The market for MDO deposit services in Tajikistan

Prepared by:

Justyna Pytkowska, Piotr Koryński

Microfinance Centre (MFC)

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List of Acronyms

CGAP – Consultative Group to Assist the Poor
EBRD – European Bank for Reconstruction and Development
ECA – Europe and Central Asia
EUR - Euro
GBAO - Gorno-Badakhshan Autonomous Oblast
GDP – gross domestic prduct
GNI - gross national income
GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit
LOC – locus of control
MDO – microcredit-deposit organization
MFI – microfinance institution
MLO – microlending organization
RRS - Region of Republican Subordination
RUR – Russian Rouble
TJS – Tajikistani somoni
USD - United States dollar

1. Introduction

The following study focuses on identifying demand and supply factors in deposit services in Tajikistan with a specific emphasis on microcredit-deposit organizations (MDOs).
It was funded by Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH within the GTZ Project "Support of Microfinance Services in rural areas".
The project was carried out by the Microfinance Centre (MFC) in cooperation with the Center for Sociological Research 'Zerkalo', which participated in the study design and coordinated the fieldwork in Tajikistan.

The study was conducted in two phases – the competitor research and customer research - and entailed two sets of comprehensive surveys, one for the general population and another for the sub-set of MDO borrowers, supplemented with focus group discussions, shadow customer research and competition analysis.

The study report is organized in the following way:

Section 2 summarizes the results of the study;

Section 3 presents the methodology of the research, including the description of qualitative and quantitative techniques used;

Section 4 offers an overview of the current deposit market in Tajikistan;

Section 5 provides information about the deposit products offered by banks and MDOs and their accessibility for low-income customers;

Section 6 reveals saving habits, expectations towards deposit products and interest in using them among the households in Tajikistan, with a special focus on microcredit clients;

Section 7 discusses the implications of the study results and provides recommendations.

2. Executive summary

The results of the study show that the use of financial services in Tajikistan is very limited. As per the statistics of the National Bank of Tajikistan, the total value of deposits collected by banks is the lowest in the whole region of Europe, Caucasus and Central Asia and does not exceed 24% of the country's GDP. Few people keep their money in banks or MDOs and those who do usually deposit very large sums. The average deposit value exceeds the national income per capita over 5 times and is the highest in the region. This creates an opportunity for developing deposit services in the country.

The competition analysis shows that banks and MDOs have a range of deposit products with mostly the same features, which in theory could be attractive for customers but in reality the uptake of those products is very low. While it is difficult to find a definite answer why deposit products are not attractive, the shadow customer research proves that financial institutions lack marketing materials, communication about products and show no real effort to actively sell those products. Moreover, customer service of MDOs is notably worse than that of the banks.

Less than half of the households in Tajikistan (40%) save and, in most cases, save irregularly, only when there is any money left after covering everyday living expenses. The median value of the annual savings reaches only 900 TJS (200 USD) per household. As 42% of the households live below the poverty line, the prevailing reason for not saving is lack of sufficient income. However, people who save usually do it for precautionary reasons and save for emergencies. 65% of saving households have an emergency fund for unexpected expenses. Additionally, many households save for long-term goals, including family celebrations, education of children and housing needs.
Microfinance borrowers have better saving habits compared to the general population – 73% of them saves and many of them save regularly, not only for family celebrations but also to invest in business. Their annual savings are 2.5 higher than in the general population – the median yearly savings of microcredit clients reaches 2,250 TJS (511 USD).

Only 11% of saving households keep their deposits with a financial institution, which means that overall less than 5% of households entrust their savings with a bank or an MDO. The engagement of MDOs in the deposit market is negligible.

Other financial services are also rarely used: 53% of the households do not use any financial products and further 35% uses only one (among which money transfers are the prevailing service). Only 12% use more than one service.

Savings are usually kept at home (84% of the households) or invested in goods for later use in the household or business, livestock or valuables.

The trust in financial institutions is high but non-bank financial institutions (including MDOs) are assessed lower than banks. Deposit products of both types of institutions are considered to be safe, accessible and profitable.
At the same time, microfinance clients are also more trustful towards banks, but praise MDOs for their customer service.

The interest in using deposit products depends on the product features. Product concept testing showed that higher appreciation was given to a semi-liquid deposit account denominated in TJS with an option to make additional payments, but also offering the opportunity to withdraw some funds once a month. In general, households in Tajikistan are very price-sensitive with high expectations for the deposit interest rate. While most of the short-term deposit accounts offered by banks and MDOs earn 5-18% annually on both the local and foreign currencies the expectations are much higher (20% or more).

All in all, 21% (230 thousand) of the households in Tajikistan could be reached with a semi-liquid TJS-denominated deposit account and the total value of savings collected from these households could be estimated at 175 million TJS per year (USD 39 million).
The size of the market for USD term deposit is lower – only 13% (140 thousand) of the households were interested in using it but the total value of deposits declared by respondents would reach 250 million TJS (USD 57 million).

The study ends with a series of recommendations for MDOs including the strategy for product piloting and implementation.

3. Research objectives and methodology

The goal of the study was to assess the market potential for savings services and develop projections for deposit products.

In particular the following project objectives were set:

1) Understand saving habits and attitudes of the population of Tajikistan
2) Evaluate the demand for savings products
3) Develop market projections for various savings products
4) Recommend savings products that best address the needs of the population
5) Assess interest of microfinance clients in saving with microfinance institutions

The study was conducted in two phases: the supply study **(competitor research)** and the demand study **(customer research)**.

The **competitor research** involved the analysis of MDO and bank products and services.

Two types of activities were performed:

- 'Shadow customer' – active verification of the offers by a researcher visiting selected institutions with a purpose of opening a deposit account;

- Comparative analysis (desk study) of the deposit products available on the market from 20 microcredit deposit organizations (MDOs) and 10 banks.

In the **customer research** qualitative and quantitative methods for assessing the demand for savings were used.

In particular, the following research techniques were used:

- Qualitative study - 8 focus groups with 6-8 participants per group, consisting of men and women, rural and urban inhabitants, microfinance, bank clients and non-clients;

- Quantitative study - a survey of randomly selected 1,160 households throughout Tajikistan and 200 clients of 2 MDOs – Arvand and FINCA Tajikistan – in the form of face-to-face questionnaire-based interviews. A household was a unit of the analysis and people who were decision-makers in financial matters of the households were interviewed.

The field work in both phases of the study was conducted by the Center for Sociological Research "Zerkalo" located in Dushanbe,Tajikistan. In the competitor research their researchers conducted visits to financial institutions and collected information for the comparative analysis of products. They also performed 'Shadow customer' visits. In the customer research phase "Zerkalo" researchers moderated focus groups, prepared samples and conducted face-to-face interviews and finally entered and cleaned the data.

The Microfinance Centre (MFC) analyzed the data, prepared the report and provided recommendations.

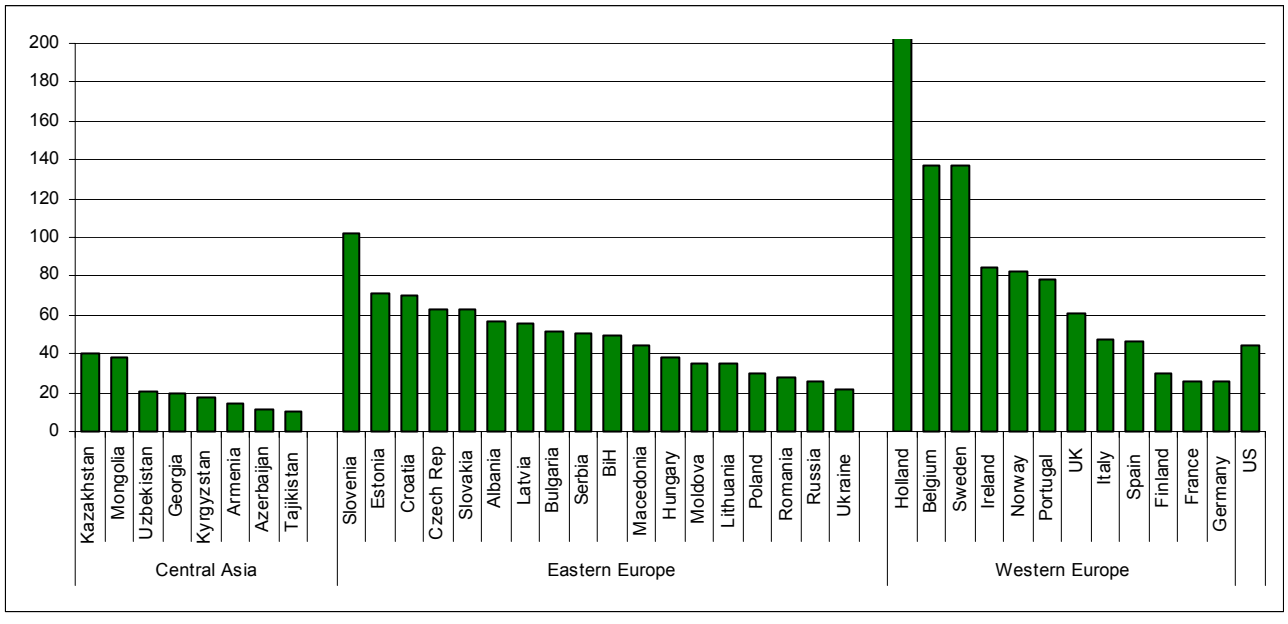
4. Financial services market in Tajikistan

Tajikistan is the poorest of the Central Asian republics with the GNI per capita[1] not exceeding 700 USD and with 46.7%[2] of the population living below the poverty line.
Because of the lack of employment opportunities in the country, nearly half of the labor force works abroad, primarily in Russia and Kazakhstan, supporting families in Tajikistan through remittances. Tajikistan's economic situation remains fragile due to uneven implementation of structural reforms, corruption, weak governance, seasonal power shortages, and the external debt burden. Economic growth reached 10.6% in 2004, but dropped below 8% in 2005-08, as the effects of higher oil prices and then the international financial crisis began to register - mainly in the form of lower prices for key export commodities and lower remittances from migrant workers, due to the global economic downturn. In 2009 the GDP growth dropped to 3.4% as a result of the world recession.

Financial sector structure
The financial sector in Tajikistan remains underdeveloped. International statistics indicate that total bank assets in Tajikistan constitute only 24% of the country's GDP[3], one of the lowest in the ECA region. The banking sector consists of 13 banks with a very weak network of branches (3.9 bank branches per 100,000 adults compared to 21 in Great Britain or 35 in Romania)[4].

Consequently, the deposit-taking activities of banks are very limited. Bank deposits constitute 14.5% of GDP, the lowest in the region, and the number of deposits per 1,000 adults in Tajikistan is also the lowest (31 deposit accounts per 1 thousand adults). The difference is particularly significant when compared with countries of Western Europe.
The small scale of deposit operations of banks is further evidenced by the average deposit amount. In the majority of countries in Europe the average size of a deposit does not exceed 100% of country's income per capita. In Tajikistan it reaches 530%. The only other comparable country is Kyrgyzstan where the average deposit value is less than half of that for Tajikistan (171%).

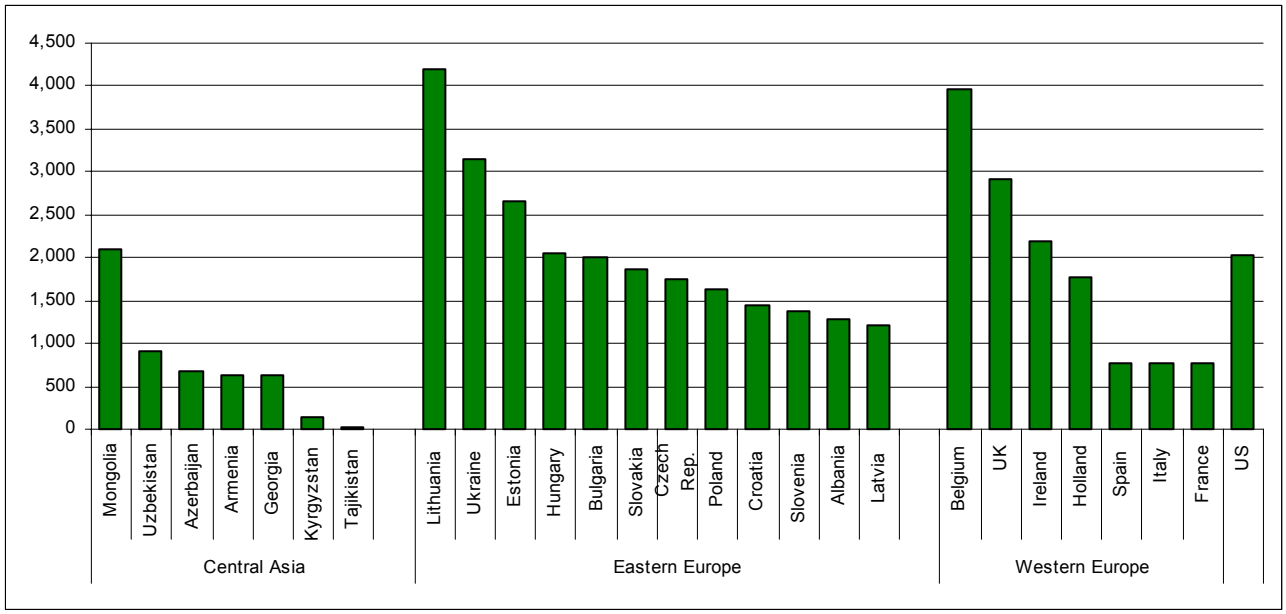
Figure 1: Value of deposits (% of GDP)



Source: Financial Access 2010. The State of Financial Inclusion Through the Crisis. CGAP 2010

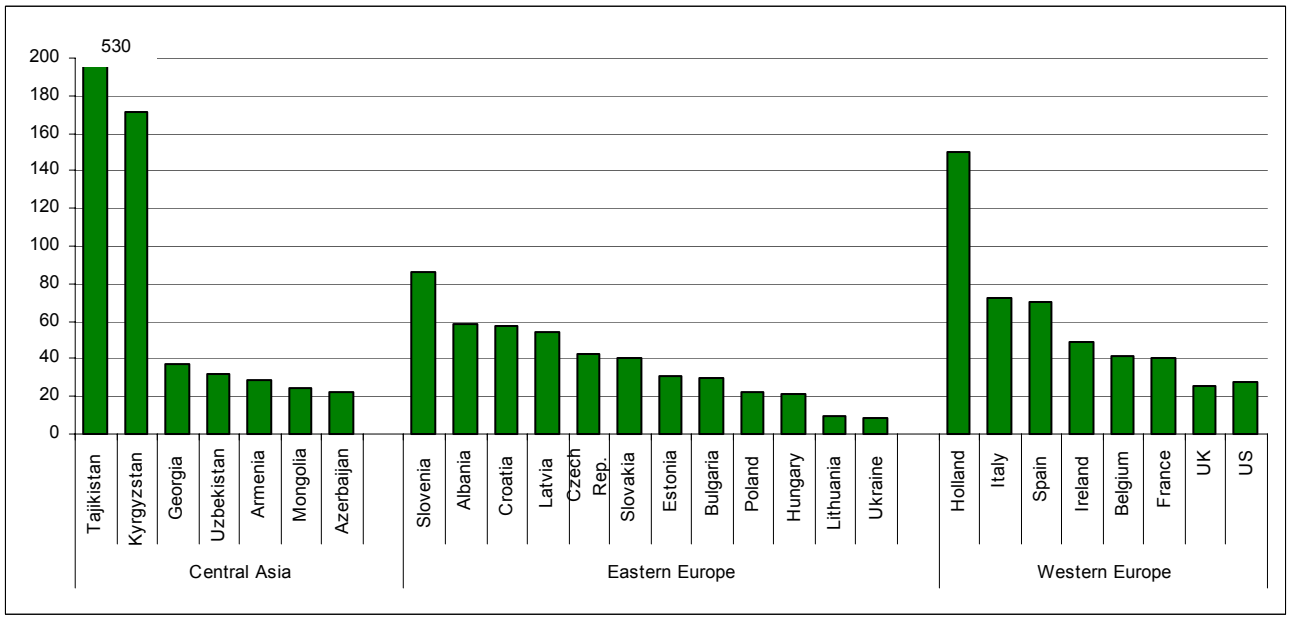
[1] Gross National Income, Atlas method, World Development Indicators, World Bank 2010
[2] 'Poverty Statistics in Tajikistan' 2009
[3] Regional Economic Prospects in EBRD Countries of Operations: October 2010
[4] Financial Access 2010. The State of Financial Inclusion Through the Crisis. CGAP 2010.

Figure 2: Deposit accounts per 1,000 adults in countries of Europe, Caucasus and Central Asia



Source: Financial Access 2010. The State of Financial Inclusion Through the Crisis. CGAP 2010.

Figure 3: Average deposit account value (% of income per capita) in countries of Europe, Caucasus and Central Asia



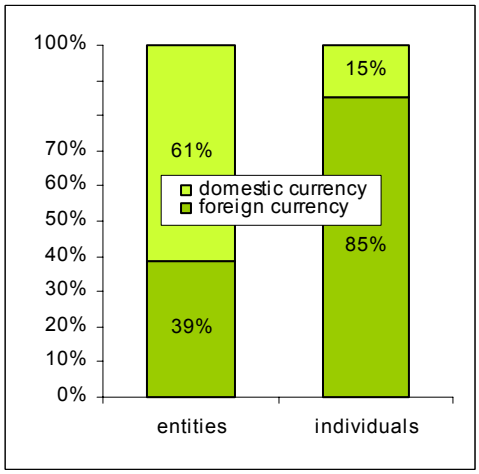
Source: Financial Access 2010. The State of Financial Inclusion Through the Crisis. CGAP 2010.

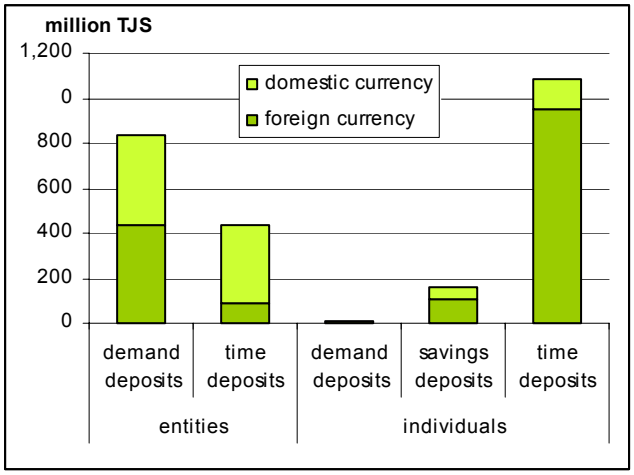
Structure of bank deposits

Deposits of individual persons constitute 64% of total deposits collected by banks and the remaining 56% are deposited by legal entities.

While legal entities deposit predominantly TJS, individuals prefer to locate money in foreign currencies. Legal entities keep the majority of their deposits in current accounts while individuals save in time deposit of 6 months or more.

Figure 4: Distribution of deposits of entities and individuals by currency type and account type

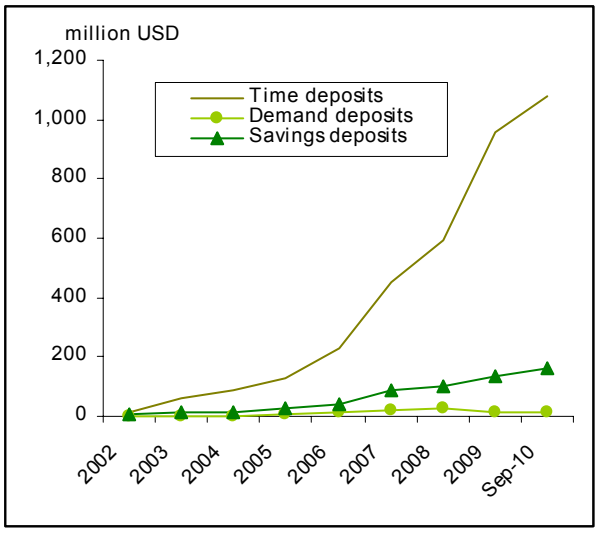




Source: National Bank of Tajikistan statistics Sept. 2010

Over the last 3 years the volume of deposits of individuals significantly grew, particularly that of the most popular time deposits in foreign currencies.

Figure 5: Growth of the volume of different types of bank deposits of individuals



Source: National Bank of Tajikistan statistics Sept. 2010

Apart from 13 banks operating in Tajikistan financial services sector includes also 6 credit societies, 1 non-banking financial institution and 115 microfinance institutions (MFIs). Out of 115 MFIs 27 (23%) are registered as microcredit-deposit organizations (MDOs) but only 20 were found to be collecting deposits. However, the scale of their operations and the value of collected deposits remain unknown.

5. Competitor research

5.1. Overview of the deposit products

5.1.1. Bank and MDO deposit product

The analysis of the wide variety of deposit products (detailed deposit product features are presented in Annex 3 and 4) offered by banks and MDOs shows that, not surprisingly, banks have a far more diversified offer. Apart from current accounts they offer short- and long-term multi-purpose accounts as well as special purpose accounts (child deposit, pension account, etc.).

Most deposit conditions do not differ between banks' and MDOs' offers. More specifically:

- Currency: most institutions, both banks and MDOs, collect deposits in the local currency or foreign denominations – USD, EUR, RUR.

- Term: in both types of the institutions a customer can deposit funds for a minimum of 1 month to the maximum of 36 months (only Tajprombank accepts deposits for 48 and 60 months)

- Minimum balance: many banks have lower minimum balance requirements than MDOs. While MDOs most commonly require no less than 100 or 500 TJS in the local currency accounts, there are banks with a minimum requirement of 20, 30 or 50 TJS. Foreign currency accounts of MDOs have a threshold of 100 USD or EUR while there are banks which allow their customers to keep only 20 or 60 USD in the account.

- Interest rate: interest rates vary according to the deposit term but are similar in banks and MDOs. TJS-denominated short-term accounts earn interest ranging from 5% to 18% and long-term accounts (between 1 and 3 years) from 12% to as much as 30%. Foreign currency accounts have lower, although not much lower, interest rates – from 4-18% on less than 12-month deposits to 14-22% on placements for 1-3 years.

5.1.2.Evaluation of the selected products of banks and MDOs

During the focus group discussions participants were asked to state their preferences towards the two deposit products – term deposit and child savings deposit.

Figure 6: Comparative analysis of two deposit products

Term deposit	Child savings deposit
Advantages	
• Choice of duration – from 1 week to 1 year • Interest rates presented separately for each term	• Possibility of extending the term • High interest rate
Disadvantages	
• Withdrawal restriction – no interest earned if withdrawn before the end of term • Lack of additional payments option • No information how to open an account • No information about minimum balance	• Inconvenient term – from 6 months to 5 years • Withdrawal restriction – no interest earned if withdrawn before the end of term • No information about minimum balance

The child savings deposit evoked higher interest, especially among female participants, who would like to gradually increase the deposited amount and then use thus accumulated savings for education or a dowry. They very much liked the idea of additional payments made throughout the term of the deposit.

5.1.3. Expectations towards the deposit product and the financial institution

When asked about the willingness to open one of the above deposit accounts the participants conditioned their decision on additional information about the possibility of making monthly payments and the minimum additional payment requirement. The expectations for the latter were within the range of 30-100 TJS per month.

The other expectations towards the preferred product – child deposit – included:

- more flexible term (2 or 3 years),
- possibility to open special purpose sub-accounts, for instance, for education or wedding,
- minimum account balance and the additional payment – 50 TJS
- automatic transfer of a fixed amount of salary to a deposit account (additional pay-ins without visiting a financial institution)

Respondents also stressed the importance of convenient opening hours (for instance during the lunch break), simple and quick procedure for establishing the account as well as the responsiveness and attention of staff. Additionally, the reputation of the institution as a long-term provider of financial services was important for making the choice.

5.1.4. Evaluation of the marketing materials

Participants of the focus group discussions were shown the marketing materials of the deposit products of 2 financial institutions – Agroinvestbank and First Microfinance Bank. [5] Both leaflets are presented in Annex 5.

Respondents found the leaflet of First Microfinance Bank more attractive visually and they considered it to be the indication of the serious attitude of the institution. They liked the slogan (‘Your savings will be secure!’) but were also attracted to the less pleasant-looking leaflet of Agroinvestbank thanks to a well-recognized logo of the bank. Despite good reputation of the bank the leaflet of Agroinvestbank was criticized for unrealistic promises (slabs of gold promising too much) and a hint of large risk involved in the product (a person standing on the edge of a plank hanging over the empty space symbolized for the respondents risky operations needed to reach the gold slabs).

Only the leaflet of First Microfinance Bank contained information about deposit products which was greatly appreciated by the respondents. They appreciated the opportunity to learn about the offer but missed information about conditions and documents needed to open an account.

Another important remark was made about the language of the leaflet – participants of the focus groups expressed the need to also have such leaflets in Russian and Uzbek languages.

[5] Not all financial institutions – banks and MDOs – have marekting materials about their products. Among MLOs and MDOs information booklets were found at IMON, First Microfinance Bank, FINCA, Humo and Oxus. Booklets with the description of deposit products were obtained only from Agroinvestbank and First Microfinance Bank. The other banks such as Amonatbank (state-owned savings bank), Orienbank, Fononbank, and Bonki Rushdi Tojikiston provided deposit product description on A4 pages.

5.2. 'Shadow customer' research

In the shadow customer research a researcher visited 10 financial institutions (5 banks and 5 MDOs) to study the approach to the potential deposit client – he pretended to be a low-income person interested in opening the account. He carefully observed how easy/difficult the whole process was – starting from finding the institution, then navigating to the right person, to finally learn about the deposit options.

The observations and conclusions are as follows:

Entrance to the financial institution
Results of the research showed, that almost all financial institutions (90%) could be easily found. In 9 out of 10 examined institutions, institution's name was placed on the entrance: it was placed on the door above the door or next to it. However, only in 4 cases (3 banks and 1 MDO) information on the entrance included working hours. Such details, informing when a customer can be served is believed to be fundamental not only for financial institutions, but for any private or state enterprise.

Directions
It should be mentioned that low-income clients usually feel uncomfortable when entering a financial institution. For the purpose of minimizing the level of inconvenience connected with their visit in the banks' or MDOs' branch, visible and legible indication where to go in order to open a deposit account is of high significance. The information desk with a competent bank employee is believed to be a fully-fledged alternative to signage. The shadow customer research revealed a number of shortcomings in this field.

The absence of any type of signs that could direct the potential customer to the right officer was noted in all 10 institutions included in the research. Without asking for directions, the potential customer would not be able to get to the right person for help.

Additionally, there were no proper information desks visible from the entrance, although in some cases there was a small desk and a duty officer, security guard or a policeman sitting behind it. When asked, this person was able to direct the customer. In half of the cases the directions allowed the customer to get straight to the clerk in charge of deposit accounts, in the other half the customer was directed to yet another person.

Conversation with the bank staff
The following aspects of the conversation with the bank staff were of the particular interest: the length of waiting for the conversation with the bank associate, his behavior and attitude towards the client, quality and completeness of the information given.

There were several differences among the institutions with regard to the length of waiting for the meeting with an associate. In half of the institutions, clients were served immediately, once they reached the associate responsible for deposits. In 3 cases, the waiting time for the service did not exceed 5 minutes. Just in one case, the client had to wait 30 minutes before he was served.

In general, there were no reservations about the way the bank associates behaved and about their attitudes toward shadow customers. When asked about available deposit products, 5 of them started to describe the offer. But only in 3 institutions (banks) the officers started from asking about client's needs and preferences before presenting deposit products. In 2 MDOs when asked about existing types of deposits, they started from inquiring about client's eligibility to open an account.

On average, each shadow customer was presented 2 deposit products. Savings deposits and term deposits were offered most frequently. There were significant differences with regard to the way in which the officer presented the products. Two of them offered and described just the selected products while other four shadow customers were familiarized with a very wide range of products, including all deposit products which were currently delivered by the institution. In one bank, the clerk decided to present just a selected range of those deposit products, which in his belief corresponded to the client's needs. In one MDO, an associate first checked which eligibly criteria were met by his client, and only after that he presented the appropriate deposit products. In one case, the employee did not offer any products at all.

There were 3 ways of giving information on the deposit products – in 60% of the examined institutions all information was presented verbally. It seems to be quite unsettling that only in 40 % of institutions, clients have

been additionally equipped with some written materials. Moreover, the quality of the information given in leaflets has been assessed in different ways. Those shadow customers who were not satisfied with it complained that the leaflet's content was inappropriate (did not include information about deposit products) or suggested that the text should be enriched with additional information about deposit products' features.
Only one shadow customer was fully satisfied with the quality and the amount of information that he received from the bank associate during the meeting. The others still needed more information, so the lack of additional sources of information such as the website, or an information desk is considered to be one of the main drawbacks. Amongst those researchers who expressed interest in receiving more complex information 40% were disappointed both with the quality and amount of details presented by the bank associate.

The vast majority of the shadow clients, after the conversation with the bank associate still lacked knowledge about some basic features of deposit products. Only one fifth of visitors felt that they were fully informed. The most often omitted piece of information was the minimum account balance and service fees. When the bank officer is usually the only source of such information, the poor quality and selectiveness of the information provided is becoming a really serious problem which deserves more attention.

On the other hand, 8 bank associates out of 10 have been described by the researchers as very helpful and willingly giving answers to all the questions. In addition, 90 % of all bank officers estimated the income from keeping the money in the deposit; however 2 of them did it reluctantly. As the clients started to ask for some additional calculations, the number of reluctant officers started to rise: only 5 of them made all requested calculations, compared to 4 of those who made just a few of them.

Overall opinion
As it was mentioned before, the attitude and behavior of bank officers was in general assessed well. According to the opinion of the 90% of shadow customers during the whole meeting the officer treated them respectfully. However, it is rather hard to define if a clerk really wanted the low-income client to open a deposit account. It is also worth highlighting that the vast majority of the shadow customers (70%) were not attracted by any of the deposit products, which were presented to them.

Institutions' individual scores
In order to quantify the results of the 'Shadow Customer' research a scorecard was used to assess the performance of financial institutions in specific areas.[6]
The analysis of the achieved scores shows that none of the institutions got the maximum score. The highest number of points – 7.5 out of 9 – was reached by Agroinvestbank. In general, banks scored better than MDOs in all areas, in particular in the customer service.

Out of the three areas covered in the scorecard the first contact/welcoming was the weakest in all institutions. This area covered the visibility of the entrance to the institution, presence of signs/information officer directing to the right bank associate. As it was mentioned earlier in the report, the customer would have to use their own initiative to find the officer in charge of deposit products. It was not possible to reach the right person without asking for directions. The average in this area was 1.4 for banks and 1.1 for MDOs (max. 3).

The product presentation category included the depth of information about deposit products, the way of presenting it (availability of high quality written materials), including the calculations of the amount of interest earned. Two institutions (banks) achieved the highest scores as they thoroughly presented the product to the satisfaction of the customer. Again, banks generally scored better than MDOs.

In the customer service area politeness and willingness to serve were evaluated. Customer service was the strongest area for the banks, but quite weak for MDOs. Three banks scored the maximum number of points while none of MDOs were able to do so. One MDO even received zero points in this category.

[6] See Annex 2 for details on how the scorecard was constructed.

