow, and an easing of the requirement that loans be for productive purposes. Ashrai takes an innovative approach based on intensive capacity building to help clients build small, informal financial intermediaries. Savings mobilization, institution-building, and education/literacy interventions work together to support the efforts of some of the world’s poorest people to build a base of economic power and self-respect.

Introduction
Ashrai (pronounced, “ash roy,” meaning “shelter” in Bengali) is an NGO working among ethno-linguistic minorities living in the Barind Tract in the northwest division of Rajshahi in Bangladesh. There are at least a million of these people (referred to as “Adivasis” in Bangladesh) in the region. They include groups with languages of Austro-Asiatic origin (the Santal, Munda, and Mahali) and Dravidian origin (Oraon and Paharia). As a group
they face substantial barriers to participation in local economic life, compounded by extremely high rates of illiteracy and landlessness. Ashrai’s model of savings-led microfinance is showing early signs of success, reducing the vulnerability of Adivasi clients to hunger and land loss, while supporting their efforts to stabilize their cash flow and build up family and community assets. The lessons learned from Ashrai’s practice will be of value to practitioners working elsewhere among marginalized indigenous peoples and other very poor people.

Table 1. Growth of Ashrai’s Village Samities

<table>
<thead>
<tr>
<th></th>
<th>June, 2002</th>
<th>December, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of (women)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>members</td>
<td>55,000</td>
<td>10,400</td>
</tr>
<tr>
<td>No. of savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>societies (“samities”)</td>
<td>3,100</td>
<td>610</td>
</tr>
<tr>
<td>Savings</td>
<td>$863,000</td>
<td>$53,700</td>
</tr>
<tr>
<td>Loans</td>
<td>$792,700</td>
<td>$47,500</td>
</tr>
</tbody>
</table>

Source: Ashrai and Alamgir, 1997.
Note: Currency figures are translated from Bangladeshi taka at prevailing exchange rates. These were 57.0 taka = US$1.00 (June, 2002) and 42.5 taka = US$1.00 (Dec. 1996).

Ashrai

Founded in January, 1991, Ashrai is dedicated to improving the standard of living of the minority peoples it works with and to integrating them into the mainstream of economic development in Bangladesh. Ashrai spent five years testing and refining its operating methodology. Once it had established a solid foundation, it grew quickly, as Table 1 testifies.

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Ashrai: A Savings-Led Model

Starting in the division's districts of Rajshahi, Naogaon, and Nabwabganj, Ashrai is now moving into Jaypurhat and Dinajpur.

Fighting Adivasi Poverty

The founder and executive director of Ashrai is Dr. Ahsan Ali. Dr. Ali completed his Ph.D. in anthropology among the Santals—the largest ethno-linguistic minority in the region—before launching Ashrai. The poverty he documented among the Santals was extreme, even by the standards of Bangladesh, and was perpetuated by several factors (Ali, 1991).

The Santals speak an ancient language (Santali) which is unrelated to Bengali (the dominant language of the region) as well as to other local tongues. They are scattered on both sides of the Indian border and still retain their traditional priestly and life cycle institutions, whether, they have adopted other ways from their neighbours. They have a very uneasy relationship with the Muslim majority.

A later study by Alamgir (1997) based on a sample of 179 women clients of Ashrai found that
- 5% are literate, while a further 29% know how to write their names
- 39% belong to landless families; average holdings of other families are 0.47 acres
- 63% live in houses with mud walls and thatched roofs; average houses have 1.7 rooms
- 67% have total assets (including real property) worth less than $900

Alamgir reported average income at about $50 per year per person, compared to an average income of $324 for Bangladesh (World Bank, 2002). Because they are landless, most Adivasis make their living as day labourers on their neighbours' farms. Agricultural labour rates in Rajshahi during the three month harvest season are about $0.70 a day plus one and a half days' supply of rice (for men), and $0.53 a day plus one and half days of rice for women. Off-harvest employment is sporadic and
labour rates fall to about $0.44 a day (men) and $0.35 a day (women), without rice.  

