



## ***Encouraging Microsavings: How Do We Make It Happen?***

In the afternoon of Wednesday, April 8, **Lauren Hendricks**, Executive Director of Access Africa for CARE USA in Tanzania, chaired the workshop on “Encouraging Microsavings: How Do We Make It Happen?” This lively workshop provided a great opportunity for experts at mobilizing savings for the poor to share their experiences in the field, particularly in Africa and Asia. The panel of leading practitioners in savings included **Judith Aguga Acon**, Team Leader of Economic Rights and Livelihoods for CARE Uganda; **Nyambura Koigi**, Managing Director of Kenya Post Office Savings Bank; **Professor S.M. Huzzatul Islam Latifee**, Managing Director of Grameen Trust in Bangladesh; **Chief Bisi Ogunleye**, National Coordinator and Executive Director of the Country Women’s Association of Nigeria (COWAN); and **Soumaila Sogoba**, Technical Unit Director for Saving for Change at Oxfam America in Mali. The panel discussion focused primarily on the great demand for savings among the poor, best practices for mobilizing saving for the poor, and innovations that generate greater outreach to the poor.

Core themes that came up throughout the discussion included the consistent demand for saving products among the poor and the important role that savings plays in building assets for the poor (even if the amounts saved are relatively small); enhancing the sustainability of MFIs through the mobilization of savings; the empowerment of women and youth through savings; developing products that respond to the local context of clients; innovative and cost effective methods for increasing the mobilization of savings for the poor; and the role of formal financial institutions in support of savings mobilization.

The workshop on savings began with remarks from **Chief Bisi Ogunleye**, National Coordinator and Executive Director of COWAN, who explained, “The first thing we did was to use their group formation for [savings] membership and mobilization. We started with 225 women in the year 1982, and today we are helping 333,000 women. Every day it is their own decision that every member must save 29 naira (approximately US 20 cents)... If you multiply 20 [cents] times 333,000 [savers] you will see how much ... [can be saved] in a day, in a month and in a year [– it’s in the millions].”

“I say small drops of water makes a big ocean ...,” Chief Bisi proffered. “With this they can start their own business and become entrepreneurs ... and today we have our own bank. That is the involvement. That is the methodology ‘of the people, by the people, for the people’. It is the idea of coming together, serving together and solving the problem together, and the solution is sure and sustainability is sure.”

The panel discussion continued with comments from **Professor S.M. Huzzatul Islam Latifee**, Managing Director of Grameen Trust in Bangladesh. “From day one [Grameen Bank] started providing facilities for mobilizing savings from the poorest members [including beggars]. ... So today the Grameen Bank has a balance of ...

Wednesday, April 8, 2010

3:30 PM – 5:00 PM

Lenana Hall

### Panel:

*Chair: Ms. Lauren Hendricks, Executive Director, Access Africa, CARE USA, Tanzania*

*Ms. Judith Aguga Acon, Team Leader, Economic Rights and Livelihoods, CARE Uganda, Uganda*

*Ms. Nyambura Koigi, Managing Director, Kenya Post Office Savings Bank, Kenya*

*Professor S.M. Huzzatul Islam Latifee, Managing Director, Grameen Trust, Bangladesh*

*Chief Bisi Ogunleye, National Coordinator and Executive Director, Country Women’s Association of Nigeria (COWAN)*

*Mr. Soumaila Sogoba, Director Technical Unit, Saving for Change, Oxfam America, Mali*

US\$1.2 billion in deposits ... [and offers a variety of] different saving products with different durations and different rates of interest,” Professor Latifee shared.

“We believe that saving is important for ... every human being even if they are poor, whether [they are a] man or a woman,” he continued. “[They] want to save for different reasons, for different motives. So given the need and given the importance of saving, we think that there should be a reliable regulatory framework for organizations both in the semi-formal and formal sector so that people can save with ... confidence. There should be a sense of security, and there should be a lot of flexibility.”