Figure 7: Results of the scoring of financial institutions' customer service

	welcome	product presentation	customer service	total score
Agroinvestbank	1.5	3	3	7.5
Bonki Rushdi Tojikiston	1.5	3	2	6.5
First Microfinance Bank	1	2.5	3	6.5
Eskhata Bank	1.5	1	3	5.5
Amonatbank	1.5	1.5	1	4.0
	1.4	**2.2**	**2.4**	**6**

	welcome	product presentation	customer service	Total score
MDO Dastras	1	2.5	2	5.5
MDO Finansovyi Dom	1	2.5	2	5.5
MDO Muzaffarijat	1.5	2	1	4.5
MDO Saidakhmad	0.5	2	1	3.5
MDO Capital Plus	1.5	1	0	2.5
	1.1	**2**	**1.2**	**4.3**

All in all, the results show that MDOs are considerably efficient in presenting deposit products but are weak in attracting potential customers to the institution and in providing enough attention the customer needs in order for him to buy the product.

Conclusions

On the basis of the information presented above, the following conclusions have been made.

First of all, it seems that the information barrier is the main factor responsible for the limited use of deposit products. The lack of sufficient and complete information leads to the situation when people who do not have experience in using deposit products very often base their views and opinions on some pre-existing misconceptions. They usually do not trust financial institutions. Thus, the decisions made by low-income clients, willing to place a deposit in a bank or MDO, under such circumstances, are of higher risk. Limited access to information materials, such as leaflets with wide and complex information or a website prevents people from exploring the issue of deposit products and making decisions.

More attention should be paid to clearly indicating where a client should go to open a deposit account. As it was mentioned before, sometimes a visit to a financial institution is a stressful event for a low-income customer. Well-visible customer greeting service or information desk with friendly staff, where a customer has an opportunity to quickly and effectively gain information will have positive influence on the customer.

Secondly, each client should receive written materials during the meeting in order to better understand the concept of deposits which is quite often a new thing. As the research showed, information materials prepared and distributed in 3 of the examined institutions were useful but the shadow customer suggested including more details about deposit products' features.

Thirdly, a number of worrying drawbacks were revealed during conversations between the shadow customers and the bank associates. The quality of the information given by banks in several institutions left much to be desired. In several institutions the employees did not really try to provide all the necessary information. 8 of them failed to deliver full information about deposit products, including the minimum balance required to keep the account active, capitalization frequency (interest compounding), withdrawal restrictions etc. In general, bank associates had no objections to compute the estimation of client's expected income from the deposit, but when clients asked for more estimations, some of them reacted with reluctance and even refused to fulfil the request.

To sum up, according to the results of the 'Shadow Customer' Research, unwillingness to place money in a financial institution may be connected not only with the lack of appropriate products on the market but also with a shortage of sufficient information about deposit products and little engagement of the institutions in attracting customers.

6. Customer research

6.1. Background information on households

Household composition

Figure 8: Characteristics of the samples of the general population and microcredit borrowers

		General population	Microcredit borrowers
age	below 30	6%	8%
	30-39	21%	21%
	40-49	27%	34%
	50-59	23%	26%
	over 60	22%	13%
gender	male	59%	70%
	female	41%	31%
marital status	single	2%	1%
	married	77%	82%
	separated/divorced	5%	4%
	widowed	15%	13%
education	less than secondary	11%	4%
	secondary/technical	57%	66%
	complete or incomplete higher	31%	30%
ethnicity	Tajik	80%	68%
	Uzbek	17%	31.5%
	other	3%	0.5%
region	Dushanbe	17%	25%
	Sughd	25%	25%
	Khatlon	31%	25%
	RRS	19%	25%
	GBAO	7%	0%

The sample distribution reflects the distribution of households in the population[7]. The largest number of the households in the general population (31%) lived in the Khatlon region and the quarter in the Sughd region. Most of the families consisted of married couples and only 2% were households of single people. In over half of the households the person who decides about financial matters[8] had secondary or technical education. 41% were females. Tajik households constituted 80% of the sample and Uzbek – 17%.

Respondents recruited from among the clients of MDO 'Arvand' and MDO 'FINCA' (microcredit borrowers) were most often aged 40-60, lived in the Sughd region. 70% of them were men. Married clients dominated the sample.

Income

On average one household has 2.1 sources of income. Over half of the households have at least one person in permanent employment, 44% of households take up temporary jobs, 35% have a pensioner and 36% receive remittances from abroad. Almost a quarter of households run own businesses. Households located in Dushanbe and GBAO more often obtained income from permanent jobs. Remittances were most often a source of income in the Sughd region and GBAO and the least often obtained in Dushanbe.

[7] The regional distribution of respondents was adjusted to reflect the household distribution in the regions by assigning weights. For more information, please see Annex 1 – Sampling plan for the quantitative survey

[8] Respondents constituted adults who were decision-makers in the household about financial matters

Figure 9: Income sources of households in the general population and microcredit borrowers samples

	General population	Microcredit borrowers
Wage employment	82%	76%
Permanent job	53%	61%
temporary jobs	44%	30%
Self-employment	24%	76%
trade	18%	62%
services	6%	14%
production	3%	9%
Agriculture	9%	23%
crop production	4%	13%
livestock	5%	16%
Pension	35%	20%
Social benefits	3%	2%
Money received from abroad	36%	37%
Money received from Tajikistan	3%	1%
Alimony	1%	0%
Other	0%	2%

Microcredit clients are predominantly engaged in own businesses. On average, a household of a micro borrower has 2.7 different sources of income. They far more often than the general population run agricultural businesses and less often live from pensions.

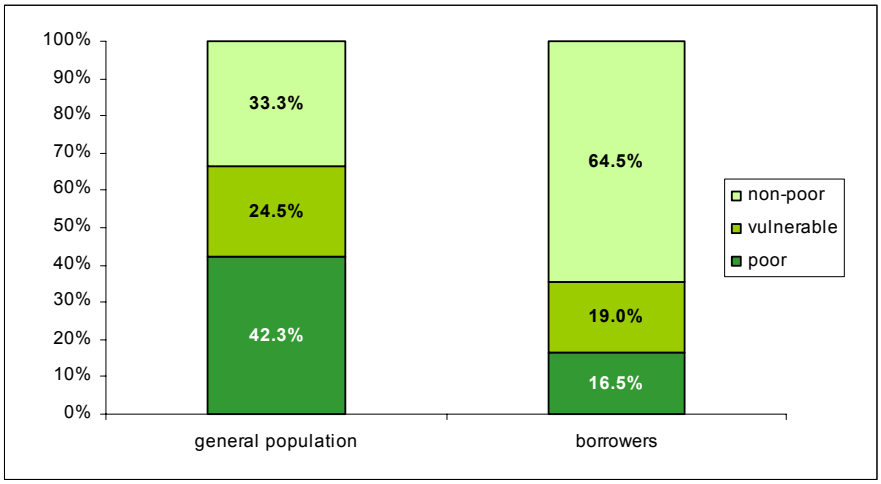
On average, households earn 253 TJS (57 USD) per person per month[9], up to 14,000 TJS (3,300 USD). While the highest income is seen in Dushanbe, the poorest region appears to be the Khatlon region. In the sample of microcredit clients only borrowers from the Sughd region had significantly higher average income than those living in the other regions but also the largest income inequality.

Figure 10: Average monthly income by region

	General population		Micro borrowers	
	Income per capita (TJS)	Income per capita (USD)	Income per capita (TJS)	Income per capita (USD)
Dushanbe	601	137	570	130
GBAO	234	53		
Sughd	230	52	765	173
RRS	226	51	415	94
Khatlon	162	37	371	84

42% of the households live below the poverty line of the PPP USD 2.15 per day[10]. Another 24% can be defined as vulnerable, with income not exceeding PPP USD 4.30 per day.

Figure 11:Distribution of the households by income poverty segment



[9] The equivalence scale was used to calculate income per capita: 1 = household head, 0.7 = other household members
[10] The same poverty line was used in the 2007 Tajikistan Living Standards Measurement Survey.

Households from the poor segment are more often found in the Khatlon region, vulnerable in the GBAO and Sughd regions and the non-poor in Dushanbe. The largest percentage of the poor is seen among the households with the household head of 40-50 years old or over 60, the widowed and with less than secondary education. The poor households have fewer income sources and more often have no permanent job or live from pensions.

Despite having some type of employment 17% of the households declare often or always having no cash income. Altogether 42% of the households consider their financial situation as difficult or very difficult. Among micro borrowers the situation is different – only 1.5% of households frequently have no cash income and only 9.5% find their financial situation to be difficult but manageable.

In order to better assess the differences in poverty level a poverty index was created. Respondents were asked to assess the frequency of getting by without enough food, proper medication, fuel/electricity or gas for cooking.

The poverty index ranged from 1 to 5, the higher value indicating higher poverty. The average for the total population was 2.2, which is below the mean value of 3. Therefore, an average household rarely had income constraints which led into limited access to food, medication or fuel. Only 9.8% of the households reports frequently (often or always) having difficulties with affording to pay for adequate food, medication, fuel/heating.

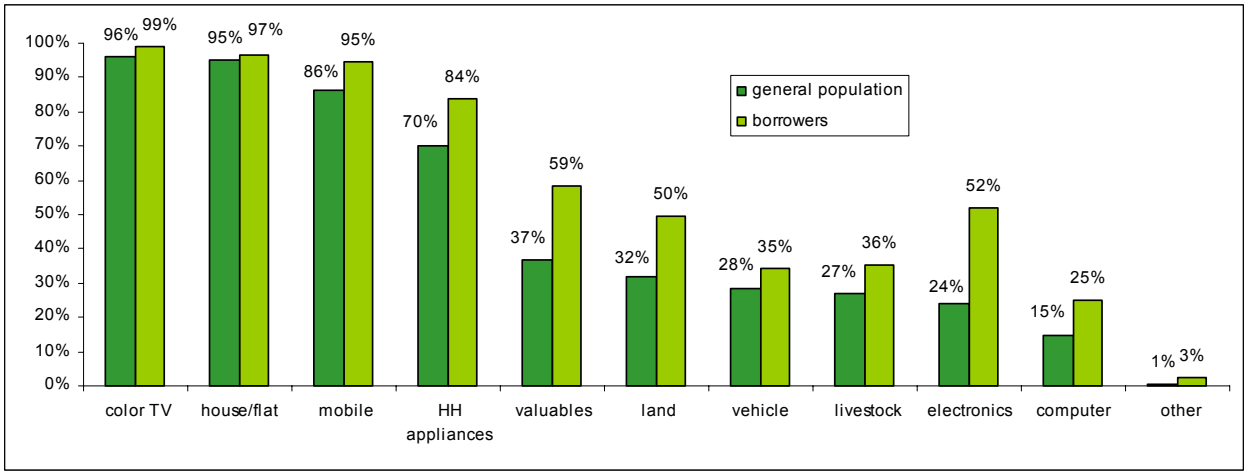
The poverty index among microfinance clients was much lower – 1.6 - and only 0.5% frequently did not have enough income to cover food, medical and fuel expenses. The highest average poverty index was observed in the Sughd and Khatlon regions. While the result of the Khatlon region confirms the earlier finding of the low income of households living there, the score of the Sughd region stands out. Microfinance clients from the Sughd region are on average quite well-off, but income disparities drive the poverty index to such high score.

Figure 12: Average poverty index (from 1-non-poor to 5-very poor)

	General population	Micro borrowers
GBAO	1.57	
Dushanbe	1.92	1.31
Sughd	2.25	1.84
RRS	2.25	1.32
Khatlon	2.54	1.83

Another measure of the financial well-being used in the study was asset possession. Almost all households have color TVs and almost all own their houses or flats. Many also have mobile phones but only a third has some valuables (jewelry) and only 16% have a personal computer at home.

Figure 13: Asset possession in the general population and among microcredit clients



The asset possession is correlated with wealth. Households which higher index (poor) and lower income per capita less often have a variety of assets at home or valuables. No correlation between home and land ownership and poverty was observed.

Financial capability

Three measures of financial literacy were used to assess financial literacy: one for financial numeracy (the ability to compute percentages)[11] and two for financial knowledge – knowledge of the current inflation rate and interest rate on bank deposits in TJS.

The majority of respondents were able to conduct a simple calculation of percentages and microcredit borrowers were even better at that.

Figure 14: Computation skills (numeracy) of the households (general population)

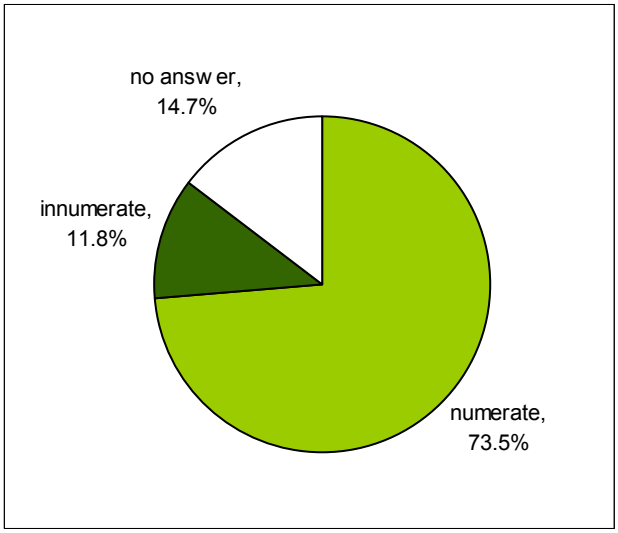
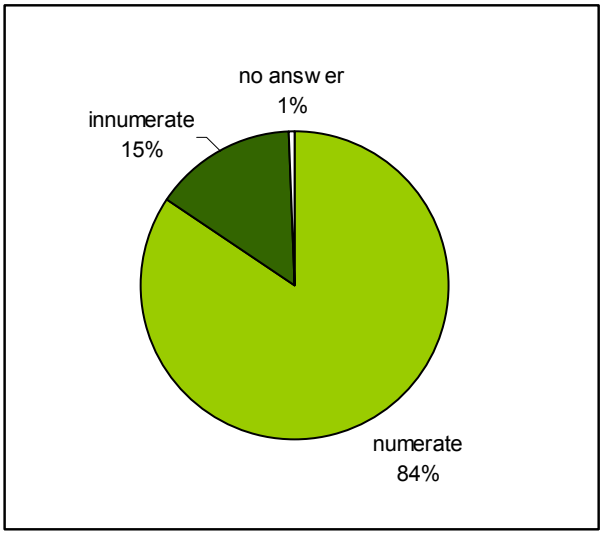


Figure 15: Computation skills (numeracy) of the households (micro borrowers)



Hoever, knowledge of the current economic indicators proved to be very weak. The majority of respondents were not able to state the inflation rate, as 75% of respondents did not respond to this question. Only 7% were close to the actual rate[12], another 7% quoted rates from the past years when the inflation reached up to 20% and another 11% lived with the perception of even higher inflationary pressure. Such a result indicates that a significant proportion of the population does not follow the current economic news.

Figure 16: Inflation rate statistics of the National Bank of Tajikistan (December-to-December)

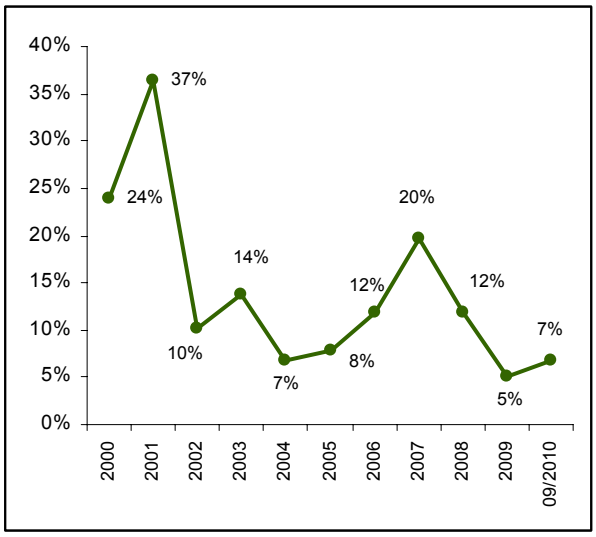
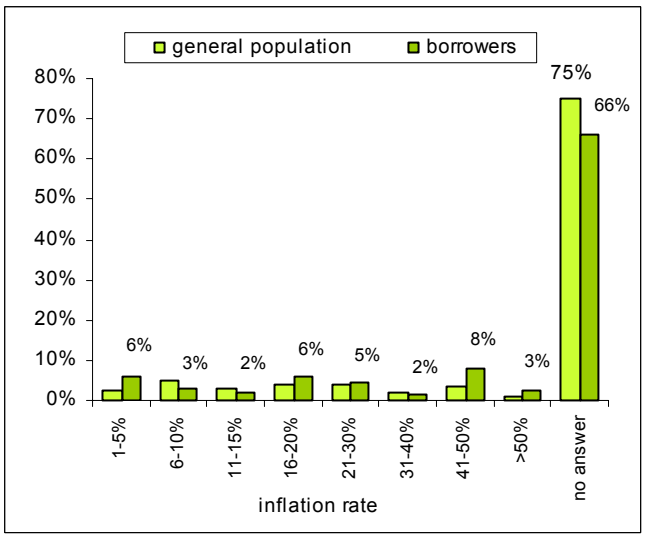


Figure 17: Knowledge of the inflation rate



[11] Respondents were asked the following question: "Suppose you had $100 in a savings account and the interest rate was 2 percent per year. After 5 years, how much will be on your account? (i) More than $102, (ii) Exactly $102, (iii) Less than $102, (iv) Do not know, (v) Refuse to answer."

[12] The consumer price index was 5% in December 2009 and 6.7% in September 2010.

A somewhat better familiarity with the interest rate on bank deposits was observed – almost half of the respondents attempted at answering the question and 24% stated realistic interest rates. Another 18% quoted the rates from the past periods, which indicates lack of up-to-date information about market rates.
Microcredit clients are better informed about deposit conditions offered by financial institutions.

Figure 18: Average deposit interest rate statistics of the National Bank of Tajikistan

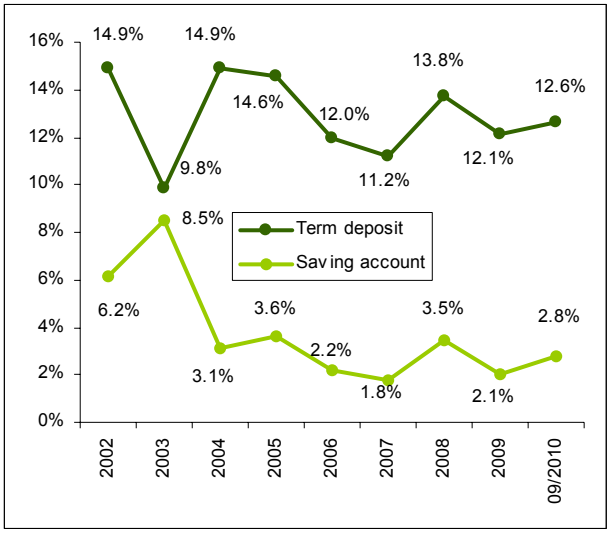
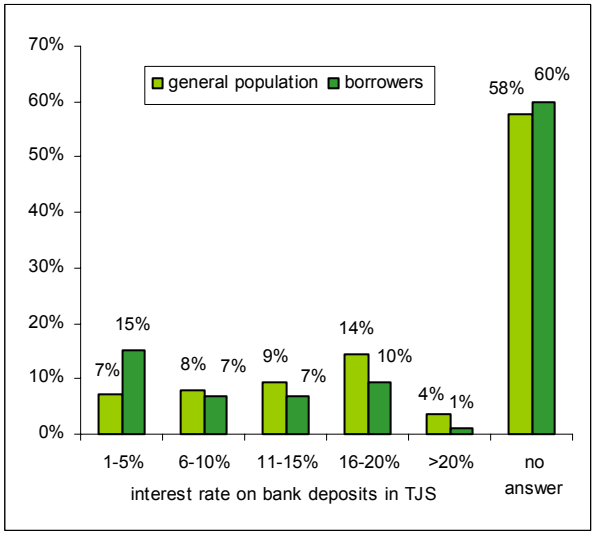


Figure 19: Interest rate on bank deposits in TJS stated by the respondents



Locus of control (LOC)
The LOC construct is defined as a general, relatively stable propensity to see the world in a particular way, capturing general beliefs about the causes of rewards and punishments. Individuals with an internal LOC generally expect that their actions will produce predictable outcomes and thus are more action-oriented or motivated than externals. Individuals with an external LOC perceive events as being under the control of luck, chance, or powerful others, and as such are less likely than internals to master the skills necessary to accomplish their goals or demonstrate goal-directed arousal. Externals are less likely to expend the effort necessary to demonstrate more responsible financial management behavior.
The locus of control was assessed using a 7-item version of the Rotter locus of control scale[13]. Scores were created by summing the seven individual items and ranged from 7 to 35, with higher scores indicating a tendency toward an external locus of control perspective.

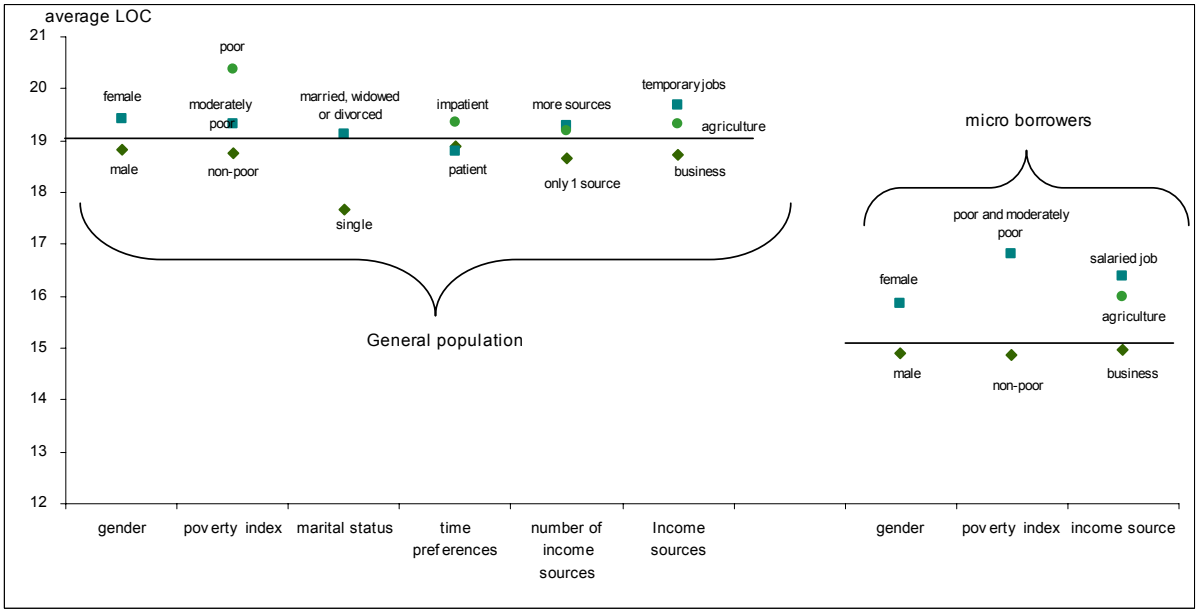
The results show that respondents – household heads engaged in financial decision-making in the household - have the average locus of control score of 19, which indicates the tendency towards being motivated through external drivers. As the reliability of the scale (Cronbach Alpha) was at low level of 0.627[14] the results of the analyses using the LOC measures should be interpreted with caution.

Women were found to be more externally-driven than men, much as the non-poor were found to have more internal locus of control compared to the poor. Also the type of jobs that were performed in the households of respondents were correlated with the locus of control – people with internal locus of control lived in households more often engaged in own business, rather than in temporary jobs and more often had just one source of income. Internally driven people were found to be also more patient to wait for larger monetary rewards (see the description of time preferences on page 20).

[13] 'Some Problems and Misconceptions Related to the Construct of Internal Versus External Control of Reinforcement', Julian B. Rotter, University of Connecticut, 1975
[14] The minimum score of 0.7 on the Cronbach alpha statistic validates the scale

Microcredit borrowers had more internal locus of control (average of 15.2) but the reliability test was even lower (0.551). Gender and income differences were significant in this sample, thus confirming the findings from the general population sample. Men, non-poor households and those engaged in own business were found to be more internally motivated.

Figure 20: Average locus of control measure for different groups of respondents from the general sample and micro borrowers'.



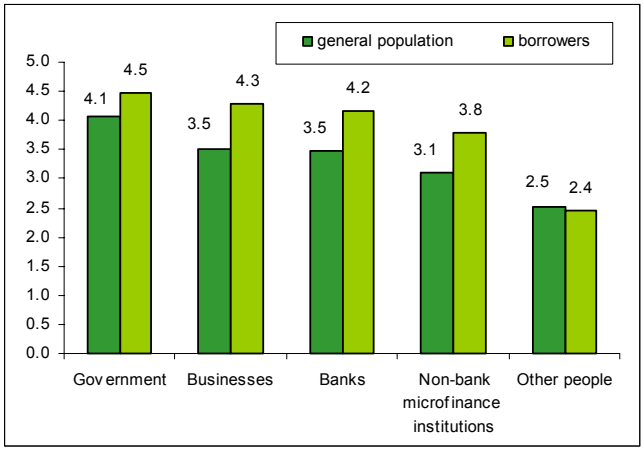
Trust

Trust towards public and private institutions as well as people was measured on a 1 to 5 scale where 1 denoted high distrust and 5 – high trust.

On average, the government appears to be most trustworthy and people in general the least. Considerably lower trust was observed in the Sughd and Khatlon regions. People with higher trust more often had a permanent job and were less often poor.

Microfinance borrowers are much more trustful towards different types of institutions, with the government assessed as most trustful. Only trust in other people was comparable in the two samples.

Figure 21: Average trust towards institutions and people.



Time preferences

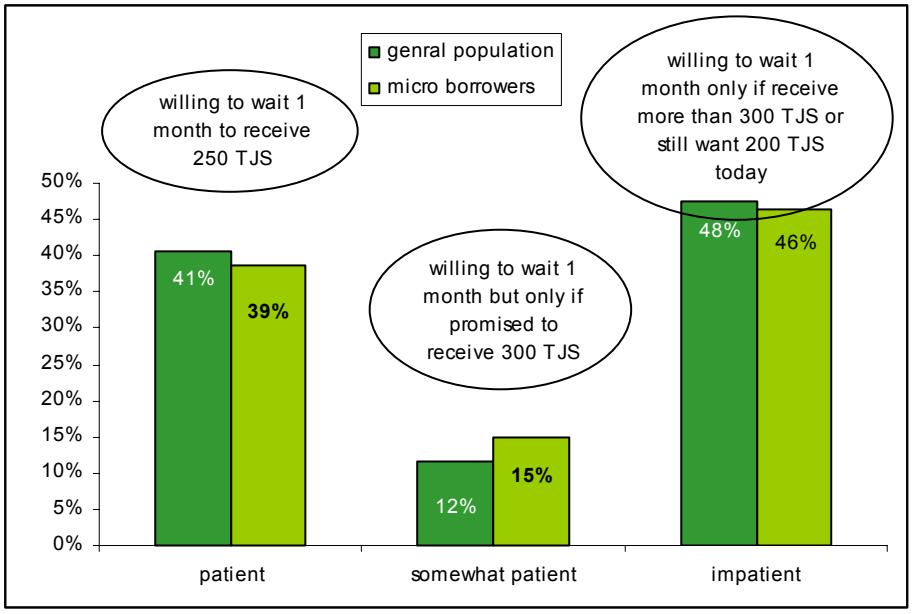
Time preference – the choice between immediate awards over the delayed larger awards – reveal how people value costs and benefits that occur in the future versus those in the present. For instance, saving requires sacrificing consumption today in order to have higher consumption in the future. Such decisions affect one's health, wealth and happiness. Also, investment decisions relating not only to financial investment but also to investments in own education and that of the children are affected by time preferences.

The study results show that 41% of the households in Tajikistan, if given choice, would rather wait one month to receive a larger sum of money (250 TJS) than take 200 TJS today.

Young people tend to be most impatient as much as those who live in households with income from temporary jobs, and with no permanent income from a salaried job.
There are also differences in the income level: impatient households are poor – they strongly prefer to receive money today, rather than wait 1 month, even if the sum of money offered in one month is larger. Those who choose to receive money today are also more asset-poor – they less often have TVs, household appliances, cars, but more often own land.
Impatient people are more distrustful towards businesses, banks and non-bank financial institutions but also towards other people. They also had more external locus of control.

Time preferences of microcredit clients are similar to those of the general population, but there were no specific characteristics distinguishing the patient from the impatient, except trust – patient micro borrowers were more trustful towards businesses and financial institutions.

Figure 22: Time preferences of the general population and microfinance clients



6.2. The nature of current and potential demand for savings

6.2.1. Saving habits and saving purposes

Half of the households in Tajikistan try to save money every day. Households which try to save are more often seen in the Khatlon region and RRS and the least often in GBAO. Among microcredit borrowers a larger number of households makes and effort to save but the regional differences are insignificant.

Figure 23: Tendency to save (always look for ways to save money) in the general population

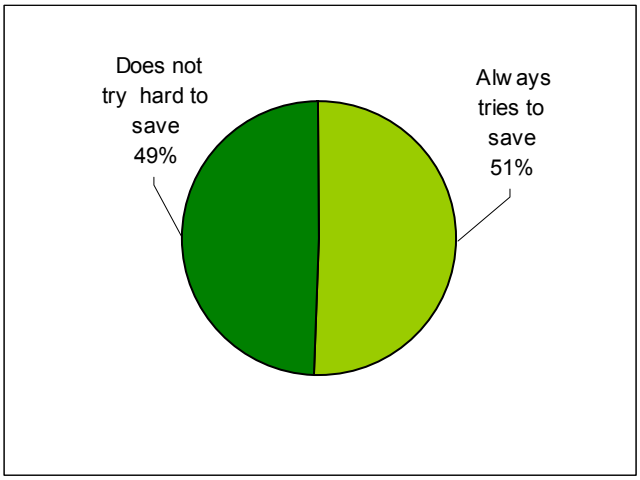
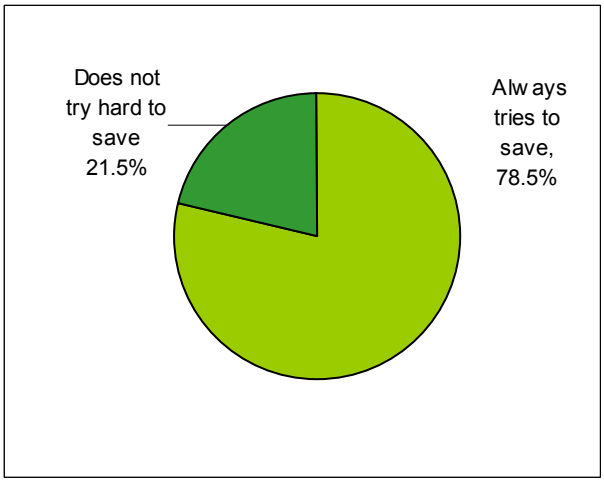


Figure 24: Tendency to save (always look for ways to save money) among microcredit borrowers



People who always look for ways to put aside some money evaluate their financial situation as good, feel better prepared for unexpected expenses, pay bills on time and are less often found among the poor households. They also have a larger number of income sources.

People who try to save are not better in terms of their computation skills (numeracy) than others, but they think they know how to manage money.

They are also more patient to wait for a monetary reward, more trustful and they exhibit external locus of control. The externals more often admit to always trying to save money, but save smaller amounts than the internals (regardless of the income level) and realize that they do not save enough, do not have an emergency fund equal or larger than their monthly spending, prefer to receive money now rather than wait for a larger sum.
These results are somewhat counter-intuitive: one would expect the internally motivated to save more because they should be able, in theory, to better control their behavior. However, the reversal of the relation between LOC and savings may be attributed to the local culture[15].

In case of microcredit borrowers the habit of looking for opportunities to save was not related to income, the perception of the ability to manage money or trust.