There is a well-documented dynamic of indebtedness and land loss in this region that has had tragic consequences for the Adivasis (see for example BRAC, 1983; Alamgir, 1997; Islam, 2002). A natural disaster, like a drought or a flood, will cause the rice crop to fail, and to avoid starvation, a family will borrow. Credit from local moneylenders carries interest rates starting around the equivalent of 100% per annum (rates vary widely and have frequently been documented at above 1,000%). Adivasis also sell their labour at a discount of up to 50%, two to three months before the harvest.

Land loss often results from the manipulation of public records or bribery of judges and municipal officials. This process is simplified when the victim’s family is illiterate and belongs to a disliked minority group.

In a well publicized incident in 2000 in Naogaon district, the heartland of Ashrai’s work, local leaders forged documents and harassed a group of 19 Santal families for nearly two years in order to scare them from their land. When the families refused to move, the leaders hired thugs one night who burned down the Santal homes and ambushed people as they escaped the inferno. One was killed; many more were critically injured. The police took four and half hours to arrive on the scene (Daily Star, August 21, 2000). The Oraons, who have adopted many Hindu ways, face the added burden of government legislation that strips Hindus of legal rights in the event of land-loss.

Even in the absence of deceit or outright crime, the weight of a borrower’s debt can exceed the capacity of the family’s ability to repay, or another crop failure can compound the first. In either case, the likely result is land loss.

These dire conditions have led to a breakdown in Adivasi authority structures. Ahsan Ali’s doctoral research among the Santals revealed communities in disarray. Unable to protect their people from discrimination and poverty, the traditional
committees of male elders had lost much of their decision-making authority.

By the early 1990s, these committees had mostly been reduced to one active member—the village headman. This official presides over ceremonies and rituals, but has lost real authority in the political and economic spheres.

Under these conditions, the obstacles to a successful savings-led microfinance project are formidable. The evidence suggests that the participation rate among Adivasis in major credit-led models like Grameen, BRAC, and ASA is very low, in spite of the fact that these NGOs are active throughout Rajshahi District.

Nevertheless, as a direct result of Ashrai’s program,
- 58% of members have been able to improve the education of their children
- 60% experienced improvement in personal and family nutrition
- 41% gained increased access to medicine
- 80% experienced improvement in opportunities to work for extra income (Alamgir, 1997, pp. 47–48; 61–63)

**Ashrai’s Strategy**

Ashrai’s strategy for achieving its goals is to support the efforts of Adivasi women and their communities to accumulate their own independent pool of capital.

Implementation of the strategy involves four phases:
- Investing in human capital and leadership development
- Incubating savings samities as a tangible first step to rebuilding the economic power of its client populations
- Promoting a multi-tiered organizational structure that reinvents and invigorates traditional minority institutions
- Withdrawing from an active support role as the different elements of the network achieve independence

The first three phases are self-reinforcing. The savings samities must gradually accumulate the capital that the minority populations need to achieve economic emancipation. In
Ashrai’s strategy, they are like a truck and forklift: they do the heavy lifting and the long-distance hauling. But they are dependent on prior investments in training to work effectively and dependent on later investments in technical support and organization institution-building to keep their goals aligned with those of other groups beyond their village and to achieve permanent independence from Ashrai.

Ashrai’s strategy prepares the samities to become self-reliant and sustainable, both financially and managerially. Those demonstrating consistent progress in saving and sound management are given the opportunity to borrow from Ashrai for on lending to their members. Ashrai has gradually and prudently increased lending to the samities from 77% of internal savings (Dec. 1996) to 104% (June, 2002).

Nevertheless, the very real successes of the savings mobilization program, combined with the emergence of samities that were able to manage their affairs, offered Ashrai an early opportunity to revitalize and to reinvent the traditional village committees.

As part of its incubation strategy, Ashrai has also invested in developing “tribal development councils” in each union (a union is an administrative district with about 20 villages). These elected councils work to rebuild Adivasi identity and resolve inter-village problems. Led by a headman selected through lineage, the councils also include the three leaders of the local women’s samity (president, secretary, and cashier).

