

Innovations in savings and credit groups – evidence from Kenya

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This article reports from a church-based savings and credit group's project called Tuinuane, in Kenya. The project builds upon the Worth programme of PACT, but has added some interesting and innovative features allowing country-wide outreach. First, it utilizes a church institution; second, it avoids the use of field officers and instead group leaders are screened and trained through a detailed implementation plan; and third, it uses mobile phones in planning, monitoring and follow-up efforts. The attachment to the church and access to mobile phones makes plausible, low-cost, long-term contact with mature groups.

SAVINGS AND CREDIT GROUPS OWNED by members are attracting increasing attention from practitioners, donors and scholars. As an alternative to the often fragile and costly microfinance 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; Johnson et al., 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 that make possible country-wide coverage and plausible long-term supervision and monitoring of the groups (considered a necessity for long-term sustainability in Murray and Rosenberg (2006).

Several observers question the long-term sustainability of these member-owned groups

Background

The 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 and their branches are spread over most of the country, mainly 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 that clearly outlined that neither FPFK nor PYM had the required attributes to establish themselves as efficient providers of micro-credit. As an alternative, the feasibility study recommended becoming 'promoters' and not 'providers' of microfinance (see Rutherford, 2000).

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Some doubted that tiny groups, totally depending on their own savings, could deliver significant benefits

For FPFK and PYM this was an eye-opener. Soon the MMD (Mata Masu Dubara, operating in Niger) model of CARE (Grant and Allen, 2002; Allen, 2006; www.vsla.org) and the Worth model of PACT (Ashe and Parrott, 2002; 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 deliver significant benefits to their members. Nevertheless, some female leaders strongly believed in the concept and finally obtained 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. First, while MMD, Worth and most other savings and credit group programmes aim to achieve 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. Second, for many in the church it was difficult to understand how the promotion of tiny savings and credit groups 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 savings and credit groups.

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

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

Innovative features

Tuinuane practises three interdependent innovative features.

First, piggybacking on a church institution. 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 each group's autonomy. Keeping the pastors involved, but still at an arm's length distance has proved to be easier than expected. The early investment made in better understanding how Tuinuane could be an integrated part of building God's Kingdom has proved fruitful.

Among the benefits of piggybacking on the church are:

- it provides the groups with a comfortable place to meet;
- it allows for low-cost ongoing monitoring and follow-up of the groups;
- it helps the groups to network, since such practice is already installed in FPFK;

Involvement with the church allows for low-cost monitoring

- 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.

However, since Tuinuane has rapidly become well known and popular throughout FPFK, the attachment to the church has led to rapid growth 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. This situation has now been improved following reorganization and re-planning.

Second, training group leaders instead of whole groups. Even if the Tuinuane manual is self-instructive and the bookkeeping system is at an elementary level, it must be recognized that the organization of the groups and the practice of the system are still considered complicated by 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 educated women who are suitable to become leaders of the groups. Therefore, instead of training the whole group as most programmes do, Tuinuane concentrates most of its efforts on training the group leaders. The project is implemented through

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Table 1. The implementation system

<i>Step</i>	<i>Content</i>
1 Presentation to church leaders	Before entering 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-day seminar where the manual is introduced and explained. Participants learn to relate with the church, mobilize more members, organize groups, keep books, manage cash and start savings. After the training, 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-day seminar that explains loans and how to practise the complete Tuinuane system. After the training, the groups can start giving out loans.
6 Regional follow up	The controllers and the treasurers are invited to a central 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	In a central church two members from each group are invited to an AGM organized by a regional committee. The aim is to work on networking, collect monitoring data, motivate outreach, introduce possible new manuals (business, HIV/Aids etc.) and to sell Tuinuane material (ledgers etc.).

All planning of visits and training is organized with the help of mobile phones

a standardized system consisting of eight steps (see Table 1). Following a timed plan, Tuinuane staff, consisting of four trainers and a driver, travel around the country and implements the plan region by region. It takes around 12 months to implement the first seven steps.

In the beginning, the only requirement for group leaders 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, a minimum of two leaders from each group have to:

- have completed primary education;
- pass a simple entrance test in mathematics when arriving for their first training exercise;
- pass a test after each training seminar;

Groups unable to provide competent leaders are either given special support (best cases) or excluded from the programme. According to Tuinuane's staff, performance in the new groups 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 (as discussed below).

Third, use of mobile phones. Thanks to Kenya's mobile-phone infrastructure, all groups have 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 is organized with the help of text-SMS and calls. At the same time, the groups can get in touch with Tuinuane staff when needed. Also, organizing learning sessions and networking between groups is easier. Use of mobile phones was originally not a part of the project's design but was introduced 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

Tuinuane still only covers seven of the church's 19 regions. So far, 230 groups with approximately 3,400 members have been initiated, of whom 99 per cent are women. Some groups are still at an early stage but 162 are relatively mature as they have finished steps six or seven. All these 162 groups are reported active, however, complete monitoring data is available only from 122 groups. Some minor bias in the dataset towards better results than the actual average is expected. However, Tuinuane's staff highlight 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.

