

MICROFINANCE LEARNING PAPER SERIES

Mobilizing Savings for CAURIE-MF Clients in Senegal

Since 1989, CRS Senegal has been implementing microfinance (MF) activities in partnership with the local Catholic Church dioceses and Caritas offices, using the village banking methodology. In 1999, CRS and Caritas Senegal began a MF institutional transformation process that joined the most successful village banking program in the diocese of Thiès and two CRS MF projects in the Casamance region to form the Caisse Autonome pour le Renforcement des Initiatives Economiques par la Microfinance (CAURIE-MF). Formally launched in October 2005, CAURIE-MF links credit with savings for poor women micro-entrepreneurs who do not have access to formal financial services.

As part of CRS Senegal's strategy in support of the transformation and localization of CAURIE-MF, a small grant from the CRS Microfinance Lifelines Fund was awarded in January 2007 to help the institution identify alternative sources of loan capital in their transition toward sustainability, particularly through savings-mobilization. Prior to this, CAURIE-MF had suffered from a lack of capital to meet loan demand, thus impeding its progress towards financial self-sufficiency.

One untapped source of potential capital was the client savings, which were deposited in external institutions since CAURIE-MF's legal status as an NGO, prior to transformation, prohibited the collection of public savings. In fact, CAURIE-MF clients had deposited over \$1.5 million with Crédit Mutuel du Senegal (CMS), a large MFI. This amount represented a source of loan capital that could be leveraged to better meet existing client demand and to expand the client base substantially. While CAURIE-MF was spending significant staff time in organizing women's groups around saving, as well as mobilizing and collecting the funds, all such efforts were benefiting predominantly CMS.

In June 2006, CAURIE-MF designed and launched a pilot savings product, named Passbook Savings, in a limited number of village banks located within close proximity to CAURIE-MF's three branches in Thiès, Kolda and Ziguinchor. A year later, by July 2007, the savings product had been rolled out to nearly every village bank throughout the network.

Logistically, a 100% roll-out is difficult to achieve due to security concerns in certain regions (predominantly in Kolda and Ziguinchor) where transporting large quantities of cash from rural areas to banks could place CAURIE-MF staff at risk. Still, by on-lending client savings, CAURIE-MF has been able to open 66 new village banks and diversify its loan portfolio to offer an increased number of individual loans to existing clients who are seeking more sophisticated loan products.

Additionally, CAURIE-MF has opened seven new service points throughout Senegal to better manage savings for the village banks in more remote areas. With the launch of this new savings product, CAURIE-MF's loan portfolio increased from \$1.5 million in June 2006 to \$3.5 million in December 2007 (Table 1). Its operational self-sufficiency increased from 73% in June 2006 to 111% in December 2007.

During this process, CAURIE-MF managed key issues related to competition and growth to ensure the successful roll-out of the savings product scheme.



TABLE 1: GROWTH IN THREE KEY INDICATORS AFTER PILOT

INDICATORS	PRE-PILOT	AFTER PILOT
	(JUNE 2006)	(DECEMBER 2007)
Number of village banks	185	251
Loan Portfolio	\$1,500,000	\$3,500,000
Operational Self-Sufficiency	73%	111%

MANAGING COMPETITION

CAURIE-MF initially feared a potential adverse reaction from its competitors as it rolled out the savings product. Since much of the clients' savings were traditionally held by CMS and other financial institutions, CAURIE-MF was concerned that a rapid withdrawal of \$1.5 million in savings and its transfer to CAURIE-MF would result in strained relationships with these institutions and increased market competition.

CAURIE-MF staff hoped that its 10-year relationship with the other financial institutions would facilitate a smooth transition into the saving realm. Nonetheless, cognizant of the potential dangers that could be posed by a hostile reaction within the financial environment, CAURIE-MF took steps to maintain its cordial relations with fellow financial institutions. They held talks to explain the roll-out of their new savings product and presented their progressive withdrawal plan of the individual village banks to these institutions. Additionally CAURIE-MF decided to gradually withdraw these savings, over a period of a year and a half. This strategy allowed CAURIE-MF to withdraw 94% of previously held village bank funds gradually, permitting the other institutions to adjust their activities and planning accordingly. As such, no major conflicts occurred during this phase.