**Evidence on Ashrai’s Strategy**

Initially Ashrai adopted the Grameen Bank methodology among the Adivasis, but in response to client demand in rapidly adopted an approach that did not require fixed weekly payments or dictate the loan purpose. The Grameen model did not meet the highly seasonal cash flow cycle of Ashrai’s clients, or their primary borrowing needs, which were often to prevent hunger or avoid indebtedness to a moneylender.
Table 2: Progress Towards Ashrai’s Exit Strategy

<table>
<thead>
<tr>
<th></th>
<th>June, 2002</th>
<th>December, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of samities</td>
<td>3,100</td>
<td>610</td>
</tr>
<tr>
<td>No. of village councils</td>
<td>3,100</td>
<td>259</td>
</tr>
<tr>
<td>Groups that have hired book-keepers</td>
<td>1,585</td>
<td>0</td>
</tr>
<tr>
<td>No. of regional “tribal development” councils</td>
<td>88</td>
<td>20</td>
</tr>
</tbody>
</table>


By eschewing restrictions on loan purpose—difficult and expensive to enforce in any case—Ashrai has provided the Adivasis with the flexibility to stabilize their cash flow before starting to invest in microenterprises. The early evidence suggests that they do invest once their family position is more secure. Srinivasan et al. tracked loan use in one samity from 1996 to 1998 and found a strong shift from food purchase to productive investment (Srinivasan et al., 1999, pp. 10-11). Since beginning to track loan use in 2000, Ashrai has found that the percent of loans used to buy food has dropped to 12% from 21%, while those used to invest in agricultural tools, seeds, and other inputs have risen to 55% from 41%.

Embedded in samity membership is another important flexibility—the option not to borrow. Membership has been built primarily around a willingness to save and it has been made clear from the beginning to all members that external loans are not a standard part of the arrangement. As of June 30, 2002, there were 16,000 members who had no loans at all.

At the heart of Ashrai’s strategy is the successful incubation of self-reliant savings samities. Results in the field are encouraging.

Ashrai targets an incubation cycle of five years from the formation of each samity to self-reliance. It has not yet achieved this target. The problem is not interest rates, which
are set by the members, generally between 24–36%, with operational profits on lending returned to members in the form of dividends every six months. The problem seems to be the sheer number of challenges in building savings-based financial intermediaries in villages where 95% of the people are illiterate.

However, Ashrai has already demonstrated a cycle time of about 6 years. Given that, there is no reason to believe that cycle time—and the current cost of $18 per member over the incubation period—cannot be reduced in the future as Ashrai becomes more efficient through experience and scale (see Table 3).

Financial service delivery to the groups is centered on the work of the Field Officers and the Area Officers. In total there were 186 of these staff—mostly Adivasi males—serving 55,000 women, organized in 3,100 groups in June 2002. The average Field Officer has 10 years of education and earns $32 a month, plus benefits.

Until 2000, Ashrai’s staff kept the books for most of the samities. However, training for the groups emphasizes that support is time-limited. In 2000, a prior investment by the NGO in “non-formal primary education” began to yield dividends. By mid-2002, 1,585 groups had found bookkeepers they could trust and were paying them for their services. Private bookkeepers—usually women with 5–8 years of education and often students—receive between $0.55 to $0.85 a month to manage a group’s accounts. This work takes about 10 hours.

It would not currently be possible for the groups to pay for the cost of an Ashrai Field Officer. However, there is a strong positive correlation between the asset-base of the samity and the compensation it pays to the bookkeeper, meaning that as the capital pools of the groups expand, they increase their compensation. Most bookkeepers serve only one samity, but about 100 serve two or more.