The majority of households know how much they spend, although 13% only have a general idea about their expenses. Those who know the amounts they spend usually watch very closely or fairly closely how much they spend.
Consequently, 30% can be considered self-described savers as they always try to save, watch (very or fairly closely) the amounts spent and are conscious of how much they spend. They more often save regularly.

Among microfinance clients the share of self-described savers reaches 57%.

[15] Such reversal of LOC relation due to culture and family structure has been noted in the literature, for example Koreans paper.

Figure 25: Tendency to control spending in the general population

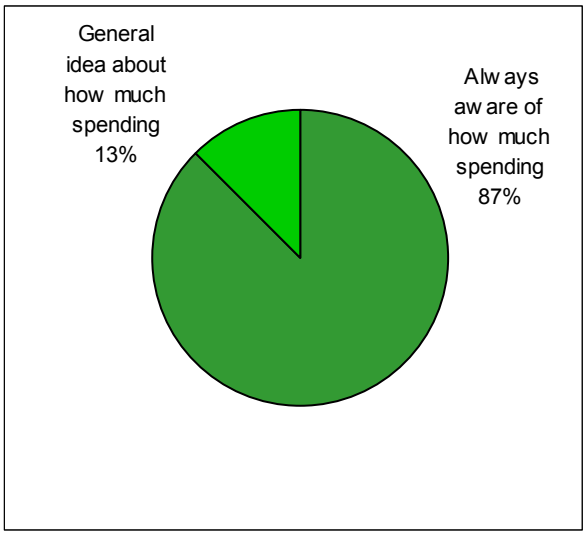


Figure 26: Tendency to control spending among microcredit clients

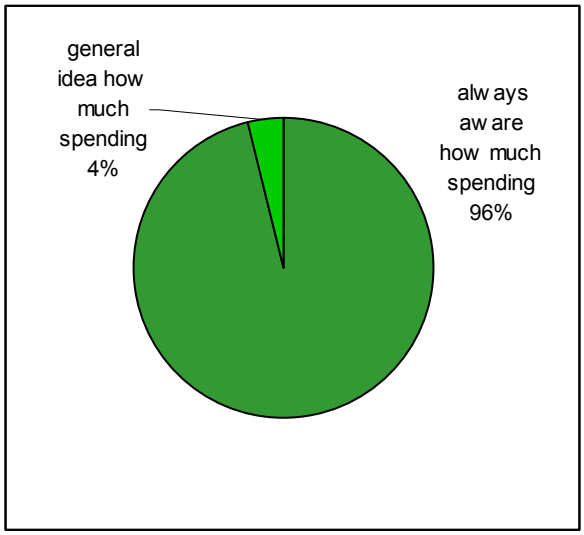


Figure 27: Tendency to watch the amount spent in the general population and among microcredit clients

How closely do you watch the amount spent:	% households	
	General population	Microcredit clients
Very closely	14.8%	25.0%
Fairly closely	38.4%	38.5%
Not too closely	42.9%	35.0%
Not at all closely	3.9%	1.5%

Even though half of the households always try to look for ways to save money only **40**% **actually save**, but do it irregularly, and as many as 60% of households in Tajikistan do not save at all.

Microfinance clients in the majority save (73%) and do it regularly.

Figure 28: Regularity of saving in the general population

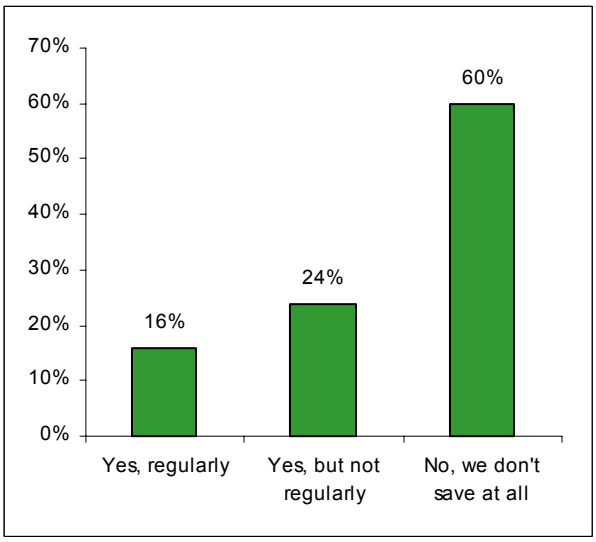
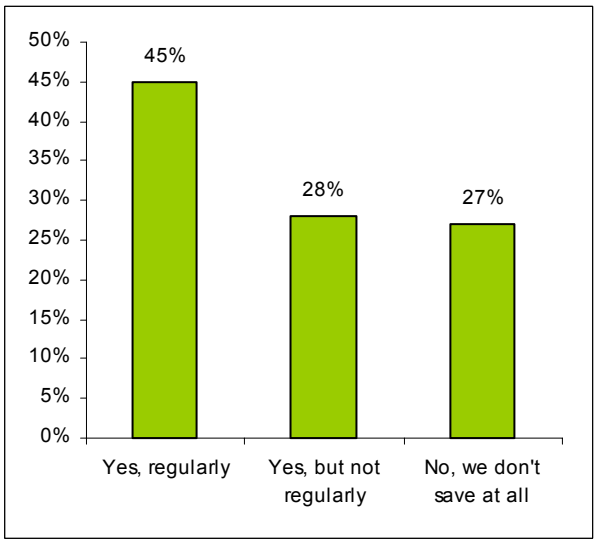


Figure 29: Regularity of saving among microfinance clients



People living in Dushanbe and the Sughd region, those with higher education, living in households with permanent jobs more often admit to saving compared to those from households engaged in trade or having a pensioner at home. Savers earn higher income and less often experience deficiencies in food, fuel and medication.
Among microfinance clients differences in education or the region of living did not matter for the fact of saving but income was significantly higher among savers than non-savers.

Figure 30: Distribution of savers in the general population by region

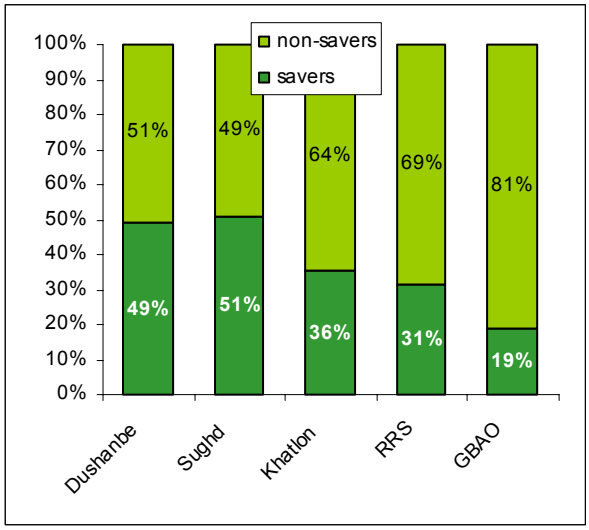
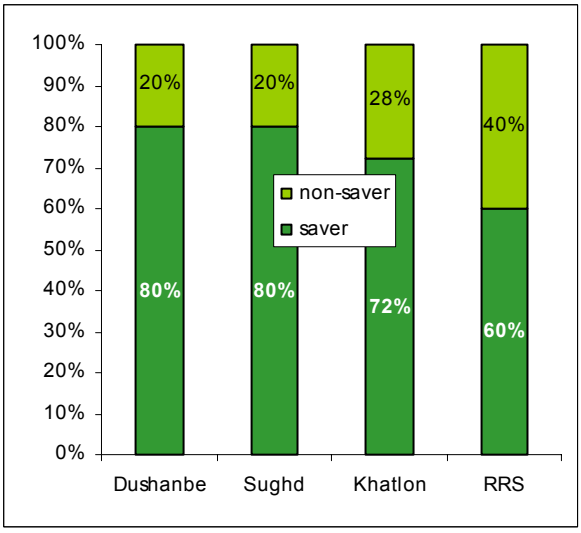


Figure 31: Distribution of savers among microfinance borrowers by region



Usually, savings are made at the end of the period after covering necessary expenses. Only 18% of savers put aside a certain amount of money before the rest is spent on daily consumption. This implies that savings are predominantly a residual of income not spent in a period, rather than a conscious savings decision that is included in household budgets.
Microfinance clients more often save first and then manage the expenditures.

Figure 32: Saving patterns in the general population

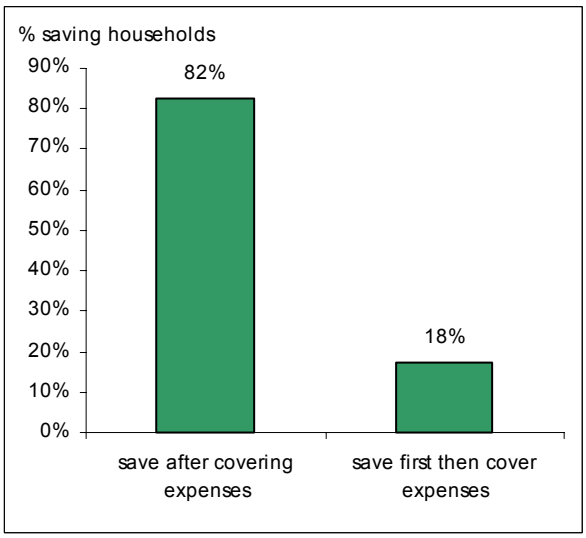
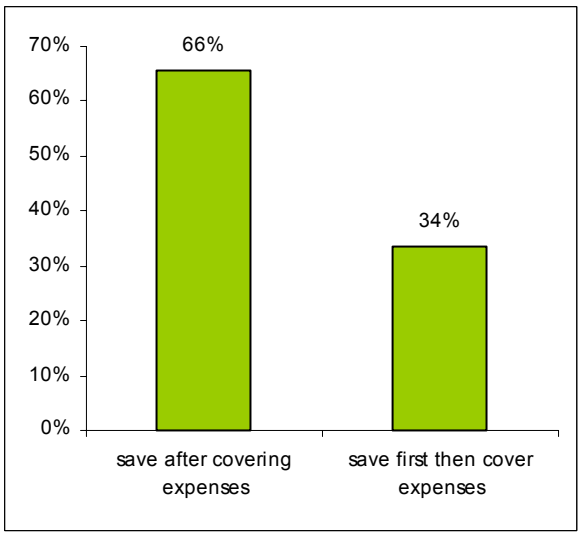


Figure 33: Saving patterns among microfinance borrowers



38% of saving households manages to do it only 3 months during the year and another quarter of the respondents save 6 months a year.

The median value of savings per year reaches 900 TJS (for the general population), which indicates that half of the household manages to put aside less than 1,000 TJS per year, but there are wide differences ranging from 30 TJS to 51,975 TJS. The value of savings is correlated with the amount of income earned by the household.

Microfinance clients save more – the median value of the annual savings is 2,250 TJS, maximum 79,700 TJS.

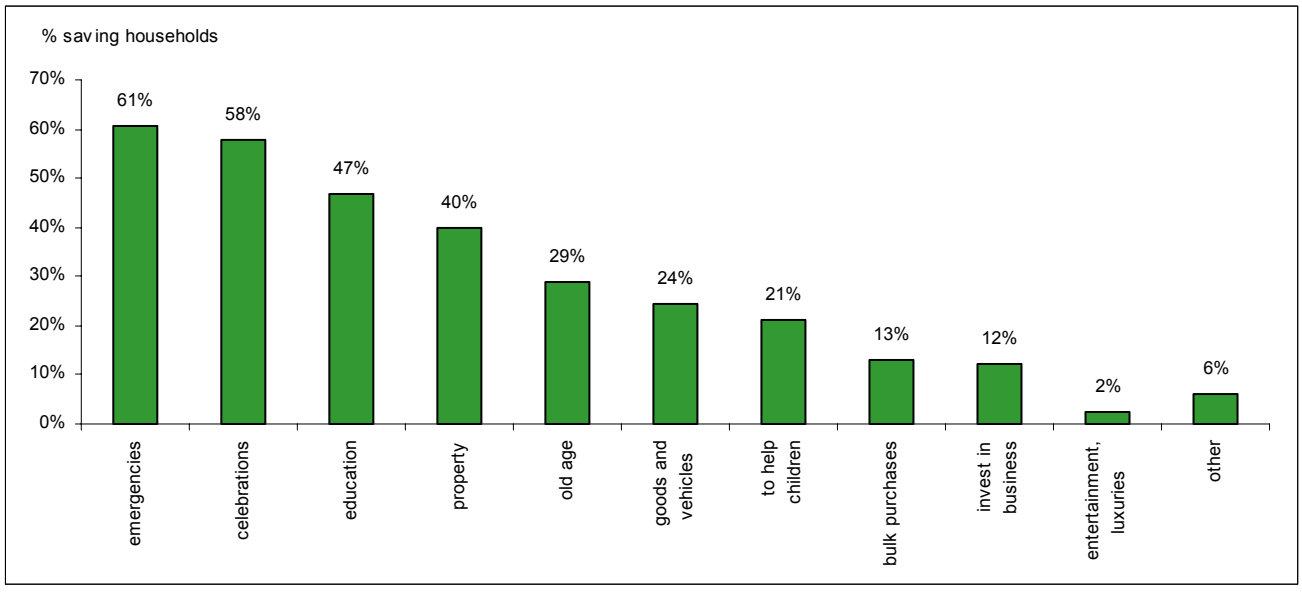
Slightly less than half of the saving households **(49%) say that they save enough**. The other half realizes that what they manage to put aside is not sufficient, but their saving capacity is low. As many as 82% of those who do not save enough realizes that they could not possibly save more without cutting back on necessary consumption. The remaining 18% have a potential to increase the value of their savings without compromising current needs, although only a little bit more, which indicates that their saving capacity is also limited. The savings value could be increased with a stimulus – when a financial incentive was offered[16] (hypothetically) 53% of the respondents who earlier declared themselves unable to save larger amounts said that if offered a one-to-one match would save 5 times more than presently.
Microfinance clients were more satisfied with their saving ability – as many as 76% were satisfied with the amounts saved and 21% of the dissatisfied with the value of savings said they could save more.

65% of saving households has an emergency fund which would be sufficient to cover one month of household expenses in case no income could be earned. Microfinance clients are better prepared for emergency expenses as 77% have such a fund.

Creating such a fund was more characteristic for households with higher income, living in Dushanbe or the Sughd region, with higher education and with larger savings.
Households which had such a fund more often felt well prepared for unexpected expenditures.

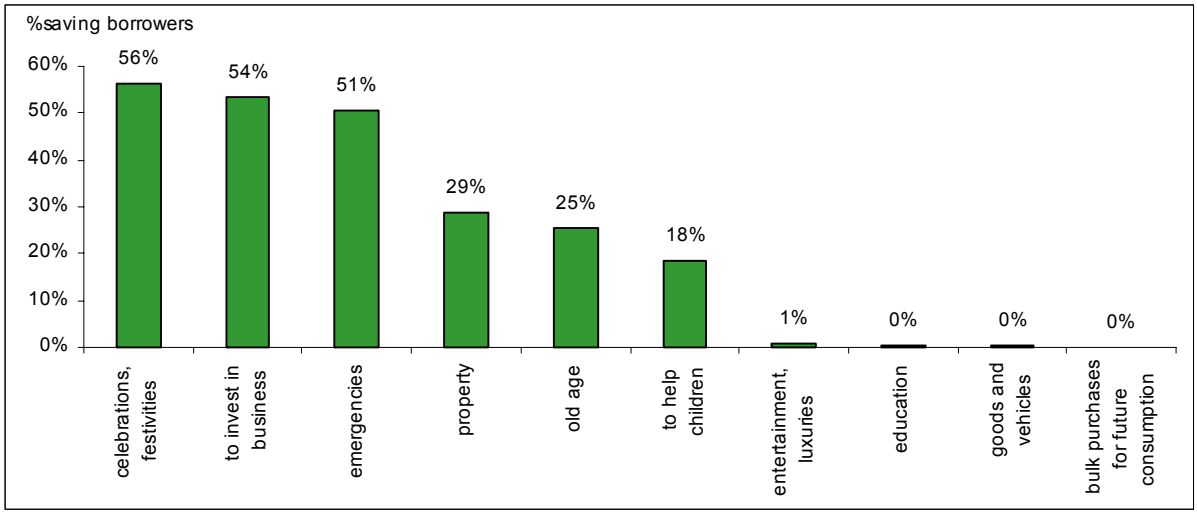
88% of savers accumulate money for specific goals, most importantly for unforeseen expenses. Family celebrations are the second most important goal, followed by education. As many as 29% of the households save for the old age.

Figure 34: Saving goals of the general population



[16] Respondents were asked the following question: "If after a month you were given as a bonus twice as much as you saved during the month, how much would you be able to save? For instance, for every 10 TJS saved in a month you were to receive additional 10 TJS."

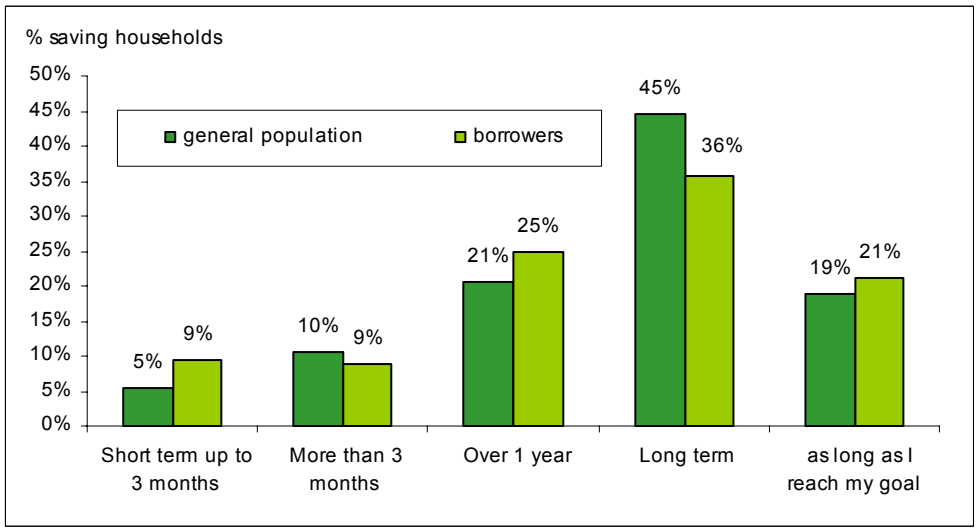
Figure 35: Saving goals of microfinance clients



Unlike the general population, microcredit clients much more often save to invest in business, but almost none saves for education, which was an important saving goal of people in the large sample. Slightly fewer micro borrowers – 25% - saves for an old age.

The majority of saving goals are distant in time.

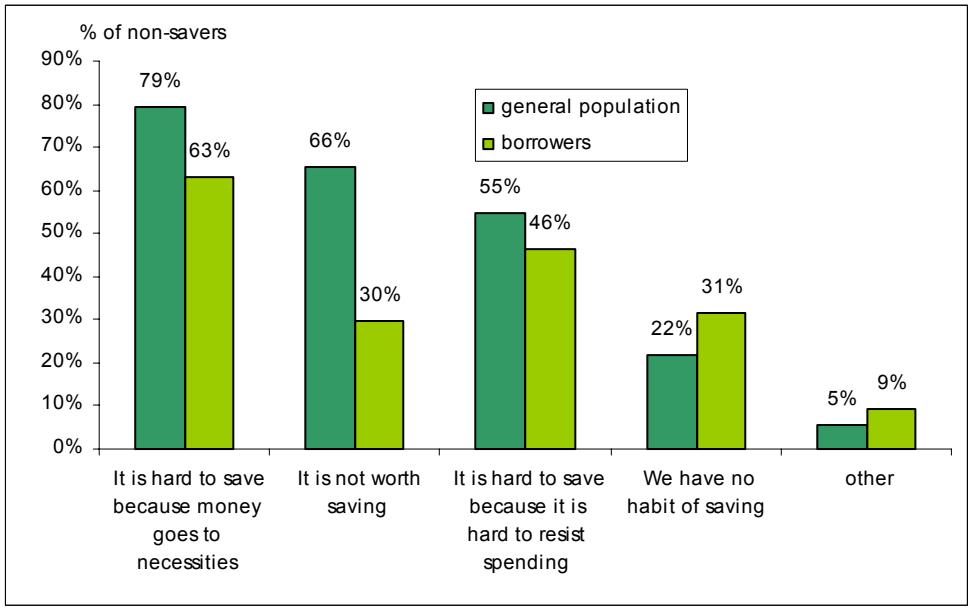
Figure 36: Saving horizon



Reasons for not saving

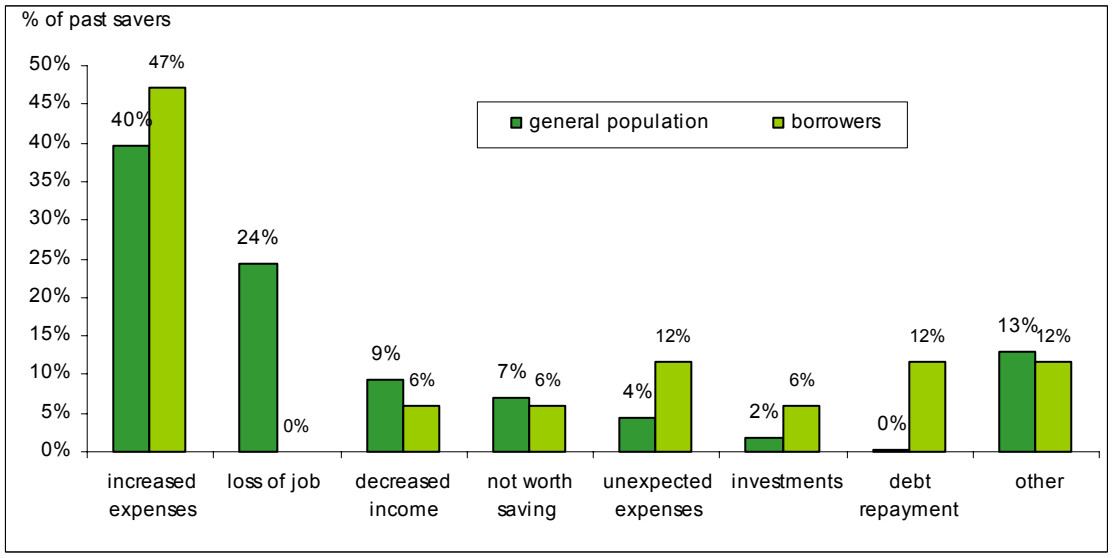
Non-savers usually attribute the lack of saving practices to low income or lack of the ability to see the value of saving. As many as a quarter of non-savers admit that their lack of discipline also contributes to their inability to save. Microcredit clients more often admit to the lack of habit as a chief reason for not saving rather than the lack of income or not valuing the need for saving.

Figure 37: Reasons for not saving



Among non-savers, there were respondents who used to save in the past (34% of non-savers) but had given up because of the increasing cost of living or a job loss. Among microfinance clients, a similar percentage of non-savers saved in the past and stopped not only because of the rising living expenses, but also because of debt repayment.

Figure 38: Reasons for stopping saving



Ability to save among non-savers

Only 4.7% of non-saving households thinks that they could save without cutting back on consumption – the average value of their savings would be 346 TJS per month ranging from 50 to 3,000 TJS. Non-poor households more often stated the ability to save.

The remaining respondents who stated their inability to save in fact could save when provided with a financial incentive – 72% of them would save if they were offered a one-to-one match on the saved amounts[17].

They would be able to save, on average, 159 TJS per month with the maximum of 2,500 TJS.

[17] Respondents were asked the following question: "If after a month you were given as a bonus twice as much as you saved during the month, how much would you be able to save? For instance, for every 10 TJS saved in a month you were to receive additional 10 TJS."

Figure 39: Saving potential among non-savers in the general population

	Share (%)	Average value of potential savings per month (TJS)	Median value of potential savings per month (TJS)
Able to save	4.7%	346	200
Able to save but only if offered a match	72%	150	100
Unable to save at all	23%	0	0
Total non-savers	100%	159	100

More of the microfinance clients were able to save without any incentive but the same percentage was unable to save at all. The value of savings in a matched deposit scheme would be also higher for microfinance clients.

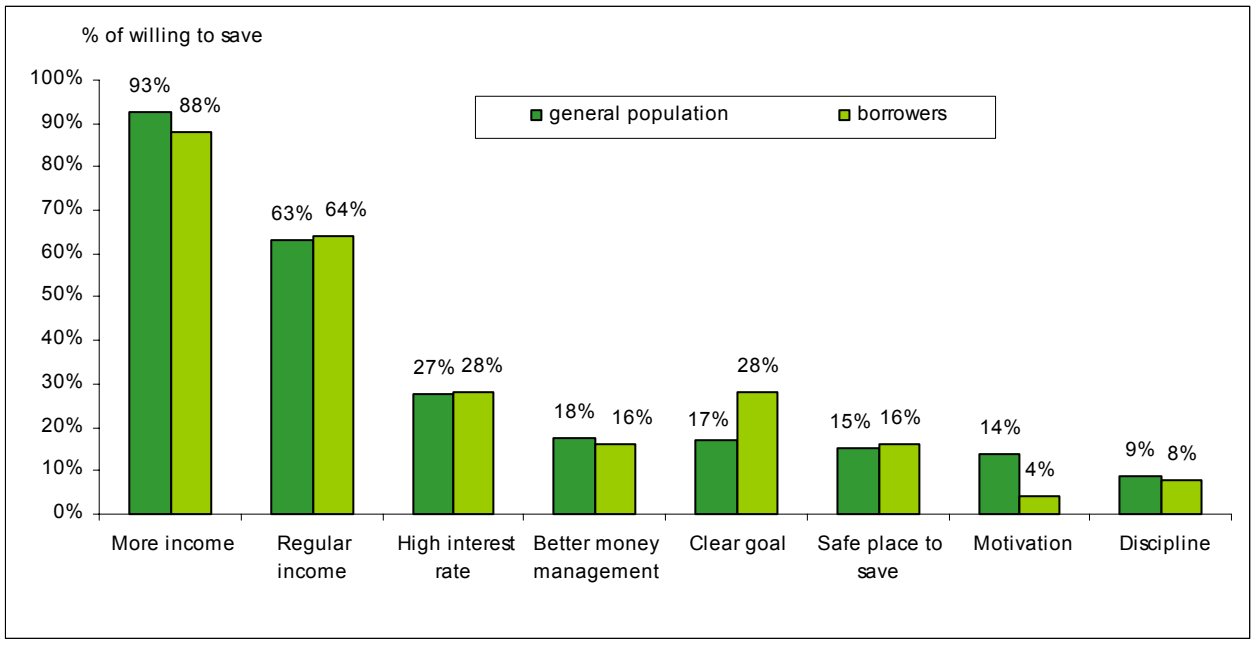
Figure 40: Saving potential of non-savers among microfinance clients

Microfinance clients	Share (%)	Average value of potential savings per month (TJS)	Median value of potential savings per month (TJS)
Able to save	17%	472	200
Able to save but only if offered a match	56%	178	100
Unable to save at all	28%	0	0
Total non-savers	100%	246	100

Willingness to save among non-savers

Only 38% of non-saving respondents would like to start saving (45% among microfinance clients). For the majority, the prevailing condition which would help them to save is higher income and for many of them regular income would also be helpful. Households which saved in the past were more likely to want to start saving again.

Figure 41: Conditions necessary to start saving among non-savers



When looking at the ability and willingness to save it appears that a quarter of non-savers are able (with or without enhancement) and willing to save but almost half of non-savers, although able, are not willing to start saving.
There were no demographic differences between the groups – gender, age, ethnicity, education, marital status did not distinguish between the segments.

Microfinance clients were more able and willing to start saving than the general population.

Figure 42: The ability and willingness to save among non-savers in the general population

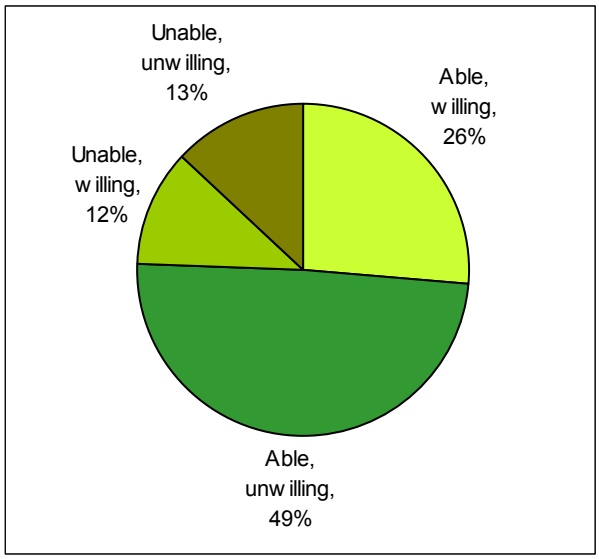
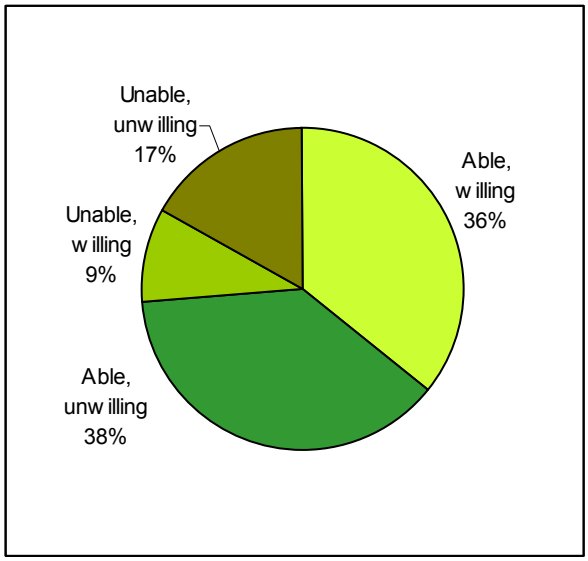


Figure 43: The ability and willingness to save among non-savers in the micro borrowers sample



Able and Willing to Save

Compared to other non-savers, respondents in the group of the able and willing to save do not particularly try to save money, do not watch the amounts they spend, are impatient to wait for a larger amount of money in the future and do not save because of the lack of habit. They saved in the past and in order to return to saving again they see the need for discipline and regularity of income.

The able and willing do not use any financial services and never used them (except for credit) in the past. But if they were to receive a large sum they would deposit it in a bank, although when directly asked about the willingness to start saving with a financial institution their responses were no different from those of other non-savers.

In the case of microfinance clients the able and willing to save also do not try to save money and are less often among remittances recipients.

In order to further investigate the market opportunities non-savers who were willing to save were asked to reveal their interest in saving with a financial institution. Almost half of those willing to start saving does not wish to save with any financial institution. The others were either more willing to save with a bank or did not have preferences regarding the type of financial institution.