Through these consultations, CAURIE-MF realized that it had a particular niche in the market that other financial institutions were not serving. CAURIE-MF played a key role in facilitating linkages between its clients and the institutions within which their savings were being housed. Since the CMS and other financial institutions required a minimum balance to open savings accounts, many of these women did not individually qualify for participation. CAURIE-MF organized the women into village banks whose collective savings were sufficient to open group bank accounts.

In order for the other financial institution to have access to these women's funds, they would have to greatly expand their current staff size and capacity to go out to the rural communities and organize the women in a similar fashion.

Competitive pricing

The profitability of CAURIE-MF's products is influenced by its portfolio quality as well as revenues generated from interest charged to village bank loans. Keeping with what has worked well in the past, CAURIE-MF maintained its loan interest rate of 10% for a six-month loan cycle, based on interest rates charged by fellow financial institutions. CAURIE-MF's village banking methodology sets a 10%-20% mandatory savings of the total amount of the loan; however clients often keep up to 80% voluntary savings. CAURIE-MF sets its interest rates for term deposit savings (2.5%-3.75%) based on those offered by fellow microfinance institutions. However, while it offers the option to hold village bank funds in these short-term, fixed-deposit accounts, the majority of the clients prefer depositing savings into a general 0% interest bearing account, since they can access their savings more readily when needed.

CAURIE-MF initially feared a potential adverse reaction from its competitors as it rolled out the savings product.

MANAGING GROWTH

In 18 months, CAURIE-MF managed to increase its operations by reaching 5,000 new clients, open multiple service points, and grow a loan portfolio by \$2 million, from \$1.5 million to \$3.5 million. This was achieved through a combination of strong client education and marketing, improved efficiency through staff training, and better information systems support.

Client Education and Marketing of the New Savings Mobilization Scheme

The savings component of the village banking methodology has always been a key motivator for the women, providing both security and dividends. Women use the savings account as a safe and discreet way to accumulate assets, without pressure to liquidate their savings when their husbands or some village project requires an outlay of cash. Top savers enjoy the benefits of earning larger dividends.

During a client marketing survey initiated prior to the product roll-out, CAURIE-MF realized that the women themselves expressed the desire for CAURIE-MF to consolidate accounts and use these funds to increase their loan portfolio to expand the number of new village banks and offer larger loans. CAURIE-MF's clients had been aware for many years that their savings was being held in other financial institutions and not with CAURIE-MF. For the women who had watched and helped CAURIE-MF grow, it was a logical progression for CAURIE-MF and a way for them to support CAURIE-MF in reaching more of their sisters and improving their financial services.

Nonetheless, once the decision to roll-out the new savings product was taken, CAURIE-MF credit agents spent several sessions with each village bank to inform the women of the changes that would take place to maintain clients' confidence regarding the security of their savings.

CAURIE-MF recently conducted a client assessment survey using credit agents to collect data from the village banks. Clients reported that the most important impact of the new savings product is that there is now better transparency in the management of their savings and knowledge that these resources are being reinvested into their communities (through CAURIE-MF) rather than a third-party financial institution in a distant urban area that does not benefit the clients. The women clients that have grown their businesses alongside CAURIE-MF, stated that they prefer to stay with CAURIE-MF rather than try another MFI that may or may not meet their needs.

Thanks to the clients' strong sense of confidence, CAURIE-MF exceeded its goal of reaching 13,500 clients, and growth in savings has kept pace with the rise in client numbers.

Client numbers have increased by nearly 5,000 in 18 months, from 9,750 clients in June 2006 to 14,738 in December 2007, an increase of 33%.

At the same time that client number increased so did total savings (Table 2); i.e., from \$1,150,684 to \$2,083,973. \$1,858,556 of the total savings was directly deposited in CAURIE-MF and is now available for on-lending to the village banks.