It is difficult to determine exactly how many samities are financially self-reliant at present, because of Ashrai’s role as an integrated services NGO. Even “self-reliant” groups are typically continuing to receive regular visits from Ashrai’s staff for
Table 3. Incubation Cycle of a Samity

<table>
<thead>
<tr>
<th>Stage</th>
<th>Cost</th>
<th>No. of months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formation</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Advance planning, logistics</td>
<td>$10</td>
<td></td>
</tr>
<tr>
<td>Survey and preparation in</td>
<td>$3</td>
<td></td>
</tr>
<tr>
<td>village</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forming the samity</td>
<td>$37</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td>71</td>
</tr>
<tr>
<td>Train management, bookkeeper</td>
<td>$13</td>
<td></td>
</tr>
<tr>
<td>and members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide audits</td>
<td>$20</td>
<td></td>
</tr>
<tr>
<td>Provide book-keeping</td>
<td>$38</td>
<td></td>
</tr>
<tr>
<td>Provide direct management</td>
<td>$81</td>
<td></td>
</tr>
<tr>
<td>Leadership development</td>
<td>$133</td>
<td></td>
</tr>
<tr>
<td>Phase-Out</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Groups are self-managed</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Groups pay for their</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>own bookkeeping</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groups borrow at market rates</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Audits are provided at market rates</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$346</td>
<td>72</td>
</tr>
<tr>
<td>Cost/member during</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the incubation period</td>
<td>$18</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ashrai accounts.

Notes: Overhead costs, based on Ashrai’s most current audit, are included in each line item. Ashrai currently loses money on the loans it issues to samities. These losses are not reflected here as a cost because Ashrai’s loans are priced at market—that is, the losses reflect operational inefficiencies.

non-financial reasons, such as literacy and health training, and workshops on income generation and other matters. In addition, Ashrai continues to play a role in resolving disputes that the groups’ executive committees are unable to resolve. In this setting, “self-reliant” groups are those that:
• successfully intermediate between their own savers and borrowers at a profit
• more generally manage their financial affairs without assistance
• hire, and pay for, their own book-keeper
• pay for other services such as audits as needed

About 500 of the older samities currently meet all these criteria except the last. While the final point is important, it is maintained here that groups willing to take on the large cost of hiring a bookkeeper would not object to paying the smaller cost of an audit, should Ashrai stop delivering this service at no cost.

The development of the regional councils has been a much more challenging process. The councils were expected to gradually take over Ashrai’s incubation role. With this responsibility would come an ongoing role of delivering the typical services of a second level microfinance institution, such as training the staff of primary level samities in bookkeeping and governance, providing technical assistance, collecting and aggregating data, auditing and managing/on-lending reserves.

However, the financial management capacity required to incubate the regional councils is more typical of formal MFIs than of an NGO like Ashrai. Currently, primary financial management measurements of sustainability, service efficiency, and portfolio quality are tracked sporadically at Ashrai or not at all. It is not clear how Ashrai can transfer skills it does not possess (M-CRIL, 2000; Choudhury, 2001).

But Ashrai has also learned from its success in serving Adivasis and is testing its approach with very poor non-Adivasi populations, who now make up 10% of their clientelle, up from virtually none three years ago. The NGO has reached a critical point in its institutional development: will it build an MFI or not? As BRAC and Grameen increasingly focus on “ultra-poor” and other hard-to-serve markets, and as new players like the Norwegian Strome Memorial Foundation become
interested in reaching the Adivasis with microfinance, Ashrai cannot postpone this decision any longer.

There is currently a debate among Ashrai’s stakeholders about the right role for the NGO after exit.

One alternative would be for Ashrai to spin off its financial services division as a separately registered MFI, managing the reserve deposits of regional councils and providing them with loans as required. The NGO would then take a new shape, specializing in human resource development among Adivasis.

Another alternative might be to help the regional councils link to the formal financial sector, somewhat along the lines of the self-help group/NGO/bank linkages currently being promoted by NABARD in India. Ashrai would continue to function as an NGO specializing in Adivasi issues and deepen its capacity to catalyze financial samities and regional councils among other ethnic minorities and extremely poor rural people.

**Lessons for Practitioners**

Ashrai is a well-managed organization with a 10 year track record of meeting and often exceeding planned goals. It is an innovative organization that has adapted its products and processes over time to a distinctive client base. A flexible, long-term relationship with a single donor (the Swiss Agency for Development & Cooperation) has been a valuable asset, providing freedom to learn in the field. A summary of the lessons it has learned to date in one of the world’s toughest laboratories is below.