Figure 44: Willingness to start saving with a financial institution in the general population

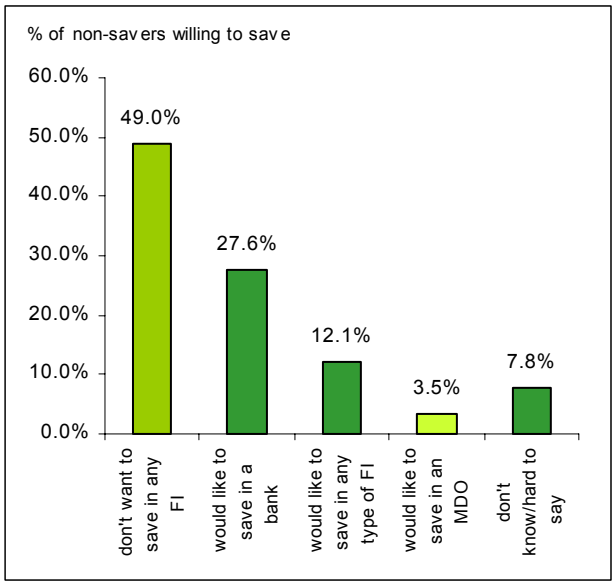
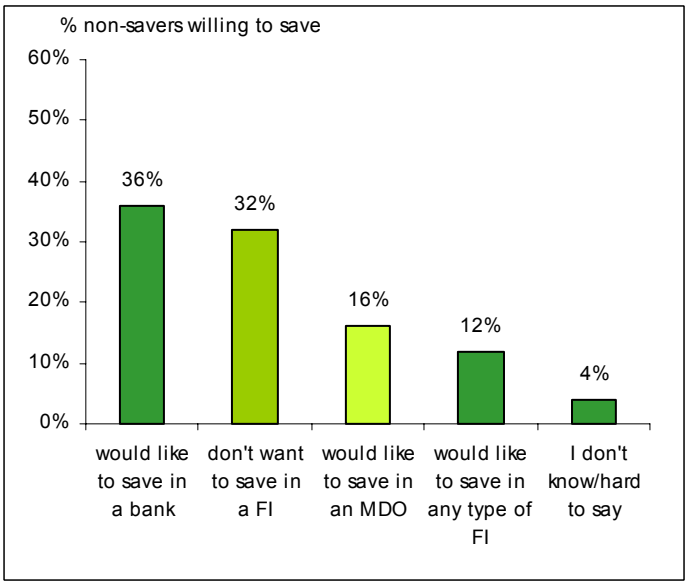


Figure 45: Willingness to start saving with a financial institution among microcredit clients



Microfinance clients are more interested in saving with financial institutions, but prefer to deposit their money in banks.

One of the reasons for the lack of interest in saving with MDOs among the general population may be their limited outreach and low awareness of their existence. Only 4.9% of the respondents knew that there were MDOs operating in the area where they lived, compared to as many as 74% of respondents who were aware of banks' presence.

Figure 46: Awareness of the existence of deposit-taking institutions in the general population

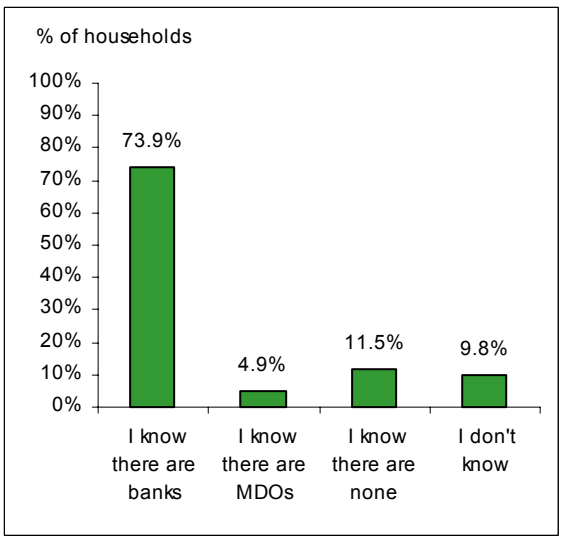
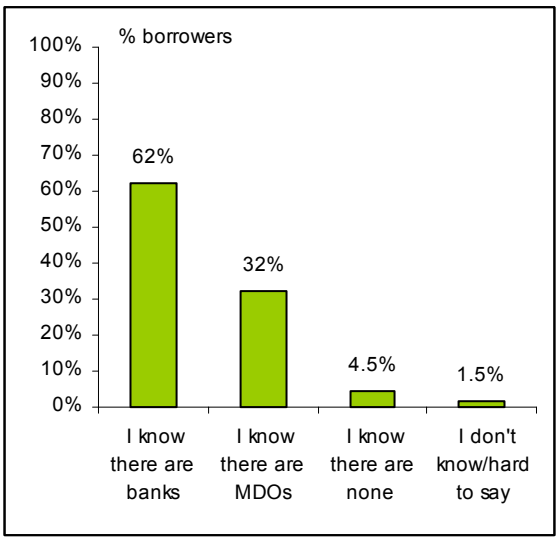


Figure 47: Awareness of the existence of deposit-taking institutions among microfinance clients

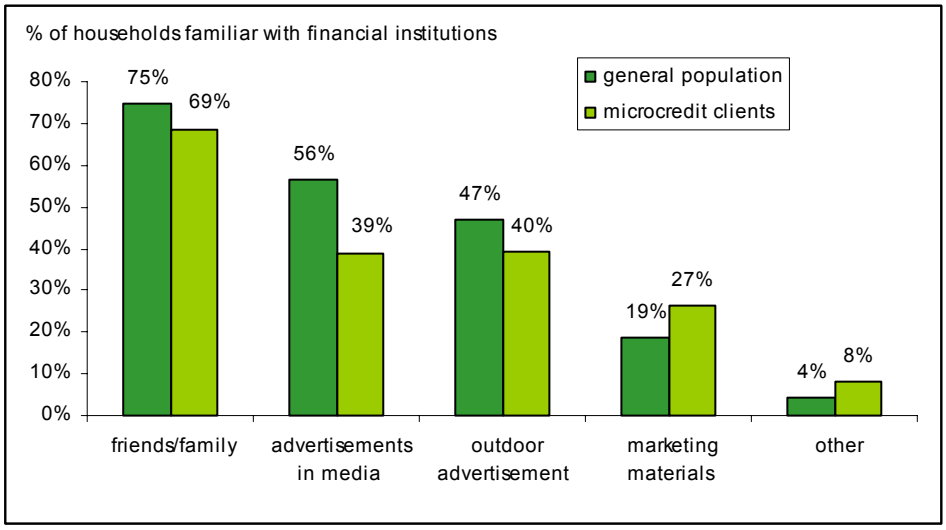


Awareness of MDOs among the general population was higher in the RRS.
Micro borrowers were more aware of the existence of MDOs and it was more often seen in Dushanbe.

59% of the respondents in the general population know what products financial institutions offer. Naturally, almost all microcredit clients are familiar with product offer of financial institutions.

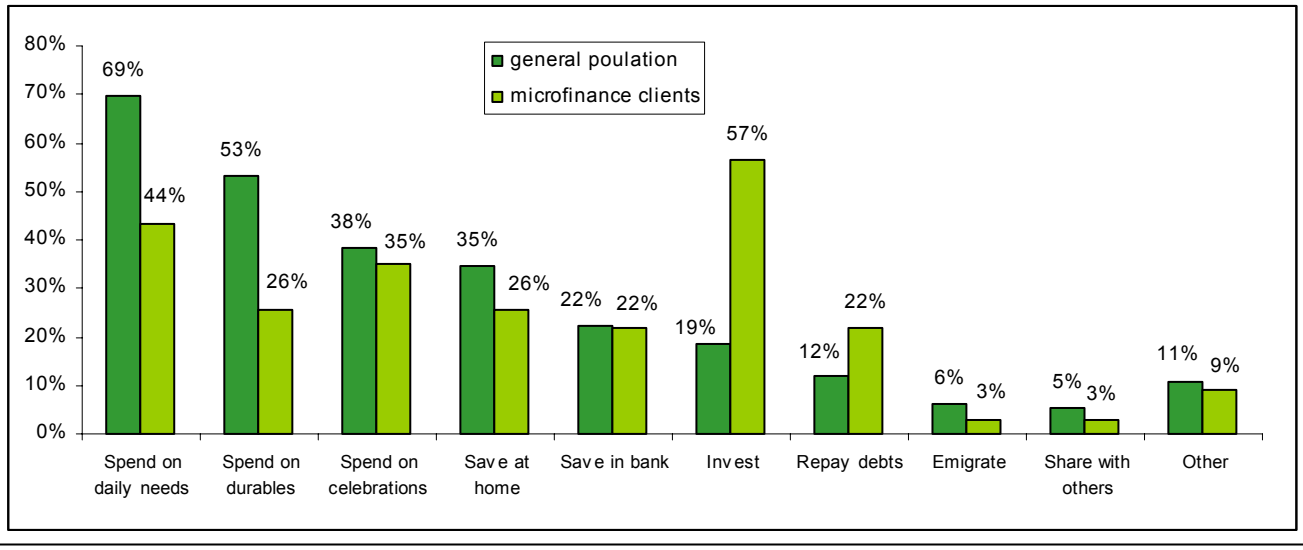
The information about the institutions most often spreads through the word of mouth. The majority of people familiar with financial institutions heard about them from friends and family but also a large percentage learned about them from advertisements.

Figure 48: Sources of knowledge about deposit-taking institutions



If received a large sum of money the respondents would mostly spend it on daily consumer needs or on durables. Few people (19%) would invest it in business, livestock or valuables, but more (57%) would save it in a monetary form at home or in a bank. Microfinance clients would predominantly invest it in their business or repay outstanding loans.

Figure 49: Hypothetical spending patterns in case of receiving an unexpected lump sum



6.2.2. Lifecycle events that drive or affect savings habits

Focus group discussions gave an opportunity to learn about the annual events that affect household income and expenses and have impact on savings. Also, lifecycle events were discussed in the context of savings goals.

Although many families in Tajikistan earn income from permanent jobs, the salary is rarely sufficient to cover household expenses. In the majority of cases other sources of income are needed and the most commonly seen are temporary jobs, agricultural activities and work migration throughout most of the year except winter. Consequently, the expenses are made in spring in preparations to the agricultural season (purchase of inputs) and to migration (purchase of air tickets) and the largest income is generated during summer and autumn. Savings are made mostly at the end of summer and during autumn in view of the upcoming winter with lower incomes.

At the same time, family lifecycle events affecting the savings can be grouped into four categories:

- Establishing the family – new house (built or purchased)
- Sunnat-tui (circumcision) celebration
- Education of children (grammar school, university)
- Children leaving home

None of the above events can be financed fully from savings, so the support of the family (parents, siblings), including work migrants is necessary. Such reliance on family creates the need for accumulating savings not only for household's own expenses but also for the contributions to the households of the relatives.

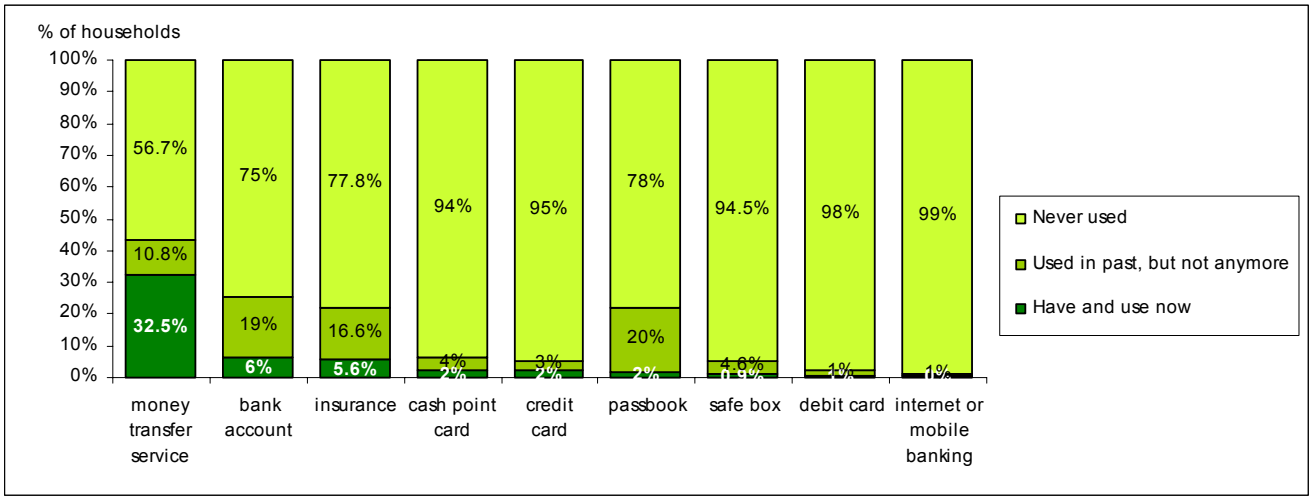
6.2.3. Financial products

6.2.3.1. Use of financial services

Banking services

The majority of households are unbanked, that is do not use any banking services. Only 6% of the households have a bank account, although the additional 19% of the households have some past experience in using bank accounts.

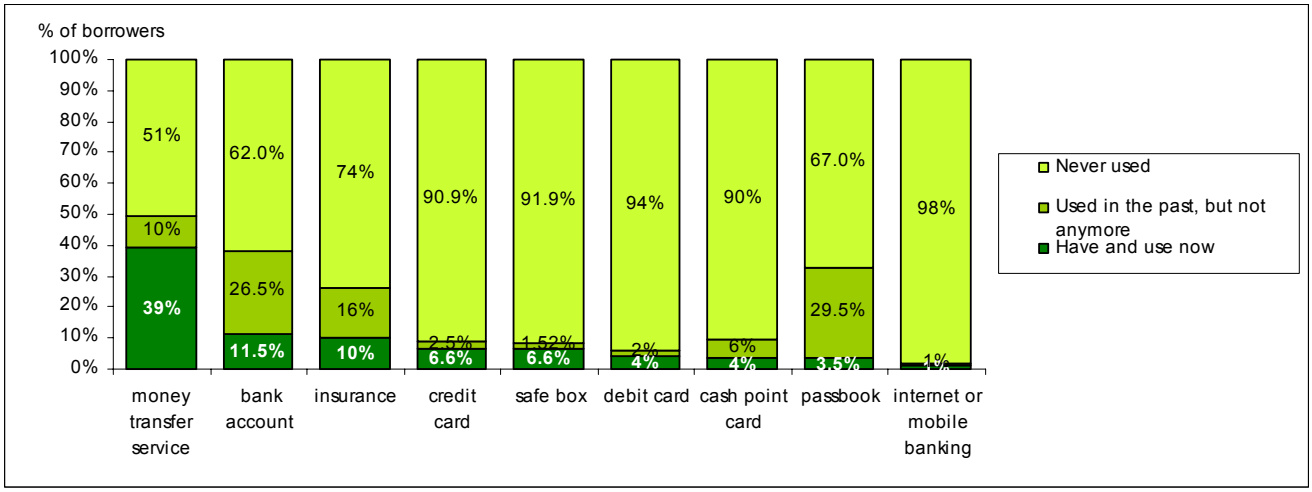
Figure 50: Past and current use of different financial services (general population)



Money transfer services are the most popular financial service used by the population. Among remittances recipients, 78% receive transfers from abroad through formal service operators[18]. The other financial service, although far more limited in use, is insurance. In the past, the most popular financial services appear to be passbooks for savings, bank accounts and insurance.

Microfinance clients have slightly better access to money transfer operators, but the most significant difference in the product use is seen in the bank accounts and associated products – plastic cards, safe boxes, passbooks. Twice as many borrowers have bank accounts compared to the general population.

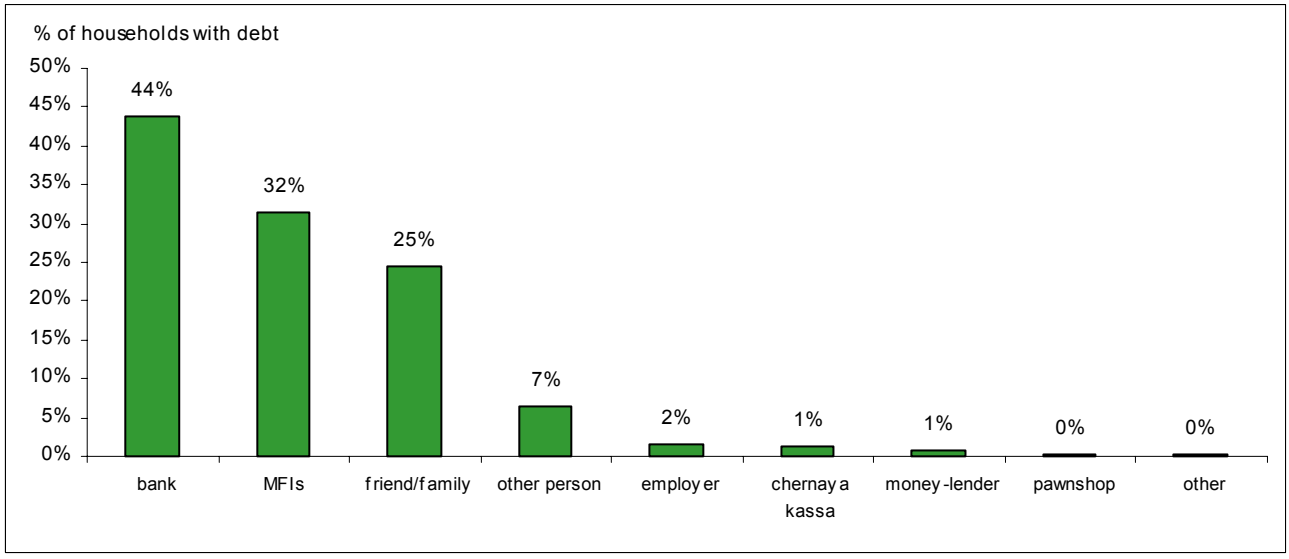
Figure 51: Past and current use of different financial services (micro borrowers)



Credit

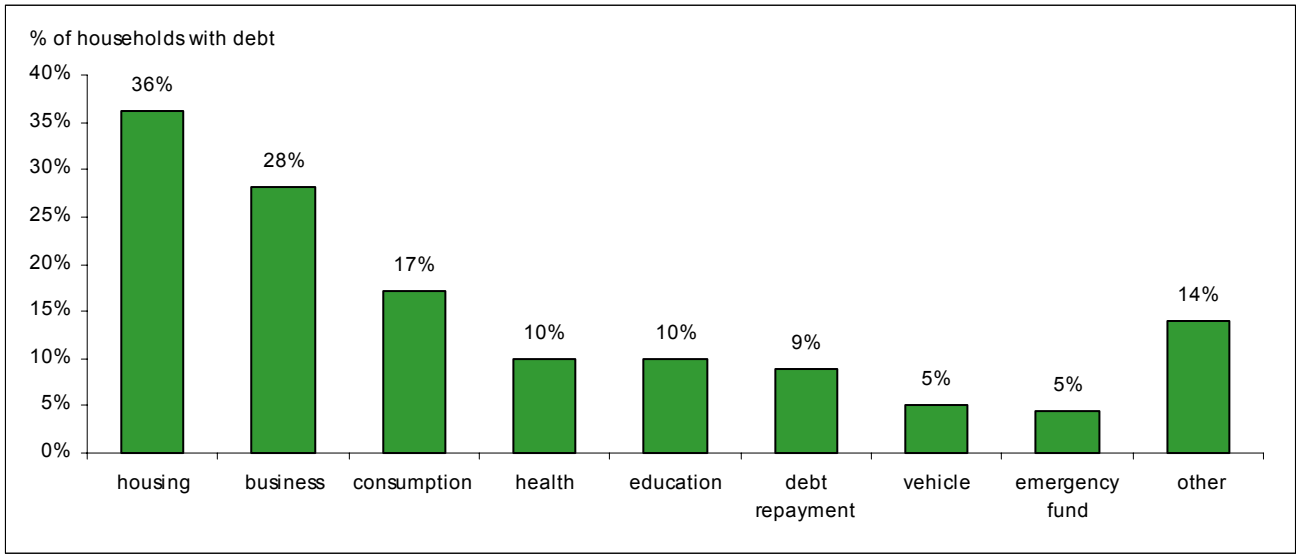
19% of the households are indebted and the additional 23% used credit in the past. Almost half of the current credit users took loans from banks and a third of them from microfinance institutions. Therefore, banks have the 8% penetration of the total number of households and microfinance institutions – 6%.

Figure 52: Sources of credit (general population)



[18] This finding is consistent with data collected by Asian Development Bank in 2007 and presented in the report „Improving Knowledge of Remittance Flows in Central Asia and Caucasus", ADB, 10/2007.

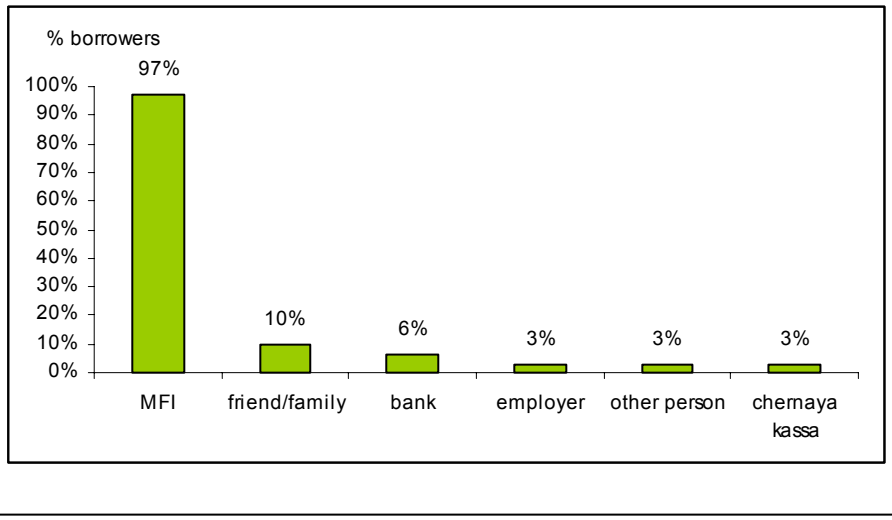
Figure 53: Types of credit used (general population)



The most common purpose of credit is housing – mortgage credit or a loan for renovation/refurbishment of a house or apartment.

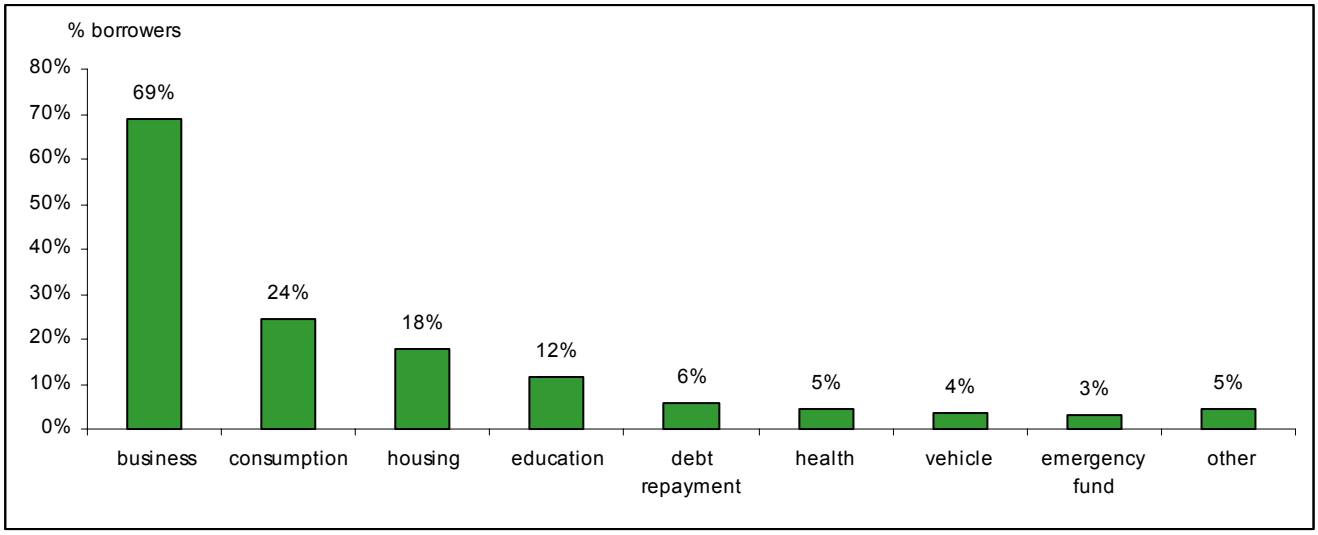
Almost all microfinance clients have active loans in microfinance institutions and 6% have additional loans from banks. Moreover, 10% of microcredit clients borrow informally from friends and family – much fewer that in the general population sample. It seems that in presence of MFI loans borrowing from friends and family is far less popular. This observation is further confirmed in the general sample – those who have active loans from banks or MFIs less often borrow from the family or friends.

Figure 54: Sources of credit (micro borrowers)



Microfinance clients borrow predominantly for business purposes but also, more often than the general population, for consumption. Loans for house purchase or renovation are far less popular among micro borrowers.

Figure 55: Types of credit used (microfinance clients)



Deposits

Among saving households 11% keep their money in the accounts of financial institutions: 8% of households uses for that purpose a bank current account, 4% - bank deposit account and 1% - MDO deposit account.

Microfinance clients slightly less often (9%) keep their savings in financial institutions – 5% saves in bank current accounts, 3% in bank deposit account and 3% entrusted their savings to MDOs.

Financial inclusion index

Based on the use of various financial services a financial inclusion index was constructed for each household.

The index takes into the account the use of 5 basic services provided by financial institutions:

- Current account
- Deposit account
- Credit
- Insurance
- Money transfer service

The results show that over half of the households in the general population sample do not use any of the above financial services. A third of the households uses just one – most often money transfer services.

As almost all micro borrowers have active loans their financial inclusion index is higher than in the general population, but only half of them use any other financial services, most often money transfers.

Figure 56: Number of financial services used (general population)

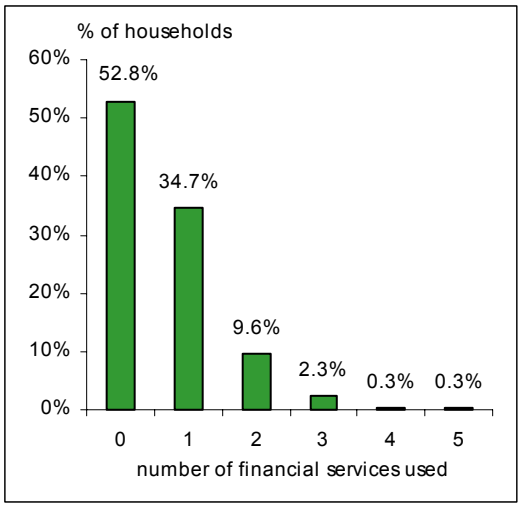
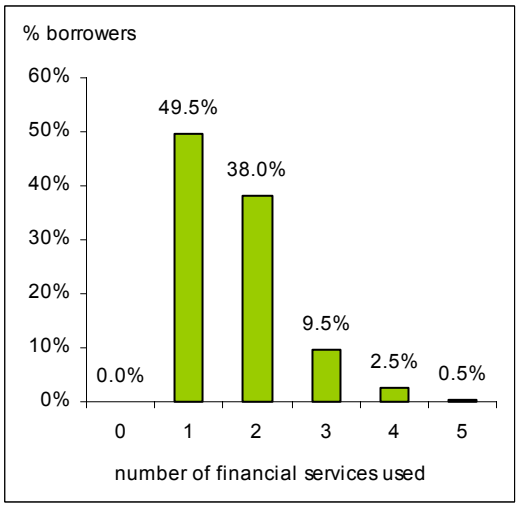


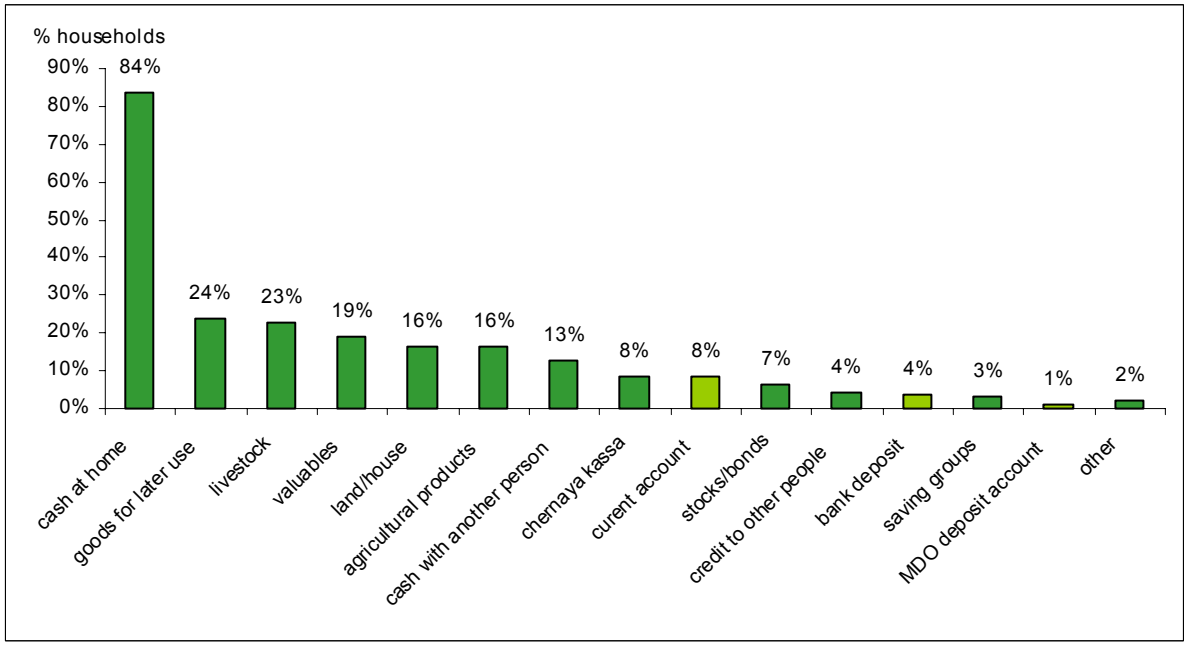
Figure 57: Number of financial services used (microfinance clients)



6.2.3.2. Saving mechanisms

As it was mentioned earlier, only 11% of the households which save keep their savings in a financial institution.

Figure 58: Forms of savings (general population)



People from Dushanbe, GBAO and RRS more often deposit savings in a financial institution. Higher education and higher income also distinguishes bank depositors from non-users. Such people are more patient, have long-term savings goals and maintain an emergency fund for unexpected expenses. They manage to save larger amounts and think they save enough.

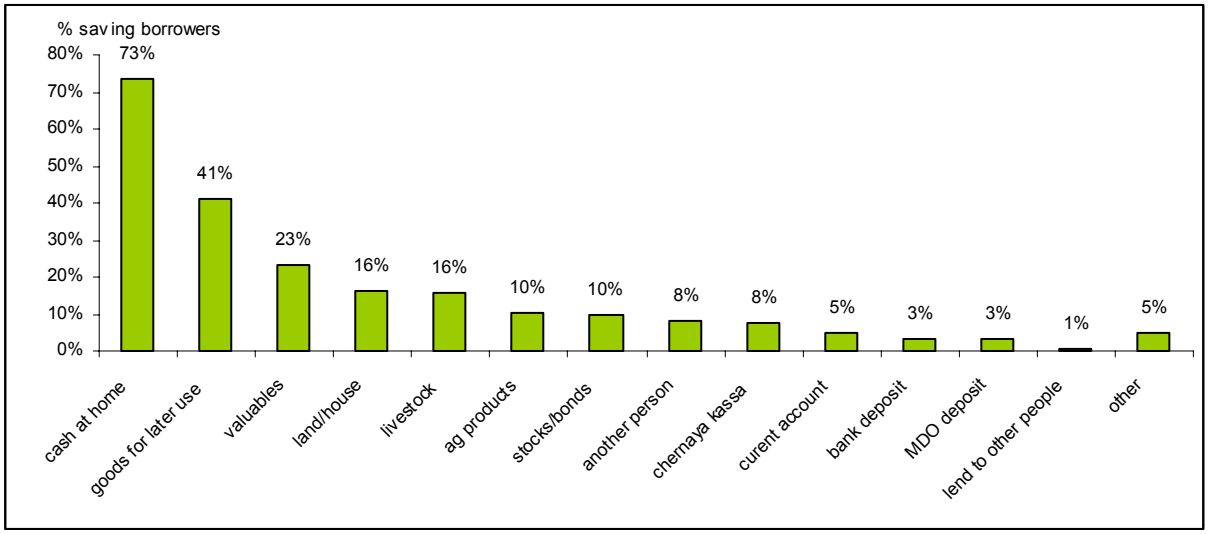
Credit use was no different among those who save in financial institutions and those who do not. But the sources of credit were different – those with deposit accounts more often borrowed from banks or microfinance institutions. They also perceived access to credit as easy.

