

# INNOVATIONS IN SAVINGS AND CREDIT GROUPS – EVIDENCE FROM KENYA

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## **Abstract**

*This article reports from a church based Savings and Credit Groups (SCG) project in Kenya called Tuinuane. The project builds upon the Worth program of PACT, but has added some interesting and innovative features allowing country-wide outreach: 1) It piggybacks on a church. 2) Field officers have been avoided. Instead group leaders are screened and trained through a detailed implementation plan. 3) It makes active use of mobile phones in planning, monitoring and follow-up efforts. The attachment to the church as well as access to mobile phones make plausible close to costless long term contact with mature groups. 15 months after start-up the project displays competitive results, and as a case Tuinuane seems worth watching during the years to come.*

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## **Introduction**

People's owned Savings and Credit Groups (SCG) are attracting increased attention from practitioners, donors and scholars. As an alternative to the often fragile and costly Micro Finance Institutions (MFIs) these member based structures seemingly offer a more cost-efficient and feasible mode of reaching remote areas and poorer households (Ashe, 2002, Ashe and Parrott, 2002, Allen, 2006). Still, several observers question the long term sustainability of the groups (Rutherford, 2000), and my experience is that the much promoted cost-efficiency of the programmes sometimes proves false. This article reports from a project called Tuinuane in Kenya. Here several innovative features have been included which make possible country-wide coverage and plausible long-term supervision and monitoring of the groups.

## **Background**

Free Pentecostal Fellowship in Kenya (FPFK) is the fruit of the Swedish and Norwegian Pentecostal missions and has 40-50 thousand members. The 500 churches + their branches are spread over most of the country, mostly in rural communities. Since independence from the foreign missions FPFK has continued to partner with its mother organizations. Four years ago the idea of setting up a revolving fund in the church's literacy programme was born, and funding from the Foreign Pentecostal Mission in Norway (PYM) was requested. PYM's response was to undertake an independent feasibility study which clearly outlined that neither FPFK nor PYM had the needed attributes to establish an efficient provider of microcredit. As an alternative the feasibility study recommended becoming 'promoters' and not 'providers' of microfinance (further clarifications of terms in Rutherford (2000)). For FPFK and PYM this was an eye-opener and soon the MMD model of CARE (more in Grant and Allen (2002) and Allen (2006) and on [www.vsla.org](http://www.vsla.org)) and the Worth model of PACT (more in Ashe and Parrott (2002) and on [www.worthwomen.org](http://www.worthwomen.org)) were identified as role models. For the male leadership in the church it was difficult to accept that tiny groups totally depending on their own savings could ever bring much benefit to their members. Nevertheless, some female leaders strongly believed in the concept and finally got the acceptance from FPFK and PYM. The project was given the name Tuinuane which means uplifting each other.

Early in the planning process two major challenges were identified; firstly; While MMD, WORTH and most other SCG programmes aim on high penetration rates in a few selected communities, FPFK needed an implementation strategy allowing for country-wide coverage within a reasonable time. The assumption was that concentration of efforts in a few selected communities could be harmful to the church as they may stimulate rivalry and segregation. And secondly; For many in the church it was difficult to understand how the promotion of tiny SCG would contribute to FPFK's mission of building God's Kingdom. Hence, to avoid becoming an appendix in the church, it became important to identify church based initiatives supporting the idea of promoting SCG.

As a response to the second challenge inspiration was found in literature (e.g. (Bussau and Mask, 1999, Fikkert, 2003) and at the Chalmers Centre for Economic Development ([www.chalmers.org](http://www.chalmers.org)). The first challenge was more demanding as it required an implementation strategy without local field officers. In agreement with WORTH Tuinuane got access to their self instruction manual. This was further developed and designed into a model without the need of local field officers.

After nearly two years of planning and preparation, including opinion moulding and training of FPFK’s pastors and leaders, Tuinuane started implementation in July 2005. The main attributes of the groups are: 10-30 members, mandatory savings with flexible amounts every week, no infusion of outside capital, guided but self-decided rules and regulation, and a repeated time-bound system (savings are paid out to the members once a year).