The third speaker on the panel was **Nyambura Koigi**, Managing Director of the Kenya Post Office Savings Bank, who shared her experience with savings in Kenya. “We are a savings bank that specializes in mobilization of savings mainly from the poor and low-income [people],” she explained. “We have 1.2 million accounts ... [and] a portfolio of about 12 billion Kenyan shillings (nearly US \$150 million). What we have learned over the years is that the poor do save, and we have [developed] a portfolio of savings products that meet the [various] savings needs of our clients. We have, in total, 18 savings products, some are time deposits and others are transaction accounts. Indeed, throughout the period we have been in operation, we have found that there is a need for savings. While everybody concentrates on microcredit, we do know that in savings there is a lot of room for all of us to participate, and indeed everybody requires savings. Because as we know, traditionally in African culture we do save—in seeds and cows and goats—and it is just a matter of translating the savings that we have in the house into monetary terms.”

**Judith Aguga Acon**, Team Leader of Economic Rights and Livelihoods for CARE Uganda, followed up with an overview of CARE’s savings program for the poor in Uganda. “At CARE International, we are promoting a methodology known as ‘Village Savings and Loans’ [(VSLA)] ... whereby clients, members or individuals, very poor people ... form a group [of 25-30 people] and save within that group, and then [they] all lend within that group,” she recounted. “That is the methodology we are promoting. In CARE Uganda, we have been promoting this since back in 1998, but intensively, we have been doing this since 2005. It works. The Village Savings and Loans methodology is great ... because in just the last two years (2008-2009), we ... [reached] 267,000 clients, and we were able to mobilize savings worth US \$3.85 million.”

“Most of the clients save between 25 to 50 cents per week ... they manage their groups, they keep the records, and at the end of the year (usually between 8 to 12 months), they dissolve the group and then share out their savings and any profit that would have occurred through the year.”

“[Additionally,] with the VSLA saving methodology people are free to save, and they have the flexibility to use their savings as they feel like—just like most of us are privileged to do. If I want to buy a mattress, I am free to use it [my savings]. If I want to buy whatever I want, I am free to use it. So we don’t lock these people’s savings; we give them the freedom to use it whether they are investing it in unproductive assets or productive assets. It’s really their choice,” she concluded.

At this point in the panel discussion, Ms. Hendricks, Executive Director of Access

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Africa, CARE USA, operating from Tanzania, raised the question, “How large do you think the demand is in Africa for saving among the very poor?”

Ms. Koigi described “developing market-led products ... [that respond to] the serious savings needs of the people” by going to the market place to survey potential savers. “[W]e have come up with transaction accounts for people who wish to save on a daily basis. We have also found that there are others who need to save for the purpose of educating their children or for buying an asset, mainly land, such as a plot on which to build a house.”

Chief Bisi told of Nigerian women taking an active role in government through a COWAN savings program to cover campaign expenses. This product “will enable women to be able to have enough money to stand [for] election. ... [P]oor women agreed that we should have more women in politics. By saving only 10 naira a day ... times [the] number of the women [saving], at the end of the year [1999] ... 26 women [received enough money] to run [for] election, and *16 of them won!* [During] the next election [in] 2003, they [women in this program] gave money to 48 women, and 38 of them won the election.”

Chief Bisi also pointed out very wisely that “every woman is a potential widow, and many women, especially in Africa, never prepare for that status.” It is critical for women to have savings in order to take care of their families, especially if they are faced with the sudden and unexpected demise of their spouse.

Ms. Hendricks posed a follow-up question to the discussion, and asked “How we can reduce transaction costs for both formal and informal sector savings to increase access?”