Naturally, people who keep their money in a financial institution are more trustful towards banks and non-bank financial institutions.
Despite having bank deposits people's knowledge about interest rates was not up to date. They more often quoted past rates (over 20%) than people without bank deposits.

An interesting mechanism of saving is 'chernaya kassa'. Although utilized only by 8% of the households, it is popular among salaried workers. During the focus group discussions this form of saving was highly commended by women who described the mechanism as a way to save for household appliances – each month every member contributes a small amount of the salary into the pool and the whole sum is lent to one of them. Therefore, some of the participants of 'chernaya kassa' save up while waiting for their turn to receive the large sum while the others save down/repay the amount received.

Microfinance clients keep savings in the same way but more often invest in goods for later use, especially those who are engaged in trade business or crop production.

Figure 59: Forms of saving (microfinance clients)



6.2.3.3. Currency of savings

While the majority of cash kept at home is denominated in the local currency, respondents who deposit their money in financial institutions almost equally often have TJS and USD deposits. 'Chernaya kassa' and credit to another person or community-based savings group deal to the varying degree in USD and the local currency.

Figure 60: Currency of savings kept in various forms (general population)

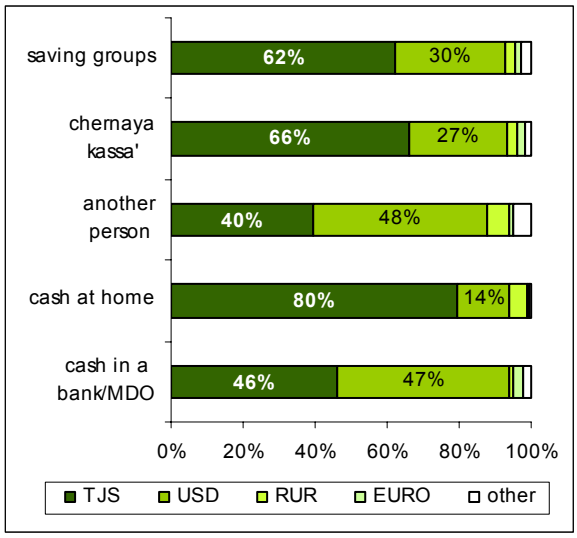
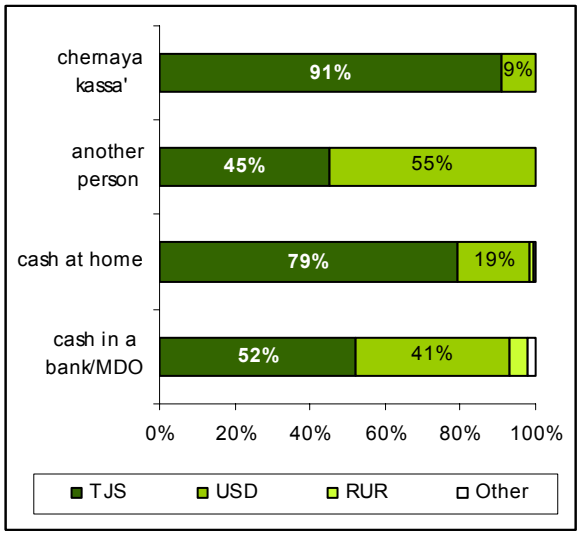


Figure 61: Currency of savings kept in various forms (micro borrowers)



Keeping cash in USD is seen almost only in Dushanbe, among households with a young household head (<30 years old), often single and highly educated. Households which keep dollars at home have higher income and less often experience shortages of food, fuel or medications. They also more often earn income from permanent jobs and manage to save larger amounts. Such people also more often have a current account on which they keep money in USD.

Among microcredit clients keepers of USD cash at home more often run enterprises in services and receive money transfers from abroad. Such households are often female-headed, non-poor and young, living in Dushanbe.

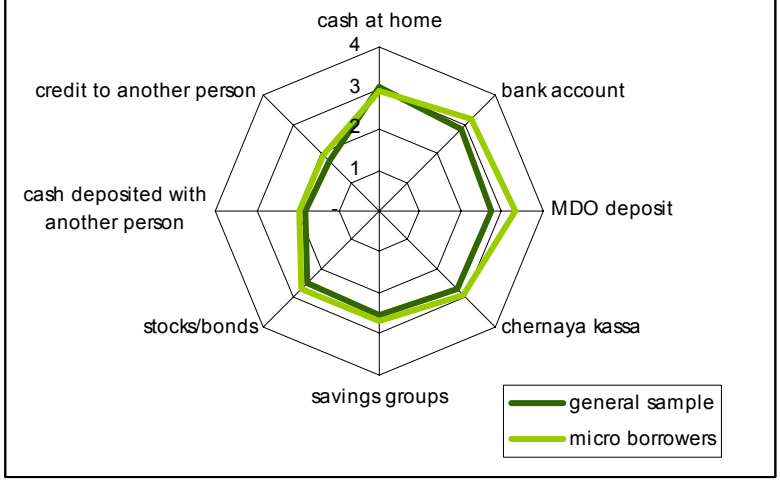
6.2.3.4. Satisfaction with current savings mechanisms

Security

Surprisingly, home is generally considered to be the safest place to keep money by the respondents from the general population. This seems to be a consequence of the fact that over half of the households do not use any services of financial institutions. In the absence of any alternatives home is considered to be the place which guarantees security. Respondents who use services of banks, MDOs, insurance companies or transfer operators consider financial institutions (both banks and MDOs) to be the safest place, much safer than home. It seems that experience with the institution allows to build confidence and trust. Consequently, microfinance clients assessed most highly the security of MDO deposits. This indicates how trustful MDO clients are towards the institutions they borrow from. Bank deposits, although considered less safe than MDO deposits by micro borrowers were found more secure than cash at home.

Entrusting money to another person was seen as the most unsafe thing to do, which supports the earlier finding of the lack of trust towards other people.

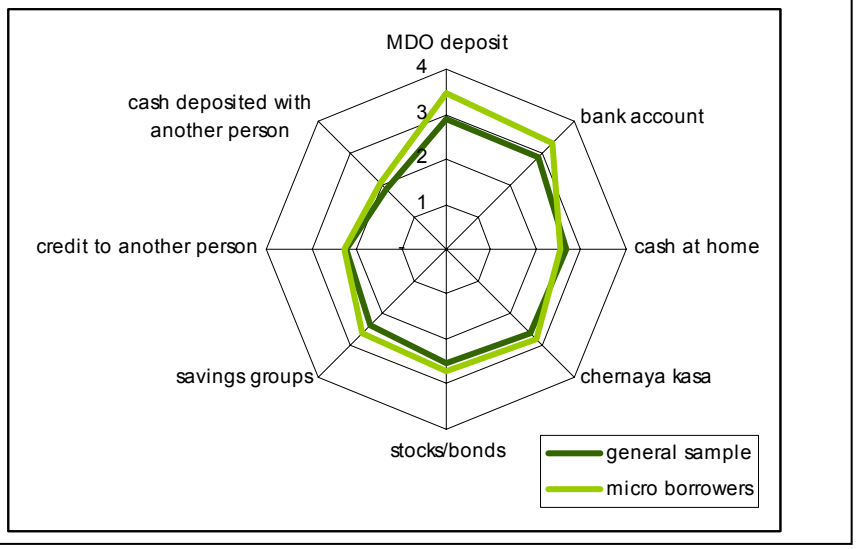
Figure 62: Perception of safety of keeping money in various forms



Profitability

Financial returns on deposits of financial institutions received the highest average score which indicates the appreciation for the interest rate paid by them. Surprisingly, keeping cash at home was also considered almost equally profitable which might be explained by different understanding of the term – some respondents may understand 'profitability' as an opportunity to generate revenue if invested in some kind of business or future consumption (goods for later use). As it was seen in the section 6.1.- *Financial Capability* the knowledge of the rate of inflation as well as the interest rate on deposit accounts is very low. The majority of respondents most likely are unable to assess profitability of deposit accounts versus other forms of storing cash.

Figure 63: Perception of profitability of keeping money in various forms



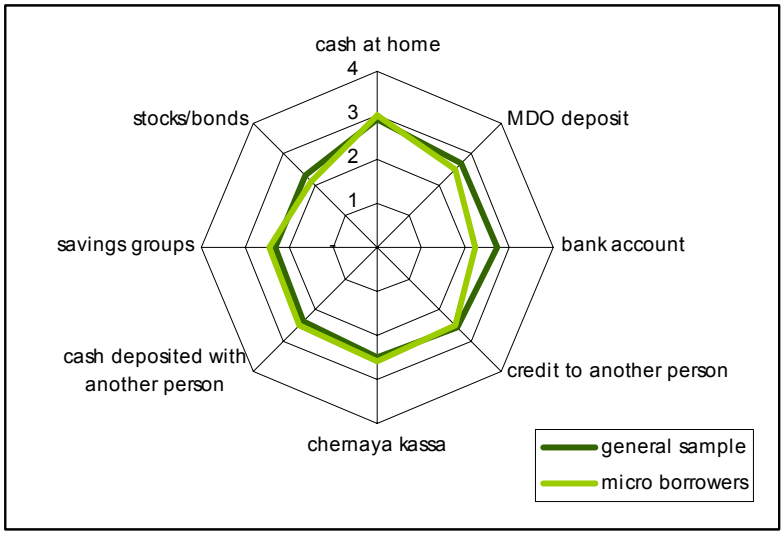
Again, as in the case of safety, non-users of financial services assessed the profitability of keeping cash at home much higher than owners of bank accounts or money transfer operator users.

Micro borrowers evaluated the profitability of MDO and bank accounts significantly higher than the general population.

Accessibility/liquidity

Cash kept at home is recognized to be the most accessible form of keeping savings. While the MDO and bank deposits were found by the general population to be less liquid, micro borrowers assess the liquidity of bank accounts significantly lower than that of MDO accounts, even lower than cash lent to or deposited with another person or in 'chernaya kassa'.

Figure 64: Perception of the liquidity of money in various forms



6.3. Attitudes toward microfinance institutions

6.3.1. Customers' current perceptions of institutions

The majority of borrowers (75%) have never borrowed from any other MFI than the one that they are currently the customers of. Those who did were attracted to the current one by good service and appropriate loan conditions.

Figure 65: Reasons for choosing the MFI from which currently borrow

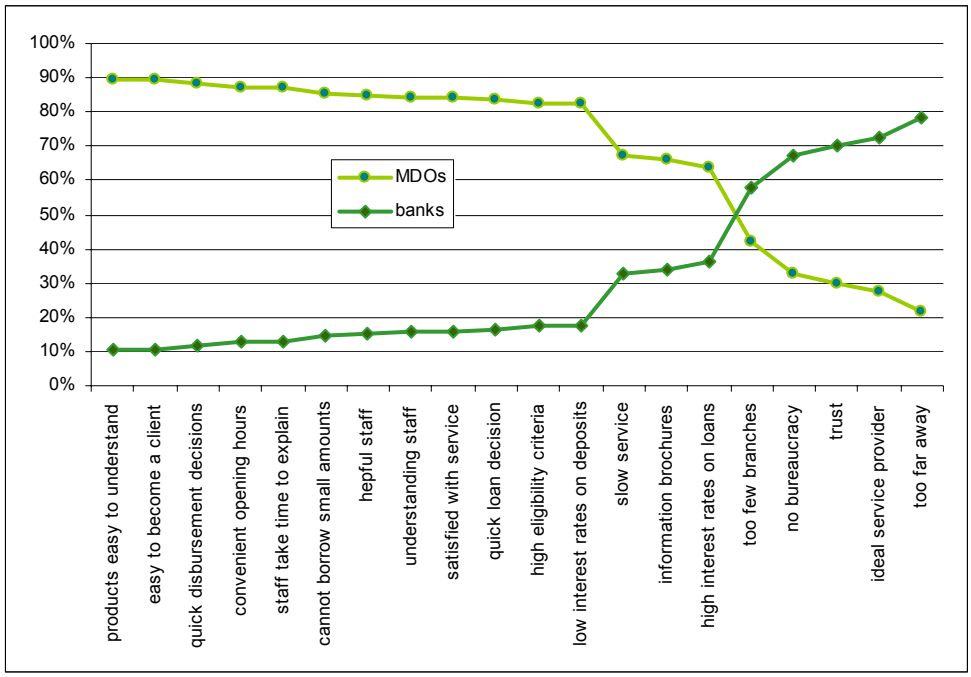
	% borrowers who switched from another MFI
Good service	39%
Suitable loan conditions	37%
Recommendation from friends	12%
Trust	6%
Proximity	4%
Other	2%

Microcredit clients have generally a very good opinion about MDOs as compared to banks. They value MDOs for the accessibility understood not only as convenient opening hours, but also as the simplicity of products, easiness to become a client and simple disbursement procedures (short time from application to disbursement). MDOs are also praised for their customer service – helpful and understanding staff who commits their time to satisfy the client needs. However, MDOs are also often associated with low interest on deposits and high interest rates on loans.

Banks, on the other hand, are seen as more trustworthy, and, in the end, they are considered to be an ideal service provider, although not always accessible because of the distance and limited number of branches.

Interestingly, MDOs are more often than banks regarded as having high eligibility criteria, and providing large loans but this opinion is likely to result from the lack of familiarity with bank services. The majority of microcredit borrowers do not currently use any bank services and they may mistakenly think that bank requirements are easier to meet or that it is easier to get a small loan from a bank.

Figure 66: Attributes associated with MDOs and banks (borrowers)



On the other hand, the users of banking services (18.5% are bank clients) have a better opinion about the quality of bank services, in particular about the customer service and convenience. If given a choice, 32% of the responding micro borrowers would prefer to borrow from a bank rather than an MDO, and this preference was more often seen among the borrowers with bank accounts.

A quite surprising finding is the perception of bureaucracy. MDOs were found to be more bureaucratic than banks and this opinion was shared by almost 70% of the respondents. Lack of bureaucracy was associated with a trustworthiness of the institution and with the opinion of being the ideal service provider.

All in all, **66% of the microfinance clients would like to deposit their money in an MDO**. The remaining ones prefer to use all their money for business purposes, keep money at home or would not entrust their money to this institution.

6.4. Expectations toward deposit products attributes

The interest in using the deposit products and the opinion about the features of a potential new product were verified through the product concept test during which respondents were presented two product concepts – a fixed term deposit in USD and a semi-liquid somoni-denominated deposit with restricted withdrawals but also with an option of additional pay-ins.

6.4.1.Term deposit in USD

Figure 67: Description of the deposit products terms

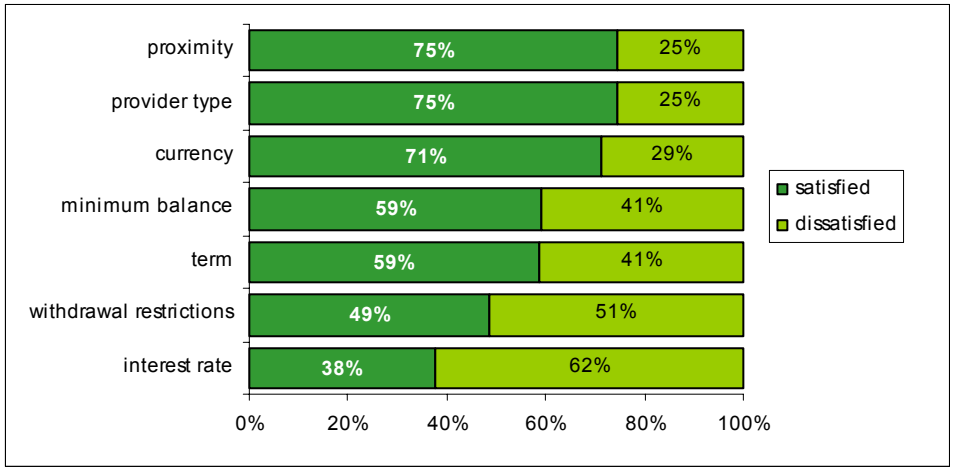
Term	6 or 12 months with a possibility to extend it
Currency	USD
Minimum balance	100 USD
Interest rate	Fixed rate of 10% p.a. paid at the end of the term
Withdrawal restrictions	You need to keep the full amount until the end of the term, otherwise no interest is earned
Provider	Microcredit-deposit institution (MDO)
Proximity	The product is offered in the town where you live or in the nearest town to your village

6.4.1.1. General population

Interest in using the product

Respondents were generally satisfied with the conditions of the deposit product presented in the concept test. The highest satisfaction brought the fact that the product was offered by an MDO close to the place of living of the respondent as well as the currency (USD). The respondents were less happy with the minimum balance and the term of the deposit but the lowest appreciation was given to the interest rate and withdrawal restrictions. The average satisfaction index was 2.68 (max.4) indicating overall neutral attitude towards the product.

Figure 68: Satisfaction with the product features of a term deposit (general population)



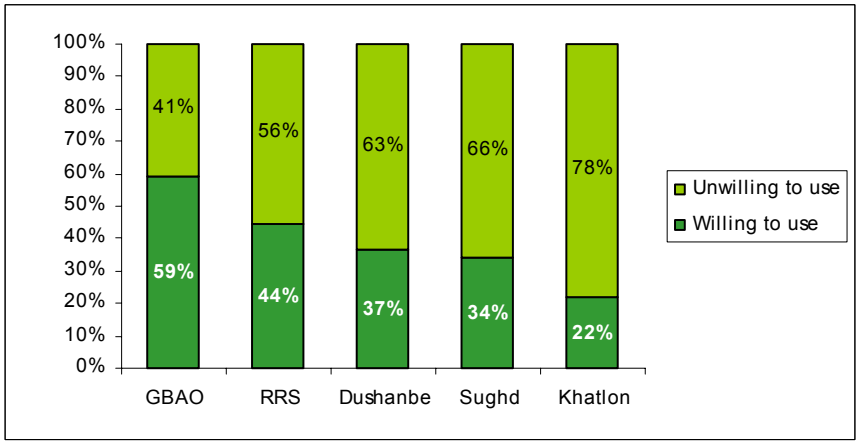
33% of the respondents were willing to deposit their savings in the presented term deposit account. The interest was the highest in the GBAO and RRS regions and the lowest in the Khatlon region.

Households interested in the product are not poor – they have lower poverty index and higher income per capita. They also perceive their financial situation as good and feel prepared for emergencies. As for the psychological characteristics of the respondents interested in the product – they are internally-driven, have higher trust in financial institutions, government, businesses, but not other people.

Among those interested in the product there are savers and non-savers, with or without any money put aside for emergencies. Those who save manage to put aside larger amounts of money per month but, given the irregularity of saving, the total value of annual savings does not differ between those interested in the product or those who are not.

Those interested in the product are more likely to use financial products – they more often already have a deposit account, use credit and insurance. Savers often keep surplus cash on a bank account, rather than at home.

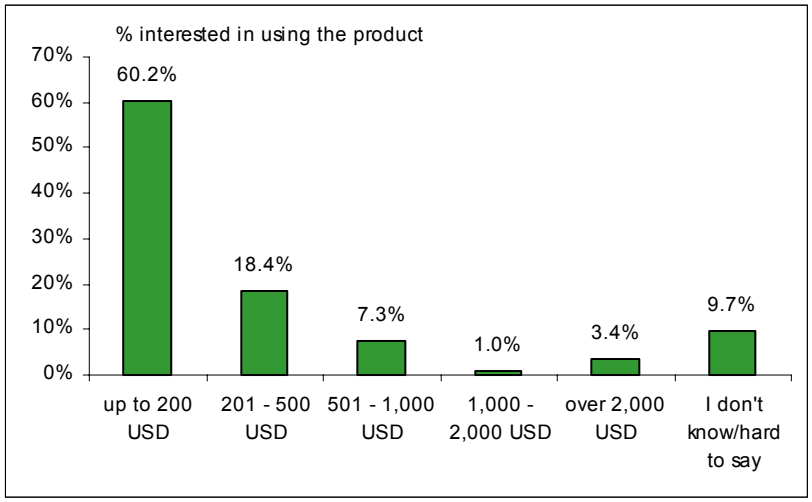
Figure 69: Interest in using the term deposit product by region (general population)



Annual value of deposits

Well over half of the respondents interested in depositing their money in the term deposit account would contribute up to 200 USD during the year. The average value of the deposit in relation to the annual income of the household would reach 19%.

Figure 70: Declared annual value of savings to be deposited in a term deposit account (general population)



In Dushanbe and GBAO people declared the willingness to deposit larger amounts. Also, households with a younger head of the household, with higher education and the singles were interested in placing more money in this account, as much as people in a better financial situation – with higher income and higher value of savings, as well as the users of financial services. The highest values were declared by those who keep cash at home in USD, receive remittances from abroad and those engaged in business.

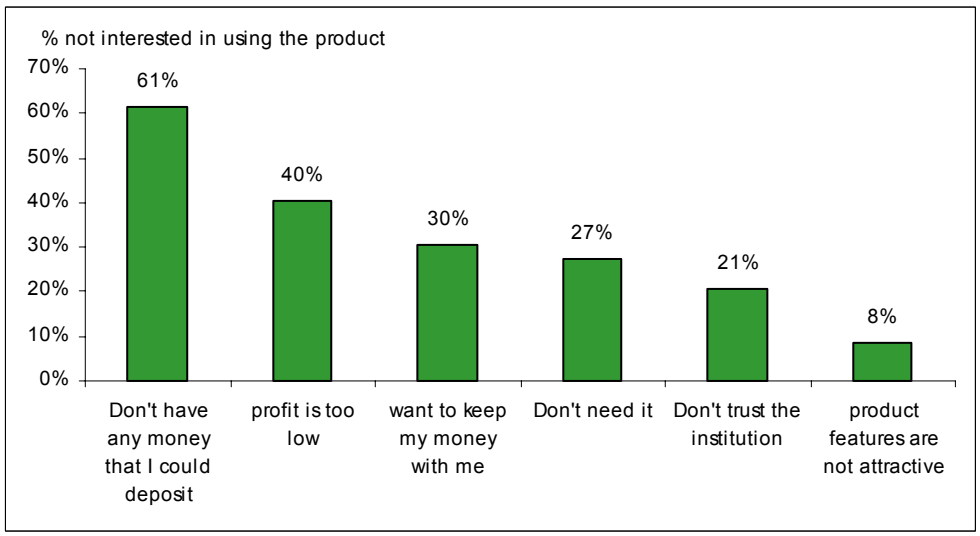
Also, respondents using financial services such as bank accounts, insurance and credit declared the willingness to deposit larger amounts.

Unwillingness to use

67% of respondents did not wish to deposit their money in the proposed term deposit account. The main reason was the lack of money to deposit (61% of respondents) and the dissatisfaction with the interest rate offered (40%). A significant share of people excludes themselves from using a financial product as they are satisfied with other ways of keeping their savings (not in a financial institution).

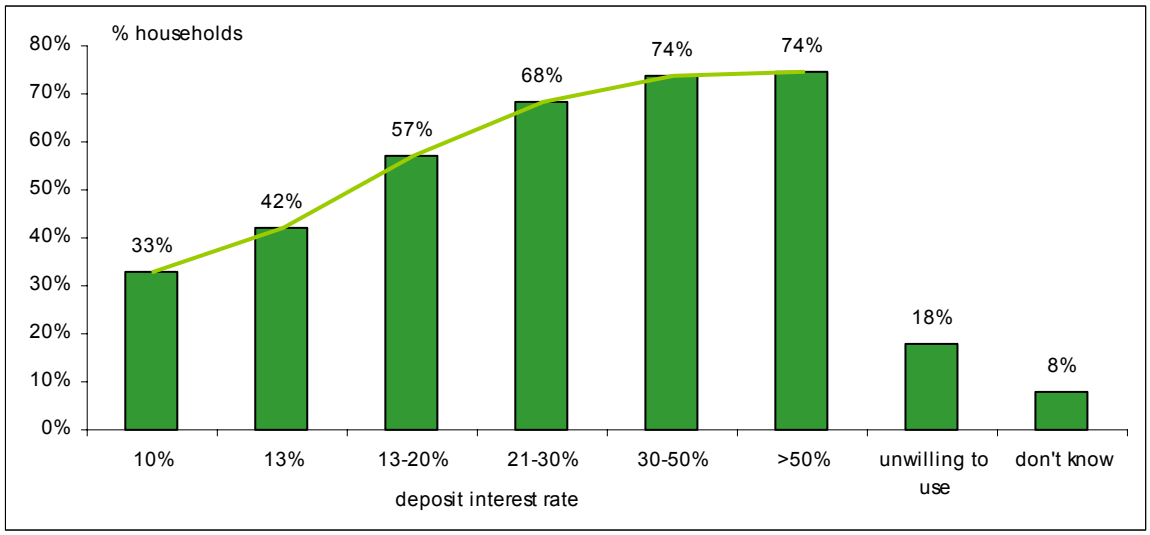
Although trust towards MDOs is the second least important factor behind the unwillingness to use the deposit product it is stated by 21% of respondents. Such distrustful respondents are more often found in the Sughd and Khatlon regions.

Figure 71: Reasons for the lack of interest in the USD term deposit product (general population)



Price sensitivity
Respondents were quite sensitive to the change of the interest rate on the proposed saving product. Increasing the interest rate to 13% would increase the take-up rate to 42% and the product with a 20%-interest rate would attract the total of 57% of the households.
Quite a large portion of the respondents – 18% - were unwilling to use the term deposit product even with the increased interest rate and another 8% were not able to state any preference for the interest rate. This shows that regardless of the interest rate, more than 25% of people will not use the product, and other factors than income determine this decision. These results may be skewed by the current high deposit interest rate which serves as an anchor for comparisons how attractive a product is.

Figure 72: Interest in using the term deposit product with different interest rates (general population)



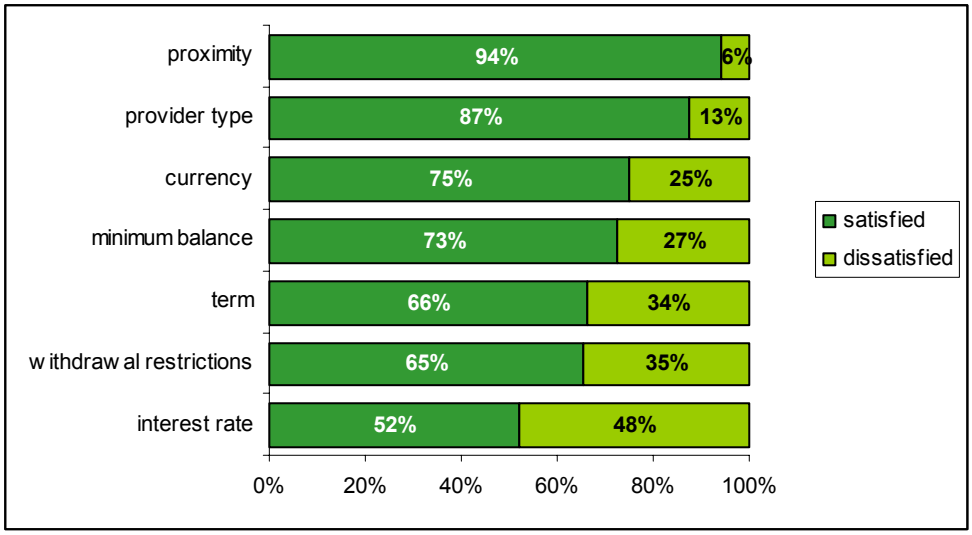
Suggested improvements to the product design
The respondents who were not happy with the term deposit product concept even at a 13% interest rate expressed their ideas for the improvements of the product:

1. Provider: 53% of those unwilling to use the product even with the increased interest rate would like to deposit the money in a bank rather than an MDO
2. Local currency: 37% of the unwilling to use the product would prefer to deposit TJS
3. Lower minimum balance: 32% of those unwilling would like the minimum balance to be 50 USD or less
4. Shorter term: 31% of the unwilling would like to deposit their money for less than 6 months

6.4.1.2. Microcredit clients

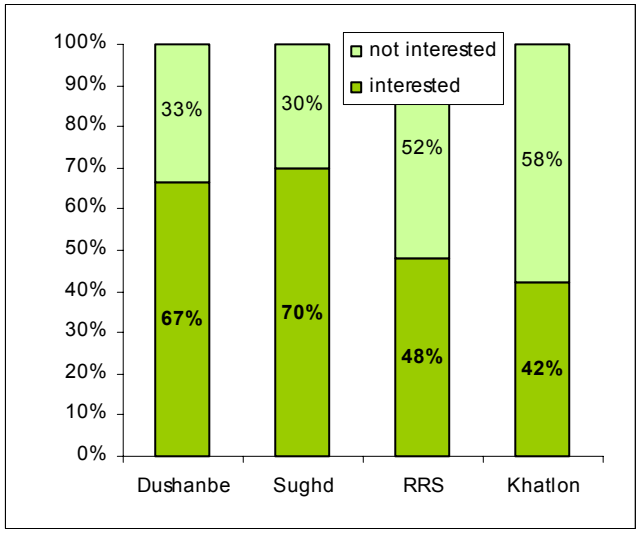
Interest in using the product
Micro borrowers were generally more satisfied with product features although the ranking of the features was exactly the same as for the general population – the proximity was given the highest satisfaction and the interest rate the lowest.
The average overall satisfaction with the product features was 3.1 on the scale from 1 to 4, again higher than for the general population.

Figure 73: Satisfaction with the product features of a term deposit (micro borrowers)



In total, **57% of microcredit clients are willing to use the term deposit product** as described in the product concept, more often in Dushanbe and the Sughd region rather than in the Khatlon region. Households with income from a permanent job and those not engaged in business or agriculture more often liked the product. No differences in the level of income were seen between those who liked and did not like the product. Households interested in the term deposit product are more often savers and more often keep their money in a bank account. There was also no significant difference in the annual value of savings between those interested in the product and those not.

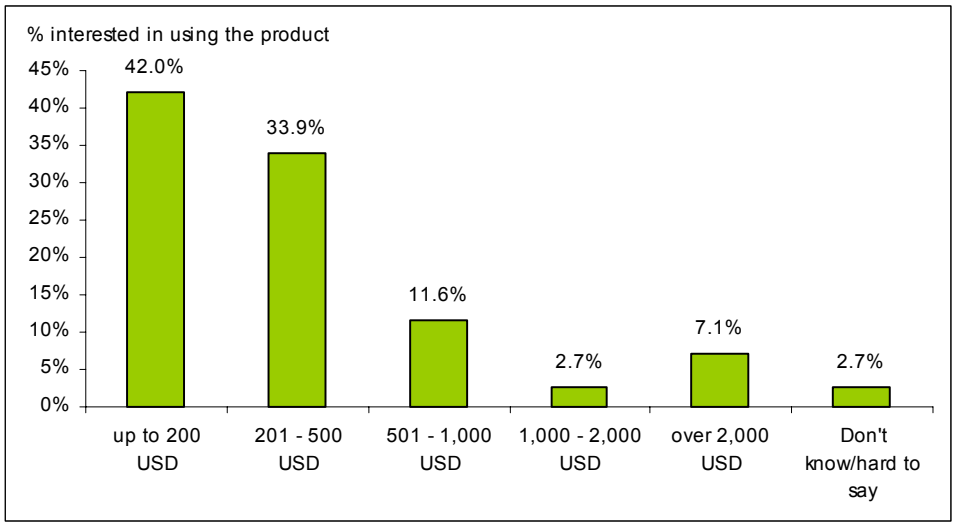
Figure 74: Interest in using the term deposit product by region (micro borrowers)



Annual value of deposits

The amounts of declared deposits are small but a larger number of households than in the general population would deposit 200-500 USD per year. In relation to the annual income the average value of the deposit would reach 16% of the household's annual income – slightly lower than for the general population (19%).

