More! Better! Cheaper!
Savings Groups as Commodities

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Introduction

Leading savings group implementers are taking significant steps to bring costs down. Organizations are simplifying systems and encouraging independent replication – existing group members themselves forming new groups. Implementers are also beginning to compare costs between programs. Still, most people would agree that as an industry, we can do better.

While the variations among groups in terms of memory-based systems, written records, variable and fixed savings contributions, insurance funds, savings-to-loan ratios, gender inclusion, platforms for other services, and so on are fascinating, they are of trivial importance compared to the core value of the groups: providing people an opportunity to save and borrow transparently and at little or no cost. As far as I am concerned, savings groups are commodities; who the supplier is, or, in this case, the promoter, is less important, as long as we can get out the product affordably and on time. Let us not forget that these groups *all* work. All the intriguing details that I enjoy discussing as much as anyone else are, fundamentally, just icing on the cake. Let us first be sure to get the biggest cake possible into the oven, so that everyone will be served.

And so the question: what would it take to get community-based savings groups everywhere? There is convincing evidence that, once established in an area, savings groups will continue. But how can we get them into every village and neighborhood where they would be useful? To obtain this kind of scale we will have to face some hard facts about outreach and efficiency.

At the moment, how are we doing?

Current outreach and efficiency in the expansion of savings groups still fall short of the possibilities. Let us look at some numbers:

I worked for a large international donor in Uganda for five years, and our single biggest grant was for savings group promotion. Our grantees were particularly successful at creating groups, and we and other donors ended up with about 120,000 members after eighteen months of hard work. Rounding off, we spent $2.5 million over a year and a half to get to this point.

How does this effort correspond to the opportunity or the need? The FinScope Uganda study found that 8.1 million adult Ugandans have no financial services whatsoever.[1] A very conservative estimate is that half of them are potential savings group members, and many of those who are now clients of microfinance institutions and Savings and Credit Cooperatives might *also* profit from membership in savings groups, either in addition to, or in place of, the services they are now using. Let us say that the potential market for savings group membership is four million Ugandans. In that case, we reached 3.75 percent of the potential market, for two and a half million dollars. To reach the entire market at that rate of spending would cost $80 million, in one country of thirty million people. We are simply not going to find that amount of subsidy, nor should we. Such a strategy would not be the best use of scarce development resources. And this is Uganda. Multiply the cost in Uganda by the African continent, and you get costs in the billions of dollars.

Or consider this: during the period of eighteen months when we trained 120,000 group members, and had excellent donor and implementer coordination, Uganda's population increased by about ten times that number. That is, Uganda's population of twenty-eight million, with a 3.4 percent annual growth rate, is increasing by over 900,000 people per year.

One more thing: we are all used to saying, "Compare the cost of a new savings group member to the cost of a new client in a microfinance institution." This is an imperfect comparison for two reasons. First, microfinance institutions do a terrible job of reaching downward. In fact, no institution serves the population that is served by savings groups. At present, savings groups seem to be the only viable way to bring decent services to large numbers of very poor people in remote areas.

But second, and more important, it is out of date to compare savings groups to credit-only microfinance institutions. These credit-only operations are relics of the twentieth century, and, fortunately, they are rapidly being replaced by more sophisticated institutions. Credit-only microfinance institutions are too easy a target: let us be tougher on ourselves and compare savings group costs and outreach to those of institutions like Equity Bank, Afriland Bank, and Centenary Bank, which are among the African financial institutions of the future.

Two years ago, Equity added a million accounts in about twelve months with no donor operating subsidy, and is providing excellent outreach and depth that may soon be within shouting distance of the savings group market. A million clients at zero dollars each of donor funding: now, *that's* efficiency. Of course, Equity's clients are not quite the poor women sitting under the mango tree who belong to savings groups. Nonetheless, we should not feel superior to well-run financial institutions simply because we can incorporate new members into savings groups for twenty dollars a head.

Also, technology will surely come down to the savings group level, sooner or later. Mobile banking is still too expensive for many savings group members, if it is available at all. But someday soon it might be cheaper to buy poor people phones that they can use to facilitate savings and borrowing activities than to spend twenty dollars training them in a savings group approach. In the long run, technology usually wins.