“Cost is definitely a very important factor to consider,” Prof. Latifee responded. “It’s a question of taking saving products to the farthest step of poor savers, and that is possible if there is a good ... wide network reaching the poorest in different parts of the country.... [I]n the Grameen experience we see [that] if you can combine these two rural products and savings products in one program, [then] actually the cost of developing savings products stays very insignificant. ... It is quite significant for the organization itself, because ... [it] is engaged in on-lending activities, [and] they need a lot of funds to increase outreach, to increase daily operations and all these things. And it is cheaper to take savings ... which is definitely lower than the rate you have to pay if you are borrowing from formal financial institutions. And it also makes the program less dependent ... on borrowed money. So ... savings are important in both ways; it is important for the savers ... [and] it is important for the program [or organization] which is operating ... [and] implementing this program.”

Ms. Aguga Acon of CARE Uganda described initiatives to provide safe and cost-effective deposit options for their accumulated savings. “[W]e recognize that most of the times the groups are saving much more money than their capacity to borrow, so they have excess money with them ... [and] there is high risk for ... this box [of cash to get stolen]. [W]e are exploring linkages and with formal financial institutions ... [which] may also reduce costs for the bank to set up a branch ... because as you know, setting up a branch is ... very expensive.”

“The other innovative way in which to cut costs has been for us ... to explore the use of what we call the ‘village agent’ model. This village agent is a person who has been a member of the group and has ... experience being a secretary or the chairperson of the group ... and we are trying to see how this person can be the link with the formal financial institution in order to facilitate the relationship between the VSLA and the formal banks. We are also exploring the user of mobile networks ... Kenya Women Finance Trust is using M-PESA here for the paying the credit and also providing savings on their loans. [In Uganda] we are [also] trying to see how we can engage ZAP ... the Z network and mobile money ... [on] the internet, so we can work with them as far as reducing costs and mobilizing savings.”

Ms. Koigi concurred with Ms. Acon. “[A]t the end of the day,” she described, “we want to offer an efficient product to the customer that is cost effective. At Kenya Post Bank, what we have done is deploy efficient point of sale terminals that use solar energy or batteries ... in rural areas to collect deposits. We have also used M-PESA for disbursement and collection of deposits ... not only to collect the money at the counter but the money going directly to your account [as well]. That is very cost effective.”

“[W]e are rolling out about 1,000 village agents in rural areas ... [so that we are able to take savings in rural communities]—and that way ... we will be able to reach ... millions of people who currently have no place to save.”

Chief Bisi also shared COWAN’s innovative and effective “low-tech” approaches to cost savings. “[T]o cut costs we have a methodology called ‘10 Trusting 10’. You go to a village, you get 10 women leaders that you tell a story to, [and] ... each of the 10 will tell the same story to another 10 ... [and so on]. ... [B]efore the end of the day, the whole village will know about the story you came to tell them, and it does not cost any money.” Additionally, COWAN engages in savings and commerce through food banks, and they encourage the creation of small leadership teams among women at the village level who take responsibility for activities in their communities.

**Soumaila Sogoba**, Technical Unit Director for Saving for Change at Oxfam America in Mali, added to the rich conversation on costs savings and innovation, by sharing his organization’s unique and highly effective approach to providing savings for the poor [*Translated from French*]. “When we started the [Savings for Change] program in 2005,” he recounted, “we went on the assumption that in every group we could find at least one person who could account for and manage the savings being collected. But very quickly we realized that it could be a barrier for quite a number of our groups [to identify such a person]. So what did we do? We developed ... an accounting system based on an oral record of all transactions made by group members. Soon the groups were able to manage their financial transactions without needing anyone else. Then, as we wanted to expand the program ... we developed a picture-based manual ... [that explains the ‘Savings for Change’ program for those who are not able to read or write].”

**Following are some key comments from the Q&A session:**

**Comment from Ms. Koigi on infrastructure investments to take savings:** “On the issue of information systems, indeed ... it is an expensive venture, and for us, we have 92 branches that are all online.... [W]e had our own funds to do this, but we

also borrowed. We looked for a business partner who you can borrow from at a concessionary rate, and we borrowed from the ADB (the African Development Bank).”

**Comments from Ms. Aguga Acon on empowerment through savings:** “For us in CARE Uganda, we recognize the great impact that the VSLA methodology has resulted in [for] the lives of the different people that we meet.”