Training and Recruitment

The roll-out of the new savings' product did not require the addition of many new staff, since much of the savings collection process was already handled by the existing credit agents and simply deposited in CMS. Thus, it was only necessary to add a secretary teller for each branch location, to manage the accounting of the savings portfolio.

The growth in interest income received from the deposits has been reinvested in loans to clients. The on-lending of savings and interest income has directly led to an increase of seven new service points and nearly 5,000 new clients. Thus far, credit agents have been able to adjust to the increases in both clients and savings handled. To assist them in their work, CAURIE-

The on-lending of savings and interest income has directly led to an increase of seven new service points and nearly 5,000 new clients.

MF engaged a local training organization called PRAXIS to prepare them for the increase in workload. CAURIE-MF believes that upholding and improving the quality of human resources will lead to lowered costs and higher efficiency, aiding it to achieve improved operational and financial self-sufficiency.

TABLE 2: SAVINGS COLLECTED BY CAURIE-MF

	JUNE 30, 2006	DECEMBER 31, 2007
Savings recycled lent to village bank members	\$0	\$1,284,446
Savings in fixed term account	\$0	\$321,199
Savings in ordinary account	\$0	\$96,371
Savings held in third party institutions	\$1,005,731	\$156,540
Total member savings collected	\$1,005,731	\$1,858,556
Internal savings lent amongst village bank members	\$144,953	\$225,417
Total Savings	\$1,150,684	\$2,083,973

The addition of three tellers, the assistance of two intern trainees, and the solid management training received by all employees has produced an ever-increasing level of operational self-sustainability, reaching 111% (up from 73%) in 18-months.

The training received by both staff and trainees contributed to:

- An increase in the numbers of village banks;
- Growth in loan portfolio;
- Diversification of products offered; and
- Leveraging mobilized savings for on-lending

Information Systems Support

During the roll out of this new savings product, CAURIE-MF internally developed an MIS system, Pyramidor, to manage their branch level savings portfolio. While this system allowed tellers to record daily deposits and withdrawals, it did not allow for the real-time consolidation of information across branches. In order to consolidate the branch information, CAURIE-MF headquarters' staff needed to upload the data periodically. This process was time-consuming and open to data discrepancies which prevented CAURIE-MF from being able to provide accurate, real-time information at the institution level.

While Pyramidor was a fair start for an MIS, it could not keep pace with CAURIE-MF's escalating requirements for expansion or need for time-sensitive information. Furthermore, it was ineffective in sufficiently tackling informational and office-related data. The inability to access real time data became a significant issue in managing the growing portfolio effectively.

To address this constraint, the Ziguinchor office was selected to pilot the installation of a

CAURIE-MF was able to significantly expand client services without paying the high cost of borrowing from capital markets.

real-time software program, called Financia. The software was made available through a Canadian International Development Agency (CIDA) grant to increase CAURIE-MF financial management capacity. The MIS was specifically tailored to CAURIE-MF. The initial experience in Ziguinchor led the executive management team to expand the installation to other branches thus improving the overall portfolio management significantly.

The distribution to all offices now allows for: time savings and reduction of staff effort; efficiency in internal communication; and quality reporting to partners and donors.

COST ANALYSIS

The mobilization of savings is often seen as a less expensive way to leverage loan capital for MFIs. While this assumption holds true in many cases there are several costs associated with implementing a savings product.

Staff time

For CAURIE-MF the additional costs that have now been added to the staff work load include:

- Training for village bank members
- Opening savings accounts
- Handling cash transactions
- Servicing savings accounts

Fortunately, many of these tasks were already part of the existing village banking methodology. Up to the time when the Passbook Savings product was launched, CAURIE-MF was a facilitator or liaison between the village banks and the commercial banks in helping to set up accounts, providing basic training on record keeping, and providing other technical support in managing their group activities. In many cases, CAURIE-MF transported the village banks' savings directly to the banks for deposit. Now it collects all these savings into a central CAURIE-MF account.