**Savings**

Ashrai is catalyzing a savings-led accumulation process that could potentially lead to economic self-reliance among highly vulnerable, illiterate, indigenous peoples who earn $50 a year. Its work highlights an emerging recognition that savings balances are vital financial assets that reduce personal and family
risk, in contrast to a loan, which increases income at the cost of increasing personal and family risk. It would be difficult to point to stronger evidence that the poor can and will save than in the Rajshahi Division of Bangladesh.

Internal Control
Retail bank managers know that the main line of defence against staff who divert client funds for their own use is the personal account statement—or a generation ago, the personal passbook. But that line of defense depends on client literacy. If depositors do not recognize the line items in their passbooks, how will they know if the deposit is short? And how will the manager find out that the teller is cheating?

One of Ashrai's most effective field innovations is its bookkeeping system. This system features a one-page summary of all key data, including cash, bank balances, and profit, and can be utilized by anyone with very basic literacy skills. Members are taught to be able to recognize simple numbers, and are taught to check the samity records against their own at every meeting.

Institutions
Ashrai is showing that the samity is an institutional tool that can reach more deeply into the ranks of the poor than the traditional top-down, branch-based MFI focused on wide outreach and a permanent model of direct service delivery. The samity supports education while keeping opportunities for fraud to a minimum. Over a reasonable period of time, it can become self-reliant. The incubation process is essentially one of starting up a self-help group, with both financial and social goals, and gradually transforming it into a kind of "accumulating savings and credit association" (ASCA) of a kind that is quite common in South Asia, though primarily in urban areas (see Rutherford, 2000, for a recent categorization).6

Ashrai can learn from the circumstances of ASCAs, which often hire private entrepreneurs to provide management and audit services. Through Ashrai’s, work the value of bookkeeping
skills has probably become evident to many Adivasi communities by now. The next step could be to nurture an open market for Ashrai “certified” bookkeepers—whether or not they are backed by an explicit savings guarantee from the NGO. In principle it should also be possible to develop an audit market, but this is undoubtedly a longer term project in such a poor area.

Microcredit
Ashrai’s experience raises questions about the value of microcredit programs that inject external funds into savings-led ASCA-type groups. External funds risk confusing members about the purpose of their membership, and requires NGOs to take on financial intermediation functions to which they may not be well suited. NGOs wishing to learn from Ashrai’s experience would do well to subject microcredit plans to a very careful cost/benefit analysis before launching them.

Notes
1. There are debates about the Adivasi population size, and no reliable statistics are available. The government estimates the population in the Rajshahi Division at about 200,000 people, but Ashrai has so far mobilized 50,000 Adivasis in the district. Each member represents a family averaging 5 people, and Ashrai has yet to start working in over half the territory of the division.
2. While there is a general acknowledgement among observers that the Adivasis as a group are poorer than their rural neighbours, there have been few studies that clearly or reliably quantify the disparity. Alamgir made this estimate based on interviews with a sample of 179 Ashrai clients in his 1997 study cited earlier.
3. Taka 40/30 a day in harvest season and 25/20 at other times. Interview with Dewan Alamgir, October 24, 2002.
4. NGOs in Bangladesh contend (Special rapporteur, 2000) that The Vested Properties Act (1972) has deprived Hindus and Adivasis with Hindu roots of legal recourse related to the seizure of over two million acres of land. This contention is backed up by the experience of Ashrai, particularly in Naogaon district.
6. Poor and illiterate people can and do run rotating savings and credit associations (ROSCAs), but these are usually temporary in nature and never carry surplus cash balances, thus avoiding the need for any sort of bookkeeping. For financial societies that aim for permanence or intend to carry cash balances beyond the end of a meeting, a precondition of success is the participation of several literate and numerate people—not only to watch the books, but also to watch each other. This is why ASCAs tend to be more common in urban areas. See Rutherford's (2000) classification of informal financial arrangements among poor people, especially Chapter 2 on ASCAs.

References