Frankly, our assessment of costs betrays our donor orientation. Twenty dollars per member might be inexpensive compared to usual non-government organization (NGO) cost-per-beneficiary, but let us use a different standard: Ethiopia spends less than ten dollars per student annually on primary education; few if any sub-Saharan countries spend as much as one hundred dollars. No one thinks African primary education is a resounding success. However, in most countries, it represents a sincere attempt at inclusion, with ambitious goals bumping into severe resource constraints and growing pains.

Perhaps the quality of services in savings group programs is better than the quality of services in most school systems. However, national governments cannot afford to be elitist. Education ministries have a mandate to reach everyone, while we are reaching a tiny percentage of our market and not even keeping pace with population growth. In terms of ambition and outreach, I have to award the victory wreath to the schools: they are aiming much higher than we are, and they offer a year of a child's schooling for the same price that we offer a few training sessions to adults in procedures that we keep insisting, correctly, are easy to master.

Also, while I am always cheerfully ready to criticize microfinance institutions, let us not ignore their strengths, one of which is communicating simple messages effectively to large numbers of people. Of course, most microfinance training is simply training in loan repayment, achieved through a mix of information, threats, admonition, inspiring examples, anecdotes, lies, and evocations of religion and local tradition.

Even if the practice is not always noble, it is usually efficient. When I worked with Al Amana in Morocco, I used to watch groups of new clients lining up to go through the indoctrination in loan repayment that our agents provided. Our incentive system for the credit agents meant that they could double or even triple their salaries by training large numbers of people well. They got very, very good at it. Even a non-Arabic speaker like myself could see the friendly welcoming smiles alternating with dramatic flourishes, the eye contact, the frequent stops to have the clients repeat what had just been said, and the suspenseful pauses as they waited for each potential borrower to commit him or herself to one hundred percent respect of procedures.

The best agents had acolytes who would come to sit at the feet of the masters and learn their training techniques. As they got more effective, they also got more efficient. We had originally planned three one-hour sessions for clients before giving them loans. The best agents reduced the hour to forty-five minutes or less, and sometimes combined sessions. At the management level, we often did not know about these shortcuts, and we certainly did not care, as long as the results were good, which they almost always were.

However, with savings groups, one does not usually see the same incentives for high productivity. Community-based trainers – people from local communities charged with replicating savings groups – sometimes carry out thirty or forty visits to a group in the first year. Despite what we say about graduation, trainers often stick with the group after it had made its distribution, even when the group has clearly mastered everything it needs to know. I have often asked trainers and groups why the trainer is still coming to meetings, when the group seems to be carrying out its business quite well, thank you. "Well, they are doing a good job, but... they still need me," is a typical trainer response. The group says, "Well, we are fine, and we would do this just the same without the trainer, but... we still need her." This co-dependence seems to come from the desire of the group to have a continued window to the outside world through the implementing organization, and the desire of the implementing organization to have continued access to the groups. Fair enough. But this is not an efficient way to increase outreach. Someone else should pay for superfluous visits, not the donors trying to buy outreach.

The evaluation of savings group experience in Zanzibar[2] showed that many groups were not getting "enough" training and yet were functioning perfectly well. That conclusion seems to indicate two things: the model is robust; if you get it more or less right, it still works; and we overestimate the amount of training needed.

Now, what about situations where there are clear problems with group mastery of basic concepts? I have seen plenty of groups that were quite shaky in their understanding of the rules, or which were burdened by complicated record keeping systems that they were far from mastering, or groups which had invented modifications which experience elsewhere suggested would not work in the long run. I think it is highly likely that the problem in these cases lies not with the amount of training, but with its quality. In fact, some of the worst groups I ever saw – in Arua, Uganda – had received three years of regular visits and still had not mastered some of the most basic principles. Running a savings group is a simple task. If groups have been presented with the curriculum and still do not get it right, the problem is not in the number of training hours but in the quality of that training.

In fact, it is likely that giving groups large or indefinite numbers of training sessions will create more problems than benefits. Excessive training builds dependency, undercuts independence and self-reliance, delegates problem solving to outsiders, and is likely to lead the trainer to add unnecessary and complex bells and whistles to the system. A limited training budget will challenge creative trainers to innovate in terms of efficiency instead of complexity. The hardest thing about savings groups is keeping them simple.