Cost of capital

By mobilizing client savings and using it to expand the loan portfolio, CAURIE-MF was able to significantly expand client services without paying the high cost of borrowing from capital markets. Because CAURIE-MF was already paying for the cost of collecting client savings, there have been minimal increased costs to the institution to use the funding for loan portfolio expansion.

As CAURIE-MF's portfolio of savings and loans continues to increase, the institution is focusing its efforts on reducing inefficiency and maximizing time management. Appropriate trainings linked with on-the-ground application continues to be offered as the institution experiences growth.

Nevertheless, CAURIE-MF is thriving. Its stellar savings ascent has in turn triggered a dramatic boost in loans available to village banks. The boost allows CAURIE-MF to reap the rewards of ever-increasing revenues from village banks and from earnings from savings deposited in banks.

While CAURIE-MF grew from serving 9,750 clients in June 2006 to 14,738 by December 2007, they maintained a close and personal relationship with their clients.

RESULTS OF PASSBOOK SAVINGS PRODUCT

Over the 18-month roll out period for the Passbook Savings product, CAURIE-MF's portfolio has experienced impressive expansion on all levels. Its loan capacity has more than doubled. Income has tripled, allowing for many of the extension costs to be covered. Savings collected by CAURIE-MF has seen a six-fold explosion. It has transferred the bulk of the savings previously held in other MF institutions.

The only financial line that has realized modest growth is that of savings held by village banks for internal lending. The modest increase in internal lending is a result of the limited growth potential of the women's economic activities - activities that are incapable of absorbing much more loan capital. In addition, the women's confidence in CAURIE-MF has grown, thus they are more and more inclined to deposit their savings directly to CAURIE-MF. The women are aware that by depositing their savings into CAURIE-MF accounts, they are amplifying the amount of loans possible and allowing new village banks to enter the system.

BUILDING ON LESSONS LEARNED

The Passbook Savings product fueled an incredible period of growth for CAURIE-MF. While the MFI effectively managed concerns about competition and growth, several key lessons learned can help fellow practitioners in similar situations.

Participatory Approach in the Development of Operating Processes and Procedures

From the onset, CAURIE-MF conducted planning workshops for the development of the processes and procedures for the new savings product. These workshops included each level of staff, from tellers to senior management. By mobilizing all staff in the planning workshops and incorporating their feedback, the processes and procedures were well adapted to the realities in the field. Furthermore, CAURIE-MF staff felt greater ownership of these processes and procedures, which ensured a smoother implementation.

Invest in Staff Training and Development

CAURIE-MF improved efficiency by investing significant resources in training and follow up for all staff, from tellers to credit agents to senior staff. This commitment to staff had a two-fold affect. First, staff was given the right tools and information to undertake their responsibilities more efficiently. Secondly, staff morale and cohesion were greatly improved, which allows CAURIE-MF to more successively motivate staff in implementing new projects.

Maintain close ties to clientele even during periods of growth

While CAURIE-MF grew from serving 9,750 clients in June 2006 to 14,738 by December 2007, they maintained a close and personal relationship with their clients. Credit agents faithfully attend meetings, listen to clients' concerns, and are proactive savings product, the credit agents were well informed and trained to explain the changes for each village bank, especially since the credit agents had been part of the development of these processes and procedures. Seven new service points were also added to establish a local presence in more remote areas.

Foster Good Relations within the Competitive Environment

Aware of the possible threat the new savings product could pose to fellow microfinance institutions, CAURIE-MF capitalized on its good relations to develop a careful strategy to withdraw funds gradually without creating hostility. An emerging MFI needs to understand the competitive environment, identify its niche, and promote growth conscientiously to succeed.

Assess Management Information Systems Continuously

Management information system needs for MFIs are constantly evolving with growth and the introduction of new products. While CAURIE-MF launched Pyramidor at the beginning of the Passbook Savings product, the MIS could not meet all the information needs. Thus, CAURIE-MF transitioned to Financia for a more complete MIS. At this stage, CAURIE-MF is evaluating Financia and working with the programmers to ensure that it has the capacity to manage all necessary information effectively for future growth and new product launches.