“[I]t’s not only about women’s empowerment, but men are coming on-board [as well]. ... Men who were [initially] standing at the front watching and saying, ‘this is useless, this is no money, they are saving 25 cents a week, this is going nowhere’ ... [are observing members of] the group ... [who] are walking out with US \$150 or \$75 ... or \$50 [in savings]. [And] these women—[who] have never ... saved even \$5 [in their whole lives]—they are proud women, and they are going to save again. And most of the time ... if the original amount was 25 cents ... they usually double it ... [to] 50 cents per week [in the second cycle], [which we see as proof of] ... impact, because if there was not a change in their lives, they would not do that [double their per-week saving]. [A]s a result of the first cycle, [most of the men] ... recognize the [financial] decisions the women are making in the home, [and] they allow the women to participate [more actively] in the decision making of the house, and [then] the men will tell you [that] they [will] also join the group.”

**Comments from Ms. Aguga Acon on VSLA for urban areas:** “[Also,] for those who do not know, in Uganda, at almost every other two to three doors there’s a microfinance bank or SACCO or money lender or something like that—especially in the urban areas. [So] last year, we took a leap of faith ... to try to implement the VSLA methodology in the urban areas ... [of] Kampala. ... We didn’t expect people to respond to the VSLA [method], but in less than two months we were able to mobilize 800 people to the methodology, and that justified and gave us more firm ground that this methodology is even very relevant in urban Kampala.”

**Comment from Mr. Sogoba on youth** [*Translated from French*]: “There is also another interesting point in relation to ... the experience we have had with youth groups. ... [To] our great surprise, we saw that ... children [around the ages] of 12 to 13 have started to imitate exactly what their mothers are doing during their savings group meetings.” Even though they do not have the same savings targets, surveys with the children confirm that they have actually started their own saving groups as well.

**Comment from Chief Bisi on formal banks moving down market:** “The group that we are having problems with is the formal banks. Instead of ... [reaching out to their traditional client base] everybody now wants to collect savings from the poor ... [which is] false advertisement. We don’t have all the machinery they have; we don’t have all the money they have, so they want to make us useless. But because the people trust us, we are not useless.”

**Comment from Ms. Koigi on creating a culture of savings and trust:** “We hold financial literacy programs in every region [of Kenya] and we are informing people of the need to save and we give people life examples. ... People who have benefitted from their savings come and [share] their stories.... We have a product called ‘Save as You Earn’ ... [in which we explain], ‘You have ten, you eat five; you use five, and

you save five'. That helps them see that whatever you have, you indeed have, but you can [keep] some for saving. And of course using the traditional folklore ... [for example,] when the chicken hatches or lays the eggs they do not use all the eggs at once, some are put aside for later. So we just translate that into shillings, and they are able to see the need for savings. ... [Also,] when you are collecting the savings from the very poor they will not keep it for very long, so then you have to educate them and tell them the need for having the savings for a longer period. [Plus] we do give [interest] on savings, but the key thing ... is the issue of trust. They [the clients] have to trust you to keep their funds [safe]."



**Comment from Ms. Aguga Acon:** "When I joined CARE, I was like some of you, doubting that [VSLA could work so easily]. ... For the first six months that I was seeing this methodology, I monitored it with every breath of my life. ... I was so convinced [it wouldn't work]. ... I said, 'I want to see what happens in six months,' and in six months we were able to mobilize over 32,000 clients ... [who deposited] two billion Uganda shillings (US \$875,000). ... I had to immediately call people in microfinance, the bankers, and the donors ... and say, 'There is something here, because I couldn't believe it!'"



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"Right now most of you, the FDIs [(foreign direct investors)], the banks, you are looking at loans as one of your key products ... but if you want to reach the poor people, savings has to be the number one goal. Savings first, then loans come later. As long as you are going to preach the gospel according to loans you will get it wrong."

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