We have only begun to think about efficiency in training techniques, and I suspect there is a lack of demand for efficiency and mastery at many different levels of the system. At the risk of offending almost everyone, I have to say that the savings group enterprise reflects its existence in the non-profit sector and not in the for-profit sector. Donors do not demand enough of their grantees. Grantees do not demand enough of their implementing partners. Partners, in turn, are too relaxed with the community-based trainers, and trainers do not project the demand for mastery that is a necessary element of effective training.

The best microfinance institutions keep reducing their interest rates as they grow, because they capture so many economies of scale. Two of these that I know fairly well, Al Amana in Morocco and Equity in Kenya have continued to reduce their costs while their profits continue to rise. However, economies of scale do not fall from the sky. One has to fight for them. Management needs to take hard decisions, including human resource decisions. Information and communication technology needs to play a larger role. Product design and pricing need to be scientific. Some of the best local microfinance institutions have had consultants sit in the banking hall, surreptitiously timing the average transaction time at the teller windows and working with management to shave off a few seconds here and there. What corresponds to that drive for efficiency within our savings group programs? How much efficiency, measured in cost per member, are we gaining as we move from 1,000 to 10,000 members, or 100,000 to a million?

Thoughts on the way forward

So, how to get more efficient? Mainly, we must seriously and systematically *learn from each other*. Here are some examples:

First, *work is easier with the right tools*. It is quite remarkable that many programs try to train rural people *without* pictures or other teaching aids, which are common in health, literacy and agriculture training. Let us find out the best low cost tools to give to community-based trainers.

Next, *let the members do some of the work*. If the results that some programs seem to be getting with independent or viral replication are as good as they look, it would be unconscionable for other programs not to borrow that approach. Enough said.

In Zanzibar, I saw two groups, an experienced group and a new one, meet together. In perfect discipline, the new group (of men) watched the older group (women) carry out a meeting. Then the newer group held their meeting and the older group watched. Then there was a short period for observations and the groups went on their way. That was the best savings group training I have ever seen.

Third, *keep it simple*. Groups function perfectly well without ledgers. Now, many groups still want to keep some kind of centralized records. But, that is their responsibility, not ours. The fact that groups like ledgers is not a reason to spend scarce resources in training them in their use. I suspect that keeping centralized ledgers can double the time required to train a group. Drop ’em, I say.

Also, let us *get serious about personnel costs*. There is a huge divergence in what trainers earn in different countries and programs, and in the levels and cost of support and management staff. In our case in Uganda, we funded multiple levels of staffing in international NGOs and multiple levels within a dozen local partners. This simply cannot be the most efficient approach, and funding will eventually find efficiency.

Then, let us all buy into an *efficiency-oriented research agenda*. The randomized control group tests that are being carried out now should tell us something about impact; to find out about efficiency, on the other hand, programs can simply experiment and record results with different service delivery models.

A principal determinant of the cost of group formation is the *number of contacts* between community-based trainers and groups. Let us do some tests in which we reduce those contacts towards the breaking point, and then back off a bit. Does anyone think we need more than thirty contacts to train adults? Okay, you do that, and record the results. How about twenty? Ten? Seven? How about an all-day training session once a month, instead of weekly sessions? How about training multiple groups at once? If we adjust the incentive systems so they reward trainers for getting the message across, instead of prescribing the number of training sessions, the thousands of trainers around the world will come up with some breakthroughs in efficiency that we never would have thought up. We should never underestimate the collective intelligence of large numbers of motivated people.

Let us invest a bit to *learn what other disciplines already know* about training of trainers and adult education. There is a huge literature in health and agriculture, and much local experience.

Finally, let us recognize the value of *competition and incentives*. Donors should not hesitate to fund multiple grantees in the same geographical area, and see who can get the most production the most efficiently. We should continue and intensify cross-country and cross-program comparisons. We should encourage implementing partners to switch from fixed salaries to incentive systems for community-based trainers. Efforts now underway to standardize the calculation of "cost-per-member" should be a huge step forward.

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[1] http://www.finscope.co.za/uganda.html

[2] Ezra Anyango, Ezekiel Esipisu, Lydia Opoku, Susan Johnson, Markku Malkamaki and Chris Mosuke, "Village Savings and Loan Associations – experience from Zanzibar," *Small Enterprise Development*, 18, no. 1 (2007): 11-24.