Now that the Passbook Savings product has been successfully rolled out, CAURIE-MF is looking to build on these lessons learned and develop new products to meet client needs and promote growth. One product under development is a life and disability micro-insurance plan to protect clients and their families in case of death or total disability. This product will reimburse the total amount of the loan taken by the client when the unfortunate event occurs. Any amount of the loan already reimbursed by the client prior to the event will be paid out to the family. Another possible product is an individual loan product tailored for men to allow CAURIE-MF to diversify its client base from exclusively women.

These initiatives will benefit from the Passbook Savings experience and further CAURIE-MF's mission to provide appropriate microfinance services for poor micro entrepreneurs.

CAPITALIZING ON DREAMS AND DRIVE

By *KAREN COBOS*

Building on Lessons Learned

Fatou Mata Sall looks forward to coming to work every day. It was not so just a few years back before village banking arrived to open up opportunities in savings and credit. Since then, she has experienced a long but steady progression to becoming a successful business woman, juggling the needs of her immediate and extended family.

Fatou is 39 years old and a founding member of the village bank, Escale, in the town of Marasassoum in the Ziguinchor region of southern Senegal. Marasassoum is an isolated community, 40km from CAURIE-MF's regional office in Ziguinchor and accessible only by crossing on an outmoded ferry.

The village bank was launched five years ago and now has over 50 women. As one of these enterprising women, Fatou has taken control of her future. She has completed 11 six-month loan cycles. She is receiving loans equivalent to 550,000 FCFA (\$1,100) while accumulating nearly 650,000FCFA (\$1,300) in savings. Her business has grown from a ramshackle small fabric stand into a solid, established shop selling general wares. Before joining the village bank, Fatou had dreamed of receiving loans to expand her business, but could not access them through the local financial institutions.

It was the starter loan of \$30 that sparked her success. Developing her skills and her business one small loan at a time, Fatou has shown what the entrepreneur spirit is all about. To support five children and several brothers, her husband left for long periods of time in search of work. While the occasional funds sent by her husband helped cover the basic expenses, Fatou's business situation was stagnant. Even when her husband did return, he was not supportive of her business ambitions. He questioned her ability to undertake the business she had set out to do.

MOBILIZING SAVINGS
FOR CAURIE-MF
CLIENTS IN SENEGAL

After just one year in the village bank, Fatou's loans and subsequent savings cleared the way to opening her own shop. Her husband soon appreciated her drive and began to even help looking after the children so she could concentrate on the business.

But to her, this was just a first step. As her youngest son scrambles around the shop, she smiles while discussing her plans to diversify the goods offered in her shop and branching into high-quality textiles. She lists even larger aspirations, geared towards opening another shop or purchasing a truck.

These dreams are within reach as she qualifies for the new small business loan offered by CAURIE-MF to its most successful clients and funded largely by the savings collected from its village banking network.

Since becoming a permanent microfinance institution in October 2005, CAURIE-MF has capitalized on the opportunity to collect savings and expand its services to better serve remote areas like Marassasoum.

Fatou is a woman with plans and goals. CAURIE-MF is there to lend a helping hand when needed.

The Learning Paper Series is produced by MF Lifeline Grant recipients from various CRS country programs and partners. The purpose of these papers is to document key lessons learned via the grant projects and to disseminate that learning to other CRS programs, partners and interested practitioners.

CRS serves the poor in more than 100 countries on five continents and ranks among the world's major players in microfinance. Its investments in microfinance have helped to eliminate sources of economic injustice around the world.

AUTHORS: Karen Cobos, Program Manager for PQ, kcobos@sn.waro.crs.org

Patrick Obrist, CRS Fellow, pobrist@sn.waro.crs.org

Mamadou Lamine Gueye, Director of CAURIE-MF, caurie-mf@orange.sn

SERIES EDITOR: Wendy-Ann Rowe

Further information: mu@crs.org



228 W. Lexington Street
Baltimore, MD 21201-3413 USA
Tel: 1.410.625.2220 • www.crs.org