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

Several groups and members have been quite unenthusiastic about loans. The main explanatory factors are Tuinuane's focus on savings first and the short time that has passed since the groups were trained in man-

Table 2. Initial figures from 122 Tuinuane groups

<i>Variable</i>	<i>Total all groups</i>	<i>Average per group</i>	<i>Average per member</i>
Total no. of group members	1,870	15.3	-
No. of non-church group members	310	2.5	-
Current amount of savings	\$32,072	\$263	\$17.15
Accumulated number of loans	445	3.6	0.24
Accumulated loan amount	\$19,265	\$158	\$10.30
Outstanding loan amount	\$7,657	\$63	\$4.10

Many members prefer savings to loans

aging loans, but it also seems that several members prefer savings only. To date no groups have reported defaults on loans. Considerable amounts of idle money are stored in each group's cash boxes and due to the time-bound system practised in Tuinuane, money is stacked up during the final weeks of the year. Security is a concern among group members, but so far no thefts or losses have been reported.

Savings from 2005 have been distributed 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 per cent of the groups, the majority of the members save \$0.30 (KSh20) or less per week. Consistency in introducing mandatory weekly savings is reported as a problem in some groups, but so far it has not jeopardized the continuity of the groups. The average savings per groups is US\$263, though there are considerable differences between the groups, as shown in Table 3.

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

The standard of bookkeeping is constantly monitored to see if the training of group leaders produces results. Currently, 74 per cent of the groups are rated as good or fairly good in bookkeeping. This indicates that most pilot groups are able to practise the system as required. Today consistency

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Table 3. Range of savings

<i>Range (\$)</i>	<i>No. of groups</i>	<i>Total savings (\$)</i>	<i>Savings per group (\$)</i>
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
TOTAL	122	32,072	263

in savings and use of loans facilities are probably areas with more room for improvement than bookkeeping.

Tuinuane compared

Hugh Allen of VSL Associates and Guy Vanmeenen of CRS have compiled some benchmarks for savings and credit group programmes that, according to them, should be used with great caution (devfinance list-serve, 13 September 2006). Nevertheless, in Table 4 Tuinuane's results so far are compared with these benchmarks.

One of the most striking things in Tuinuane is the need for few staff. 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 can be considered field officers.

At the moment Tuinuane has around 3,400 members (850 per field officer). Of the members, approximately 2,400 have passed step six or seven and can be considered as nearly graduated. In the more structured system of group implementation practised today, Tuinuane assumes that it will guide at least 120 groups through the implementation process per year. Assuming 20 members on average per group (an increase as indicated by the staff), each trainer should on average be able to manage and graduate 600 members.

Implementation costs, including investments (one vehicle) and support from PYM's head office, have for the first 15 months of operations been approximately \$225,000 in total, or \$94 per graduated member. Today annual costs, all included, are approximately \$150,000. With 2,400 graduated members per year, the budgeted cost per member in 2007 of \$62.50 is at a competitive level.

Major risks in Tuinuane

Two major risks have been identified in Tuinuane. First, if high levels of default or mismanagement should occur in a group this could not only affect the group but also create friction, resentment and mistrust in the church. Second, the minimum standards introduced for group leaders and the sole focus of training upon the leaders could, in the worst case, create all-powerful leaders who misuse their power. Regarding the former risk, to date there is no evidence of major conflict in the groups or churches. Nevertheless, as a precaution, Tuinuane's staff continuously monitor the

Training only the leaders could create leaders who misuse their power

Table 4. Comparing Tuinuane with benchmarks

<i>Efficiency measures</i>	<i>Benchmark 18 months programme</i>	<i>Benchmark 36 months programme</i>	<i>Tuinuane after 15 months</i>	<i>Tuinuane planned 2007</i>
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	\$100	\$60	\$94	\$62.50

Notes: The number for clients graduated per year/field officer is annualized; * some of the groups still need to finish step seven; ** some groups have the potential to conduct outreach efforts themselves.

issue. Regarding the latter risk, no problems have yet been reported and the assumption is that the attachment to the church will help balance the risk. Time will demonstrate whether this assumption proves to be correct.

Conclusion

Tuinuane demonstrates that country-wide coverage by an efficient savings and credit group 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 groups. Whether these possibilities increase the long-term sustainability of the groups or bring other types of added value should be subjects for future research efforts. Particularly interesting in Tuinuane is the use of mobile phones. As the cost of use continues to decrease and new innovative mobile phone technologies become available, this tool could become a key means to increase cost efficiency and sustainability in savings and credit group programmes. Tuinuane is worthy of monitoring in the years to come.

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