**Describing the innovative features**

Tuinuane practices three interdependent innovative features. The project:

1. Piggybacks on a church’s structure
2. Trains group leaders instead of whole groups
3. Makes active use of mobile phones in planning and follow-up

In what follows the features are explained:

Piggybacks on a church’s structure

All churches and pastors interested in bringing Tuinuane to their communities and congregations must allow the groups to meet in the church and should respect the groups’ autonomy. Keeping the pastors involved, but still at an arm’s length distance has proved to be easier than expected. The early investments made in better understanding of how Tuinuane can be seen as an integrated part of building God’s Kingdom has proved fruitful.

Among the benefits of piggybacking on the church are the following:

- It provides the groups with a comfortable place to meet
- It allows for close to costless ongoing monitoring and follow-up of the groups
- It helps the groups to network since such practice is already installed in FPFK
- It gives the groups a natural opportunity to spice up the easily boring meetings with songs and praise.
- It motivates outreach efforts in the groups since this is inherent in the church’s culture
- It helps the groups to organize regional Annual General Meetings (AGM)

However, since Tuinuane has rapidly become well known and popular throughout FPFK, the attachment to the church has led to an outreach pressure on the project. In the beginning it was difficult to balance the demand with the existing resources and the need for learning. This in turn led to a quantity-orientation at the cost of quality in groups. Today this situation has been improved as reorganization and re-planning have taken place.

Trains group leaders instead of whole groups

Even if the Tuinuane manual is totally self-instructive and the bookkeeping system is at the most possible elementary level, one has to recognize that the organization of the groups and the practice of the system are still considered complicated for most group members. However, a special benefit in FPFK is its focus on literacy and education. Most pastors are relatively well educated, and in most churches it is possible to find some schooled women suitable to become leaders of the groups. Therefore, instead of training the whole group as most programmes do, Tuinuane concentrates most of the efforts on training the groups’ leaders. The project is implemented through a standardized system consisting of eight steps (see box 1). Following a timed plan the Tuinuane staff, consisting of four trainers and a driver, travels around the country and implements the plan region by region. To carry out the first seven steps around 12 months are needed.

<b>Box 1. The implementation system</b>	
<b>Step</b>	<b>Content</b>

1 – Presentation to church leaders	Before entering into a new region Tuinuane is explained in detail to the pastors and church leaders in one of their existing regional meetings. The aim is to promote Tuinuane as an intrinsic part of the church.
2 – Organizational seminar	Women leaders in the churches are invited to a half-day regional session. The purpose is to explain Tuinuane and motivate the participants to return to their churches and start to register members, elect group leaders and set up groups.
3 – First training seminar	The elected group leaders are invited to a three days seminar where Tuinuane's manual is introduced. Participants learn to relate with the church, mobilize more members, organize groups, keep books, manage cash and start savings. After the training the participants return home and start operations.
4 – First visit to each group	Each group is visited in their churches by a Tuinuane trainer. The aim is to detect and solve problems, and to inform all members about the Tuinuane system to avoid future mismanagement and misunderstandings
5 – Second training seminar	The treasurer and the controller of each group are invited for a four days seminar on loans and how to practice the complete Tuinuane system. After the training the groups start with loans.
6 – Regional follow up	The controllers and the treasurers are invited to a centric church where a trainer works with them individually. The objective is to detect and correct possible errors in bookkeeping and loans and learn from these.
7 - Second visit to each group	Each group is visited in their churches by a trainer. All members and church leaders are invited. The aim is to celebrate Tuinuane and secure continued work. In addition books are checked and further outreach is stressed.
8 – Regional AGM Every year	In a regional centric church two members from each group are invited to an AGM organized by a regional committee. The aim is on networking, collect monitoring data, motivate further outreach, introduce possible new manuals (business, HIV/Aids etc.) and to sell Tuinuane material (ledgers etc.).