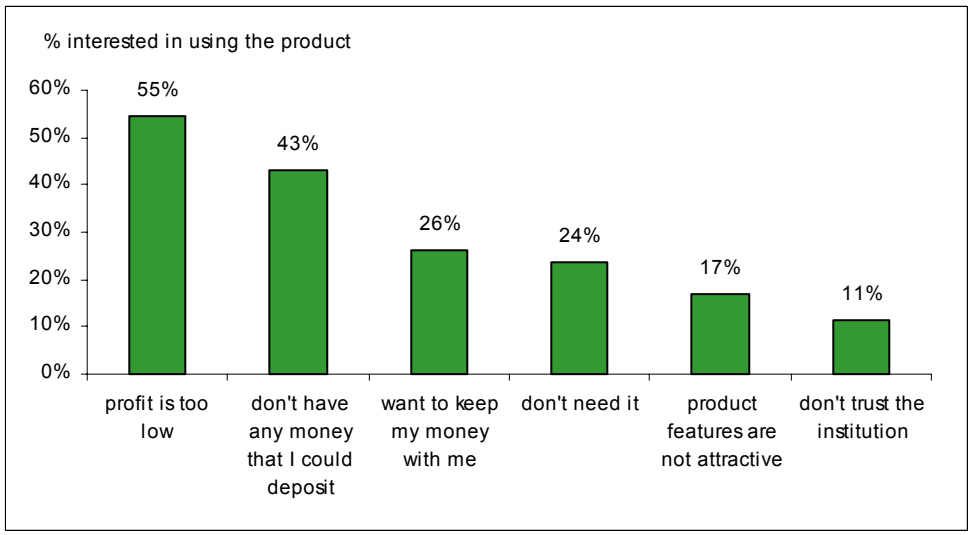
Figure 75: Declared annual value of savings to be deposited in a term deposit account (micro borrowers)



Unwillingness to use

Unlike the general population, the main excluding factor for microcredit clients was low interest rate, followed by the lack of funds which could be deposited in the account.

Figure 76: Reasons for the lack of interest in the USD term deposit product (micro borrowers)

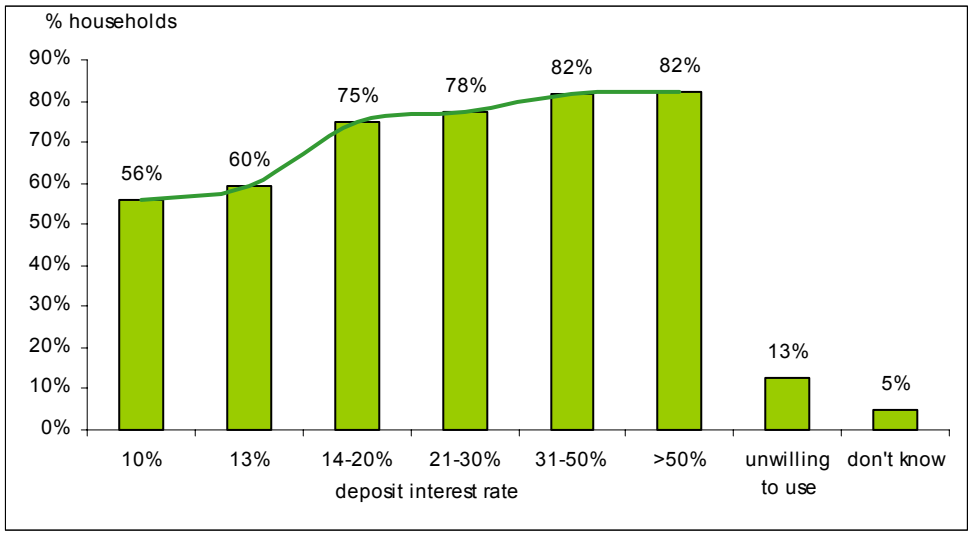


Price sensitivity

Sensitivity to the change of the interest rate is somewhat lower in the micro borrower sample, as a smaller number of clients would be convinced to take up the product with the interest rate increased to 13%. However, a much larger percentage would use the product provided that the interest rate is closer to 20%.

The difference between the two samples also lies in the expectation from a deposit product to generate the returns higher than 20% per year. In the general sample 17% of the respondents would use the product only when the interest rate exceeded 20% while among micro borrowers such expectations were voiced only by 8% of the respondents. For this group, 18% are not interested at all in the product.

Figure 77: Interest in using the term deposit product with different interest rates (micro borrowers)



Those who were not interested in the term deposit even if the interest rate was 13% gave suggestions to the better design of the product:

1. Currency: 33% of the unwilling would prefer to place deposits in TJS
2. Minimum balance: 26% of the unwilling wished to have lower minimum amount of the deposit, preferably of less than 50 USD
3. Provider: 20% of the unwilling would prefer to deposit their money in a bank
4. Term: 14% would like to have an opportunity to deposit their money for less than 3 months

6.4.2.Semi-liquid deposit account with additional pay-ins

Figure 78: Description of the semi-liquid deposit product

Term	3 or 12 months with a possibility to extend it.
Currency	TJS
Additional payment option	You can make additional payments to the account during the year.
Minimum opening balance	50 TJS
Minimum additional payment balance	50 TJS
Withdrawal options	Only one withdrawal allowed per month.
Interest rate	Fixed rate of 16% per year paid at the end of the term Interest rate on the amount withdrawn before term is 0%, the remaining amount earns full interest.
Proximity and provider	The product is offered by an MDO in the town where you live or in the town nearest to your village.

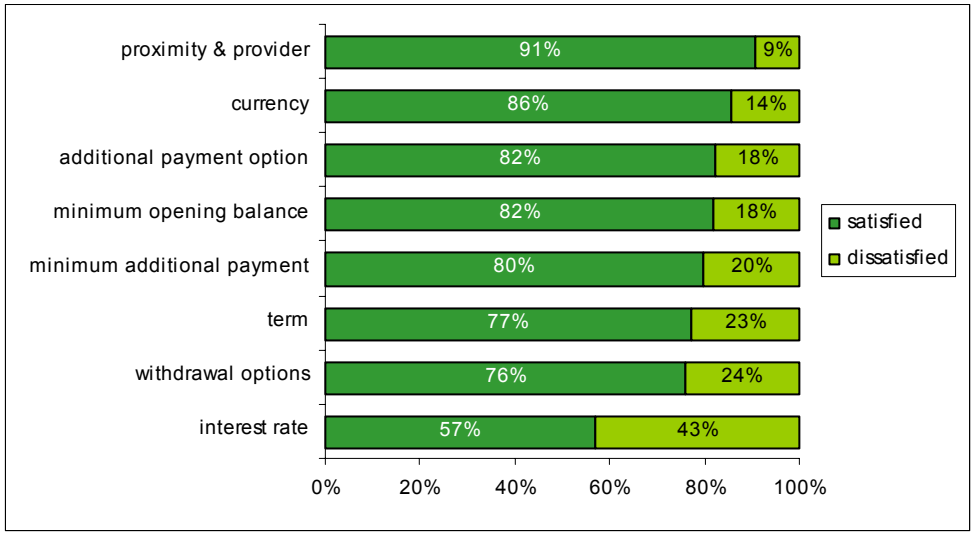
6.4.2.1. General population

Interest in using the product

The semi-liquid deposit in TJS with the option for making additional payments during the term was more appreciated by the respondents than the fixed term USD deposit.

The satisfaction with the product features was higher for this product (average 3.1) compared to the USD term deposit but the ranking of the features was practically the same. The most appreciated was the proximity and the type of institution offering the product and the least liked were withdrawal restrictions and the interest rate. Almost half of the respondents were satisfied with all product features.

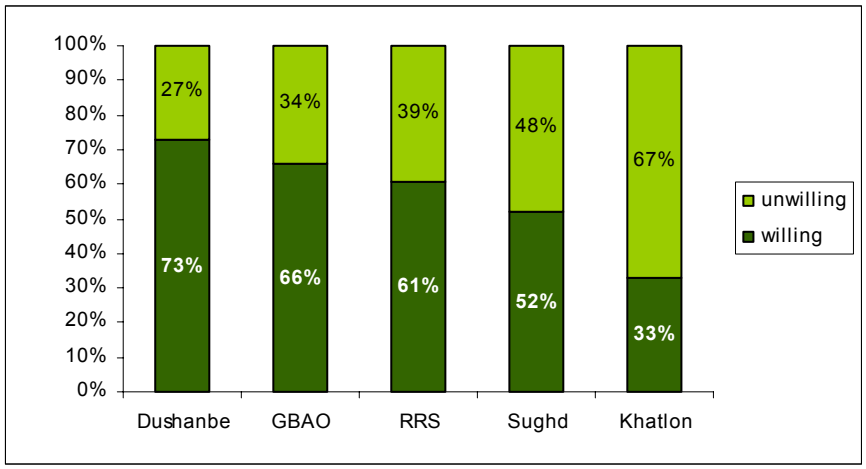
Figure 79: Satisfaction with various product features (general population)



Altogether, **50% of the respondents were interested to deposit money** in this type of an account. The interest was the highest in Dushanbe (the lowest in the Khatlon region), among households with a young household head of less than 40 years old and with higher education. More often someone in the household has a permanent job and less often they engage in temporary jobs or trade.

Households interested in the product are not poor – they had lower poverty index and higher average income per capita. They also perceive their financial situation as good, feel prepared for emergencies, and have higher perception of their ability to manage money.

Figure 80: Interest in semi-liquid deposit product by region (general population)

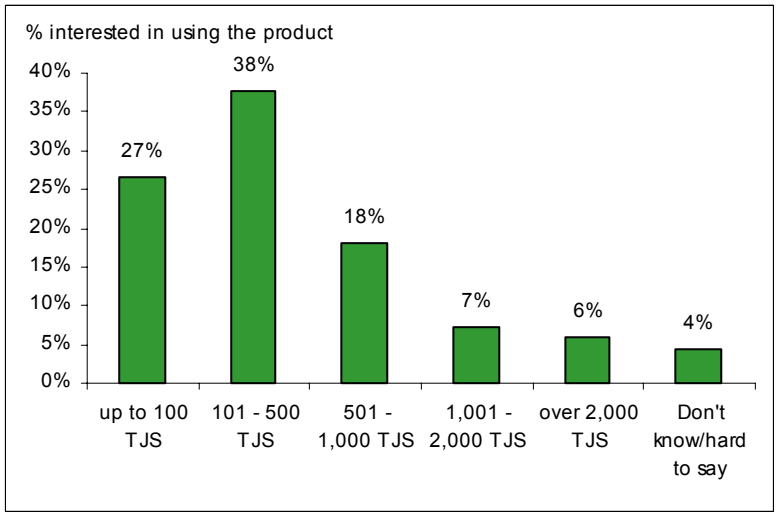


Among the interested in the product there were savers and non-savers, with or without any money put aside for emergencies, but the majority are savers by nature who always try to save. Those who manage to save often keep surplus cash in a bank account, rather than at home, participate in 'chernaya kassa', but also more often buy goods for later use rather than keep cash. Those interested in the product are also more likely to use other financial services such as credit or insurance.
As for the psychological characteristics of the respondents interested in the product – they are internally-driven, have higher trust in financial institutions, businesses and also other people.

The type of currency in which the respondents keep their cash (at home or in a financial institution) did not influence the choice of the product.

Annual deposit value
The largest share of the respondents interested in the product would deposit between 100 and 500 TJS per year. The average value of the deposit in relation to the household's annual income would reach 9.6%, which is twice lower than for the USD term deposit.
In Dushanbe and GBAO people declared the willingness to deposit larger amounts. Also, households with a younger head, with higher education and the singles were interested in placing more money on this account.

Figure 81: Distribution of the interested in using the product by the annual value of prospective deposits (general population)

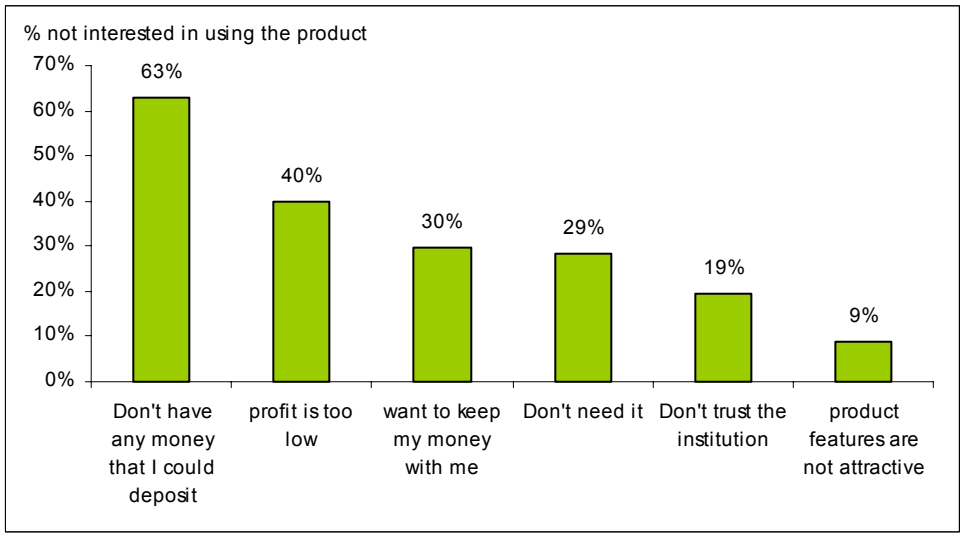


The highest values were declared by people in a better financial situation – with higher income and higher value of savings - and those who keep cash at home in USD or Euro. Also, respondents using financial services such as bank accounts, insurance or credit declared the willingness to deposit larger amounts.
The amount of declared deposits was also correlated with the level of trust – respondents who trusted banks and other people but distrusted the government were more willing to deposit larger amounts.

Unwillingness to use

The reasons for the lack of interest in the product were the same as in the case of the term deposit. The largest share would not use the deposit product because of the lack of sufficient income. The second reason was the dissatisfaction with the interest rate. The other reasons included self-exclusion stated as the preference for other forms of keeping the money.

Figure 82: Reasons for the unwillingness to use the semi-liquid deposit product (general population)

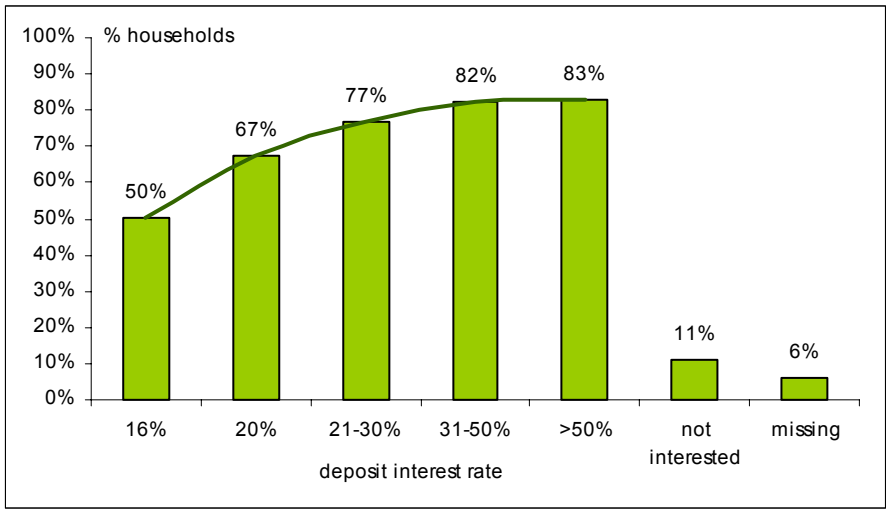


Although the lack of trust was one of the least important reasons, it was mentioned by 20% of the disinterested in the product.
These respondents had low general trust not only in financial institutions but also in private businesses or other people. The lack of trust stated as a reason for the rejection of the product is seen more often among households with at least one person employed on a permanent position. They are also in a large part excluded from the financial system as most of them do not use any financial services although have some experience with using insurance and passbooks in the past. Distrustful respondents save, although irregularly, and predominantly keep their cash at home, not in any financial institution because of the lack of trust. They are generally not interested in opening any type of deposit with any financial institution.

Price sensitivity

Expectations towards the financial returns on the deposited funds were further examined through the sensitivity analysis. Increasing the interest rate by a quarter to 20% would attract additional 17% of the households and raising it by more than half to 30% would bring another 10% of the potential users.
Still, 11% of the respondents would not deposit any TJS in the semi-liquid deposit account, no matter how high the interest rate was.

Figure 83: Distribution of the potential clients by the interest rate expectation (general population)



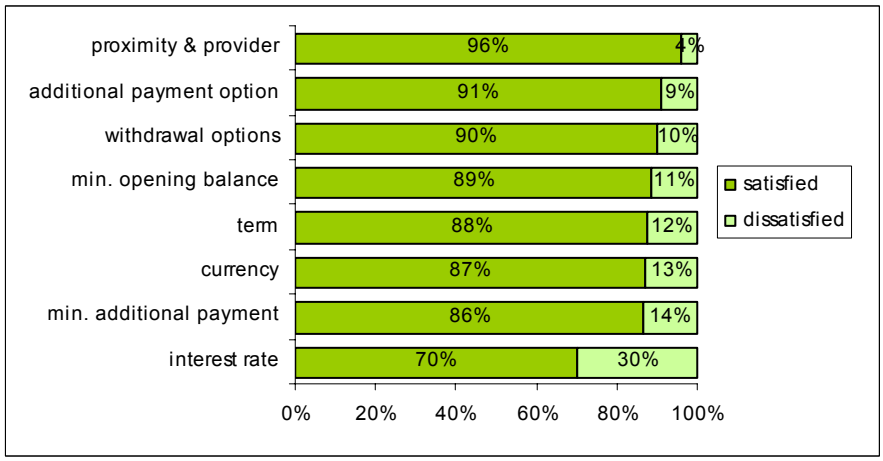
Suggested improvements to the product design
Further improvements to the product design stated by those who were not interested in the product with an interest rate increased to 20% included:

1. Provider: 42% of the unwilling to use the product even with a higher interest rate would reconsider their choice if the product was offered by a bank.
2. Withdrawal options: 17% would be willing to use the product if they could make withdrawals twice a month.
3. Term: 16% of the unwilling to use would prefer to deposit their money for more than 3 months but less than a year. 13% would like to place a deposit for less than 3 months.
4. Minimum balance: 13% would prefer the minimum balance of less than 50 TJS and 20% would prefer the lower minimum for the additional payment.
5. Currency: 10% would prefer a dollar deposit account.

6.4.2.2. Microcredit clients

Interest in using the product
The vast majority of micro borrowers were satisfied with all product features. Compared to the general population they were more satisfied with each product feature. The average satisfaction was 3.5, well above the average on a scale from 1 to 4. The option of the additional payment, which gained considerably lower score in the general sample was more highly appreciated. Only the interest rate was much lower evaluated that the rest of the product conditions.

Figure 84: Satisfaction with the semi-liquid deposit product features (micro borrowers)

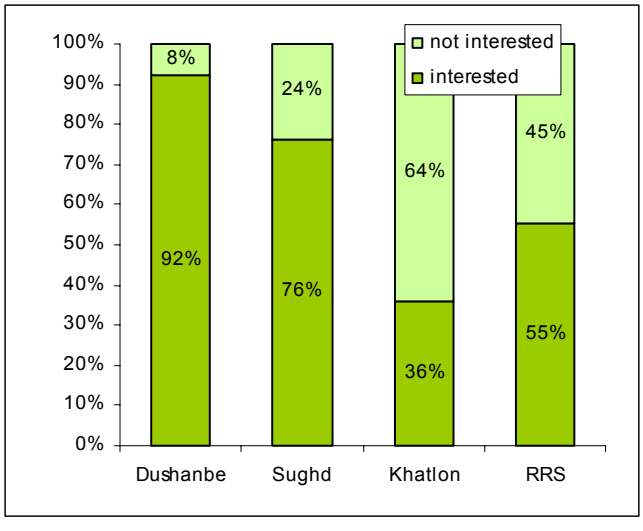


65% of microfinance clients were interested in depositing their money in a semi-liquid account in TJS. Large differences were seen between the regions – while over 90% of the microfinance clients in Dushanbe were willing to deposit TJS in a presented semi-liquid account (more than in the general sample) only 33% were interested in the product in the Khatlon area.

Unlike in the general population sample there were no significant differences in the wealth and the amount of savings possessed by the willing to use the product.

Women were more enthusiastic about the semi-liquid deposit than men. Much as in the case of the term deposit those who are interested in using it do not necessarily save but those who do more often keep their money on a bank account. Like the term deposit product the semi-liquid account attracted the attention of households with income from permanent employment, which do not run businesses and are not engaged in agriculture.

Figure 85: Interest in using the semi-liquid deposit by region (borrowers)

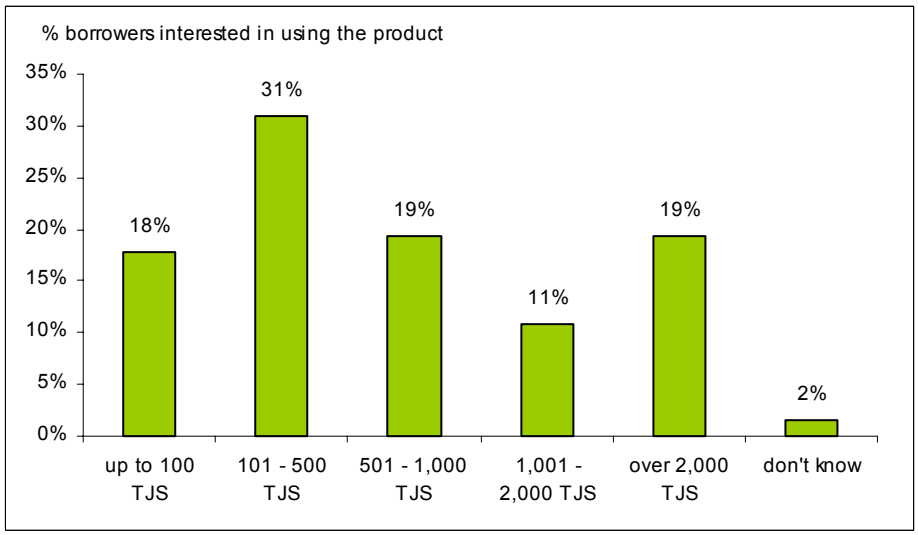


Annual deposit value

Microcredit clients are willing to deposit much larger sums of money compared to the general population. 30% of the borrowers declared the willingness to place over 1,000 TJS per year. In relation to the annual

income the average value of the deposit would reach 8.7%, which is slightly lower than in the general population.

Figure 88: Distribution of those interested in using the product by the annual value of prospective deposits (micro borrowers)

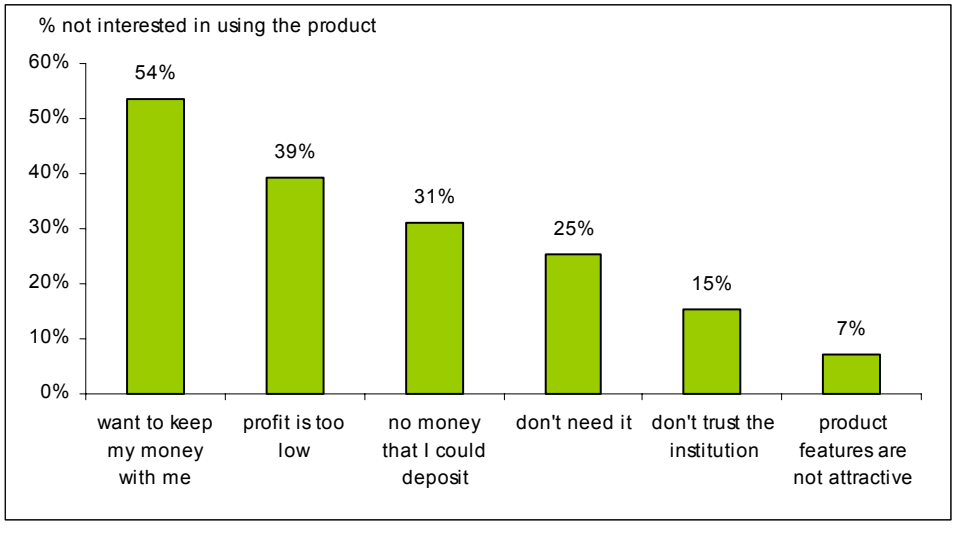


Married men who currently save and invest their money in jewelry, who run their own businesses, have a bank account declared interest in depositing larger amounts per year.

Unwillingness to use

The main reason for the lack of interest in depositing savings in the semi-liquid deposit account was the perception of the necessity to keep money at hand, but it was not directly related with running a business, which may unexpectedly require readily available cash.

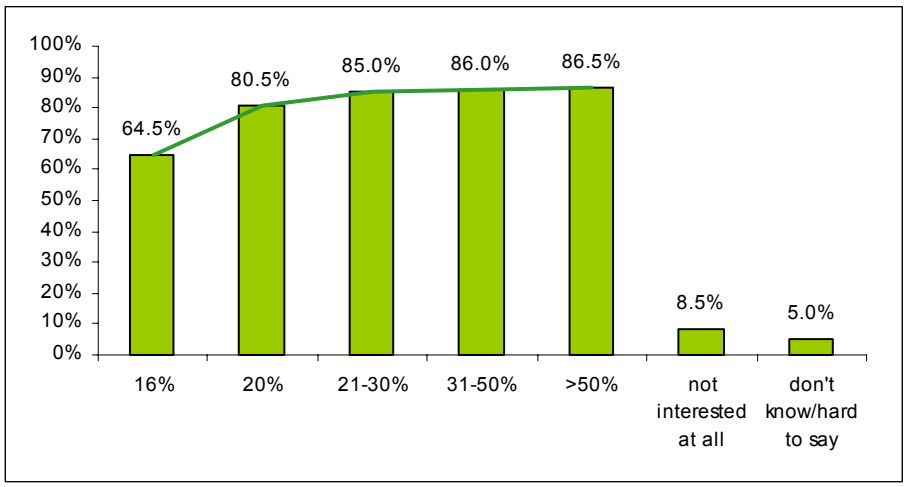
Figure 86: Reasons for the unwillingness to use the semi-liquid deposit product (micro borrowers)



Price sensitivity

The interest rate increase by a quarter would attract additional 16% of the borrower households. Further increases would not significantly change the client pool. 13% of the respondents do not want to deposit their money even at a higher interest rate.

Figure 87: Distribution of microcredit clients by interest rate preference on a semi-liquid deposit



Suggested improvements to the product design

The following ideas for better product design were provided by those who were not interested in the product with an interest rate increased to 20%:

1. Withdrawal options: 20% of the unwilling to use the product even with a higher interest rate would be willing to use the product if they could make withdrawals twice a month.
2. Term: 15% of the unwilling to use would prefer to deposit their money for 1 month and another 10% for 2 months.
3. Minimum balance: 13% would prefer the minimum balance of less than 50 TJS and 10% would prefer lower minimum for the additional payment.
4. Provider: 13% would reconsider their choice if the product was offered by a bank.
5. Currency: 8% would prefer a dollar deposit account.

6.4.3. Comparison of the interest in using the two deposit products

A quarter of respondents from the general population were interested in both products but some other would only be willing to deposit their money in a semi-liquid somoni-denominated deposit (22%) or in a USD term deposit (5%). Respondents with the highest income and those already using banking services were more often interested in both products. The other characteristics that distinguish respondents interested in using any of the two products include: patience to wait for money, trust, internal locus of control and orientation towards always trying to save. The share of savers in this group was the same as in the other groups, but the value of annual savings was higher.

There were some differences between the respondents who chose the semi-liquid TJS account and those who preferred the USD term deposit.

Households in Dushanbe and the Sughd region, younger people below 30, with higher education and not poor preferred the semi-liquid deposit in TJS. Additionally, the respondents who chose this product over the term deposit have more experience in using financial services.

People who always try to save (although may not be successful in doing so) also chose a semi-liquid account. Non-savers among them would start saving if they had a safe place to store their money and the interest rate was encouraging.

The term deposit in USD was preferable for the poorer, less educated households in the Khatlon region. The percentage of saving households in this group was comparable with the share of savers in the group which preferred the semi-liquid deposit. However, the term deposit would-be users who do not save blame it on the lack of sufficient income and also the feeling of the futility of saving. Such non-savers rarely saved

in the past and in order to start saving they would need regular income, but also better money management skills and clear goal.

Those who were not interested in either product were poorer than those interested in one or two deposit products, more often lived in the Khatlon region, had secondary or lower education, engaged in trade or temporary jobs and less often someone in their household had a permanent job. Such households less often use financial services. Respondents who rejected both products are impatient to wait for larger monetary rewards, have the external locus of control and more often are aware of their limited ability to manage finance. Respondents who were not interested in any of the products were just as likely to save as the other respondents but the amounts of saved were significantly lower.

Figure 89: Interest in using a term deposit and semi-liquid deposit products (general population)

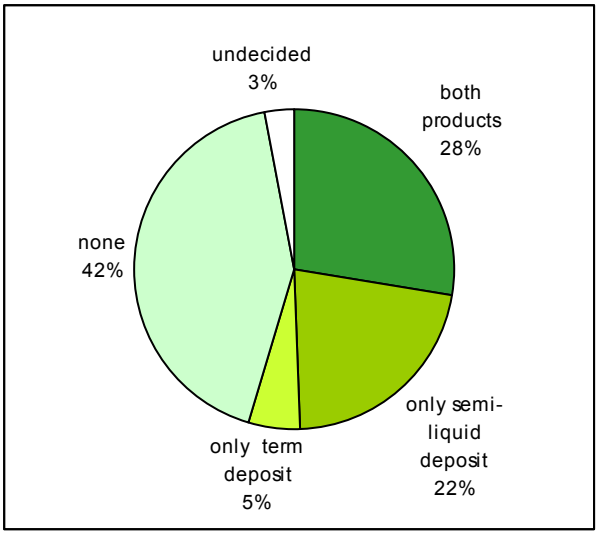
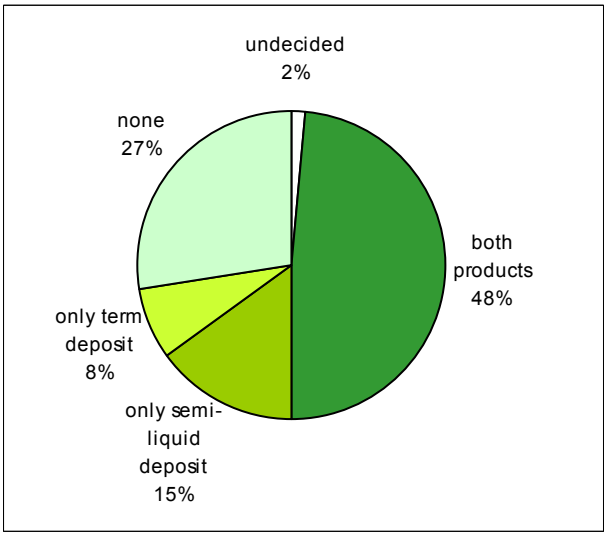


Figure 90: Interest in using a term deposit and semi-liquid deposit products (micro borrowers)



Microcredit clients

Almost half of the micro borrowers would like to use any of the two or both deposit products – many more than in the general sample.

Those interested in both deposit product concepts earn income from permanent jobs, rather than business or agriculture, use banking services, are more trustful and patient to wait for larger money in the future and are more often female and less than 50 years old.

Among borrowers who chose only one product differences are seen between those who prefer the term deposit and those who prefer the semi-liquid account.
The semi-liquid deposit account in TJS was preferred by the non-poor who save money, women in Dushanbe and the Khatlon region. The USD term deposit was more often chosen by poorer non-savers, men in the Sughd region.

Micro borrowers who reject the concepts of both deposit products are more often men likely to be engaged in own business or agriculture, have secondary or lower education and are over 50 years old. More often they reside in the Khatlon region. They are less trustful towards financial institutions and less often use bank products.

6.5. Market Development Projections

As hardly anyone keeps their money in deposit accounts in Tajikistan it is hard to project future deposit market development based on historical trends. The access frontier approach proposed by David Porteous (2005) is useful in projecting the market development.[19] The total market is divided into three segments. Given that access frontier methodology is difficult to apply to products that are not used, the projections are done using both segmentation by saving habits and interest in using the products described in product concept test. This combination allows a much more accurate projection for each of the generic products tested.

Specifically, household were segmented based upon the interest in using the products presented in the concept test, current saving practices and the availability of disposable income. The table below presents the details of the segmentation:

Figure 91: Description of segments in access frontier methodology

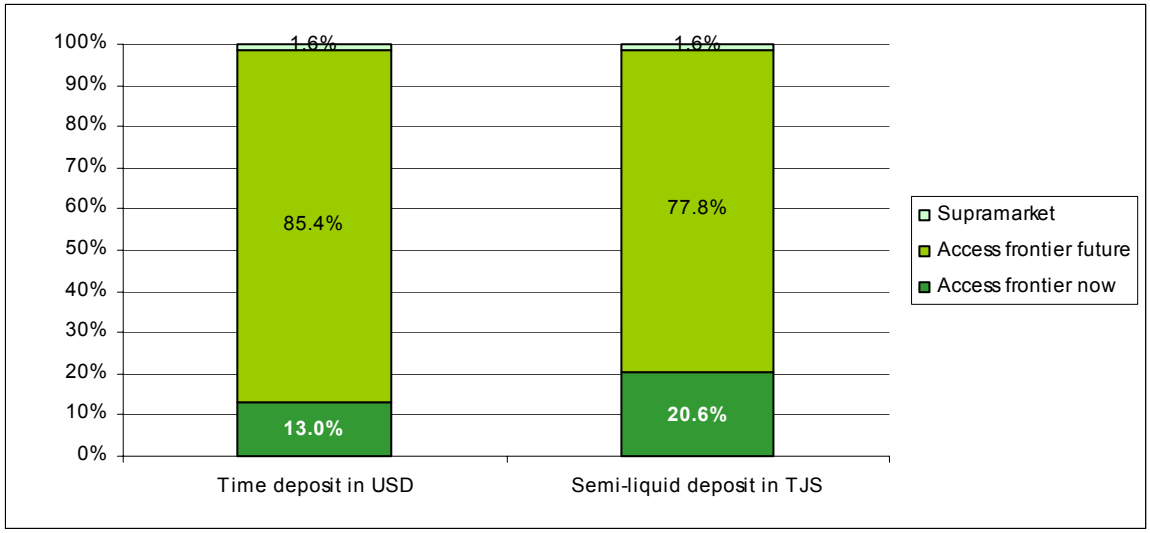
Segment	Description	Definition
Access frontier now	Households which save and are interested in using the product as presented to them.	Savers (Section 6.2.1) and interested in using the product (Section 6.4).
Access frontier future	Saving households likely to use the product in the future if the product features are adjusted to their expectations and non-saving households which will start saving.	1. Savers currently not interested in using the product. 2. Non-savers interested in using the product. 3. Non-savers not interested in the product.
Supramarket	Households which are unable to use the product because of the lack of surplus income.	The destitute – with the poverty index equal 5 (Section 6.1).

6.5.1. General population

13% of households are within the reach with a USD term deposit product and 21% can be readily served with a semi-liquid deposit in TJS (*Access frontier now* segment). These are the households which currently save and like the presented products enough to express their willingness to deposit money in such accounts. Only a small percentage of the households (2%) are out of the reach of the deposit products as they do not generate enough income to cover their basic consumption needs (*Supramarket* segment). The largest segment constitute households which can be reached with the deposit products in the future – currently they are out of the reach for a mix of reasons including lack of saving practices, different product expectations or both.

[19] As explained by David Porteous (2005): "The access frontier approach enables greater understanding of the market development over time from the perspective of who is, and who will be, served by the market over time. The access frontier defines the maximum proportion of the eligible population who use the product under existing conditions. This frontier is likely to shift over time. Considering where it will move in the short to medium term (to the future access frontier) is an important part of assessing the capacity of market solutions to extend access. There is still a group of people whom, largely because of poverty, the market will be unable to touch in the foreseeable future ('the supramarket group'). For this group, the state may decide to supply the service directly or regulate existing institutions to provide it (i.e. forced cross subsidy).

Figure 92: Distribution of households by market segments



The conversion of percentages into the number of households[20] shows that over 140 thousand of households in Tajikistan would like to deposit their money in a USD term deposit and almost 225 thousand households is interested in placing TJS in a semi-liquid deposit account.

Figure 93: Number of households in each segment (general population)

	Number of households	
	USD term deposit	TJS semi-liquid deposit
Access frontier now	141,556	225,826
Access frontier future	932,589	856,349
Supramarket	18,192	17,887

The largest number of households in the *Access frontier now* segment for a USD term deposit product is seen in the Sughd region, closely followed by Dushanbe. In the case of the semi-liquid deposit product these two regions show the similar level of interest, closely followed by the other regions except GBAO, where the number of interested households is the lowest.
The future market is located predominantly in the Khatlon region, where about 300 thousand households form potential product users in the future (*Access frontier future*).

[20] According to the Tajikistan Living Standards Measurement Survey 2007 the total number of households in Tajikistan reaches 1,117,949. As some of the respondents did not answer respective questions the total number of households in all segments does not add up to the total number of households in the country.

Figure 94: Number of households in each market segment for the USD term deposit by region (general population)

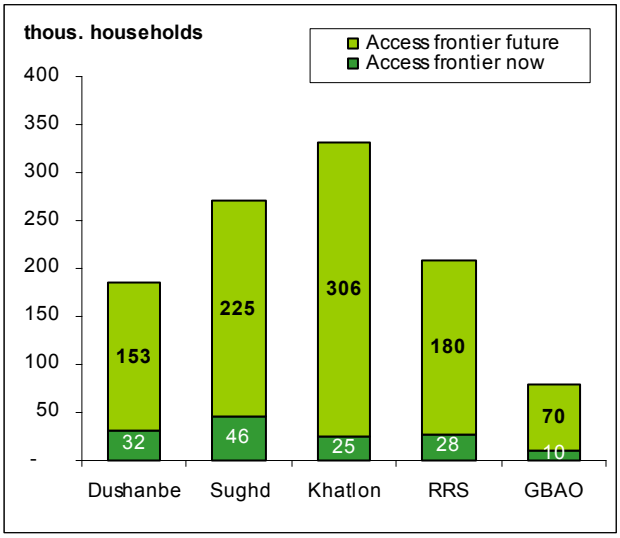
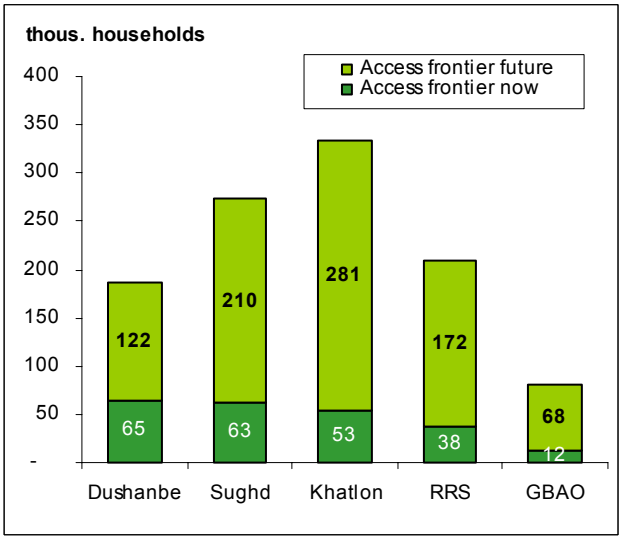
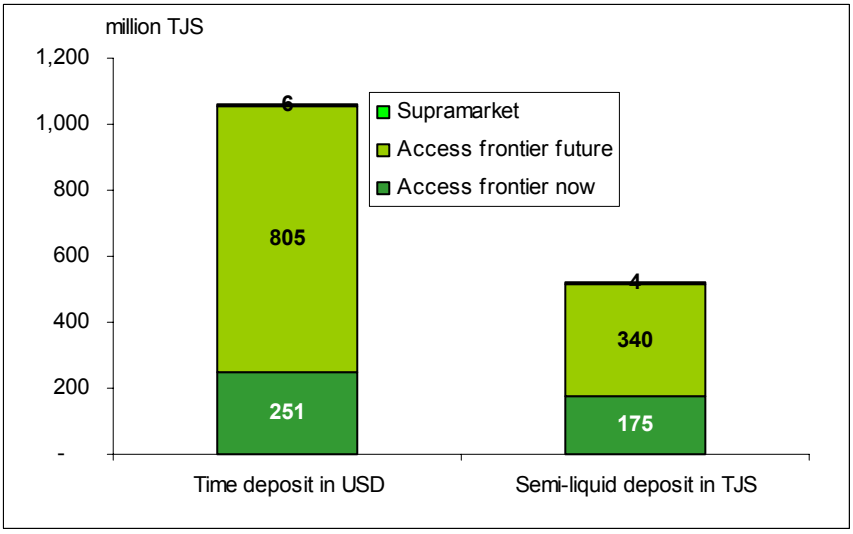


Figure 95: Number of households in each market segment for the semi-liquid TJS account by region (general population)



As most of the respondents stated the amounts which they would be willing to deposit in the presented accounts, it is possible to assess the value of the potential market.
Households now within the access frontier would be willing to deposit the total of 251 million TJS per year in a USD term deposit and 175 million TJS in a semi-liquid deposit account denominated in TJS.
A much higher value of the market can be obtained in the future, reaching over 1 billion TJS per year in a term deposit and over 0.5 billion in a semi-liquid account.

Figure 96: Estimation of the total value of deposits that can be accumulated in the proposed deposit accounts (general population)



The largest market in terms of the total value of deposits is found in Dushanbe, where 116 million TJS could be raised in USD term deposits and 74 million TJS in semi-liquid deposits in TJS.

Figure 97: Estimation of the total value of deposits that can be accumulated in the USD term deposits by region (general population)

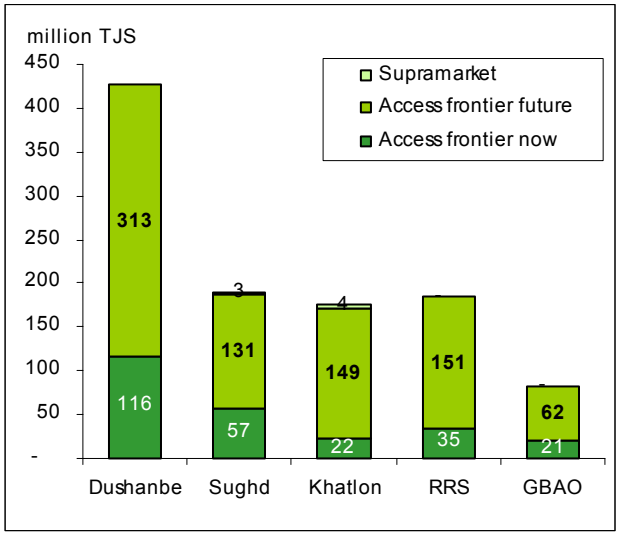
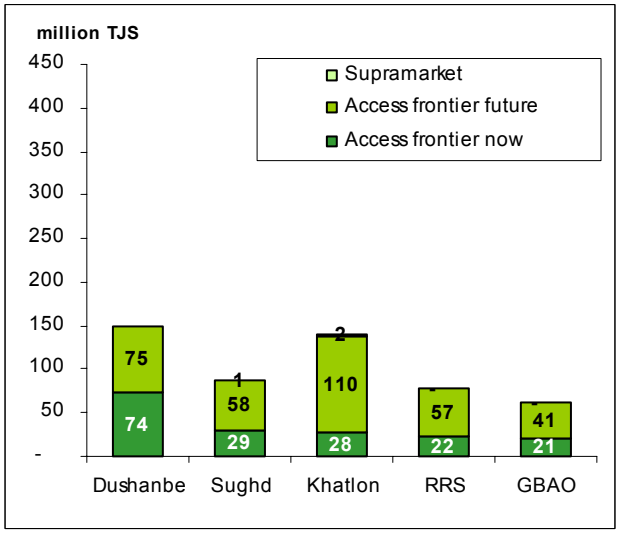


Figure 98: Estimation of the total value of deposits that can be accumulated in the TJS semi-liquid deposits by region (general population)



6.5.1.1. Characteristics of the *Access frontier now* segment

In order to better understand the households which fall into the segment ready to use the presented deposit products the comparative analysis was conducted. As all households in the *Access frontier now* segment are savers, they were compared with savers who were classified into the *Access frontier future* segment for their lack of interest in the deposit products presented during the concept test.

Household characteristics

Savers in the *Access frontier now* segment live on higher income and in the case of a financial constraint they turn to a financial institution for help (bank, MFI, pawnshop/moneylender) rather than friends or family. Compared to savers from the *Access frontier future* they more often perceive their financial situation as better, are prepared for financial emergencies and pay bills on time.

Psychographic features

People in this segment are more trustful, especially towards businesses, banks and non-bank financial institutions. Therefore, they are more confident about the security of the money kept in a bank or an MDO. They also think that depositing money in a bank account will bring returns.

People in this segment have more often an internal locus of control and are patient to wait for larger rewards in the future.

Financial behavior

Households from the *Access frontier now* segment save larger amounts (2,500 TJS). Although there are no differences in the current credit use, savers from the *Access frontier now* more often used credit in the past 3 years and think they would have easier access to credit if needed. Households in this segment more often than savers in the *Access frontier future* lend their savings to other people.

Financial inclusion

Households in this segment are included in the financial system – they more often use bank accounts, plastic cards and insurance.

About 20% of them (23% and 18% of the households, respectively for the term and semi-liquid deposit products) already keep their money in a bank account. This distinguishes them from savers in the *Access frontier future* segment where households less often have bank deposits.

Those who do not keep their money in a financial institution do so mainly because they do not want anyone to know how much money they have.

They are also more familiar with products of financial institutions in the area where they live (even those who are not depositors with any kind of a financial institution). They learned about them from marketing materials rather than from friends and family.
If they received a large sum of money they would be more willing to deposit it in a bank, rather than spend on current consumption.

6.5.1.2. Characteristics of the *Access frontier future* segment

The *Access frontier future* consists of the respondents, who for some reason were not interested in the presented deposit products.

Three groups can be distinguished in the *Access frontier future* segment:

- excluded by the product design – savers not interested in the product
- excluded by the habit – non-savers interested in the product
- excluded by the product design and the habit – non-savers not interested in the product

In the case of the USD term deposit the largest group (44%) constitute the respondents who do not save and also did not like the product. However, 32% fall into the group of potential users who would be interested in the product if some of its features were changed. The smallest group consists of those who do not save, but like the product features.

Figure 99: Distribution of the respondents in the *Access frontier future* segment into three sub-groups (general population)

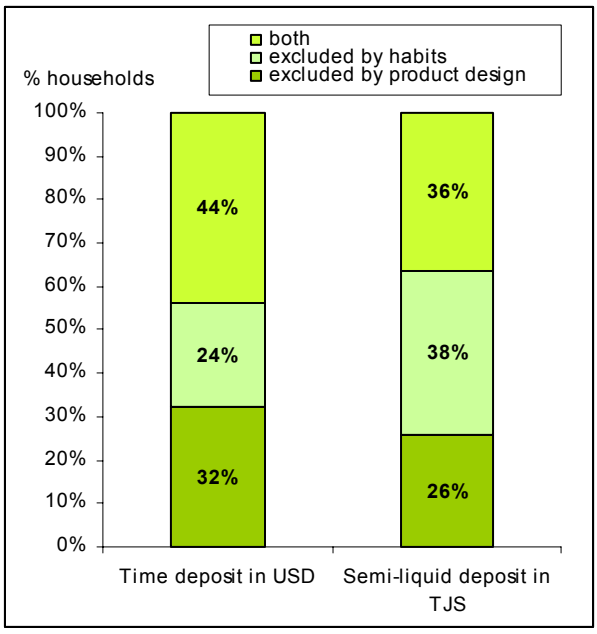
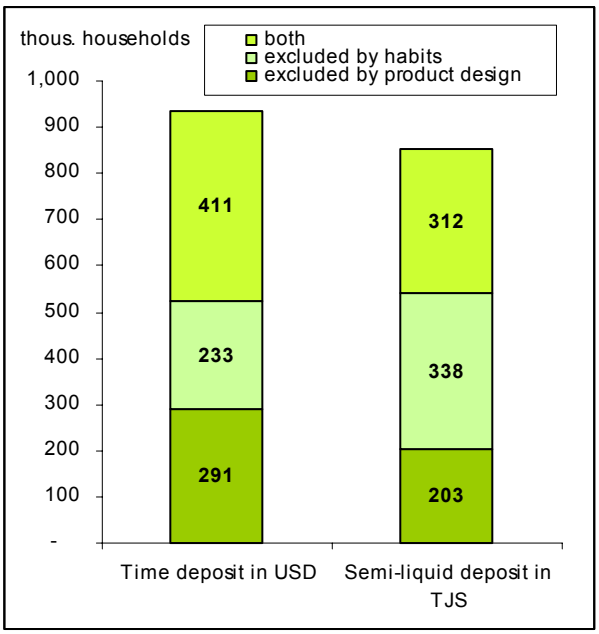


Figure 100: Number of households in each sub-group of the *Access frontier future* segment (general population)



Savers excluded by the product design

Savers who were not interested in using the presented deposit products are on average poorer than those from the *Access frontier now* segment. They more often have difficulties in getting enough income to pay for the necessities and in such cases rely on friends and family to help.

They more often live in the Khatlon region, saved smaller amounts per year (average of 1,500 TJS) and less often keep their money in a deposit account (6.5%) or use other financial services. Savers not interested in the presented products who do not keep their money with a financial institution do so mainly because of the lack of sufficient income, do not have regular income, because they think they do not have sums large enough to deposit them in an account (not meeting eligibility criteria), or because they do not know how to open an account. They are less familiar with product features offered by banks and when they learn about them it is more often from friends and family rather than marketing materials or advertising.

More people in this group have the external locus of control, are less patient to wait for larger sums and also less trustful towards financial institutions.

Excluded by the lack of the habit of saving

Respondents who do not save but liked the presented products differ from those non-savers who were not interested in the deposits in several characteristics. They are trustful towards businesses and financial institutions and patient to wait for the money. They are in better financial situation and although do not save, they feel prepared for financial emergencies. They are willing to start saving in a financial institution and already have some knowledge about financial products offered in their area of residence.

They are more often found in the RRS and Sughd regions.

Less than 40% of the respondents in this segment would like to start saving but they would need more motivation and discipline.

Excluded by the lack of saving habit and lack of interest in the deposit products

Those who do not save and do not like the presented products are poorer, to a larger extent trust other people rather than financial institutions or businesses and are less often willing to start saving with a financial institution. About one-third of the respondents in this segment would like to start saving, provided that they have more or regular income.

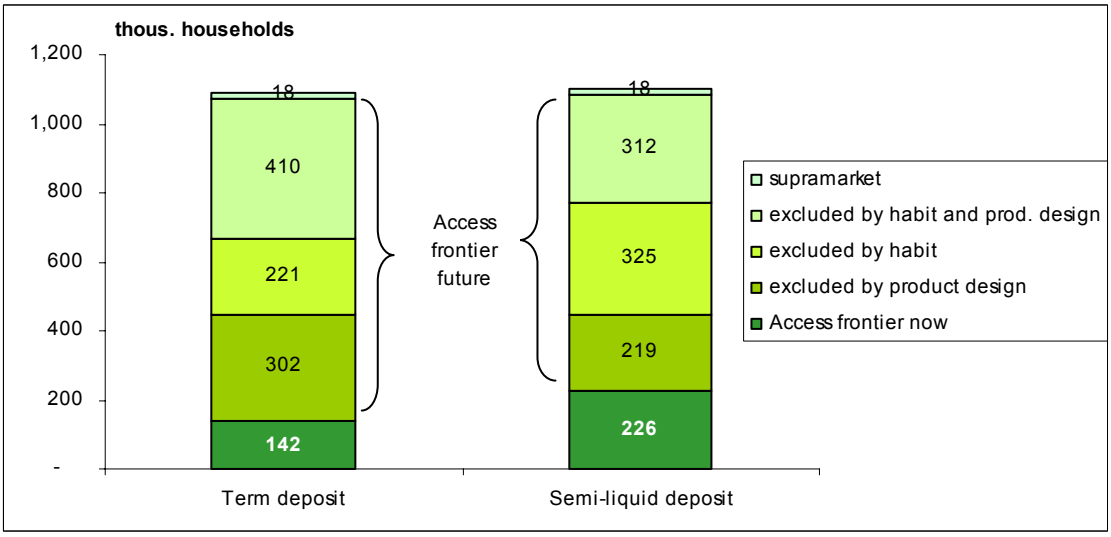
There were no differences in the use of most of the financial services between the two groups.

To summarize the potential market for the proposed deposit products[21]:

- 226 thousand households can be reached with a semi-liquid deposit denominated in TJS and 142 thousand households can be reached now with a USD term deposit (*Access frontier now* segments);
- another 302 thousand households can be reached in the future with a term deposit and 219 thousand with a semi-liquid deposit if product features are adjusted to the expectations of the potential clients (*Access frontier future* – savers unwilling to use the presented products);
- 221 thousand and 325 thousand respectively for each deposit product can be served in the future if the potential clients start saving (*Access frontier future* – non-savers interested in the products);
- 410 thousand and 312 thousand respectively will not be reached until they start saving and the new products are designed to specifically address their needs (*Access frontier future* – non-savers not interested in the products);
- Finally, the remaining 10 thousand households are destitute and experience shortages of income to cover basic needs for food and shelter – they require assistance form social services or humanitarian agencies (*Supramarket*).

[21] According to the Tajikistan Living Standards Measurement Survey 2007 the total number of households in Tajikistan reaches 1,117,949. As some of the respondents did not answer respective questions the total number of households in all segments does not add up to the total number of households in the country.

Figure 101: Size of the segments of potential users of the term deposit and semi-liquid deposit accounts (general population)



6.5.2. Microfinance clients

As many as 39% of microfinance clients are ready to deposit their USD savings in a term deposit account at an MDO and even a larger number (47%) would deposit TJS in a semi-liquid account. As there are no destitute poor among micro borrowers the S*upramarket* segment is not present.

Figure 102: Distribution of households by market segments (micro borrowers)

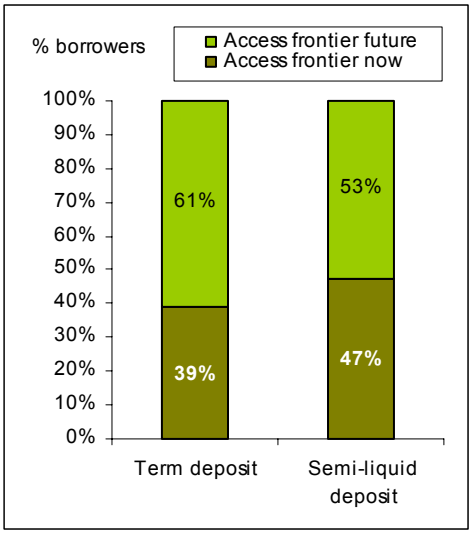
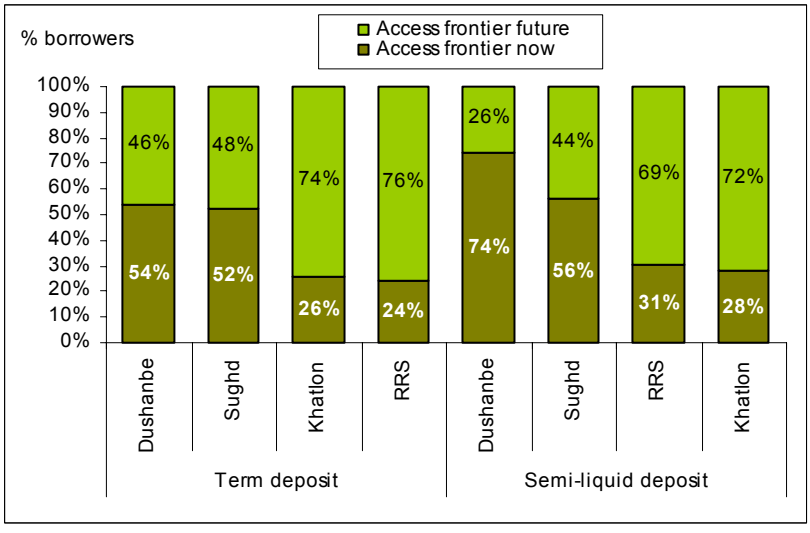


Figure 103: Distribution of households by market segments and region (micro borrowers)



The largest share of the micro borrowers that are ready to use the deposit products is located in Dushanbe. The average declared value of annual deposits per client interested in the deposit products is quite low, even though it is higher than for the general population.

Figure 104: Average declared value of annual deposits per client (micro borrowers)

	USD term deposit (in TJS)	TJS semi-liquid deposit (in TJS)
Access frontier now	2,443	1,056
Access frontier future	1,582	856

The prospective deposit size differs between the regions. In the *Access frontier now* segment the highest annual deposit per client is seen in the Sughd region in the USD term deposit and the lowest in the Khatlon region in TJS semi-liquid deposits.
In the *Access frontier future* segment the values are higher in some regions and lower in the others.

Figure 105: Average annual declared value of the deposit per client for the USD term deposit (micro borrowers)

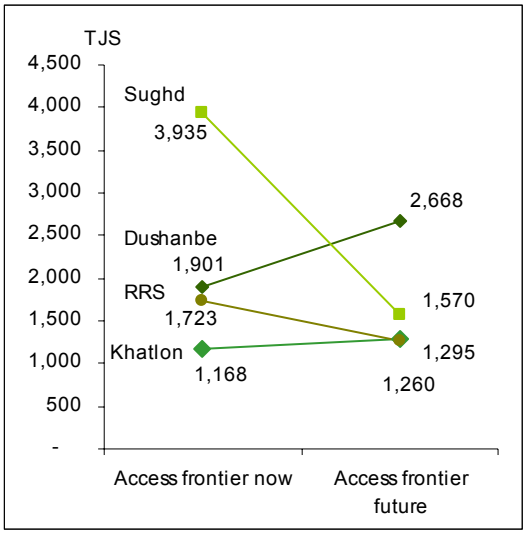
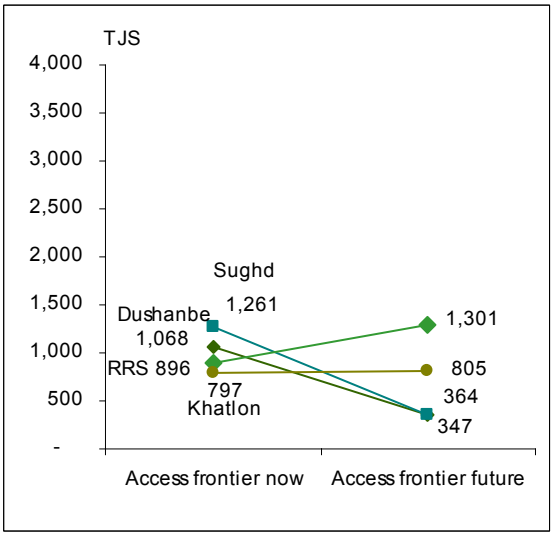


Figure 106: Average annual declared value of deposits per client for the TJS semi-liquid deposit (micro borrowers)



6.5.3.5. Characteristics of the *Access frontier now* segment

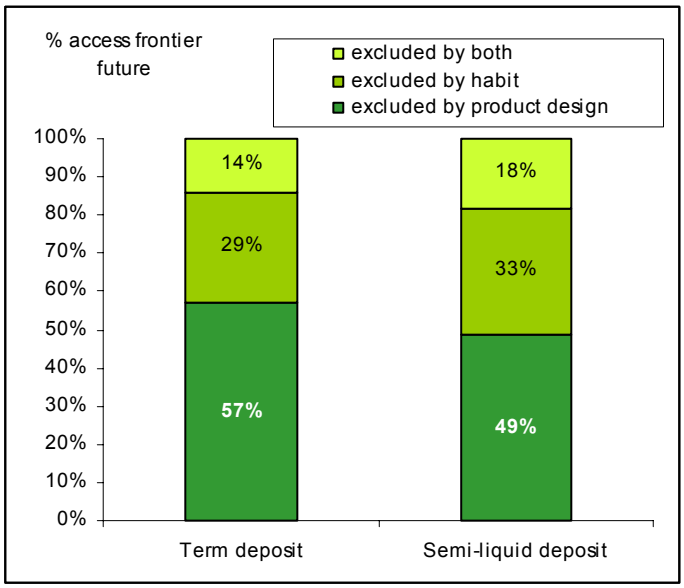
Microcredit borrowers in this segment – savers who are interested in depositing their savings in a deposit account - are more often than those not interested in the products married, and either young (less than 30 years old) or middle-aged of 40-50 years old. They more often live in households with income from a salaried job and keep their money in a bank.

6.5.4.5. Characteristics of the *Access frontier future* segment

Micro borrowers in the *Access frontier future* segment were classified into three groups:

- excluded by the product design – savers not interested in the product
- excluded by the habit – non-savers interested in the product
- excluded by the product design and the habit – non-savers not interested in the product

Figure 107: Distribution of the groups within the *Access frontier future* segment (micro borrowers)



Savers excluded by the product design

Compared to the *Access frontier now* segment (savers interested in using the products) savers from the *Access frontier future* segment who did not like the presented products were more often widowed, over 50 years old, engaged in agricultural activities and residing in the Khatlon region. They less often had bank accounts for the reason of the lack of trust towards banks. Their level of trust towards non-bank financial institutions did not differ from the savers in the *Access frontier now* segment.

Respondents from this segment more often have never used services of other microfinance institutions and prefer to continue borrowing from non-bank institutions. At present they do not keep savings with any MDO but they would not want to deposit savings chiefly because they want to keep money at home and because of the lack of trust.

Excluded by the lack of the habit of saving

Micro borrowers – non-savers who liked the products - were found predominantly in Dushanbe. They do not save mainly because of the lack of self-constraint but 54% of the micro borrowers in this segment would like to start saving.

Among financial products they more often than non-savers who did not like the products use insurance. They also feel comfortable with the amount of credit they took, and some would even like to take more.

Excluded by the lack of saving habit and lack of interest in the deposit products

Microfinance clients who do not save and were not interested in the deposit products are more often seen in the Khatlon region.

They more often than the above segment feel overindebted and are less willing to start saving (only 28% would like to start saving).