In the beginning the only requirement for the leaders of the groups was for two of them to have basic reading and writing skills. However, with little opportunity to work closely with the groups it has proved important to introduce and enforce several standards for the leaders. Today minimum two leaders of each group have to comply with the following:

- Primary education
- Pass a simple entrance test when arriving for training number one
- Pass a test when finalizing the training seminars

Groups unable to provide competent leaders are either given special support (best cases) or excluded from the programme. According to Tuinuane's staff the performance in the new groups is considerably improved after introducing minimum standards. They also report that the introduction of minimum standards has given Tuinuane more status among participants. So far less than a handful of groups have been excluded. However, the pool of potential leaders in the groups has shrunk and power is more concentrated (more on this below).

#### Active use of mobile phones

Thanks to Kenya's excellent mobile-phone infrastructure all groups have, one way or another, access to a mobile phone. This has given Tuinuane a cost-efficient tool for planning and follow-up. All planning of field work, visits and seminars are organized with the help of sms and phone calls. At the same time the groups can get in touch with the Tuinuane-staff when needed. Also organizing learning sessions and networking between groups become easier. Active use of mobile phones was originally not a part of the project's design, but came in later. Today it is difficult to understand how the project could have been feasible without this

tool. Access to mobile phones also makes possible long-term monitoring and supervision of mature groups.

## Results and statistics

Tuinuane still only covers seven of the church's 19 regions. So far 230 groups with approximately 3400 members have been initiated. 99% of members are women. Of the initiated groups some are still at an early stage, but 162 of them are relatively mature as they have finished step six or seven. All the 162 groups are reported active, but unfortunately complete monitoring data are available only from 122 groups. Some minor bias towards better results in the dataset than actual average is expected. However, Tuinuane's staff highlights that the dataset is from the pilot groups. They expect better results in the future since the Tuinuane model has been and will continue to be refined.

**Table 1. Statistics from 122 Tuinuane groups (exchange rate KShs - US\$ = 70,-)**

Variable	Total all groups	Average per group	Average per member
Total number of members in the groups	1870	15,3	-
Number of non-church members in the groups	310	2,5	-
Current amount of savings	US\$ 32.072,-	US \$ 263,-	US \$ 17,15
Accumulated number of loans	445	3,6	0,24
Accumulated loan amount	US\$ 19.265,-	US \$ 158,-	US \$ 10,30
Outstanding loan amount	US\$ 7.657,-	US \$ 63,-	US \$ 4,10

The average number of members in the groups is below similar programmes, but increasing according to Tuinuane's staff. The recruiting of non-church members (still less than 20% of total members) could become a vehicle for massive expansion.

Several groups and members have been quite unenthusiastic when it comes to loans. The main explanatory factors are Tuinuane's focus on savings first and the short time since the groups were trained in managing loans, but it also seems that several members prefer savings only. So far no groups report defaults on loans. Considerable amounts of idle money are stored in the groups' cash boxes, and due to the time-bound system, as practiced in Tuinuane, money is stacked up during the final weeks of the year. Security of money is a concern among group members, but so far no thefts or losses have been reported.

Savings from 2005 have been paid out to the members. The actual savings in the groups is the result of six to eight months of operation during 2006. Most of the groups are located in remote and very poor areas. In 80% of the groups the majority of the members save 30 US-cents (20 shillings) or less per week. Consistency in bringing in the mandatory savings every week is reported a problem in some groups. This strangles the capital base in the groups, but so far it has not jeopardized the continuity of the groups.

Average savings per groups is US \$ 263,-. There are considerable differences between the groups as indicated in table 2.

**Table 2. Range of savings (exchange rate KShs - US\$ = 70,-)**

Range (US \$)	Number of groups	Total savings US dollars	Savings per group US dollars
0 – 50	35	684,-	19,50-
51 – 200	49	4.553,-	93,-
201 – 500	19	5.173,-	272,-
501 – 1000	12	8.582,-	715,-
1001 +	7	13.080,-	1.867,-
<b>TOTAL</b>	<b>122</b>	<b>32.072,-</b>	

The median amount of savings per group is US \$ 91,-. Seven of the groups, all of them located in Nairobi, handle 40% of the savings, while nearly 30% of the groups have mobilized less than 20 dollars each. Huge difference in poverty levels is the main explanatory factor, but also weaknesses in some groups hinder better mobilization of savings.