To summarize the potential market for the proposed deposit products:

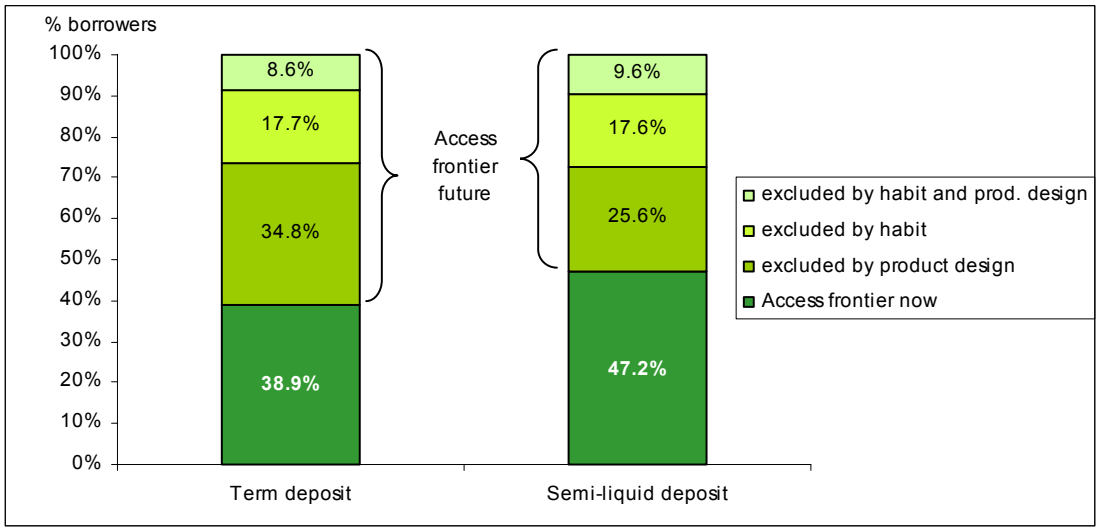
- 47% of micro borrowers can be reached with a semi-liquid deposit denominated in TJS and 39% can be reached now with a USD term deposit (*Access frontier now* segments)

- another 35% can be reached in the future with a term deposit and 26% with a semi-liquid deposit if product features are adjusted to the expectations of the potential clients (*Access frontier future* – savers unwilling to use the presented products)

- 18% of micro borrowers can be served in the future if the potential clients start saving (*Access frontier future* – non-savers interested in the products)

- 9-10% will not be reached until they start saving and the new products are designed to specifically address their needs (*Access frontier future* – non-savers not interested in the products)

Figure 108: Size of the segments of the potential users of the term deposit and semi-liquid deposit accounts (micro borrowers)



7. Conclusions and recommendations

1. General attitudes towards MDO products

The results of the study point out to the strong preference for a flexible deposit product denominated in TJS offered for a relatively short term and with an option to gradually increase the amount by additional pay-ins. This product attracted the largest interest both in the general sample (50% of the households) as well as among microfinance clients (57%).

However, it should be noted that a sizeable portion of the respondents had no particular preference towards the product features and expressed interest in both proposed products. This shows that there is a group of potential users who appreciate the mere fact of the availability of deposit services as such and may have difficulty in selecting a specific product.

A significant portion of respondents did not like the products at first sight but were convinced to use the product only when the interest rate increased by a quarter. Among the people who rejected the deposit products even with a higher interest rate over 40% of the respondents in the general population sample and over 30% among micro borrowers would prefer to save with a bank rather than an MDO. This may indicate higher trust towards banks or the preference for a wider range of services provided by the banks.

2. Deposit product features

Various features of the two tested products met with a different approval level of the respondents.

- Proximity

The most valued feature of both deposit products is their availability close to the client. This gives MDOs a definite competitive advantage over banks whose branch infrastructure is still limited.

- Interest rate

It seems that the most critical feature of the product is the deposit interest rate. The proposed interest rate of the product concepts (10% on USD and 16% on TJS) was the least liked product dimension. In the case of both products respondents would much prefer products with a rate of return of 20% (regardless of the currency) – the interest rate that is currently seen only on long-term deposits of more than 1 year.

Such high expectations seem to result from low knowledge of the economy and market conditions - the majority of respondents from the general population did not know the interest rate currently offered on bank deposits. But those who said they knew most often thought that it was around 20%. The micro borrower sub-sample was more knowledgeable about the deposit rates.

Two other factors may influence high expectations of interest rates. One is the fairly recent experience when interest rates of over 20% on short-term deposits were not uncommon, even for foreign currency accounts. The second plausible explanation is the lack of viable investment options in the country. People may think that banks should provide such an option through attractive deposit rates. Both explanations point to low financial literacy and unrealistic expectations about interest rates.

- Currency

Preferences towards the currency were mixed as many of those who rejected a USD product concept would prefer to deposit TJS and those who were not interested in a TJS deposit concept opted for the USD product. In any case, the majority of savers keep cash in at home in TJS, so in order to attract these savings the product should give a chance to deposit the TJS without the need of converting it to other currencies.

The difficulty to opt for a specific currency may also indicate the ambiguity in relation to currency choices.

- Term

Short term of the deposit was preferred as it was demonstrated by the preference for a semi-liquid product with a 3-month option and in the suggestions for the better product design among those dissatisfied with a 6-month term deposit. But the suggestions towards the improvement of the semi-liquid product (introduce a 6-month option) indicate that preferences towards the deposit term are mixed. Households have different saving horizons and require different saving terms for different purposes.

More specifically, short-term savings are for annual events and for consumption in low-income season. Savings also serve as a precautionary instrument for unexpected expenditure in the short term. Medium to long-term savings are accumulated mostly for lifecycle events.

Therefore, client require at least three different terms:

- Short term/closed end savings for specific goals achievable within 6 months
- Short term (up to one year) semi-flexible account with a withdrawal option for emergency expenses
- Medium term deposit that allows accumulation of funds over a longer period of time

Additionally, many people may not be familiar with product terms as they were presented and therefore may not be able to make a quick decision how long a term would be most suitable for them.

- Minimum balance

Although the reaction to the minimum balance was positive, lower minima would be appreciated – 50 USD on a term deposit and 30 TJS on a semi-liquid account.

3. The issue of trust

The issue of limited trust towards MDOs is seen throughout the study but there are some ambiguities and inconsistencies in responses. On the one hand respondents had quite positive attitude towards MDOs – they highly evaluated the possibility of these institutions offering deposits presented during the survey and they would entrust their money with the MDO rather than to entrust it with other people. But on the other hand the trustworthiness of non-bank financial instructions was assessed lower as compared to banks[22].

Moreover, 32% of microcredit clients would prefer to borrow from a bank. Those among microcredit clients who use banking services tend to have stronger preference towards being a bank client rather than to use MDO products.

This fact indicates that as soon as banks start providing financial services to microcredit clients[23] now served by MDOs there may be a significant outflow of MDO clients to banks, or a strong possibility of parallel loans from an MDO and a bank. This may be a significant threat especially for the deposit-taking operations of MDOs which will have more difficulty with maintaining the scale of operations.

4. Recommendations for the product design

- Market strategy options for MDOs

Based on the survey results and the analysis of the situation in Tajikistan, we would like to propose the following options for the introduction of MDO deposit products on the market. It is important to distinguish between short term and medium/longer term strategies because of the low level of trust of people, current preferences and the potential developments of the deposit market in the near future.

[22] Trust index for non-bank financial institutions was 2.1 compared to 2.3 for banks in the general population sample. Even among micro borrowers trust towards NBFIs was lower than for banks (3.8 versus 4.2 for banks).

[23] A good example provides the situation in Azerbaijan with Access Bank which within the first several years of operations captured 30% of the microcredit market share. Access Bank of Tajikistan was established in the beginning of 2010 and it may be expected that they will be following a similar market penetration strategy.

Short-term time horizon

- Introduce a short-term flexible account with additional pay-ins and withdrawal options in which people could save for annual celebrations and festivities.

The first product should attract customers who gradually accumulate savings during the year, instead of keeping them in the local currency cash at home, and use them for family events and celebrations in the autumn. As it was seen during the focus group discussions, many festivities take place in autumn when people are less engaged in work. At that time food prices are lower and accumulated savings rather than current income are used to finance those events.

However, such flexible accounts may prove difficult to manage for MDOs which would have to have access to short term financing at the times of the deposit withdrawal in order to be able to meet the demand for cash, otherwise they would lose credibility.

This may not be a money-making proposition in the short run but it may be a necessary condition to introduce deposit-taking of MDOs.

- Compete with other deposit-taking institutions with flexible deposit conditions rather than price.

When more deposit products become available on the market and the total volume of deposits grows, deposit interest rates are likely to go down as the demand from financial institutions for this source of funds subsides. Since MDOs would not have as many options as banks, they should use their proximity as the selling point. To some extent they may also offer slightly better pricing as MDO's margins may be bigger than those of the banks.

However, as deposit services widen in the country, the process of 'anchoring'[24] to the first offered price in the minds of customers may make them react negatively to the interest rate reduction, lower their trust towards the MDO and consequently can cause the return to the habit of keeping cash outside financial institutions. This may last until people adjust their expectations to the new interest rate levels prevailing in the economy.

MDOs may be well advised to engage in educational campaigns and financial education to bring people's expectations to realistic levels.

- Conduct intensive marketing campaign not only to inform about the products but also to educate potential clients about deposit product features as well as to build the image of a solid and transparent institution.

Results from the focus groups show that interest in the product is enhanced through the amount of information disclosed in the leaflets, which should include not only the product description and contact information but also describe the process of account opening and required documents.

As the majority of people do not use any financial services and less than a quarter of households used simple passbook deposits in the past, there is a need for informational campaign about deposit services.

Information disclosure is crucial to building the positive image of the institution.

- Implement pro-active approach in attracting depositors

Deposit products must be actively promoted and sold to customers. The 'shadow customer' research showed that banks are very passive in attracting deposit clients. Even though the basic information about products is available, little is done to make the client actually deposit savings. Only clients who are determined to deposit their money manage to successfully get through the process of establishing a deposit account. This seems to be the reason why so many potential clients who have positive attitude towards saving with a bank do not do so. As MDOs are valued for good service and are praised for the staff time

[24] According to the behavioral economics theory people remember the price of the first offer and then compare all other offers with the first one. Preference for the 20% interest rate may indicate that people anchored their expectations at a relatively higher interest rate, however unrealistic and unsustainable it was.

and attention given to their clients, the extension of such approach to deposit-taking activities should build trust and encourage clients to deposit their savings.

Financial institutions, MDOs and banks alike, should make the process easy and stress free, informative and use opening an account for educating clients about their future options and opportunities. Care should be given to the presentation of information and communication with clients, taking into account consumer behavior and selling strategies.

- Provide high quality service to maintain customer relationship

Keeping up trust towards the institution is crucial in particular in the case of deposit services, where a client relies on the institution to keep their money safe and the security of MDO deposits is not guaranteed by the government or the national bank[25]. This is particularly important for MDOs which do not benefit from a national deposit insurance system.

It is especially important for MDOs which would start with a semi-flexible account which might not be the most profitable for them but need to engage clients in a long-term relationship to sell term deposits profitably in the future.

Medium-term horizon

In the medium term MDOs should expect to have more competition, both in terms of geographical outreach and product offer Therefore they may lose some of their competitive advantages such as the proximity to client, as there would be more formal opportunities for people to save.

It is important for MDOs to recognize that and start marketing campaigns rapidly.

- Offer medium-term deposits for clients with larger saving amounts

Particularly unexplored opportunity that came through the focus group discussions is saving for long-term goals, to finance lifecycle events such as celebrations of sunnat-tui, child weddings as well as education or house building. Saving products for such events could be developed fairly easily as people have clearly defined goals and do not need to be convinced about such needs.

MDOs should also explore the need for small scale investment opportunities that people seek, for instance small denomination certificate of deposit types of products. In order to be able to do it MDOs should work on their public image.

- Consider partnerships

Last but not least, when banks become more aggressive and proactive, MDOs could consider partnerships in which MDOs could become a broker of a bank for certain products. This would allow MDOs to sell their own products but also increase the overall offer for the client.

This strategy assumes that banks will move into the more proactive deposit-taking service will may or may not materialize in the medium-term.

[25] In Tajikistan MDOs do not participate in the state guarantee fund, but contribute to a separate guarantee mechanism.

- Tactics to introduce deposit products

To successfully introduce deposit products MDOs could use the following tactics:

In terms of client groups:

- start with existing borrowers

As the study clearly shows the segment of current micro borrowers ready to use deposit products (*Access frontier now*) is twice as large as in the general population. This creates an opportunity for MDOs to offer deposit products to existing clients. This would be the core client group for the new product.

- use existing borrowers to promote savings products among other people in their communities

The core group could be used through incentives to provide referral to attract new clients. This word-of-mouth marketing could be the second step in composing deposit clientele until a sizeable number of depositors is built-up. From that point MDOs could use other marketing methods in addition to client referrals. Incentives could include cash prices for bringing clients, cash matches for new clients to open accounts or participation in lotteries and similar incentives.

In terms of products:

- start with the most demanded product that will be easy to sell

The best approach is to introduce the product that is demanded by the current borrowers. The study shows that the semi-liquid deposit denominated in TJS could be used by 47% of the current borrowers.

- add term deposits after initial acceptance of the semi-liquid product

Gradually MDOs could introduce a parallel product, for example the term deposit as people gain confidence in the product and in the institution. This should be supported by active selling and promotion of deposit products among clients.

In either case, MDOs should pilot-test the design of the product and also pilot test the implementation among the select group of clients, preferably in one location to be able to adjust the product features and respond to the initial feedback from depositors. Only after that should MDOs introduce products on a larger scale.

Annex 1 – Sampling plan for the quantitative survey

The general population survey was conducted in 5 regions of Tajikistan (Dushanbe was considered as a separate region) and the micro borrower survey in 4 regions (also including Dushanbe).
The 2009 statistics on the distribution of the population in the regions obtained from the Agency on Statistics under the Presiden of Tajikistan was used as a sampling frame.
The total sample size was 1160 interviews for the general population and 200 for the micro borrower sample. A structured questionnaire was administered face-to-face.

For the analysis of the general population sample data was weighted according to the number of households in order to obtain the same proportions as in total population, thereby allowing direct extrapolation from the survey to the entire population of households in Tajikistan.[26]

All the statistics presented are already extrapolated to the total population. For two- and multi-dimensional analyzes only statistically significant relationships are presented at significance level 0.1 or lower.

Distribution of the respondents by regions and raions

General population		
		Number of respondents
Dushanbe city		200
Sughd region	Khujand city	23
	B. Ghafurov	45
	J. Rasulov	17
	Spitamen	17
	Istaravshan	32
	Ghonchi	20
	Asht	19
	Mastchoh	15
	Isfara	34
	Konibodom	26
	Ayni	11
	Panjakent	35
Khatlon region	Qurghonteppa city	12
	Bokhtar	35
	Vakhsh	24
	J. Rumi	25
	A. Jomi	21
	Qumsangir	17
	Jilikul	15
	Qabodiyon	23
	Shahrtuz	16
	Yovon	28

Microcredit clients		
		Number of respondents
Dushanbe city		50
Sughd region	J. Rasulov	8
	Spitamen	8
	Ghonchi	9
	Istaravshan	8
	B. Ghafurov	8
	Khujand city	9
RRS	Hisor	13
	Vahdat	13
	Tursunzoda	12
	Rudaki	12
Khatlon region	Vose'	7
	Kulob	7
	Farkhor	7
	Qurghonteppa city	8
	Bokhtar	7
	Shahrtuz	7
	Qabodiyon	7
	Total	**200**

[26] The distribution of interviews among the regions was done in a way that after the weighting the regional distributions in the data to mirror the distribution of the households among the regions. This has enabled aggregate analyses at the country level as well as comparisons between the regions to be reliable.

RRS	Danghara	23
	Vose’	34
	Kulob	35
	Hamadoni	24
	Farkhor	26
	Vahdat	43
	Rudaki	52
	Hisor	38
	Tursunzoda	37
	Nurobod	13
	Rasht	19
	Roghun	6
	Faizobod	16
GBAO	Khorugh city	20
	Shughnon	26
	Rushon	17
	Vanj	21
	Total	**1160**

Annex 2 – Methodology of the 'shadow customer' research

The assignment for the shadow customer was to visit one of the selected financial institutions (bank or MDO), play a role of a low-income person who meets basic eligibility criteria set by the institution, and try to open a savings or a term deposit account. Overall, 10 shadow customers visited 5 banks and 5 MDOs.

The following institutions were visited:

Banks	**MDOs**
Agroinvestbank, Kurgan Tube	Saidakhmad, village Vosebod
Bonki Rushdi Tojikiston, Kurgan Tube	MDO Muzaffarijat, Khudjand
Amonatbank, Khudjand	MDO Capital Plus, Khudjand
First Microfinance Bank, Khudjand	MDO Dastras, Dushanbe
Eskhata Bank, Dushanbe	MDO Finanovyi Dom, Dushanbe

Each of the shadow customers filled in a questionnaire, which focused on 4 main areas of investigation:

- Entrance to the financial institution (institution's location, entrance visibility and designation)
- Directions received after entering a financial institution (instructions' usefulness and accuracy)
- Conversation with the bank officer (waiting time for the conversation with the officer, bank employee's behavior and attitude towards the client, quality and completeness of the information provided)
- Overall impressions, staff friendliness and responsiveness to the client's questions.

Scorecard

The following areas were evaluated using the scorecard framework as below. Each of the areas was evaluated in 3 aspects and the total score ranging from 0 to 3 was assigned to each institution in each area. The maximum score the institution could get in each area was 3, and the maximum total score in all areas - 9.

Area	Sections	Questions	Scores		
Welcome	Entry	B1: Was it difficult to find the location of the financial institution? B3: How was the entrance marked?	0	0.5	1
	Written directions inside	C1: Once you entered the institution - was it clearly marked where to go in order to open a deposit account?	0	0.5	1
	Information desk/person	C3: Was there an information desk? C5: Was there any other person near the entry who could direct a customer?	0	0.5	1
Product presentation	Depth of product info	D7: Were you informed about the following features? Minimum balance to open the account, minimum balance to keep the account active, interest rate, capitalization frequency, service fee, currency options, (for time deposit) duration, (for time deposit) renewal for a subsequent term, (for time deposit) consequences of the withdrawal before the end of term, (for savings deposit) access to savings, withdrawal opportunities D24: What is your overall feeling about the amount of information you received about deposit products?	0	0.5	1
	Form of product info	D8: How was the information presented? (only verbally, only in a written form or both) D10: If the written materials contained the information about deposit product features, how useful were they for making a decision about the product?	0	0.5	1
	Calculation	D15: Did he/she finally make the calculations that you requested?	0	0.5	1
Client service	Politeness				
		D20: In what way did the officer respond to the 'annoying' questions?	0	0.5	1
		E1: In overall, during the whole meeting, did the			

Area	Sections	Questions	Scores		
		officer(s) treat you respectfully?			
	Needs assessment/advise	D3: What was the reaction when you asked the officer about the deposit accounts? (presented the offer, asked about the needs, asked about eligibility) E5: Other comments	0	0.5	1
	Willingness to sell	D21: How did the officer act once you had no more questions? (wanted to open the account immediately, asked me to come/call/get in touch again if I needed anything, said good bye without suggesting any follow-up) E5: Other comments E2: In your opinion, did the officer really want you to place a deposit?	0	0.5	1

Annex 3 – MDO deposit product description

Current account in the local currency

Name of the MDO	term (months)	interest rate	minimum balance	min. additional pay-ins
Arzish		12%	200	not allowed
Arzish	<3	5%	500	unlimited
Arzish	>3	18%	500	unlimited

Savings account in the local currency

Name of the MDO	term (months)	interest rate	minimum balance	min. additional pay-ins
Arzish	6-12	14%	1,000	100
Arzish	>12	18%	1,000	100

Term deposits in the local currency

Name of the MDO	term (months)	interest rate	minimum balance	min. additional pay-ins
Burok_1	1-6	15%	100	100
Business-Credit	<3	5%	500	not allowed
Business-Credit	3-6	10%	500	not allowed
Arshad-Credit	3-6	12%	-	not allowed
Arshad-Credit	6-9	14%	-	not allowed
Business-Credit	6-9	11%	500	not allowed
Matin	3-12	<10,000-16% 10,000-200,000-20% >20,000-22%	100	not allowed
Tambil	3-12	15%	-	not allowed
Barakat	6-12	18%	1,000	not allowed
Dastras	6-12	18%	500	not allowed
Arshad-Credit	9-12	20%	-	not allowed
Saydakhmad	12	24%	-	not allowed
Business-Credit	12	20%	500	not allowed
Khamlov	12	20%	-	not allowed
Somon-Tichorat	6-24	1,000-6% 10,000-12% 100,000-21,6% >100,000-24%	1,000	unlimited
Tambil	12-36	17%	-	not allowed
Pakhta-Samoraya	9-36	16%	-	not allowed
Servis-Credit	6-36	24%	100	not allowed

Term deposits in the local or foreign currencies

Name of the MDO	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency	additional pay-ins
Amlok	>1	14%-22%	12-20%	500	100	not allowed
Credit Express	1-3	9%	4%	500	100	not allowed
Credit Service	<3	9%	4%	500	100	not allowed
Credit Service	3-6	12%	8%	500	100	not allowed
Credit Express	3-6	12%	8%	500	100	not allowed

Spitamen Capital	6	14%	12%	100	100	not allowed
Capital Plus	<6	12%	10%	500	100	100
Credit Service	6-9	15%	12%	500	100	not allowed
Credit Express	6-9	15%	12%	500	100	not allowed
Capital Plus	6-12	14%	12%	500	100	100
Fin Dom Barakat	6-12	18%	16%		no limits	not allowed
Credit Service	9-12	18%	16%	500	100	not allowed
Credit Express	9-12	18%	16%	500	100	not allowed
Spitamen Capital	12	18%	16%	100	100	not allowed
Fin Dom	12	18%	16%	500	100	100
Capital Plus	>12	18%	15%	500	100	100
Fin Dom	>24	24%	18%	500	100	100

Annex 4 – Bank deposit product description

Current account in local or foreign currency

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Tajprombank	unlimited	6%	4%	unlimited	unlimited
BRT	1-unlimited	2%	USD/EUR:1% RUB:2%	100	USD/EUR:30 RUB:500
Orienbank	unlimited	5%		unlimited	

Savings account in local or foreign currency

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Eskhata	1-3	8%	7%	500	100
Eskhata	3-6	14%	10%	500	100
Tajprombank	6	12%	8%	100	500
Orienbank	6	14%	7%	100	100
Eskhata	6-9	16%	12%	500	100
Agroinvestbank	6-12	16%	USD-14% RUB-10% EUR-7%	100	100
Agroinvestbank	6-12	17%	USD-15% RUB-11% EUR-8%	10,001	10,001
Agroinvestbank	6-12	18%	USD-16% RUB-12% EUR-9%	50,001	50,001
Agroinvestbank	6-12	20%	USD-17% RUB-13% EUR-10%	100,001	100001
Agroinvestbank	6-12	22%	USD-18% RUB-14% EUR-11%	300,001	300,001
Eskhata	9-12	18%	15%	500	100
Tajprombank	12	14%	10%	100	500
Orienbank	12	22%	14%	100	100
Fononbank	12-36	20%	18%	100	100
BRT	12-60	1-2y-18% 2-3y-20% 3-4y-22% 4-5y-24%	USD: 1-2y-16% 2-3y-18% 3-4y-20% 4-5y-21% EURO: 1-2y-15% 2-3y-17% 3-4y-18% 4-5y-20% RUB: 1-2y-17% 2-3y-19% 3-4y-20% 4-5y-21%	700,000	USD/EUR:20000 RUB: 50,000
Eskhata	>12	20%	18%	500	100
Tajprombank	18	18%	14%	100	500
Amonatbank	36	18%	14%	100	500

Replenishable deposit account

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Amonatbank	12, 36	12m-18% 36m-19%	12m-14% 36m-15%	100	500
Fononbank	12-36	16%	14%	100	100

Children account

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Orienbank	12	22%	14%	100	100
Eskhata	>12	20%	18%	500	100
Tajprombank	>24	20%	18%	unlimited	unlimited
BRT	12-60	12m-18% 24m-19% 36m-20% 48m-21% 60m-22%	USD: 12m-16% 24m-17% 36m-18% 48m-19% 60m-20% EURO: 12m-15% 24m-16% 36m -17% 48m-18% 60m-20% RUB: 12m-17% 24m-18% 36m-19% 48m-20% 60m-21%	30	USD/EUR:10 RUB:500
FMFB	6-60	18%	USD:4,5% EUR:3%	100	100
Amonatbank	unlimited	18%	14%	50	100

Pension deposit account

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Tajprombank	1-12	2-18%		unlimited	
BRT	>12	20%	USD/EUR:18% RUB:19%	30	USD/EUR:10 RUB:500

Purchase deposit account

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Eskhata	>12	22%	20%	500	100

Term deposit in local currency

Name of the bank	term (months)	interest rate local currency		minimum balance local currency	
Amonatbank	3-6	6%		50	
Amonatbank	6-9	12%		50	
Amonatbank	9-12	16%		50	
Amonatbank	12-24	18%		50	
Amonatbank	24-36	19%		50	

Term deposit in foreign currency

Name of the bank	term (months)		interest rate foreign currency		minimum balance foreign currency
Amonatbank	3-6		6%		50
Amonatbank	6-12		8%		50
Amonatbank	12-24		14%		50

Short term deposit in the local or foreign currency

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Fononbank	1-3	12%	10%	100	100
Amonatbank	1-3	12%	6%	100	500
Eskhata	1-3	8%	7%	100	500
Eskhata	3-6	14%	10%	100	500
FMFB	1-3	10%	USD:4% EUR:1,5%	100	100
Tajprombank	3	8%	6%	200	60
KKB	3	9,5%	6,5%	340	100
Fononbank	3-6	14%	12%	100	100
FMFB	3-6	15%	USD:4,5% EUR:2,5%	100	100
Amonatbank	3-6	14%	8%	100	500
Orienbank	3-6	18%	10%	100	100
Tajprombank	6	12%	10%	200	60
KKB	6	10,5%	8%	340	100

Long term deposit in the local or foreign currency

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Fononbank	6-9	18%	14%	100	100
Eskhata	6-9	16%	12%	100	500
Orienbank	6-9	20%	12%	100	100
KKB	9	11.5%	9,5%	340	100
Amonatbank	6-12	18%	14%	100	500
FMFB	6-12	20%	USD:5% EUR:3%	100	100

Eskhata	9-12	18%	15%	100	500
Orienbank	9-12	22%	14%	100	100
Fononbank	9-12	22%	18%	100	100
Tajprombank	12	14%	12%	200	60
KKB	12	12%	10%	340	100
Orienbank	12	18%	10%	100	100
Fononbank	>12	24%	22%	100	100
Eskhata	>12	20%	18%	100	500
Tajprombank	18	16%	14%	200	60
Tajprombank	18	16% mth.	14% mth.	100	20
Agroinvestbank	3-24	16%	USD-14% RUB-10% EUR-7%	100	100
Agroinvestbank	3-24	17%	USD-15% RUB-11% EUR-8%	10001	10001
Agroinvestbank	3-24	18%	USD-16% RUB-12% EUR-9%	50001	50001
Agroinvestbank	3-24	20%	USD-17% RUB-13% EUR-10%	100001	100001
Agroinvestbank	3-24	22%	USD-18% RUB-14% EUR-11%	300001	300001
Orienbank	12-24	24%	16%	100	100
Tajprombank	24	21%	19%	100	20
KKB	24	16%	15%	340	100
Tajprombank	>24	20%	18%	200	60
Kafolatbank	6-36	12%	4%, 8%	9000	2000
Fononbank	12-36	26%	24%	100	100
Amonatbank	12-36	19%	15%	100	500
Orienbank	24-36	26%	17%	100	100
Tajprombank	36	22%	20%	100	20
Orienbank	>36	30%	18%	100	100
Tajprombank	48	24%	21%	100	20
Tajprombank	60	26%	23%	100	20

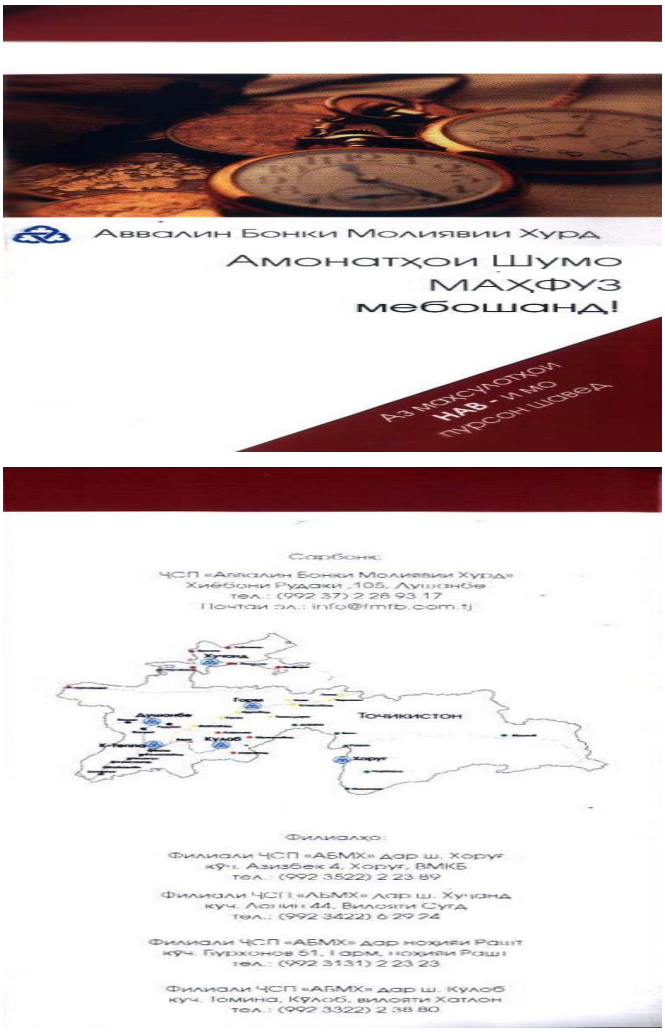
Other deposit products

Name of the bank	term (months)	interest rate local currency	interest rate foreign currency	minimum balance local currency	minimum balance foreign currency
Tajprombank	3	8%	6%	500	1,500
BRT	3-36	3-6m-12% 6-9m-14% 9-12m-18% >12m-17%	USD: 3-6m-8% 6-9m-10% 9-12m-15% >12m-17% EUR: 3-6m-6% 6-9m-8% 9-12m-13% >12m-17% RUB: 3-6m-7% 6-9m-9% 9-12m-14% >12m-18%	100	USD/EUR:30, RUB: 10,000
Tajprombank	6	10%	8%	500	1,500

BRT	6-27	19%	19%	1000	USD/EUR:500, RUB: 10,000
Orienbank	7	16%	8%	100	100
Orienbank	12	20%	12%	100	100
Tajprombank	12	14%	10%	500	1,500
Orienbank	12-24	12%	14%	100	100
Tajprombank	24	21%	19%	unlimited	unlimited
Orienbank	24	28%	22%	100	100
Orienbank	24-36	12%	14%	100	100
Tajprombank	>24	18%	14%	500	1,500
Orienbank	36	30%	24%	100	100
Tajprombank	36	21%	20%	unlimited	unlimited
Tajprombank	48	24%	21%	unlimited	unlimited
Tajprombank	>60	26%	23%	unlimited	unlimited
FMFB	unlimited	16%	USD:2% EUR:4%	unlimited	unlimited

Annex 5 - Examples of the marketing materials used in focus group discussions

Deposit leaflet of First Microfinance Bank



Deposit leaflet of Agroinvest Bank

Чумхурии Тоҷикистон, 734018, шаҳри Душанбе, хиёбони Саъдии Шерозӣ, 21
Маркази тамос: (+992 44) 600-68-68, факс: (+992 37) 236-51-66
E-mail: info@agroinvestbank.tj,
http://www.agroinvestbank.tj