Bookkeeping quality is constantly monitored to see if the training of group leaders renders results. At the moment 74% of the groups are rated to keep their books good or fairly good. This indicates that most pilot groups are able to practice the system. Hence, today consistency in savings and familiarity in loans are probably areas with more room for improvement than bookkeeping.

### **Tuinuane compared**

Hugh Allen in VSL Associates and Guy Vanmeenen in CRS have put together some benchmarks for SCG programmes which according to them should be used with great caution (devfinance listserve 13<sup>th</sup> of September 2006). Nevertheless, in table 3 Tuinuane's results so far are compared with the benchmarks.

**Table 3. Comparing Tuinuane with benchmarks (exchange rate KShs - US\$ = 70,-)**

Efficiency measures	Benchmark 18 months programme	Benchmark 36 months programme	Tuinuane after 15 months	Tuinuane planned 2007
Clients per field officer	250	350	850	600+
Clients graduated per year/field officer	270	550	480-	600+
Field staff/total staff	33%	66%	80%	80%
Length of Supervision period	12 months	9-10 months	15 months	12 months
Cost per graduated client	US\$ 100,-	US\$ 60,-	US\$ 94,-	US\$ 62,50

Without traditional field officers Tuinuane can manage with only five staff; four trainers and a driver. Only the driver has a supportive role. Therefore, for comparison, all trainers are considered field officers.

At the moment Tuinuane has around 3400 members. Of these approximately 2400 have passed step six or seven and can be considered relatively graduated. In the table all members are divided on the trainers. The number for clients graduated per year/field officer is annualized, and the minus sign (-) has been added since some of the groups still need to finish step seven.

In the beginning the implementation was as mentioned a bit unstructured. In the more structured system practiced today Tuinuane assumes guiding at least 120 groups through the implementation process per year. Assuming 20 members on average per group (an increase as indicated by the staff) the trainers should on average be able to handle and graduate 600 members each. The plus sign (+) has been added due to possible outreach efforts by the groups themselves.

Implementation costs including investments (one vehicle) and support from PYM's head office have for the first 15 months of operations been approximately US\$ 225 thousand, or US\$ 94,- per graduated member. Today annual costs, all included, are some US\$ 150 thousand. With 2400 graduated members per year the planned cost per members in 2007 of US\$ 62,50 is at a relatively competitive level.

### **Major risks in Tuinuane**

Two major risks have been identified in Tuinuane: Firstly; in case of high levels of defaults or mismanagement in a group this may not only affect the group but it can also create friction, resentment and mistrust in the church. And secondly; the introduced minimum standards for group leaders together with the concentrated efforts in training these can in worst case create all-powerful leaders misusing their power. Regarding the first risk there is so far no evidence of major conflicts in the groups or churches. Nevertheless, as a matter of precaution Tuinuane's staff continuously monitor the issue. As for the second risk there is still no problems reported and the assumption is that the attachment to the church will help balance the risk. Time will demonstrate whether this assumption holds.

### **Conclusion**

Tuinuane exemplifies that country-wide coverage in a quite efficient SCG programme is possible. It also demonstrates how piggybacking on a church can provide several benefits including plausible long term contact with the groups and possible networking between the groups. Whether these possibilities will increase the long term sustainability of the groups or bring other types of added value should become subjects for future research efforts. Particularly interesting in Tuinuane is the active use of mobile phones. As the cost of use continues to decrease and new innovative mobile-phone technologies become available this tool can increasingly become a key factor for increasing cost-efficiency and sustainability in SCG programmes. All together, as an interesting case, Tuinuane seems worth watching in the years to come.

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